



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

SEVENTY-THIRD REPORT TO THE PARLIAMENT

REPORT ON THE 2007-08 BUDGET ESTIMATES – PART ONE

MAY 2007

Ordered to be
printed

By Authority
Government Printer for the State of Victoria

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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Parliament of Victoria

Public Accounts and Estimates Committee

Report on the 2007-08 Budget Estimates – Part One

ISBN 0 9758189 4 5

The series of reports on the 2007-08 Budget Estimates produced by the Committee will consist of three parts and include:

Part One

- departmental reviews based on responses provided by departments and the parliamentary departments to the Committee's budget estimates questionnaire;
- an index of key matters raised at the first 23 budget estimates hearings to 11 May 2007;
- associated questions taken on notice, unasked questions and a list of documents presented by ministers; and
- transcripts of proceedings of the budget estimates hearings to 11 May 2007.

Part Two

- departmental reviews incorporating additional information sought by the Committee;
- an index of key matters raised at the remaining 20 budget estimates hearings to 31 May 2007;
- associated questions taken on notice, unasked questions and a list of documents presented by ministers; and
- transcripts of proceedings for the remaining 20 budget estimates hearings to 31 May 2007.

Part Three

- information relating to responses received to questions taken on notice and unasked questions emanating from the first and second rounds of hearings; and
- analysis, key findings and recommendations relating to the budget estimates for 2007-08

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT

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DUTIES OF THE COMMITTEE

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 and all political parties.

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; and
- 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.

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 INTRODUCTION

I am very pleased to present this report of the Public Accounts and Estimates Committee to Parliament on the initial component of the Committee's round of 2007-08 Budget Estimates hearings. It is the first report of the Committee for the 56th Parliament of Victoria.

The report covers the first 23 budget estimates hearings held up to 11 May 2007. The Committee intends to present a second report to Parliament on the remaining 20 hearings soon after their completion. A final report on the estimates will be presented to Parliament in the middle of the year.

In addition to transcripts of proceedings for each of the 23 hearings the report summarises, on a portfolio basis:

- the key matters raised at the hearings in the form of the Committee's questions and responses from ministers;
- questions taken on notice by ministers for which written responses are due by specified dates;
- unasked questions of the Committee also referred to ministers for written responses; and
- documents presented by ministers to the Committee at hearings.

The report also itemises responses received from departments to the Committee's 2007-08 Budget Estimates questionnaire. These responses address a range of issues associated with the impact of the budget on departmental operations and future directions.

Some sense of the importance of the Committee's annual budget estimates hearings can be gleaned from the fact that the government's 2007-08 budget envisages operating revenue of around \$34.3 billion and operating expenditure of \$33.9 billion. On the capital side, new net annual infrastructure investments are expected to average \$3.3 billion over each of the four years to 2010-11.

With these large financial estimates, the issues canvassed at the estimates hearings become central to an awareness and understanding of the key strategic directions and initiatives underway within each portfolio flowing from the budget. Those issues also provide an insight into the thinking of the Committee on matters relating to productivity, performance and accountability in portfolios and across government.

The main purpose of the Committee providing early reports to Parliament is to assist in the consideration of the 2007-08 appropriation bills before Parliament. These bills, when passed, provide authority for the government to deliver planned services and commence new asset investment programs. The aim of the Committee is to enhance the information available to members on the budget and, in turn, to enrich the Parliament's debate on the bills.

Early presentation to Parliament of the results of the estimates hearings is also consistent with a recommendation of the Auditor-General in the April 2003 report *Parliamentary control and management of appropriations*. In addition, this report provides the Victorian public with access through Parliament to the range of issues raised by the Committee in hearings with the Ministers.

The Committee has been heartened by comments of the Hon. S Bracks, Premier of Victoria, at a budget estimates hearing on 3 May 2007. Referring to the government's respect for the work of the Committee, the Premier stated that:

...PAEC has a different role and function to other joint parliamentary committees. It is a different function. It ranges over the whole of government. It has an estimates hearing in which ministers make submissions, and it can call in government departments for those submissions as well. It reports to Parliament on the overall estimates, and those recommendations are very important for government activity.

The Premier also announced additional annual funding of \$360,000 to augment the Committee's activities. On behalf of the Committee, I express my appreciation to the Premier for this additional financial assistance.

I wish to thank Ministers, Presiding Officers and their accompanying staff for their time and quality input into the deliberations at each hearing. I also thank the members of the Committee for their commitment and cooperation at hearings. Finally, my particular thanks, on behalf of the Committee, go to members of the Committee's secretariat for their extraordinary efforts in ensuring the competent and timely preparation of material for this report.

I commend the report to all Members of Parliament and encourage them to draw on the report's contents as they assess the merits of the 2007-08 appropriation bills.



Bob Stensholt, MP

Chair

CHAPTER 1: INTRODUCTION

1.1 Background

All moneys the government receives from taxes, imposts, rates, duties and other revenues (such as royalties) are paid into the Consolidated Fund. Each year, the government introduces appropriation bills into Parliament, so authority can be given to spend money from the Consolidated Fund.

On 1 May 2007, the government introduced two appropriation bills: the *Appropriation (2007/08) Bill* and the *Appropriation (Parliament 2007/08) Bill*, into Parliament. These bills, when passed, will enable the government and the Parliament respectively to deliver planned services and embark on new asset investments during 2007-08.

The appropriation bills seek parliamentary authority to draw an amount of \$28,522.1 million from the Consolidated Fund in 2007-08 for government purposes and \$92.1 million for the funding of Parliament's activities.

1.1.1 Budget estimates

Section 40 of the *Financial Management Act 1994* requires the government to submit to Parliament, along with the appropriation bills, the budget estimates for the forthcoming financial year. The budget estimates include, for the relevant financial year, particulars of:

- goods and services each government department will provide or produce;
- 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.

The budget estimates also deal with the application of funds that do not require annual parliamentary authority such as special appropriations, \$1,842.6 million; where there is continuing authority derived from specific legislation, agency revenue credited to appropriations, \$2,237.4 million; and prior year appropriations, \$535.1 million, carried over to the budget year.

The 2007-08 Budget Estimates identify that the government expects total income from transactions of around \$34,269.2 million and total expenditure from transactions of \$33,944.9 million. In addition, new net annual infrastructure investments are expected to average \$3,300 million over each of the four years to 2010-11.

1.2 Process followed by the Public Accounts and Estimates Committee for its review of the 2007-08 Budget Estimates

The Public Accounts and Estimates Committee is responsible for undertaking a review of the budget estimates including revenues contained in the budget papers. This review assists Parliament to more effectively scrutinise the activities of government.

This part of the report itemises responses received from departments to the Committee's 2007-08 budget estimates questionnaire and, for each of the first 23 hearings held up to 11 May 2007, summarises key matters raised and responded to by ministers; questions taken on notice by ministers

for a later written response; questions unasked by members of the Committee and also referred to ministers for a subsequent written response; and a list of documents presented by ministers.

Part two of the report will be presented to the Parliament on the remaining 20 hearings soon after their completion. It will include additional information sought by the Committee on departmental responses to the 2007-08 budget estimates questionnaire; an index of key matters raised at the remaining 20 budget estimates hearings to 31 May 2007; associated questions taken on notice, unasked questions and a list of documents presented by ministers.

Part three of the report will contain information relating to responses received to questions taken on notice and unasked questions emanating from the hearings; and analysis, key findings and recommendations relating to the 2007-08 budget estimates.

The principal intention of the Committee, in presenting early reports to Parliament on the 2007-08 Budget Estimates, is to assist Members of Parliament in their consideration of the appropriation bills and, in turn, to enrich the Parliament's debate on the bills.

1.2.1 *Departmental budget estimates questionnaire*

Prior to the budget estimates hearings, the Committee sends 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. For the 2007-08 Budget Estimates questionnaire, the Committee focused on the following issues:

- output responsibilities and initiatives;
- staffing matters;
- departmental financial statements (operating statement, administered items statement and balance sheet) and budget development assumptions;
- carry over funding from 2006-07;
- performance measures;
- departmental savings;
- departmental asset investments;
- communications, advertising and promotion; and
- implications arising from the National Reform Agenda.

Responses received from departments are itemised in each section of this report.

1.2.2 *Acknowledgment*

The Committee is grateful to the Premier, ministers, Presiding Officers and their accompanying staff for their assistance at the budget estimates hearings held to date.

CHAPTER 2: PARLIAMENTARY DEPARTMENTS

Departmental review

2.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Parliamentary departments on 7 May 2007. Detailed information was provided in response to some questions while others were limited in that not all information requested was provided. The Committee is seeking supplementary information to ensure a comprehensive oversight of the activities of the Parliamentary departments. The Committee accepts that, in future, it may be necessary to adjust the questionnaire to take into account the special nature of the Parliament. Sections 2.2 – 2.8 detail that response.

2.2 Factors impacting on the formulation of the budget and associated outcomes

2.2.1 Key assumptions

The key assumptions used to develop the budget projections for the parliamentary departments for 2007-08 include:

- members' requests for relocation and refurbishment of electoral offices;
- no claims for the Parliamentary Officers' Enterprise Bargaining Agreements have been included within the budget projections;
- relocation of parliamentary services and committees to 55 St Andrews Place to take place in late 2006-07 and into early 2007-08; and
- increased operating costs have been included where possible, including motor vehicles, fringe benefits tax, increased fuel costs and estimated CPI increases.

2.2.2 Changes to major government objectives

This part does not apply to the Parliamentary departments.

2.2.3 National Reform Agenda

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform; and
- Human Capital Reform.

The NRA does not impact on the Parliament of Victoria's operations. Consequently, the NRA does not have any implications for departmental services and no state funding has been allocated to the parliamentary departments for 2007-08 for initiatives under the NRA.

2.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

Wide area network upgrade

Funding has been provided for just under \$1 million per annum on an ongoing basis, to increase the capacity and speed of the Wide Area Network (WAN), linking all electorate offices to the Parliament House IT Infrastructure. The increase will take the IT Wide Area Network from 512 kilobytes per second to 4 megabytes per second, the standard advocated by MultiMedia Victoria for public sector infrastructure.

Electorate Offices will see significantly increased network communication speeds. This will also allow the Parliament to implement a risk mitigation strategy as a back up of all Electorate Office electronic files stored on the server. Prior to this initiative, the speed at which this could be undertaken made it a time consuming exercise which would interrupt normal business processes.

Relocation and refurbishment of electorate offices

Funding has been provided for the 2007-08 (\$1.62 million) and 2008-09 (\$720,000) financial years. This funding is to relocate or refurbish electorate offices that need to be changed as a result of the 2006 state election. The changes that took place within the Legislative Council have resulted in some regions not having enough offices for the members representing that region. New offices need to be located for these members with some leases terminated where there were surplus offices in other regions. A number of electorate offices also require refurbishment as they do not meet disability access requirements.

Infrastructure upgrade at 55 St Andrews Place

The Department of Parliamentary Services (DPS) and the Parliamentary Investigatory Committees are relocating from their existing premises at 35 and 157 Spring Street to 55 St Andrews Place. This has allowed the Parliament to review its infrastructure needs and make improvements to existing operations where possible. This asset initiative funding of just under \$1 million will assist with the audio visual fit out of the new committee hearing rooms at 55 St Andrews Place. This will include each of the committee hearing rooms being equipped with video conferencing technology to assist with hearings.

A server rationalisation program will also take place within the Parliament and some of this funding will also be allocated to the replacement of outdated and failing servers currently being used by the Parliament.

The Committee is awaiting further information from the department on the following output initiatives:

- Electorate office wide area network upgrade
- Relocation and refurbishment of electorate offices and
- Infrastructure upgrade at 55 St Andrews Place

The information requested relates primarily to staffing implications, reference to output items in the budget papers and annual expenditure figures for each forward budget year. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

2.4 Departmental asset investment

The parliamentary departments' asset investment projects for which capital expenditure is budgeted to occur in 2007-08 are as follows:

- additional infrastructure at 55 St Andrews Place;
- continuation of cabling upgrade in Parliament House; and
- replacement of switchboards in Parliament House

The Committee is awaiting further information from the departments on the envisaged annual expenditure amounts relating to each of the above asset investment projects. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

2.5 Financial information

2.5.1 Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards

While the Parliament of Victoria has undertaken the requirements to ensure its financial reporting is compliant with Australian equivalents to the International Financial Reporting Standards (A-IFRS), the A-IFRS has had little or no impact on the preparation of the Parliament's 2007-08 budget and on the preparation of the Estimated Financial Statements of the Parliament for 2007-08.

2.5.2 Revenue and expenditure

Table 2.1 provides information on revenue and expenditure for controlled and administered operating statements for the parliamentary departments.

**Table 2.1: Parliamentary departments
Operating statement**

Controlled items	Column 1	Column 2	Column (2-1)/1
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions			
Output appropriations	71.7	78.2	9.1
Special appropriations	19.0	19.0	0.0
Sale of goods and services	0.0	0.0	0.0
Commonwealth grants	0.0	0.0	0.0
Fines and fees	0.0	0.0	0.0
Revenue from other parties and other income	0.0	0.0	0.0
Total	90.7	97.2	7.2
Expenses from transactions			
Employee benefits	45.0	45.2	0.4
Supplies and services	45.7	52.0	13.8
Depreciation and amortisation	0.0	0.0	0.0
Grants and other payments	0.0	0.0	0.0
Capital assets charge	0.0	0.0	0.0
Finance costs	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0
Total	90.7	97.2	7.2
Net result from transactions	0.0	0.0	0.0
Income/expenses from other economic flows	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0
Net result	0.0	0.0	0.0

Note: Parliamentary departments do not have any administered items

2.5.3 Assets, liabilities and equity

Table 2.2 provides information on the financial position for controlled and administered items for the parliamentary departments.

**Table 2.2: Parliamentary departments
Balance sheet**

Controlled items	Column 1	Column 2	Column (2-1)/1
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets			
Other financial assets	0.0	0.0	0.0
Receivables	28.3	32.3	14.1
Property, plant and equipment	198.8	206.0	3.6
Other	0.0	0.0	0.0
Total assets	227.1	238.3	4.9
Liabilities			
Payables	1.9	1.9	0.0
Interest bearing liabilities	3.7	3.7	0.0
Employee provisions	6.5	6.5	0.0
Other	0.2	0.2	0.0
Total liabilities	12.3	12.3	0.0
Net assets	214.8	226.0	5.2
Equity			
Contributed capital	156.3	167.5	7.2
Accumulated surplus	10.5	10.5	0.0
Reserves	48.0	48.0	0.0
Total equity	214.8	226.0	5.2

Note: Parliamentary departments do not have any administered items

2.5.4 Carry over funding

Output funding carry over

Output funding for a total of \$3 million is anticipated to be carried forward into 2007-08. \$2.5 million of this relates to a carry over of members' unspent electorate office budgets and allowances with the remaining \$500,000 being a delay in the final payment for the associated fit out at 55 St Andrews Place for the relocation of the Parliamentary Investigatory Committees and the Department of Parliamentary Services.

Additions to net asset base funding carry over

Additions to the Net Asset Base (ATNAB) are anticipated to be carried forward for the amount of \$5.8 million. This relates to the following asset projects:

- Parliament heritage asset management strategy** – This funding allocated for the 2006-07 budget (\$3 million) is required to be carried over into 2007-08 as the strategy was firstly delayed whilst in depth consultant reports were completed on the amount of work required, before awarding tenders for the works to be commenced. A significant amount of work has been done on this project to date, with work in 2007-08 anticipated to bring the project back onto the original timeframe.

- **55 St Andrews Place** – It is anticipated that the works being completed at 55 St Andrews Place for the relocation of the Parliamentary Committees from 35 Spring Street and the Department of Parliamentary Services from 157 Spring Street will take place some time over June-July 2007. Final payments for the tenant fit out (\$2 million) are anticipated to take place in late July requiring this asset funding to be carried forward to meet the change in timing of these payments.
- **Legislative Council and Assembly chambers sound system upgrade** – A delay in the awarding of the tender and the need to coordinate works around the new calendar of sittings for the Council and Assembly have pushed the timeframe for the completion of this initiative into the 2007-08 financial period. The works have been scheduled to be completed in weeks when the Council and Assembly are not sitting, and involves a significant amount (\$800,000) of setting up and packing up of equipment to ensure that the chambers are available in sitting weeks.

Factors expected to contribute to the carry over of funding

Output funding carry overs are primarily impacted by the spend patterns of the Members of Parliament. If members do not spend all the funds within their Electorate Office Budgets or Printing and Communications Allowances in a financial year, members are entitled to carry over to a predetermined amount.

Additions to Net Asset Base funding carry overs are impacted by the completion of projects. The items carried forward from 2006-07 to 2007-08 are all timing issues where the works were unable to be completed within the estimated timeframes. The staggered parliamentary sitting schedule has also impacted on these initiatives being completed on time as they add a level of complexity to the project, requiring that they be scheduled over non-sitting weeks and requiring additional time for setting up and cleaning up between sitting weeks.

2.5.5 Revenue raising initiatives

No changes are anticipated for new revenue raising initiatives. No major changes to existing revenue initiatives are anticipated.

2.5.6 Departmental savings

The Department of Parliamentary Services is in discussion with VicFleet and Department of Treasury and Finance to undertake a review of the current Member of Parliament motor vehicle expenditure to see if any cost savings can be generated.

As this is a review not yet commenced, the Parliament is unable to quantify the possible cost savings that may be generated.

Various areas within the Member of Parliament Motor Vehicle Plan will be investigated to see if any cost savings can be generated.

2.6 Communication, advertising and promotion

The communication, advertising and promotion budget for 2007-08, compared with the previous two years, for Parliamentary departments is shown in Table 2.3 below.

**Table 2.3: Parliamentary departments
Communication, advertising and promotion budget**

	2005-06 Actual	2006-07 Annualised Actual	2007-08 Estimated Budget
	(\$)	(\$)	(\$)
Legislative Council	3,763	6,519	5,000
Legislative Assembly	2,890	13,602	8,000
Parliamentary Services	37,342	31,693	33,000
Committees	112,516	31,651	130,000
Members	155,787	168,651	190,000
150th Anniversary	0	54,263	0
Total	312,298	306,379	366,000

Advertising in 2006-07 will be lower than in previous years, specifically for committees, as the state election was held in November 2006. The activities of the committees drop considerably around the time of an election as they are concluding and reporting on any outstanding inquiries, and do not commence new inquiries until the next Parliament has commenced.

Advertising within parliamentary departments will also include recruitment expenditure in some cases.

The 150th celebrations were concluded in 2006 and no additional advertising expenditure is anticipated in 2007-08

Machinery of government changes do not impact on the Parliament and consequently, have not been commented on in the parliamentary departments' response.

2.7 Departmental workforce

Parliamentary departments have estimated that at 30 June 2008, it will have a total workforce of 428.75 equivalent full-time staff (EFT). This includes 33.38 within the Legislative Assembly, 22.60 within the Legislative Council, 330.57 within Parliamentary Services and 42.20 within Joint Investigatory Committees.

This represents a nil increase on the 30 June 2007 estimate and a decrease of 8.28 EFT staff (1.89 per cent) on the 30 June 2006 actual.

Table 2.4 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the parliamentary departments and its major budget funded components.

**Table 2.4: Parliamentary departments
Staff Numbers**

	30 June 2006 Actual (EFT)	30 June 2007 Estimated (EFT)	30 June 2008 Estimated (EFT)
Legislative Assembly	32.95	33.38	33.38
Legislative Council	21.00	22.60	22.60
Parliamentary Services	335.48	330.57	330.57
Joint Investigatory Committees	47.60	42.20	42.20
Total	437.03	428.75	428.75

2.8 Performance measures – changes

No major changes have been made to performance measures or outputs/deliverables from 2006-07. Some minor changes have taken place with a couple of performance measure targets being increased to reflect actual activities.

2.9 Parliamentary departments hearing

2.9.1 Introduction

The Committee received evidence from the Hon. R Smith, President of the Legislative Council and the Hon. J Lindell, Speaker of the Legislative Assembly, on 11 May 2007. The Presiding Officers provided an overview of the Parliamentary departments at the start of the hearing. The duration of the budget estimates hearing was approximately two hours. The Committee thanks the Presiding Officers and accompanying officers for their attendance and assistance.

2.9.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the budget estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 2.9.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 2.9.4) should be submitted to the Committee by 15 June 2007. These answers will be considered by the Committee for inclusion in a further report.

2.9.3 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

Environmental considerations

- costs and arrangements for the security of Parliament House (p.5);
- development and implementation of the Parliament-wide environmental management system (pp.5–6);
- the potential to reconfigure the motor vehicle fleet to offset carbon emissions (p.20); and
- environmental issues surrounding electorate offices (p.20).

Upgrade of parliamentary systems

- strategies in place to ensure the continued upgrading and best practice service delivery when the new computers are installed in electorate offices (pp.6–7);
- extent of exploratory work undertaken to assess the potential for the upgrade of the Wide Area Network to utilise the latest communications technology (such as voice-over-IP) to save on communication costs (p.10);
- potential for provision of mobile broadband to the laptops of Members of Parliament (p.22);
- proposed process of disposal of existing computers once new computers are installed (pp.7-8); and
- adequacy of technology and equipment maintenance schedule applying to the ringing of the bells and members' pagers (pp.18–19).

Electorate offices of Members of Parliament

- number of Upper House members awaiting to be provided with electorate offices and the reasons why this issue remains ongoing (pp.8–9); and
- transition program for Lower House members from the 55th to the 56th Parliament (pp.11–12).

Satisfaction of members, staff and officers with the quality of services

- reduction in the 2006-07 target and expected outcome for the level of satisfaction of members, staff and officers with the services provided (p.12);
- identification of the areas of dissatisfaction with parliamentary services and proposed action (pp.12–13); and
- furniture, fittings and working conditions of Members of Parliament (p.19).

Provision of disability facilities for disabled citizens at electorate offices

- inability of members to obtain compliance information regarding disability accessibility to their electorate offices (pp.9–10); and
- clarification of equal opportunity requirements in regard to disabilities (pp.9–10).

Level and methods of funding of Parliamentary Committees

- level and method of funding for select committees (pp.10–11, 13–14);
- resourcing and classification levels of staff located in the Committee's secretariat (pp.14–17); and
- reasons for the decline in numbers of senior staff in the Parliamentary Committees (pp.20-21).

Other

- difficulties experienced in reconciling the departments' budget amount to the *Appropriation (Parliament 2007-08) Bill* (pp.4, 13–14);
- the proposal to broadcast parliamentary audio over the internet (pp.17–18); and
- the relocation of the parliamentary press gallery out of Parliament House. (pp.17–18).

2.9.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Presiding Officers at the budget estimates hearing (page references refer to the transcript in Appendix 1):

- a table be prepared for the Committee that reconciles the Parliamentary departments' Budget with the Appropriation Bill (p.4, 13–14);
- whether it is possible for members to donate existing computers to their communities through existing local arrangements (p.8); and
- the extent of investigations into the potential for provision of mobile broadband to the laptops of Members of Parliament (p.22).

A written response by the Presiding Officers to the Committee on these questions is due by 15 June 2007 and will be considered for publication in a further report.

2.9.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

2.9.6 Documents tabled at the budget estimates hearing

The Presiding Officers provided a joint introductory slide presentation at the budget estimates hearing.

The Chair tabled a letter prepared by him to the Clerk regarding staffing arrangements for the Committee's secretariat.

The slides and other documents are available on the Committee's website.

CHAPTER 3: DEPARTMENT OF EDUCATION

Departmental review

3.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Education on 4 May 2007. Detailed information was provided in response to most questions while others were limited and required follow-up. Sections 3.2–3.8 detail that response.

3.2 Factors impacting on the formulation of the budget and associated outcomes

3.2.1 *Key assumptions*

The key assumptions used to develop the department's budget projections for 2007-08 include:

- **Output appropriations** – Current and projected government school enrolments are factored into the forward estimates, as well as commitments made in Labor's Financial Statement 2006 and expenditure review committee decisions. Output appropriation is also indexed at the Department of Treasury and Finance's (DTF's) underlying Departmental Funding Model rate for the total appropriation budget.
- **Commonwealth grants** – Assumptions are determined on the latest available advice from the Commonwealth at the time of preparation of the financial statements, taking into account the payment schedules and escalation factors relevant to each type of grant. Non-government school projected enrolments is also a key driver of Commonwealth grants.
- **Employee leave provisions** – These are forecast on the basis of staffing profiles and current salaries and conditions. For the forecast period, employee benefits are adjusted for approved wage agreements and known oncost rates. Oncost rates are set to cover anticipated payments to employees. In the absence of a new Enterprise Bargaining Agreement, the Department of Treasury and Finance's Departmental Funding Model rate has been applied.
- **Depreciation and amortisation** – All infrastructure, building plant and equipment and other non-current physical assets are depreciated on a straight-line basis, at rates that allocate the asset's value, less any residual value, over its estimated useful life to the department. Permanent buildings are depreciated over 60 years, relocatable and other building improvements are depreciated over 40 years and plant and equipment is depreciated from 3 to 33 years.

3.2.2 *Changes to major government objectives*

There are no changes to key government objectives expected to be achieved by the major outputs.

3.2.3 National Reform Agenda

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform; and
- Human Capital Reform.

The department has worked closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop Victoria's Plan to Improve Literacy and Numeracy Outcomes and contribute to the development of multilateral reforms for the agreement and implementation by all jurisdictions.

Of the \$323.8 million committed by the Victorian Government in its Plan to Improve Literacy and Numeracy Outcomes, \$207.7 million is funded within the 2007-08 budget. Funding will support programs such as the Career Change program, Scholarships for Science Graduates, Teacher Assistants and Primary Welfare Officers.

The Committee is awaiting further information from the department relating to the implications for departmental services. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

3.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

300 teacher assistants

Funding is provided to employ 300 Teacher Assistants, one in every government secondary school by 2010. The 300 Teacher Assistants will reduce the burden of administrative tasks on teachers and allow them to focus on the quality of teaching and learning.

This initiative contributes to the department's Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – 90 equivalent full-time (EFT) in the 2008 academic year and a further 210 EFT by the 2010 academic year (total 300 EFT).

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	2.7	5.1	10.7	16.5	35.0

50 science graduate scholarships

Funding is provided to create 50 scholarships per year for three academic years to attract talented mathematics and science graduates into teaching within the Victorian Government school system. The initiative will provide grants of up to \$9,000 for each scholarship to assist in addressing the current shortage of mathematics and science teachers in government schools. The funding will be provided over six years to allow for payment of the retention incentive, once graduates have completed

two years employment in a government school. The funding will create a total of 150 scholarships. This initiative complements the Career Change program initiative.

This initiative contributes to the department's Policy and Regulation output.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	0.3	0.3	0.3	0.2	1.4 (a)

Note: (a) the total funding for the Science Graduate Scholarships, of \$1.4 million, will be provided over six financial years

After hours ethnic schools program

Funding is provided to increase the current annual per capita grant of the After Hours Ethnic Schools program from \$100 to \$120. Funding is also provided for a one-off boost to enhance teacher professional development. This initiative will assist approximately 200 not-for-profit, community based accredited language schools across Victoria.

This initiative contributes to the department's Early Years, Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	1.0	0.7	0.7	0.7	3.1

Career change program

Funding is provided to create 50 places over two academic years for suitably qualified professionals to train as teachers, with priority given to professionals who are eligible to be mathematics or science teachers. Trainees will be based in a designated school during a two year training period while they complete study towards a teaching qualification. The funding will be provided over six years to allow for payment of the retention incentive, on completion of two years employment in a government school. This initiative complements the 50 Science Graduate Scholarships initiative.

This initiative contributes to the department's Policy and Regulation output.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	0.3	0.7	0.5	0.2	1.8 (a)

Note: (a) the total funding for the Career Change program, of \$1.8 million, will be provided over six financial years

Continued support for non-government schools

This initiative provides for the continuation of the government's Labor's Financial Statement 2002 commitment to provide assistance to non-government schools, to target educational improvement and offset the ongoing costs of school education.

This initiative contributes to the department's Early Years, Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	20.0	20.5	21.0	21.5	83.1

Excellence in languages

Funding is provided to continue the Excellence in Languages program through the annual per capita grant for the After Hours Ethnic Schools program. The funding maintains the current per capita grant at \$100 to assist students unable to access language education in mainstream schools. This initiative also provides ongoing support for five Victorian School of Languages Centres in regional Victoria.

This initiative contributes to the department's Early Years, Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – 11 EFT.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	0.6	0.6	0.6	0.6	2.3

Free fruit Friday (*Go for your life!*)

This initiative will boost fruit consumption by school children and help to establish a lifetime of healthier eating by providing free fruit to primary school children from Prep to Year 2 once a week.

This initiative contributes to the department's early years output.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	1.6	2.7	3.3	3.5	11.1

Maths and science equipment grants

This initiative provides grants of up to \$55,000 to secondary schools and up to \$10,000 to primary schools for maths and science equipment. The grants will improve the capacity of mathematics and science teachers to enhance student learning outcomes.

This initiative contributes to the department's Middle Years, Later Years and Youth Transitions, and Services to Students outputs.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
11.1	0.0	0.0	0.0	0.0	11.1

Non-Government schools capital grants

Funding is provided for capital grants to non-government schools in need. Funding will be available for planning and upgrading or replacement of education facilities to assist in improving student outcomes at needy non-government schools.

This initiative contributes to the department's Early Years, Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	7.5	7.5	7.5	7.5	30.0

Primary welfare officers

Funding is provided to continue the employment of 256 EFT Primary School Welfare Officers in identified primary schools in need. The funding will support students who are at risk of disengaging, address behavioural problems and implement learning and management strategies.

This initiative contributes to the department's Early Years output.

Staffing implications – 256 EFT.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	19.1	19.7	20.2	20.9	79.9

Schools for innovation and excellence

Funding is provided to continue the operation of 250 educational clusters of primary and secondary schools across the school education system for a further two academic years. The funding will be provided over three financial years. Education clusters work together with local communities to develop innovative curriculum aimed at improving student participation and achievement in Years 5 to 9. The renewed initiative will focus on a new maths and science strategy and will also assist with the implementation of the Ultraset.

This initiative contributes to the department's Middle Years output.

Staffing implications – 250 EFT until the end of the 2009 academic year.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	11.9	24.3	12.5	0.0	48.6

School maintenance

Funding is provided to assist school communities to address priority maintenance works in government schools across the state.

The initiative contributes to the department's Early Years, Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – nil.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
10.0	0.0	0.0	0.0	0.0	10.0

Teaching and learning innovation fund

Funding is provided to continue the Teaching and Learning Innovation Fund to enable areas of specialisation to support educational excellence relevant to the needs of students and communities.

This initiative contributes to the department's Middle Years, and Later Years and Youth Transitions outputs.

Staffing implications – 278 EFT in the 2007 academic year, scaled down to 93 EFT in the 2008 academic year.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.0	23.7	8.1	0.0	0.0	31.8

3.4 Departmental asset investment

Table 3.1 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08:

Table 3.1: Department of Education
Asset investment projects

Asset investment project	2007-08 Budget (\$ million)
Increase access to computers	7.0
Land acquisition	35.0
Modernisation	110.2
New schools in growth areas	15.8
Regeneration projects	27.1
Replacement schools	12.8
Ultrahet	21.0
Various other projects	9.5
Total	238.3

3.5 Financial information

3.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

The impact of the Australian equivalents to the International Financial Reporting Standards (A-IFRS) on the preparation of the department's budget for 2007-08 has been in the flow-on effects of A-IFRS adjustments that were made for impairment of assets (mainly software and land and buildings) and for the creation of a sick leave provision when A-IFRS was first adopted into the Budget in 2004-05.

In applying the A-IFRS, the department's assets are tested annually for impairment. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to the operating statement, except to the extent that it can be written down against an asset revaluation reserve. The sick leave provision is calculated annually at the year end and any change from the previous financial year will be reflected in the operating statement.

3.5.2 *Revenue and expenditure*

Table 3.2 provides information on revenue and expenditure for controlled and administered operating statements for the department:

Table 3.2: **Department of Education**
Operating statement

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (a) (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	6,448.6	6,213.2	-3.6			
Appropriations - payments made on behalf of the state	0.0	0.0	0.0			
Special appropriations	0.3	0.3	0.0			
Sale of goods and services	392.4	163.7	-58.3			
Commonwealth grants	152.2	6.6	-95.7			
Taxes	0.0	0.0	0.0			
Fines and fees	0.0	0.0	0.0			
Revenue from other parties and other income	322.4	307.6	-4.6			
Total	7,315.9	6,691.4	-8.5			
Employee benefits	4,301.4	4,044.5	-6.0			
Depreciation and amortisation	290.3	277.9	-4.3			
Grants and other payments	628.4	598.9	-4.7			
Capital assets charge	762.0	727.3	-4.6			
Supplies and services	1,157.7	883.0	-23.7			
Finance costs	0.8	0.5	-37.5			
Other expenses	0.0	0.0	0.0			
Expenses on behalf of the state	0.0	0.0	0.0			
Payments into the consolidated fund	0.0	0.0	0.0			
Total	7,140.6	6,532.1	-8.5			
Net result from transactions	175.3	159.3	-9.1			
Income/expenses from other economic flows	0.0	0.0	0.0			
Net result from other economic flows	0.0	0.0	0.0			
Net result	175.3	159.3	-9.1			

Note: (a) the 2006-07 estimated actual includes half year figures for the programs managed by the Office of Training and Further Education (OTFE) which have been transferred to the Department of Innovation, Industry and Regional Development and the Department for Victorian Communities under the machinery of government changes

The Committee is awaiting further information from the department on administered revenue and expenditure items. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

3.5.3 Assets, liabilities and equity

Table 3.3 provides information on the financial position for controlled and administered items for the department:

**Table 3.3: Department of Education
Balance sheet**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	472.5	464.1	-1.8			
Receivables	796.9	905.8	13.7			
Property, plant and equipment	9,452.3	9,785.1	3.5			
Other	63.5	70.1	10.4			
Total assets	10,785.2	11,255.1	4.4			
Liabilities						
Payables	209.2	211.0	0.9			
Employee provisions	1,039.8	1,054.4	1.4			
Other	41.4	41.4	0.0			
Total liabilities	1,290.4	1,306.8	1.3			
Net assets	9,494.9	9,918.3	4.5			
Equity						
Contributed capital	4,316.7	4,580.9	6.1			
Accumulated surplus	2,118.8	2,278.0	7.5			
Reserves	3,059.4	3,059.4	-			
Total equity	9,494.9	9,918.3	4.5			

The Committee is awaiting further information from the department on administered assets and liabilities. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

3.5.4 Carry over funding

The department estimates its operating carry forward from 2006-07 to 2007-08 at 0.31 per cent of the 2006-07 revised budget, predominantly comprising:

- **Languages Other Than English (LOTE)** – S.29 Commonwealth funding - this reflects a timing difference that occurs as at 30 June (on a financial year basis) whereas the program is delivered on a calendar year basis; and
- **Wide Area Network** – this reflects delays in implementation arising from a whole of government delay in the procurement process.

The estimated carry forward for additions to the net asset base (ATNAB) from 2006-07 to 2007-08 is 11.1 per cent of the 2006-07 Revised Budget, predominantly comprising:

- **Corporate IT Systems and Software** – there have been delays in implementing the Electronic Document Management System; Human Resource Management System (HRMS) expansion and other corporate IT systems;
- **Victorian Curriculum and Assessment Authority (VCAA) assessment processing system reengineering** – there have been delays due to the procurement strategy and the resolution of issues at key decision points during the project development. A revised schedule has been approved by the Steering Committee, with Phase 3 implementation due to commence in July 2007 and be completed in March 2008*;
- **Transformation Planning (planning for school transformation projects)** – delays are being experienced in the preparation of project documentation, due to the highly complex and individual nature of the projects involved*;
- **Relocatable School Buildings** – there were delays due to more extensive project planning than had been originally anticipated. It is now expected that tenders will be evaluated and successful tenders accepted in June 2007*; and
- **New and Replacement Schools** – there have been delays associated with the Victorian College of the Arts Secondary School project resulting in a projected under expenditure in 2006-07. The delays were due to a review of possible locations for the school and the extent of Commonwealth involvement and funding*.
- * For these four programs the department has sought approval to re-phase into subsequent financial years.

3.5.5 Revenue raising initiatives

There are no new revenue raising initiatives planned or major changes to existing revenue initiatives for 2007-08.

3.5.6 Departmental savings

The department has committed to harness the flow on effect of savings from previous budgets. Further savings have been incorporated in the 2007-08 budget. The department is currently investigating further efficiency options to achieve these savings.

Table 3.4 shows areas where the department plans to achieve savings in 2007-08:

Table 3.4: Department of Education
Departmental savings

Savings Initiative	2007-08 Savings Amount (\$ million)
Flow on effect from previous years' budgets	18.9
Efficient Government policy savings (as per Labor's Financial Statement 2006)	8.4
Additional ERC savings through grants duplication and head office efficiencies	1.5
Total	28.8

The department anticipates that it will achieve these savings through:

- continuation of measures introduced to meet previous years' savings requirements;
- implementing the Efficient Government policy identified in Labor's Financial Statement 2006, which includes buying smarter, shared services, fleet management and several other savings programs; and
- monitoring for opportunities for ongoing efficiencies.

The Committee is awaiting further information from the department on the breakdown of savings expected from the efficient government policy. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

3.6 Communication, advertising and promotion

Communication, advertising and promotional budgets are determined by the different areas of the department in the context of their specific program needs. At this stage budgets have not been set for 2007-08. The recent machinery of government changes will reduce the level of expenditure in 2007-08 compared with the previous two financial years.

The Committee is awaiting further information from the department on the communication, advertising and promotion budget for 2007-08 and comparison information for the last two financial years. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

3.7 Departmental workforce

The department has estimated at 30 June 2008, it will have a total workforce of 53,311.0 EFT staff. This represents an increase of 520.0 EFT staff (0.01 %) on the 30 June 2007 estimate and an increase of 1,019.6 EFT staff (0.02 %) on the 30 June 2006 actual.

Table 3.5 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

**Table 3.5: Department of Education
Staff numbers**

	30 June 2006 Actual (EFT)	30 June 2007 Estimate (EFT)	30 June 2008 Estimate (EFT)
Teaching service staff (a)	40,267.2	40,500.0	40,630.0
School services officer (b)	10,040.1	10,470.0	10,900.0
Executive officer	69.0	58.0	58.0
Victorian public service officer (c)	1,521.6	1,358.0	1308.0
Allied health (c)	387.5	400.0	410.0
Other (d)	6.0	5.0	5.0
Total	52,291.4	52,791.0	53,311.0

- Notes:
- (a) *The Teaching service staff of 40,267.2 EFT comprises school based teaching staff of 40,154.6 EFT plus non school based teaching service staff of 112.6 EFT*
 - (b) *The School services officer staff of 10,040.1 EFT comprises school based SSO staff of 10,032.1 EFT, non school based SSO staff of 8.0 EFT (a component of the 12.1 'other' on page 135 of DE&T's Annual Report 2005-06) and 0.1 EFT 'other' school based staff*
 - (c) *The Victorian public service staff of 1,909.1 EFT comprises VPS staff in schools (including Allied Health) of 423.5 EFT, and non school based VPS staff of 1,485.6 EFT*
 - (d) *The other staff of 6.0 EFT comprises 2.0 EFT Ministerial staff and 4.0 EFT Chairs of statutory and other bodies in the portfolio (a component of the 12.1 EFT 'other' on page 135 of Department of Education and Training Annual Report 2005-06)*

The department does not maintain centralised records for casual employment or funded vacancies. Therefore, data requested against these categories can not be provided.

Victorian public service (VPS) staff numbers include Allied Health Officers in schools as well as VPS staff employed in central and regional locations. Similarly, Teaching Service staff numbers include Teaching Service staff employed in schools as well as in central and regional locations. School Services Officer (SSO) staff includes SSO staff employed in schools and a small number of SSO staff employed in regional offices.

The decline in Victorian public service staff numbers between June 2006 and June 2007 is accounted for by machinery of government changes. In December 2006 the Office of Training and Tertiary Education staff were transferred to the Department of Innovation, Industry and Regional Development, and the Adult, Community and Further Education staff were transferred to the Department for Victorian Communities.

3.8 Performance measures – changes

The department's output structure has been enhanced to take account of machinery of government changes and to consolidate a number of outputs of the former Department of Education and Training, including:

- the transfer out of the Training and Further Education and Adult and Community Education outputs due to changes in the machinery of government;
- adjusting the Regulation and the Services to Ministers and Policy outputs for machinery of government changes and streamlining them to form the new Policy and Regulation output; and
- adjusting the Cross-Sectoral and Later Years outputs for machinery of government changes and streamlining them to form the Later Years and Youth Transitions output.

Machinery of government changes has reduced the total number of non-financial measures. Explanations are footnoted in the Budget Papers for all discontinued performance measures, which are separately listed in the appendix of the Budget Papers.

Six new non-financial measures have also been developed for 2007-08 to replace deleted measures or to monitor government initiatives. They are:

- number of Assistant Principals, aspiring leaders and leadership teams participating in leadership development programs;
- schools funded for primary welfare officers;
- statewide computer to student ratio: primary;
- statewide computer to student ratio: secondary;
- eligible school students applying for and receiving the Education Maintenance Allowance; and
- participants benefiting from initiatives to increase the supply of trained/ qualified teachers

Review of portfolios

3.9 Education portfolio

3.9.1 *Introduction*

The Committee received evidence from Mr J Lenders, Minister for Education, on 9 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately three hours. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

3.9.2 *General comments*

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1, for transcript of proceedings). Transcripts of the budget estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 3.9.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 3.9.4) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

3.9.3 *Key matters raised at the budget estimates hearing*

Key matters raised included the following (page reference refers to the transcript in Appendix 1):

School maintenance and capital funding

- the current estimate of backlog school maintenance and funding arrangements in place to address this backlog (pp.5–6);
- rebuilding and modernisation of 500 schools over four years (p.6);
- reasons for under spending on asset initiatives, relocatable schools and new and replacement schools (pp.12–13);
- progress of the schools regeneration project at Broadmeadows (pp.20–21); and
- details of the investment in technical education infrastructure, in particular technical wings, to improve the delivery of skills training in schools (pp.34–35).

Staff

- explanation of professional development and leadership training for teachers and principals (pp.6–7);
- particulars of the performance and development culture initiatives in place to improve teaching and learning outcomes (pp.8–9);
- the proposal that school services officers be required to pay for their working-with-children checks and the associated cost savings to the department (pp.21–22);
- total public service staff numbers for 2006, 2007 and 2008 (p.29); and
- the cost of stress-related claims amongst teachers and plans in place to reduce this cost (pp.33–34).

Funding arrangements

- comparison of current funding levels for non-government schools to previous years and the level of assistance to non-government schools compared with other states (pp.7–8);
- quantum of revenue collected by schools, including voluntary fees, and increases expected over the forward estimates period (pp.15–16); and
- funding arrangements in place for two new select-entry high schools in Victoria (p.38).

Educational performance and outcomes

- programs in place to assist struggling students (pp.10–11);
- reason for the decline in school attendance rates and strategies in place to address this decline (pp.35–36);
- link between investment in infrastructure and teaching and learning environments to achieve educational outcomes (p.14);
- commitment to address the lower rate of year 12 completion in country Victoria, in comparison to metropolitan Melbourne (pp.18–20);
- proposals for reducing the disparity between the city and the country to improve outcomes for young people in rural and regional Victoria (pp.27–28);
- initiatives in place to support teaching innovation and excellence in the classroom (pp.22–23);

- initiatives in place to improve the performance of Victorian students in mathematics and science (pp.24–26);
- reasons for the increase in class sizes, particularly years 3–6, and what is proposed to stop this increase (pp.26–27); and
- reducing red tape to free teachers from administrative work and focus on improving teaching and learning (pp.36–38).

Other issues

- impact of new initiatives and portfolio spending on productivity in Victoria (p.5);
- details of the *Go for your life* Program supporting healthier lifestyles for students (pp.9–10);
- initiatives in place for encouraging multicultural diversity in education (p.12);
- explanation of the main issues contained in the report by the Council of the Australian Federation, *The Future of Schooling in Australia* (p.17–18);
- options available to schools and programs in place to create environmentally sustainable schools (pp.29–30); and
- examples of joint use facilities between schools and local communities (pp.31–33).

3.9.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Minister at the budget estimates hearing (page references refer to the transcript in Appendix 1):

- full details of literacy and numeracy performance of years 3 and 5 for each state in Australia (p.4);
- number of principals who have completed leadership and professional development training in best practice principles (pp.6–7);
- comparison of current funding levels for non-government schools to previous years and the level of assistance to non-government schools compared with other states (pp.7–8)
- ministerial responsibility for universities (p.9);
- a list of all capital projects, including the amount, to be carried over to 2007-08 and the reason for the carry over (pp.13–14);
- components of school revenue received to supplement government funding and expected increases over the forward estimates period (pp.15–16);
- specific funding arrangements in the 2007-08 budget for basic maintenance and construction at Kyabram Secondary College and Myrtleford Secondary College (p.18);
- payment arrangements for working-with-children checks and the associated cost savings to the department (pp.21–22);
- for literacy and numeracy performance in Victoria, specifics of the changes in the way tests in Victoria are assessed relative to previous years for the performance of writing category (p.24);
- list of rural and regional schools which have the Victorian Certificate of Applied Learning (VCAL) program (pp.27–28);
- options available to schools and programs in place to create environmentally sustainable schools (p.31);

- breakdown of Catholic schools current funding per student compared with other states for both primary and secondary schools (p.31);
- the proportion of the total WorkCover premium of \$41.024 million in 2006-07 associated with stress-related claims by teachers (p.34);
- resources and staffing costs the department anticipates applying to service PAEC hearings in 2007-08 based on experience over the last few years (p.38); and
- reminder of the importance of providing an updated and fuller response to the incomplete question 9 of the PAEC department questionnaire (pp.38–39).

A written response by the Minister to the Committee on these questions is due by 11 June 2007 and will be considered for publication in a further report.

3.9.5 *Unasked questions at the budget estimates hearing*

All questions of the Committee were raised at the budget estimates hearing.

3.9.6 *Documents tabled at the budget estimates hearing*

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled the following document at the hearing:

- the Department of Education and Training's *Blueprint for Government Schools* showing the future direction for education in the Victorian Government school system; and
- a report by the Council for the Australian Federation - *The Future of Schooling in Australia*;

The slides and other documents are available on the Committee's website.

3.10 Education Services portfolio

3.10.1 *Introduction*

The Committee received evidence from Ms J Allan, Minister for Education Services, on 7 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

3.10.2 *General comments*

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the budget estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 3.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 3.10.4) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

3.10.3 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

- expected impact of budget on productivity in the portfolio (pp.3–4);
- strategies to increase student access to computers and technology (pp.4–5);
- year 12 retention rate amongst country students and nature of action to lift it (pp.5–6);
- government plans in place to enhance the capacity of primary schools to prevent students at risk disconnecting from schools (pp.6–7);
- means of addressing the likely growth of need under the program for students with disabilities (pp.7–8);
- youth transition and, specifically, what the government is doing to provide young people with effective and varied pathways and support to secure their first formal qualification and to make a successful transition to further study, employment or a combination of both (pp.8–9); and
- querying of replacement of separate performance measures and targets for computer to student ratios in primary and secondary schools with a statewide measure and target (pp.9–10).

3.10.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Minister at the budget estimates hearing (page references refer to the transcript in Appendix 1):

- confirmation of accuracy of progressive five-year funding for program for students with disabilities as identified in 2006-07 budget (p.4); and
- details of how the program for students with disabilities has grown over the last four to five years, broken down by category such as language disorder and the related movements in funding (pp.7–8).

A written response by the Minister to the Committee on these questions is due by 11 June 2007 and will be considered for publication in a further report.

3.10.5 Unasked questions

All questions of the Committee were raised at the budget estimates hearing.

3.10.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled the following documents at the hearing:

- a handout showing growth in enrolments in the Victorian Certificate of Applied Learning;

- a handout identifying, for the program for students with disabilities 2007, numbers of students by category on the program, funding levels according to the proportion of student numbers and the increase in the aggregate funding for the program over the past five years; and
- a handout showing the movement in the computer to student ratio for primary and secondary schools between 1999 and 2006.

The slides and other documents are available on the Committee's website.

CHAPTER 4: DEPARTMENT OF HUMAN SERVICES

Departmental review

4.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Human Services on 4 May 2007. Detailed information was provided in response to most questions while others were limited and required further amplification. Sections 4.2 – 4.8 detail that response.

4.2 Factors impacting on the formulation of the budget and associated outcomes

4.2.1 Key assumptions

The key assumptions used to develop the department's budget projections for 2007-08 include:

- **State economic projection for consumer price index** – The 2007-08 budget and the forward estimate budgets include indexation funding of 2.5 per cent, which is provided under the departmental funding model (DFM). The model provides forward year escalation funding on a no-policy-change basis to provide departments with funding certainty and future spending capacity in the forward estimates budgets from 2007-08 to 2010-11.
- **Government policy and service delivery** – The 2007-08 budget and forward estimate budgets reflect the approved government funding to deliver programs and priorities as determined by government in the current budget, and the current year effect of initiatives for which funding was provided and announced in prior year budgets.
- **Funding provided by the Commonwealth government for specific purpose payments** – The 2007-08 budget and forward estimates budgets assume continuity of Commonwealth funding beyond the expiration of the current funding agreements with the department, and at an assumed level of growth and indexation consistent with the level of funding currently provided.
- **Agreed outcomes for the human services sector** – The 2007-08 budget and forward estimates incorporate agreed outcomes for Australian Industrial Commission, Australian Fair Pay Commission and Enterprise Bargaining Agreements (EBAs) for the human services sector.
- **Depreciation and capital asset charge** – The 2007-08 budget and forward estimates are impacted by the depreciation and capital asset charge as a result of the approved asset investment program.

4.2.2 Changes to major government objectives

The 2007-08 state budget provides output and asset funding to support achievement of the government's key policy objectives as expressed in Labor's Financial Statement 2006 and budget papers. Changes to the department's output structure have been made to improve the reporting of achievement of outcomes.

4.2.3 National Reform Agenda

(a) Departmental activities in response to the National Reform Agenda

The NRA is a key partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform; and
- Human Capital Reform.

The Department of Human Services (DHS), in collaboration with the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF), developed *Victoria's Plan to Address the Growing Impact of Obesity and Type 2 Diabetes (2007)* in response to the first tranche of work under the ten year NRA. The plan proposed a set of actions over the first four years that would address the health outcomes agreed by Council of Australian Governments (COAG) under the human capital stream of the NRA. The plan was submitted for consideration by COAG on 13 April 2007, along with the action plans of other jurisdictions and a number of proposed multilaterally agreed actions making up the NRA package of reform proposals for the prevention and management of type 2 diabetes.

Victoria's plan built on existing initiatives and included new commitments foreshadowed in Labor's policy for the 2006 Victorian election under the *Go for your life!* strategy. These commitments included creating supportive environments to promote and facilitate physical activity; providing lifestyle modification programs for eligible persons at risk of progressing to type 2 diabetes; and providing early intervention educational programs for those people newly diagnosed with type 2 diabetes.

Additional actions were recommended that would increase the pace of reform in Victoria, but were conditional on Commonwealth funding as part of a '*fair sharing of costs and benefits*'. In addition, the Commonwealth was asked to consider a number of proposed actions in its areas of responsibility that would facilitate improved health outcomes.

COAG agreed to a new cost-shared national package of \$200 million to address the significant growth in type 2 diabetes. Details of the package, drawing on jurisdictional plans, is being developed by officials. COAG also agreed to develop by mid-2008 a nationally agreed risk assessment tool, program standards and accreditation arrangements for programs and/or providers to reduce the risk of developing type 2 diabetes and for people newly diagnosed with type 2 diabetes.

(b) Implications for departmental services

New initiatives in Victoria's plan are aligned with existing commitments. To this extent the requirement to extend or develop services exists regardless of the final outcome of COAG consideration of actions under the NRA.

There will be an annual requirement to report on Victoria's performance in achieving any agreed health outcomes under the NRA. This will require program evaluation and reporting requirements similar to those currently in place for other COAG projects, such as the Australian Better Health initiative.

(c) State funding allocated in 2007-08 for initiatives under the National Reform Agenda

Victoria has allocated an additional \$137 million over four years to NRA initiatives (which significantly exceeds the requirements under the cost sharing formula), which translates to funding in 2007-08 of:

**Table 4.1: Department of Human Services
National Reform Agenda initiatives 2007-08**

Program	Amount (\$ million)
<i>Go for your life</i>	31.7
Meeting our transport challenges	7.9
Total:	39.6

This is in addition to the \$472 million committed over the 2006-2011 period as Victoria's contribution to COAG's National Action Plan on Mental Health.

Victoria's Plan to Improve Outcomes on Early Childhood, released in April, also proposes a state contribution of \$136 million over the next four years to a program of joint action with the Commonwealth.

4.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

Hospital Futures

The Hospital Futures initiative (\$152.1 million in 2007-08 and \$643.9 million over four years) responds to growing demand for hospital services including: funding to treat more elective surgery patients and reduce waiting times across the state; funding to expand access to emergency and critical care services; funding to improve outpatient services; and funding to further expand hospital capacity, including mental health, maternity services and other essential services such as radiotherapy and chemotherapy, and also expand day hospitals and other alternatives to inpatient care.

This initiative contributes to a range of Acute Health Services and Mental Health outputs, namely:

- admitted services;
- non admitted services;
- emergency services; and
- clinical care.

This initiative will result in the employment of additional staff in public health agencies. The initiative to expand hospital and outpatient capacity will employ 1,000 extra nurses, doctors and other health workers.

Support for public hospitals

Additional support (\$66.2 million in 2007-08 and \$216.2 million over four years) is provided for public hospitals to fund clinical practice improvements, new technologies, and a range of cost control reforms to better manage medical and pharmaceutical supplies and better utilise hospital resources.

This initiative contributes to a range of Acute Health Services and Mental Health outputs, namely:

- admitted services;
- non admitted services;
- emergency services; and
- clinical care

This initiative will have no new departmental staffing implications, but may result in new employment in health agencies.

New ambulance services

Funding of \$4.9 million in 2007-08 (\$22.4 million over four years) is provided for a new ambulance station in Lara, the upgrading of ambulance services to 24-hour services in Bacchus Marsh and Hastings, an additional paramedic shift per day at Moe and to increase coverage and new peak period ambulance crews in Whittlesea, Altona and Doncaster East. Funding is also provided for the upgrading of ambulance services to 24-hour services in Melton and Sunbury to commence in 2008-09.

This initiative contributes to the department's Ambulance Emergency Services output and will result in the employment of an additional 35 paramedics.

Family choice program

Funding of \$1.4 million in 2007-08 (\$5.6 million over four years) is provided for the full year cost of 15 additional places in the Family Choice Program (FCP), which provides home-based support to children and young people with ongoing complex medical needs.

This initiative contributes to the department's Admitted Services output and will result in the employment of additional staff in health agencies.

Maternity and obstetrics services in rural Victoria

The Rural Maternity initiative has enabled the introduction of midwifery models of care to a number of rural hospitals over the past four years, providing greater options for rural women during pregnancy and birth. The funding of \$1.5 million in 2007-08 (\$6.3 million over four years) will enable the continued provision of these models of care in rural Victoria.

The Rural Obstetrics initiative will train more obstetricians and General Practitioner (GP) obstetricians. Funding of \$187,000 in 2007-08, totalling \$750,000 over four years, will create eight new posts over two years in rural GP obstetrics training and provide for new Specialist Obstetrics and Gynaecology posts in hospitals in rural and regional Victoria.

This initiative contributes to the department's Admitted Services; and Acute Training and Development output and will result in the employment of additional staff in health agencies

Rural elective surgery

The 2007-08 state budget provides \$5.4 million (\$22.4 million over four years) for elective surgery targeted at rural hospitals in key regional centres. The funding will support the treatment of further patients and service improvement initiatives, including service development and re-engineering projects including improving patient flows and service sustainability.

This initiative contributes to the department's Admitted Services output and will have no new staffing implications.

The rural health workforce

An amount of \$6.3 million is provided in 2007-08 (\$25.3 million over four years) to increase funding to rural hospitals to support emergency on-call arrangements, create an additional 11 training posts for GP proceduralists and an additional 15 training posts for medical specialists and expand medical recruitment through an international recruitment campaign.

This initiative contributes to the department's Acute Training and Development output and is expected to result in the employment of additional staff in health agencies.

Rural workforce program

Funding of \$1.6 million in 2007-08 (\$6.7 million over four years) is provided to attract and retain allied health professionals in rural areas including the continuation of the current consortia model for basic physician trainees, to support two part-time Associate Professor positions and allied health workforce recruitment and retention services.

This initiative contributes to the department's Acute Training and Development output and will result in the employment of additional staff in health agencies.

Victorian health workforce reform – Better Skills Best Care

The state budget provides funding of \$1.7 million in 2007-08 (\$4.6 million over four years) to support the development of a more sustainable health workforce through the piloting and implementation of redesigned work roles, such as physiotherapy and podiatry assistants.

This initiative contributes to the department's Acute Training and Development output and will have no new staffing implications.

Bowel cancer screening

Funding of \$3 million in 2007-08 (\$14 million over four years) is provided to support the National Bowel Cancer Screening program to provide screening and support services for Victorians aged 55 and 65.

This initiative contributes to the department's Admitted Services output and is expected to result in the employment of additional staff in public health agencies.

Nurse on Call

Funding of \$1.5 million is provided in 2007-08 for the Nurse on Call Scheme offering health information to Victorians 24 hours a day, 7 days a week.

This initiative contributes to a range of Acute Health Services outputs, namely:

- admitted services;
- non-admitted services; and
- emergency services.

This initiative will have no new staffing implications.

Support for bush nursing hospitals

The state budget provides a four year commitment of \$7.1 million, including funding of \$1.7 million in 2007-08, to continue the upgrading of infrastructure at bush nursing hospitals and small rural health services across Victoria and support the delivery of critical primary health and emergency services to rural and remote communities.

This initiative contributes to the department's Small Rural Services – Acute Health output and will have no new staffing implications.

Counter-terrorism and disaster preparedness

Victoria's health and community services sector plays a pivotal role in a whole of government approach to emergency management and disaster preparedness. This is supported in 2007-08 by the provision of \$1.7 million (\$9.6 million over four years) to maintain capability and ensure the state's capacity to respond to natural disasters, such as bushfires and floods and other emergencies including those resulting from terrorist threats.

The funds will be used by the department to coordinate emergency management activities across the health and human services sector, including developing policy and plans and training staff to more comprehensively respond to emergency management risks in the community. This will also include coordinating health and human services emergency response to incidents such as bushfires.

This initiative contributes to the department's Health Protection; and Public Health Development, Research and Support outputs and is expected to be delivered within existing staffing resources.

Sustaining community wellbeing (Drought counselling assistance)

The state budget provides funding of \$3.1 million in 2007-08 to strengthen the mental health and wellbeing of rural communities affected by drought through additional counselling, health promotion, program coordination and workforce development to support drought-affected communities.

This initiative contributes to the department's Community Health Care output and is expected to result in new counselling and coordination positions.

Go for your life!

The 2007-08 state budget expands the Whole of Victorian Government (WoVG) *Go for your life!* strategy with the announcement of \$132.4 million committed to *Go for your life!* initiatives from 2007-2011. These initiatives will be delivered across government and target the local community.

The additional investment for 2007-08 is \$3.7 million for the *Life!* lifestyle change program, delivered through the department, and \$1.6 million for the *Free fruit Friday* initiative, delivered through the

Department of Education. These two initiatives have been allocated \$27.1 million over four years, including \$19.4 million for the Department of Human Services' component.

Commonwealth Games surplus funding of \$11.5 million in 2007-08 (\$25.9 over three years) will be provided for a range of initiatives, including new sporting facilities for basketball and netball, school sports facilities and new pools. It will also provide for the Premier's Fitness Challenge to be run annually. There is funding for a number of smaller initiatives to assist small sporting clubs, volunteers and seniors.

The Community Support Fund will provide funding of \$16 million in 2007-08 (\$76 million over four years) for the Better Pools and Community Sports Grants initiatives.

The *Life!* program will help Victorians at risk of developing type 2 diabetes make the necessary lifestyle changes to avoid developing type 2 diabetes. The *Life!* program will use a combination of social marketing, information provision, linkages with health professionals and the delivery of specific lifestyle and weight loss support programs to achieve these goals. The budget allocates \$2.5 million in 2007-08, rising to \$5.2 million in 2010-11 (\$16 million over four years).

A second component will be the children's *Life!* program which offers weight management support programs targeting 6,000 overweight or obese children and their parents and carers.

This initiative contributes to the department's Health Advancement output.

The delivery of these initiatives is expected to result in increased employment opportunities in the sector.

Oral health capacity building

The 2007-08 state budget will provide \$4.7 million (\$10.3 million over four years) to improve oral health outcomes for Victorians living in rural and regional areas and for disadvantaged senior Victorians. The funding package comprises four initiatives: the extension of fluoridation, the establishment of pre-clinical facilities for a new Rural Dental School, improved access to dental services in Supported Residential Services and funding for additional dentures to disadvantaged Victorians.

This initiative contributes to the department's Community Health Care output and the delivery of these initiatives is expected to result in increased employment opportunities in the sector.

HIV and sexually transmitted infection prevention

An amount of \$2 million is provided in the 2007-08 state budget to implement a range of initiatives to enhance HIV and sexually transmitted infection prevention efforts in response to increasing rates of infection in Victoria.

This initiative contributes to the department's Health Protection output and is expected to be delivered within existing staffing resources.

Personal Alert Victoria

The 2007-08 budget commits \$900,000 (\$2.2 million over four years) to provide personal alert units for frail older people. Personal alert units allow frail and aged people to live independently in the community by providing an accessible means of emergency assistance and monitoring where needed. This initiative will provide an additional 1,000 personal alert units.

This initiative contributes to the department's Aged Support Services output and is expected to be delivered within existing staffing resources.

Assisting people with dementia

In 2007-08 funding of \$800,000 (\$3.3 million over four years) will provide support to people with dementia and their carers. This funding package will:

- expand the Support for Carers of People with Dementia program to enable up to 150 additional carers to receive support each year;
- increase the capacity of Cognitive Dementia and Memory services to provide early diagnosis and assessment of cognitive impairment and reduce the waiting list;
- develop dementia friendly physical and social environments in respite and public sector residential facilities; and
- develop and provide culturally sensitive information and services such as respite activities and activities for carers, counselling in different languages, and support groups, including people with dementia.

This initiative contributes to the department's Aged Support Services output and is expected to be delivered within existing staffing resources.

Victorian eyecare service

The 2007-08 state budget provides \$500,000 (\$2.5 million over four years) for expansion of the Victorian Eyecare Service that provides optometric services and spectacles to pension and health care cardholders to enable them to maintain an independent lifestyle. This funding package will provide 3,000 additional pairs of spectacles per year to disadvantaged seniors and additional mobile outreach services to 1,100 residents of Supported Residential Services and Residential Aged Care facilities.

This initiative contributes to the department's Aged Support Services output and is expected to be delivered within existing staffing resources.

Early childhood intervention services

The 2007-08 budget provides funding of \$1.8 million (\$7.6 million over four years) for 310 Early Childhood Intervention Services (ECIS) places for children under six, with developmental delays or disabilities. These places will provide vital support services tailored to the needs of each child and their family.

This initiative contributes to the department's Early Childhood Intervention Services output and is expected to be delivered within existing staffing resources.

Maternal and child health services

Funding of \$5.7 million is provided in 2007-08 (\$23.8 million over four years) to continue the government's commitment to maternal and child health services in order to ensure that current numbers of children receiving health and development checks at key stages in their early years is sustained.

This initiative contributes to the department's Child Health Services output and is expected to be delivered within existing staffing resources.

Caregiver reimbursements

The 2007-08 budget provides funding of \$4.2 million (\$17.4 million over four years) for the Caregiver Reimbursement program, which provides reimbursement to carers for costs incurred while providing foster, kinship or permanent care for children and young people living out of home due to issues such as abuse and neglect.

This initiative contributes to the department's Placement and Support Services output and is expected to be delivered within existing staffing resources.

Working families: giving children the best start in life

This initiative package provides funding of \$25.5 million in 2007-08 (\$109.5 million over four years) to improve accessibility and flexibility of child care, kindergarten and children's health services to better meet the needs of working families. Funding is provided for areas of childrens' services, such as: increasing the kindergarten subsidy from \$320 a year to \$730 a year, to ensure that kindergarten services are effectively free for eligible low income families; assisting in establishing new Children's centres; Maternal and Child Health; and early intervention services.

This initiative contributes to the department's Child Health Services; Early Childhood Intervention Services; and Kindergarten and Child Care Services outputs.

The delivery of these initiatives is expected to result in increased employment opportunities in the sector.

Services for young Indigenous Victorians

The 2007-08 budget provides \$1.4 million in 2007-08 (\$11.5 million over four years) to improve the lives of young Indigenous Victorians. This funding is allocated to human services programs as part of an integrated whole of government approach to improve the lives of Indigenous Victorians and address priorities identified in the Victorian Indigenous Affairs framework. Human services initiatives will focus on support for Koori mothers and children and will improve maternal health and early childhood health and development for Indigenous communities.

The Improving Services for Young Indigenous Victorians also includes \$270,000 in 2007-08 (\$1.1 million over four years) to provide continued support to Aboriginal Health Cooperatives in providing culturally appropriate care and support to Aboriginal women during pregnancy and birth through to postnatal care to communities in Dandenong and Echuca.

Human Services components of this initiative contribute to the department's Admitted Services; Child Health Services; and Kindergarten and Child Care Services outputs.

The delivery of these initiatives is expected to result in increased employment opportunities in the sector.

Sexual assault counselling for children

The 2007-08 budget allocates \$850,000 in 2007-08 (\$1.7 million over two years) to provide sexual assault counselling services to children and adolescents aged 0 to 18 years. This funding will reduce waiting times and provide improved access to counselling services for children who are victims of sexual assault to help to reduce the emotional and psychological impact on them and their families.

This initiative contributes to the department's Family and Community Services output and is expected to be delivered within existing staffing resources.

COAG health workforce reform

The 2007-08 budget provides funding of \$6.5 million (\$36.7 million over five years) for commitments arising from the COAG agreement, including Victoria's contribution to national registration and accreditation schemes, the national health workforce taskforce and a national assessment process for international medical graduates. Funding is also provided for additional medical clinical training and the expansion of medical specialist training across a range of settings.

This initiative contributes to the department's Acute Training and Development output and is expected to be delivered within existing staffing resources.

Continuing to build the mental health service system

2007-08 state budget funding of \$3.2 million (\$13.3 million over four years) will complete the statewide rollout of the Youth Early Psychosis program, open new residential mental health aged care beds in Barwon and provide additional funding for Psychiatric Disability Support and Rehabilitation Services.

This initiative contributes to the department's Psychiatric Disability Support and Rehabilitation Services; and Clinical Care outputs.

The delivery of these initiatives is expected to result in increased employment opportunities in the sector.

Grants to non-government organisations to improve mental health and drug and alcohol facilities

This initiative of \$15 million will provide funding to community mental health and drug and alcohol services to improve amenity and safety of non-government organisation facilities, and enhance their capacity to comply with standards, accreditation and reporting requirements.

This initiative contributes to the department's Psychiatric Disability Support and Rehabilitation Services; and Drug Treatment and Rehabilitation outputs.

It is expected that the initiative will be delivered within existing staffing resources.

Network for Carers of People with a mental illness

Funding of \$60,000 is allocated in 2007-08 (\$240,000 over four years) to increase the Network for Carers' capacity to provide systemic advocacy and input on policy and service development advice on behalf of carers of people with a mental illness.

This initiative contributes to the department's Psychiatric Disability Support and Rehabilitation Services output and is expected to be delivered within existing staffing resources.

HACC funding

The 2007-08 state budget allocates an additional \$11 million (\$83 million over four years) to the Home and Community Care (HACC) program with a focus on reducing isolation and maintaining social links. This funding supports the implementation of the commitment in Labor's Financial Statement 2006 to helping senior Victorians maintain their independence and stay active.

HACC is a joint state and Commonwealth program. The additional state funding is expected to attract a Commonwealth contribution in 2007-08.

This funding package will provide for growth in demand for HACC services, boost the availability and responsiveness of HACC services across the state and improve access for Indigenous people and people from culturally and linguistically diverse communities.

This initiative contributes to the department's HACC Primary Health, Community Care and Support output and is expected to result in increased employment opportunities in the sector.

HACC transition funding to mainstream cultural equitable gateways strategy

The 2007-08 state budget makes provision for \$1.2 million in 2006-07 to assist culturally and linguistically diverse clients to access core HACC services by integrating the existing cultural equitable gateways strategy into mainstream HACC services.

This initiative contributes to the department's HACC Primary Health, Community Care and Support output. It is expected that the initiative will be delivered within existing staffing resources.

Disability support services

Funding of \$10.1 million (\$96.3 million over five years) will assist 15,000 clients through the Victorian Aids & Equipment program. It will also provide an additional 1,300 Individualised Support Packages over the forward estimates period.

This initiative contributes to the department's Individual Support; and Targeted Services outputs.

The delivery of these initiatives is expected to result in increased employment opportunities in the sector.

Non-government organisations

The state budget allocates \$5.6 million in 2007-08 (\$26.5 million over five years) to meet funding pressures in non-government organisations (NGOs), primarily in the disability sector, arising from the Fair Pay Commission minimum wage decision. This additional funding will ensure all non-government organisations are able to meet additional wage costs, ensure service delivery standards are maintained and support ongoing NGO viability and sustainability.

This initiative contributes to a range of Human Services' outputs and is expected to be delivered within existing staffing resources.

Acquired brain injury support

This initiative, commencing in 2008-09 with an investment of \$4 million, totalling \$12.3 million across the forward estimates period, will provide a mix of assessment, case management and support through the Slow to Recover program.

This initiative contributes to the department's Individual Support output and is expected to result in increased employment opportunities in the sector.

Older years/carers support program

Funding of \$3.8 million (\$15.7 million over four years) is allocated to continue support to older carers with adult children who have a disability. Funded packages will combine respite support with other forms of assistance, including planning, to older carers and thereby assist people with disabilities to remain living in the community.

This initiative contributes to the department's Individual Support output and is expected to be delivered within existing staffing resources.

Technability program

The 2007-08 state budget allocates \$750,000 in 2007-08 (\$3 million over four years) to provide ICT support aimed at assisting access to information for people with a disability, with a focus on people who are blind and vision impaired, and people who are deaf and hearing impaired.

This initiative contributes to the department's Information, Planning and Capacity Building output and is expected to be delivered within existing staffing resources.

Futures for young adults transition planning

This initiative of \$3.3 million in 2007-08 (\$13.5 million over four years), will support planning at key life stages for people with a disability, including assistance for young people transitioning into employment and other post-school options.

This initiative contributes to the department's Individual Support output and is expected to be delivered within existing staffing resources.

Employment opportunities

Funding of \$125,000 in 2007-08 (\$500,000 over four years) will assist carers who want to re-enter the workforce.

This initiative contributes to the department's Individual Support output and is expected to be delivered within existing staffing resources.

Grants to non-government organisations to improve disability facilities

This initiative of \$15 million will provide for the refurbishment of facilities and provision of equipment to community-managed disability support accommodation services to maintain and improve the quality of facilities and support client and staff safety.

This initiative contributes to the department's Innovation, Planning and Capacity Building; Targeted Services; and Residential Accommodation Support outputs and is expected to be delivered within existing staffing resources.

Disability support

Funding of \$3.5 million is provided to resource a range of equipment libraries utilised to trial and supply aids and equipment, address growth in demand and fund repairs to items already in use in the community. The additional funding will improve equity of access to the program, ensuring resources are available to subsidise high cost items often required by people with complex needs.

This initiative contributes to the department's Targeted Services output and is expected to be delivered within existing staffing resources.

Helping carers

The 2007-08 state budget provides \$4.2 million (\$17.1 million over four years) for expansion of respite services to improve flexibility and responsiveness to individual family needs. It will also provide carers with training and intervention programs to deliver education relating to legal and financial issues and support services available, and conduct workshops around future care options.

This initiative contributes to the department's Aged Support Services; and Individual Support outputs and is expected to be delivered within existing staffing resources.

Victorian Drug Strategy

Funding of \$35.7 million in 2007-08 (\$148.2 million over four years) will deliver human services programs to continue and extend efforts to prevent and reduce harm from drug use. It will tackle emerging drug issues, enhance services for young people with both drug and mental health problems, and strengthen the focus on harmful alcohol use. The Victorian Drug Strategy is delivered in conjunction with the Department of Justice and the Department of Education and includes school education programs, Drug Court, diversion programs, and treatment services including targeted programs for young people, prisoners, Aboriginal people, culturally and linguistically diverse (CALD) groups and rural communities. This investment includes \$7.5 million of grants to non-government organisations to improve mental health and drugs facilities referenced above.

This initiative contributes to the department's Drug Prevention and Control; and Drug Treatment and Rehabilitation outputs and is expected to be delivered within existing staffing resources.

Marijuana and 'Ice' risk awareness program

The 2007-08 state budget allocates \$1 million over two years to raise awareness of the risks associated with the use of methamphetamines, particularly 'Ice', and the link between marijuana use and mental health problems.

This initiative contributes to the department's Drug Prevention and Control output and is expected to be delivered within existing staffing resources.

Building housing sector sustainability

Funding of \$240 million will provide an investment fund to replace 1,200 ageing public housing stock with newly acquired Housing Association stock.

This initiative contributes to the department's Long Term Housing Assistance output and is expected to be delivered within existing staffing resources.

Affordable housing

Funding of \$60 million is provided for capital grants to Housing Associations to acquire 350 social housing dwellings and continue the development of the Housing Association sector.

This initiative contributes to the department's Long Term Housing Assistance output and is expected to be delivered within existing staffing resources.

Homeless support standards

The 2007-08 state budget allocates \$500,000 (\$2.1 million over three years) to develop an industry enhancement plan to ensure that housing and homeless support services are professionally staffed and managed.

This initiative contributes to the department's Homelessness Assistance output and is expected to be delivered within existing staffing resources.

Support for young people

The 2007-08 state budget allocates \$2.6 million (\$7.5 million over four years) to provide accommodation and day-to-day support for 16-19 year olds in housing crisis at four transitional accommodation sites to be built at Casey, Melton, Whittlesea and the Yarra Ranges.

This initiative will contribute to the department's Homelessness Assistance output from 2008-09 and is expected to be delivered within existing staffing resources.

4.4 Departmental asset investment

Table 4.2 below details all projects currently contained in the department's Asset Investment program, with forecast expenditure budgeted to occur during the 2007-08 financial year.

**Table 4.2: Department of Human Services
Asset Investment program, with forecast expenditure
budgeted to occur during the 2007-08 financial year**

Alfred Hospital Intensive Care Unit Redevelopment
Alfred Hospital Psychiatric Care Unit
Austin Mental Health Services Redevelopment – Stage 2 Secure Extended Care Unit
Bairnsdale regional Health Service, Redevelopment Emergency Department
Barwon Health, Geelong Hospital Emergency Department
Beaufort & Skipton Health Service, Skipton Campus, Redevelopment
Colac Area Health, Polwarth Nursing Home – RACS
Community Health and Mental Health Redevelopment, Warragul Stage 2
Disability Services Strategic Replacement & Refurbishment Program for SSA
Eastern Health Mental Health Redevelopment Stage One
Eastern Health, Central East Community Care Unit
Fire Risk Management Strategy
Grace McKellar Centre Redevelopment Stage 2
Health ICT Strategy
Hospitals Electronic Prescribing
John Pickford House Nursing Home Redevelopment, Ararat
Kew Residential Services Redevelopment
Latrobe Regional Hospital, Cancer Treatment Centre, Traralgon
Maroondah Hospital Redevelopment – State 2A
Mental Health Services for Kids and Youth (MH-SKY) Stage 2 – Adjustment
Metropolitan Food Services Redevelopment Stage 1
Monash Medical Centre, Moorabbin Campus – Expansion of Radiotherapy Services
Mornington Centre Promoting Health Independence: Stage 1A
Mount Alexander Hospital, Castlemaine, Redevelopment Residential Aged Care
Northeast Health Wangaratta, Nursing Home Redevelopment
Portland District Health – Aged Care Redevelopment & Second Stage Recovery Suite
Royal Children's Hospital Redevelopment Stage 1
Super Clinics
The Knox Development
The Northern Hospital Redevelopment Stage 2A
Victorian Respiratory Support Centre
Yarrawonga District Health Service Redevelopment –Nursing Home and Acute
Box Hill Hospital – Outpatients & Dialysis Centre and Associated Works
Brunswick Human Services Precinct – The Bouverie Centre
Casey Residential Aged Care
Caulfield General Medical Centre Logistics Building and Associated Works
Community Facility Redevelopment Initiative
Environment and Sustainability Action Statement – Public Hospitals & Aged Care
Heidelberg Repatriation Hospital Mental Health Stage 1
Kingston Centre Kitchen Upgrade and Associated Works
Koori Youth Alcohol and Drug Healing Service
McKellar Centre Aged Care Facility – Grovedale
North Richmond Community Health Centre
RAV – Ambulance Services Expansion
Rochester Theatre & Hospital Redevelopment
Royal Children's Hospital Redevelopment
Royal Melbourne Hospital Emergency Department Redevelopment

The Committee is awaiting further information from the department concerning the budgeted expenditure for 2007-08 for each of the capital projects shown in the above table. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

4.5 Financial information

4.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

The Australian equivalents to the International Financial Reporting Standards (A-IFRS) became operative for reporting periods beginning after 1 January 2005, and have been applied as the standard in the preparation of the department's budget for both the 2006-07 and 2007-08 state budgets.

As in previous years, the impact of A-IFRS standards on the department's assets and liabilities is minor. The value of total assets is reduced mainly as a result of the requirement to impair test assets, whilst the value of total liabilities increased, but with a transfer between current and non-current liabilities due to changed requirements for ageing of employee leave entitlements.

The implementation of the A-IFRS standards may give rise to prospective adjustments in future budgets. These prospective adjustments could include the requirement to separately record and depreciate component parts of non-current physical assets where the separate components have differing life spans and the possible recognition and recording of additional financial assets and liabilities due to more stringent recognition requirements of the A-IFRS standards. Whilst these requirements are known, the financial effects are not yet apparent due to the prospective nature of the adopting these requirements.

4.5.2 *Revenue and expenditure*

Table 4.3 provides information on revenue and expenditure for controlled and administered operating statements for the department.

**Table 4.3: Department of Human Services
Operating Statement**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	9,755.2	10,722.1	9.9	0.0	0.0	0.0
Special appropriations	1,181.9	1,187.9	0.5	0.0	0.0	0.0
Sale of goods and services	984.0	998.1	1.4	272.7	281.3	3.2
Commonwealth grants	122.1	133.1	9.0	3,051.8	3,256.1	6.7
Fines and fees	0.0	0.0	0.0	4.0	4.1	2.5
Revenue from other parties and other income	335.7	273.8	-18.4	6.8	74.5	995.6
Total	12,378.9	13,315.0	7.6	3,335.3	3,616.0	8.4
Expenses from transactions						
Employee benefits	5,848.7	6,125.1	4.7	0.0	0.0	0.0
Supplies and services	4,750.5	5,084.3	7.0	0.0	0.0	0.0
Depreciation and amortisation	356.1	391.6	10.0	0.0	0.0	0.0
Grants and other payments	1,147.8	842.7	-26.6	0.0	0.0	0.0
Capital assets charge	536.2	584.0	8.9	0.0	0.0	0.0
Finance costs	2.4	2.4	0.0	0.0	0.0	0.0
Payments into Consolidated Fund	0.0	0.0	0.0	3,335.3	3,616.0	8.4
Total	12,641.7	13,030.0	3.1	3,335.3	3,616.0	8.4
Net result from transactions	-262.8	285.0	208.4	0.0	0.0	0.0
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	-262.8	285.0	208.4	0.0	0.0	0.0

4.5.3 Assets, liabilities and equity

Table 4.4 provides information on the financial position for controlled and administered items for the department.

**Table 4.4: Department of Human Services
Balance sheet**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	518.7	522.7	0.8	0.4	0.4	0.0
Other financial assets	606.2	606.2	0.0	0.6	0.6	0.0
Receivables	810.6	916.3	13.0	13.7	13.7	0.0
Property, plant and equipment	6,655.8	6,926.7	4.1	0.0	0.0	0.0
Other	160.2	160.3	0.1	85.5	85.5	0.0
Total assets	8,751.5	9,132.2	4.4	100.2	100.2	0.0
Liabilities						
Payables	1,009.4	758.1	-24.9	0.0	0.0	0.0
Employee provisions	1,411.4	1,477.8	4.7	0.0	0.0	0.0
Other	707.9	668.9	-5.5	89.4	89.4	0.0
Total liabilities	3,128.7	2,904.8	-7.2	89.4	89.4	0.0
Net assets	5,622.8	6,227.3	10.8	10.7	10.7	0.0
Equity						
Contributed capital	4,330.9	4,650.4	7.4	0.0	0.0	0.0
Reserves	1,613.7	1,613.7	0.0	0.0	0.0	0.0
Accumulated surplus	-321.8	-36.8	-88.6	0.0	0.0	0.0
Total equity	5,622.8	6,227.3	10.8	0.0	0.0	0.0

4.5.4 Carry over funding

The department has estimated the following carry over of unspent 2006-07 appropriations to 2007-08 to complete projects and deliver services:

	(\$ million)
Provision of outputs	33.4
Consisting of:	
State funded programs	12.9
Commonwealth funded programs	20.5

The carry over of output funds relate to activities where implementation was delayed in 2006-07, and/or where the funding provided by the Commonwealth was ahead of programs' requirements for the financial year. The funding will be applied towards these purposes in 2007-08.

	(\$ million)
Additions to the net asset base	58.0
Consisting of:	
State funded programs	52.9
Commonwealth funded programs	5.1

These funds relate to revisions to the cash flow forecast of the asset investment program in 2006-07, and will be used to complete or continue these projects in 2007-08.

4.5.5 Revenue raising initiatives

There are no new revenue raising initiatives planned or major changes to existing revenue initiatives in 2007-08.

4.5.6 Departmental savings

The areas of particular focus in increased efficiency and savings are: *Buying Smarter, Buying Less*; Shared services; Fleet management; Best practice grant administration; and Advertising and consultancies. The department will also continue to work to achieve productivity improvements and cost reductions through implementing structural efficiencies and finding practical solutions to end-to-end business processes without impacting on service quality or financial performance.

The 2007-08 state budget identifies a whole of government savings target for DHS of \$16.9 million in 2007-08.

Savings in DHS are focused on efficiency improvement, and are directed primarily at Head Office and corporate functions. The department has also commenced the implementation of a multi-year strategy aimed at *Doing Business Better*. *Doing Business Better* is a continuous improvement process based on the principles of Lean Thinking. It is a systematic approach to continuously improve the value the department delivers to its clients by eliminating all forms of waste within the system, both at the levels of service delivery and administrative processes, as well as information flows.

The Committee is awaiting further information from the department relating to specific dollar savings in each area mentioned above. When received, this information will be considered for inclusion in a further report on the 2007-08 Budget Estimates.

4.6 Communication, advertising and promotion

There is no central budget for communication, advertising and promotional activities. Appropriate communication, advertising and promotional expenditure is determined by the different units within DHS according to specific program needs. At this stage budgets have not been allocated for 2007-08.

The Committee is awaiting further information from the department on the communication, advertising and promotion budget for 2007-08 and comparison information for the last two financial years. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

4.7 Departmental workforce

The department had an equivalent full-time staff (EFT) complement of 11,529 at March 2007. March numbers are not expected to change to June 2007.

Table 4.5 provides information on the actual EFT staff numbers at June 2006 and March 2007.

**Table 4.5: Department of Human Services
Staff Numbers**

	June 2006 Actual (EFT)	March 2007 Actual (EFT)	30 June 2008 Estimated (EFT)
Executives	111.0	111.0	
Victorian public service officers	4,062.0	4,196.0	
Disability development and support officers	4,313.0	4,282.0	
Child protection and juvenile justice officers	1,623.0	1,703.0	
Housing services officers	433.0	442.0	
Allied health workers	442.0	441.0	
Nurses	190.0	188.0	
Other	169.0	166.0	
Total	11,343.0	11,529.0	

While the department does not have the requested information on all major budget funded agencies at this time, it is working closely with agencies and payroll providers to set up a new workforce database that will enable the collection of a wider range of staffing profiles.

In line with government policy, the department will adjust staffing levels to meet service delivery and associated support requirements as the need arises.

The department advised that it does not produce estimates of the information requested for June 2008.

Table 4.6 identifies the EFT staffing for major public hospitals and aged care agencies at 30 June 2006.

**Table 4.6: Staff numbers for major public hospitals and aged care agencies
30 June 2006**

Human Services portfolio	30 June 2006 FTE Actual
Major external agencies	
Public hospitals and aged care centres	
Doctors etc	5,769
Nursing	28,418
Medical support	12,014
Other	18,003
Sub-total – public hospitals and aged care centres	64,204

The Committee is awaiting further information from the department to explain the reasons why the department does not produce estimates of the staffing levels as at 30 June for the following year as this situation has been reported by the Committee in previous estimates reports. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

4.8 Performance measures – changes

The department has made some changes to its output structure in 2007-08 as shown in the Table 4.7.

**Table 4.7: Department of Human Services
Changes to the output structure in 2007-08**

2007-08 outputs	Reason	2006-07 output
Information, planning and capacity building	Title change	Information, assessment and planning
Targeted services	Title change	Primary support
Youth services and youth justice	Title change	Juvenile justice and youth services
Youth justice custodial services	Title change	Juvenile justice custodial services
Individual support	Consolidation	Community participation and inclusion

The output titles were changed to better reflect the scope and range of services being delivered. The Community Participation and Inclusion output has been consolidated into the Individual Support output to reflect the broadening of an individualised support approach to services aligned with the directions of the State Disability Plan.

The 2007-08 state budget provides output and asset funding to support achievement of the government's key policy objectives as expressed in Labor's Financial Statement 2006 and budget papers. Changes to the department's output structure have been made to improve the reporting of achievement of outcomes.

Review of portfolios

4.9 Children portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

4.10 Community Services portfolio

4.10.1 *Introduction*

The Committee received evidence from Mr G Jennings, Minister for Community Services, on 10 May 2007. The Minister provided an overview of the Community Services portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately one hour 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

4.10.2 *General comments*

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1, pp. 1-17 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 4.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 4.10.4) and unasked questions (see 4.10.5) should be submitted to the Committee by 18 June 2007. These answers will be considered by the Committee for inclusion in a further report.

4.10.3 *Key matters raised at the budget estimates hearing*

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

Child Protection Services

- level of resourcing of the After Hours Child Protection Service with reference to the numbers referred, cases that remained unallocated, the length of the waiting list, and the level of budgeted expenditure on the service for 2007-08 (pp.5-7)
- improvements to the wellbeing of vulnerable children from the implementation of the *Children, Youth and Families Act* (p.7)
- the adequacy of funding for the development of appropriate policies, and their correct application by staff, in relation to the sexual abuse of children (p.8)

Aged Care Services

- the government's commitment to upgrade the facilities for aged care services (p.9)
- costs and waiting periods for Aged Care Assessment Service (ACAS) community-based assessments to be undertaken subsequent to client registration (p.14)
- extent of additional resources necessary for the department to achieve its target of 15 days for community based assessments to be undertaken (p.14)
- progress on commitments made by the government for the Bendigo Stella Anderson facility and the Trentham Nursing Home (p.16)
- improvement and increase in service provision expected from the government's commitment to the home and community care program (pp. 6-17)

Disability Services

- the extent to which budgeted funding for the aids and equipment program will reduce waiting lists and waiting times for the various categories of clients (pp.10-12)
- progress on the development of the next Commonwealth State Territory Disability Agreement (CSTDA) and its future impact (pp.12-13)
- groups receiving priority for vehicle modifications and the adequacy of budgeted funds to meet the modifications (pp.13-14)

Other issues

- the impact that the portfolio spend will have on productivity, particularly new initiatives, under the portfolio (pp.4-5)

4.10.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- the Department of Human Services to provide a further response to question 9 of the Committee's questionnaire dealing with communication, advertising and promotional expenditure (p.17)
- the department to give an indication of the costs involved for the portfolio department in regard to servicing the Committee, both in terms of staffing and resources, on the basis of past experience (p.17)

A written response by the Minister to the Committee on these questions is due by 18 June 2007 and will be considered for publication in a further report.

4.10.5 Unasked questions at the budget estimates hearing

The following questions were unasked by the Committee at the budget estimates hearing and have been referred to the Minister for a written response by 18 June 2007:

- the difference between an Early Intervention Place and an Enhanced Early Intervention Package; and
- whether the 200 extra Early Intervention Places for Children outlined in *A Fairer Victoria* have been provided in the 2007-08 budget.

4.10.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website

4.11 Health portfolio

4.11.1 Introduction

The Committee received evidence from the Hon. B Pike, Minister for Health, on 8 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately three hours. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

4.11.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 4.11.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 4.11.4) and unasked questions (see 4.11.5) should be submitted to the Committee by 15 June 2007. These answers will be considered by the Committee for inclusion in a further report.

4.11.3 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

Public hospital system

- impact of increased funding and new elective surgery centres on elective surgery waiting lists (pp.6-7);
- access to hospital emergency departments (pp.9-10);
- impact of the portfolio spend, particularly new budget initiatives, on productivity (pp.4-5);

- innovation projects – Hospital Admission Risk Program (HARP) and Nurses on Call (pp.12-13);
- Family Choice Program involving children and young people with complex medical needs being helped to return home from hospital – budget initiatives (p.27);
- funding directed at safety measures connected with violence against nurses (pp.28-29); and
- bush nursing hospitals (pp.19-20).

Demand pressures

- measures directed at managing the growing demand pressures on the health system (pp.8-9);
- managing the demand for colonoscopy services (p.21);

Public health

- public health protocols, new budget initiatives, and funding from 2006-07 financial year – people living with HIV/Aids in the community (pp.10-12 and pp.15-16);
- access by Victoria Police to files relating to the alleged intentional spreading of HIV (pp.13-15);
- effect of the former chief health officer's termination payout on the budget (pp.5-6);
- failure to spend all HIV prevention funding allocated in 2006-07 to be spent by 30 June 2008 (pp.17-18); and
- initiatives directed at the provision of safe and secure blood supplies (p.25).

Ambulance services

- implementation of the computer-aided dispatch system for Rural Ambulance Victoria (p.21);
- upgrading services to assist in rural ambulance response times (pp.21-22); and
- rescue ambulance services – south west Victoria (pp.25-26).

Other

- health professionals in country Victoria (pp.7-8);
- expansion of renal dialysis services (p.15);
- health advancement – tobacco reform in Victoria (p.17);
- cancer service development (pp.18-19);
- radiotherapy services (p.22);
- Victorian patient transport assistance scheme (pp.19-20);
- explanation for the difference between Labor's financial costings for certain election commitments and budget funding (pp.22-23);
- support provided for maternity services (pp.23-24);

- additional outpatient appointments (pp.24-25);
- capital funding for community health centres (pp.27-28);
- expansion of the water fluoridisation program (p.28); and
- progress in establishing the Victorian paediatric rehabilitation service (p.29).

4.11.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- the number of medical students undergoing some of their training at Box Hill (p.7);
- details regarding the Victorian task force's 29 separate recommendations concerning the issue of violence against nurses (pp.28-29);
- clarification sought regarding the status of widening the definitions under the concept of bed numbers as a performance measure (pp.29-30); and
- the level of resources, funding and staffing the department expects to apply to servicing the Public Accounts and Estimates Committee in 2007-08, based on experience over the past few years (p.30).

A written response by the Minister to the Committee to these questions is due by 15 June 2007 and will be considered for publication in a further report.

4.11.5 Unasked questions

The following questions were unasked by the Committee at the budget estimates hearing and have been referred to the Minister for a written response by 15 June 2007:

- the Commonwealth Department of Veteran's Affairs has recently increased dental rates by 18 per cent to reflect the increased costs of dental services in the public health system for older Victorians living in supported residential facilities. Why has this increase in rates not been taken into account in allocating funds in the 2007-08 budget?
- effect of the increased resources allocated to dental services on reducing the waiting list for people in areas such as Gippsland.

The Minister's written responses will be considered for publication in a further report.

4.11.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

4.12 Housing portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

4.13 Mental Health portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 5: DEPARTMENT OF INFRASTRUCTURE

Departmental review

5.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Infrastructure on 1 May 2007. Detailed information was provided for most questions while others were limited and required further amplification. Sections 5.2 -5.8 detail that response.

5.2 Factors impacting on the formulation of the budget and associated outcomes

5.2.1 *Key assumptions*

Key assumptions used to develop the department's budget projections for 2007-08 were:

- government funding based on current policy settings and approved budget initiatives;
- motor vehicle taxation estimates based on Department of Treasury and Finance (DTF) modelling of demand for car purchases and registration;
- Commonwealth funding for road and rail infrastructure projects as per AusLink agreement;
- continuation of public transport contract arrangements including partnership agreements; and
- economic projections for Consumer Price Index, population growth etc. based on DTF forecasts.

5.2.2 *Changes to major government objectives*

Following the Victorian state election of 2006, machinery of government changes have resulted in changes to the 2007-08 output structure of the department.

Responsibility for energy policy services, information and communication technology (ICT) policy and programs and eGovernment infrastructure has moved to other government departments.

The continuing focus of the department, however, as reflected in its major outputs, is to lead the strategic planning, integration, development and management of:

- transport;
- major projects;
- freight and logistics; and
- security of critical infrastructure to enhance Victoria's growth and liveability.

The department is focused on delivering the government's key priorities detailed in major policy statements including:

- Meeting Our Transport Challenges: Connecting Victorian Communities;
- Linking Melbourne: Metropolitan Transport Plan;
- Melbourne 2030: Planning for Sustainable Growth;
- Victorian Ports Strategic Framework;
- arrive alive! 2002-2007: Victoria's Road Safety Strategy;
- Building One Victoria; and
- Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest

The department's outputs will:

- improve safety and security on the public transport and road network;
- facilitate metropolitan growth and development of Transit Cities and Activity Centres
- manage road and rail congestion;
- improve regional access through investment in regional public transport and road infrastructure; and
- encourage economic growth through the efficient movement of freight and commercial traffic, including links to ports.

New output measures have been included in relation to the Office of the Chief Investigator, Transport and Marine Safety Investigation to improve safety outcomes through the independent investigation of safety incidents.

5.2.3 *National Reform Agenda*

In February 2006, the Council of Australian Governments (COAG) committed to deliver a new National Reform Agenda (NRA) embracing competition and regulatory reform, and investment in human capital.

Under the NRA, COAG agreed to a range of tasks that involved participation by the department:

- The report on the national review of urban congestion was prepared by an inter-jurisdictional transport officials group and provided to the Competition and Regulation Working Group (CRWG), a COAG officials group which formed the steering committee for the review. The report was submitted in December 2006. The department advised the Victorian representatives on the CRWG and participated on the inter-jurisdictional group that prepared the draft report for the CRWG's consideration. COAG released the report on 13 April 2007.
- COAG requires each jurisdiction to prepare a five yearly infrastructure report, and the first was due in January 2007. The department coordinated the drafting of Victoria's report in consultation with the Departments of Sustainability and Environment, Premier and Cabinet, and Treasury and Finance. The department submitted the draft report to Premier and Cabinet in December 2006 for forwarding to the Commonwealth as part of COAG coordination. COAG released each jurisdiction's report on 13 April 2007.

- COAG has also agreed that each state will review its ports regulation. In the case of Victoria it has been agreed that this review will focus on the Port of Melbourne and the relationship between port policy and strategic planning and the entry of new suppliers of services, such as stevedoring. The review is to be completed by the end of 2007. Terms of reference and arrangements for conduct of the review are currently under discussion between the department and central agencies.
- On behalf of the Victorian Government, the department developed the Victorian Government's submissions to the Productivity Commission Inquiry into Road and Rail Infrastructure Pricing and has provided assistance in the development of the COAG response to the Inquiry which was released on 13 April 2007.
- On 1 August 2006, Victoria introduced its new Rail Safety Legislative Regime. The Victorian regime is consistent with the National Model Legislation which is a component of the work schedule for harmonising and reforming road and rail regulations.

The staffing resources that the department is committing to work on the COAG program are being drawn from existing staff numbers. The work being undertaken is not affecting the department's capacity to deliver its services.

5.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

The output initiatives that fall within the department's responsibility and other relevant information are itemised below:

A fare go for public transport users

This initiative funds the abolition of Zone 3 on Melbourne's public transport, a reduction in V/Line fares by an average of 20 per cent, and a reduction in bus fares on the Mornington and Bellarine peninsulas.

This initiative contributes to the department's Integrated Metropolitan Public Transport Services; and Rural and Regional Public Transport Services outputs.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
9.0	20.5	21.0	21.5	22.1

Boating fund grants

This initiative provides for the continuation of funding for new search and rescue vessels, ramps, jetties, floating pontoons and community harbours. It will also fund boat safety and education programs, navigation aids, signage and improve marine communications.

This initiative contributes to the department's Marine Safety and Regulation output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	5.0	5.0	5.0	5.0

Caulfield – Dandenong rail corridor stage 1 – Cranbourne stabling and station upgrade

Funding has been provided for construction of train stabling and improvement of station facilities at Cranbourne, as the first stage of works in the Caulfield – Dandenong Rail Corridor Project. This is a Meeting Our Transport Challenges initiative.

This initiative contributes to the department's Integrated Metropolitan Public Transport Services output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	0.0	0.4	0.8	0.8

Continuation of metropolitan bus services upgrade

Funding has been provided to continue the upgrade of Metropolitan Bus Services. As part of the government's Linking the Suburbs program, bus service levels were increased in outer metropolitan Melbourne to meet community needs and recognise demographic changes, particularly in areas of population growth.

This initiative contributes to the department's Integrated Metropolitan Public Transport Services output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	1.1	1.2	1.2	1.3

Continuation of Smartbus red line circle route initiative

Funding has been provided to continue the operation of the SmartBus Red Line Circle Route Stage 1 initiative which operates from Mordialloc to Box Hill, initially funded in 2003-04. The SmartBus project involves the development of an orbital network of premium bus services which improve the frequency, travel times and standard of customer information.

This initiative contributes to the department's Integrated Metropolitan Public Transport Services output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	1.2	1.3	1.3	1.4

Metropolitan premium stations upgrades

Funding has been provided to upgrade three metropolitan railway stations (Watsonia, Burnley and Mentone) to 'premium' stations, which will improve facilities, seating and security, and ensure these stations are staffed from first until last train. This is a Meeting Our Transport Challenges initiative.

This initiative contributes to the department's Integrated Metropolitan Public Transport Services output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	0.4	0.8	1.3	1.3

Metropolitan train services

This initiative will address the overcrowding and reliability pressures on Melbourne's train network that have been caused largely by a sharp increase in patronage. Funding has been provided to increase the number of metropolitan train services and includes the purchase of an additional 10 trains, associated capital stabling, maintenance and operating costs. This is a Meeting Our Transport Challenges initiative.

This initiative contributes to the department's Integrated Metropolitan Public Transport Services output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	2.6	3.7	5.5	10.4

Motor registration discount for hybrid cars

The government will reduce the registration fee for hybrid cars by \$50 per year from 1 May 2007 to encourage the purchase of environmentally-friendly vehicles.

This initiative contributes to the department's Vehicle and Driver Regulation output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	0.1	0.2	0.3	0.4

Regional coach/bus growth and remote area service improvements

This initiative provides funding for additional bus services across regional communities facing population growth and demographic change in regional Victoria. This is a Meeting Our Transport Challenges initiative.

This initiative contributes to the department's Rural and Regional Public Transport Services output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	3.9	7.6	8.6	10.2

Registration and licensing information system development funding

Development funding is provided to investigate and develop detailed requirements for a cross-agency information system that delivers registration and licensing functions. The proposed system will service the immediate need to replace the VicRoads' Registration System and provide the platform for future development of shared services capability for registration and licensing functions.

This initiative contributes to the department's Vehicle and Driver Regulation output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
0.0	3.0	0.0	0.0	0.0

Walking and cycling infrastructure program

Funding is provided to improve walking and cycling connections throughout Victoria, and to encourage increased walking and cycling for exercise and as a mode of transport. This is a Meeting Our Transport Challenges initiative.

This initiative contributes to the department's Traffic and Transport Management output.

2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
2.0	5.3	0.0	0.0	0.0

The Committee is awaiting further information from the department on the staffing implications of each of the above initiatives. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

5.4 Departmental asset investment

Table 5.1 details all projects currently contained in the department's Asset Investment program with forecast expenditure greater than \$1 million, budgeted to occur during the 2007-08 financial year.

Table 5.1: **Department of Infrastructure
Asset investment program**

Accessible public transport in Victoria - DDA compliance for train, tram & bus
Caulfield - Dandenong rail corridor - stage one - cranbourne stabling and station upgrade
Clifton Hill to Westgarth track duplication
Coolaroo station
Corio independent goods line including North Geelong track modifications
Country Rail network maintenance - passenger initiative
Creating New bus and transport connections
Dandenong growth corridor – development funding
Dynon Port rail link
Frankston bypass planning study
Hallam park and ride
Linking the suburbs - Craigieburn rail project
Metropolitan park and ride facilities
Metropolitan premium stations upgrades
Metropolitan train control reliability systems upgrade (METROL)
Metropolitan train procurement
Metropolitan train safety communications system
Mildura rail corridor - freight upgrade
New ticketing solution
North Melbourne station interchange upgrade
Partnership agreement works
Princes pier restoration
Public transport projects - station upgrades (ConnectEast)
Public transport security package
Railway level crossing upgrade program
Regional rollingstock
SmartBus - Ringwood to Frankston
SmartBus - Wellington Road
SmartBus green orbital - Nunawading to Airport West
SmartBus red orbital - Box Hill to Altona
SmartFreight
Stations and modal interchanges upgrade program
Sunshine rail corridor - third track development funding
Vigilance control and event recording system (VICERS) on metro trains
Whole of Government: transit cities - Ballarat second station
Whole of Government: transit cities - revitalising central Dandenong
Wodonga rail freight and urban redevelopment
VicRoads capital program
Albury/Wodonga bypass - new road/bypass (Wodonga)
Anderson Street duplication - Cobden Cres to Swansea Rd (Lilydale)
Barwon Heads bridge replacement (Barwon Heads)
Bass Highway duplication (stage 5) - Grantville to King Rd

Table 5.1: **Department of Infrastructure**
Asset investment program (continued)

Bass Highway duplication (stage 6) - King Rd to Woolmers Rd
Bendigo Inner Box Road widening (Bendigo)
Berwick-Cranbourne Rd duplication - Pound Rd to Thompsons Rd (Cranbourne North, Clyde North)
Boundary Rd - improve arterial roads operation - Derimut
Breakwater Rd upgrade (Belmont, Geelong)
Calder Highway sec 1 – new ITS facilities and provision of third lane - Western Ring Rd to Melton Hwy (Keilor)
Calder Highway sec 2 - Faraday to Ravenswood
Calder Highway upgrade - Kyneton to Faraday
Cheltenham road widening - Springvale Rd to Chandler Rd (Keysborough)
Congestion improvements program
Cranbourne Frankston Rd – carriageway duplication – Centre Rd to Western Port Hwy
Cranbourne-Frankston Rd duplication - Scott St to Hall Rd (Cranbourne)
Cranbourne-Frankston Rd duplication - Warrandyte Rd to Centre Rd (Langwarrin)
Derrimut Road Duplication - Hogans Rd to Sayers Rd (Hoppers Crossing)
Duplication of Vineyard Road between Obeid Drive and Mitchells Lane in Sunbury
Frankston intersections
Geelong Ring Road - sections 1 to 4 (formerly Geelong Bypass)
Goulburn Valley highway upgrading
Grieve Parade – improve arterial roads operation – Altona North
Hume Highway - Donnybrook Road grade separation
Kellets Road duplication – Taylors Lane to Napoleon Road (Rowville)
Kings Road duplication - Melton Hwy to Taylors Rd (Sydenham)
KooWeeRup-Longwarry – Bayles Bridge Rehabilitation (Bayles)
Local transport initiatives
Mickleham Rd duplication - Barrymore Rd to Somerton Rd (Greenvale)
Midland Hwy duplication (Hamlyn Heights, Geelong)
Monash Fwy - noise barriers retrofitting (Mt Waverly)
Nepean Hwy bridge replacement - Mordialloc Creek (Kingston City)
New Passing lanes on the Glenelg Hwy between Scarsdale and Linton
New Young Driver safety and graduated licenses – Database upgrade
Pakenham bypass
Palmers Road construction - Dunnings Road to Princes Fwy (Truganina)
Plenty Rd duplication - Bethany Crt to Gordons Road (South Morang)
Plenty Rd duplication - Centenary Drv to North of Bethany Crt (Mill Park)
Plummer St bypass (Port Melbourne)
Princes Highway East (Via Bruthen) - Buchan Road to Princes Hwy

Table 5.1: **Department of Infrastructure**
Asset investment program (continued)

Princes Highway/Henty Highway improvements (Portland – Heywood)
Road Safety infrastructure programs 2 and 3
Signalisation of Lower Dandenong Road / Boundary Road
Somerton Road duplication and grade separation (Somerton)
South Gippsland Highway - Loch to Bena - road realignment
South Road New Road construction - Warrigal Rd to Old Dandenong Rd (Heatherton)
Taylors Road bypass
Thompsons Road widening - Manningham Rd to Foote St (Templestowe)
Traffic Signals – Springvale Road, Donvale
Tullamarine - Calder Freeway interchange
Tullamarine Fwy Sec 1 road construction (Airport West)
Upgrade for Thompsons Road - duplication between Mornington Peninsula Fwy and Dandenong-Frankston Rd in Carrum Downs
Upgrade for Thompsons Road - duplication between South Gippsland Hwy and Narre Warren-Cranbourne in Cranbourne
Upgrading Ferntree Gully Road - widening between Jells Road and Stud Road in Scoresby
Wellington Road Widening - Huntingdale Station to Stud Rd (Metro Various)
Western Highway: Deer Park bypass and Leakes Rd interchange upgrade (Deer Park)
Western Port Hwy Duplication – Cranbourne Frankston Road to North Road
West-Gate Monash freeways improvement project

The Committee is awaiting further information from the department relating to the 2007-08 budgeted expenditure for its asset investment projects. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

5.5 Financial information

5.5.1 ***Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards***

Australian equivalents to the International Financial Reporting Standards (A-IFRS) were introduced for the 2005-06 budget. There are no additional impacts in the department's budget for 2007-08.

5.5.2 ***Revenue and expenditure***

Table 5.2 provides information on revenue and expenditure for controlled and administered operating statements for the department.

**Table 5.2: Department of Infrastructure
Operating statement**

	Controlled			Administered		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	3,692.7	4,017.4	8.8	0.0	0.0	0.0
Special appropriations	1.7	1.7	0.0	0.0	0.0	0.0
Appropriation payments made on behalf of the state	0.0	0.0	0.0	18.5	0.0	-100.0
Sale of goods and services	182.8	166.4	-9.0	0.7	0.7	0.0
Commonwealth grants	0.0	4.4	100.0	299.8	394.7	31.7
Taxes	0.0	0.0	0.0	1,343.0	1,373.2	2.2
Fines and fees	66.0	67.6	2.4	84.6	67.2	-20.6
Revenue from other parties and other income	289.8	275.2	-5.1	0.0	0.0	0.0
Other	0.0	0.0	0.0	141.2	44.3	-68.6
Total	4,233.1	4,532.6	7.1	1,887.8	1,880.2	-0.4
Expenses from transactions						
Employee benefits	292.4	292.3	0.0	0.0	0.0	0.0
Supplies and services	1,907.9	1,926.6	1.0	0.0	0.0	0.0
Depreciation and amortisation	359.8	358.9	-0.3	0.0	0.0	0.0
Grants and other payments	1,428.8	1,478.7	3.5	18.5	0.0	-100.0
Expenses on behalf of the state	0.0	0.0	0.0	-1.3	6.1	569.2
Payments into the Consolidated Fund	0.0	0.0	0.0	1,978.3	2,063.6	4.3
Resources provided free of charge or for normal consideration	40.4	0.0	-100.0	0.0	0.0	0.0
Capital asset charge	68.3	70.8	3.7	0.0	0.0	0.0
Finance costs	7.0	6.5	-7.1	0.0	0.0	0.0
Total	4,104.5	4,133.9	0.7	1,995.5	2,069.7	3.7
Net result for the reporting period	128.6	398.8	210.1	-107.7	-189.5	-76.0

5.5.3 Assets, liabilities and equity

Table 5.3 provides information on the financial position for controlled and administered items for the department

**Table 5.3: Department of Infrastructure
Balance sheet**

	Controlled			Administered		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	387.9	254.2	-34.5	13.7	13.7	0.0
Other financial assets	50.0	50.0	0.0	0.0	0.0	0.0
Receivables	446.4	474.9	6.4	115.5	35.1	-69.7
Prepayments	4.2	4.2	0.0	0.0	0.0	0.0
Inventories	15.6	16.6	6.4	0.0	0.0	0.0
Property, plant and equipment	19,540.1	20,163.2	3.2	0.0	0.0	0.0
Intangible assets	-3.8	-3.8	0.0	0.0	0.0	0.0
Other	44.2	-3.1	-107.0	0.0	0.0	0.0
Total assets	20,484.8	20,956.3	2.3	129.2	48.8	-62.2
Liabilities						
Payables	750.2	514.2	-31.5	14.2	14.2	0.0
Interest bearing liabilities	8.5	8.5	0.0	0.0	0.0	0.0
Employee provisions	86.0	84.9	-1.3	0.0	0.0	0.0
Other	253.3	270.7	6.9	86.4	195.6	126.4
Total liabilities	1,098.0	878.3	-20.0	100.6	209.8	108.5
Net assets	19,386.8	20,077.9	3.6	28.6	-160.9	-662.6
Equity						
Contributed capital	14,741.8	15,034.2	2.0	0.0	0.0	0.0
Accumulated surplus/deficit	-322.9	75.9	123.5	0.0	0.0	0.0
Reserves	4967.8	4967.8	0.0	0.0	0.0	0.0
Total equity	19,386.8	20,077.9	3.6	0.0	0.0	0.0

5.5.4 Carry over funding

Table 5.4 shows the department's estimated funding for 2006-07 to be carried forward to 2007-08 and the purposes of that funding.

**Table 5.4: Department of Infrastructure
Carry over funding**

For output purposes:	Amount (\$ million)
New ticketing solution	69.4
Boating safety grants	5.5
Melbourne port@l	0.6
Smartfreight	1.2
Counter terrorism project	1.5
Total	78.2

For Capital Purposes:	Amount (\$ million)
New ticketing solution	81.9
Dandenong transit cities	13.7
Accessible public transport – dda	8.4
Corio independent goods line	7.9
North Melbourne station upgrade	5.0
Lascelles wharf	4.6
Princes pier	4.5
Dandenong growth corridor	3.0
Metropolitan train safety communications system	2.9
Metropolitan train control reliability	2.2
Other minor projects	11.2
Total	145.3

The factors contributing to the carry over of funding include:

For output purposes:

- changes to contract milestones;
- delays in receiving invoices from grant recipients;
- changes in project scheduling following stakeholder consultation; and
- timing differences in the expected crystallisation of project risks.

For capital purposes:

- changes in project scope;
- finalisation of planning permits;
- extended consultation processes;
- difficulties in obtaining third party agreements;
- timing differences in the expected crystallisation of project risks; and
- Changes in project scheduling following stakeholder consultation.

5.5.5 *Revenue raising initiatives*

No new revenue raising initiatives are planned for 2007-08.

5.5.6 *Departmental savings*

As part of the 2007-08 state budget funding arrangements, the department has been required to achieve operational efficiencies. The Efficient Government policy requires savings to be achieved through implementation of a number of efficiency measures:

- a *Buying Smarter, Buying Less* purchasing framework which will apply 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; and
- reduction in fleet management costs through better use of technology, centralised databases and facilities.

The proposed new savings reflected in the 2007-08 budget total \$7.8 million.

The department, including VicRoads and the Southern and Eastern Integrated Transport Authority (SEITA), will implement a number of strategies designed to achieve its savings requirements, including through the implementation of the *Buying Smarter, Buying Less* purchasing framework; improved operational efficiencies through Shared Services functions and reducing reliance on consultants and contractors.

The Committee is awaiting further information from the department relating to a dissection of the aggregate expected savings across the relevant areas. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

5.6 **Communication, advertising and promotion**

Table 5.5 shows the department's communication, advertising and promotion budget for 2007-08 compared with the position for the previous two financial years.

**Table 5.5: Department of Infrastructure
Communication, advertising and promotion budget**

	2007-08 Budget (\$ million)	2006-07 Forecast (\$ million)	2005-06 Actual (\$ million)
Department of Infrastructure (a)	5.40	4.00	5.66
VicRoads (b)	(c) 8.15	1.99	2.48
SEITA	0.72	0.60	0.44
- MultiMedia Victoria	0.0	0.20	0.09
- Energy Policy Services	0.0	0.05	0.63

Notes:

- (a) *Department of Infrastructure figures include the following costs for functions which have transferred to other government departments as a result of the recent machinery of government*
- (b) *VicRoads 2006-07 and 2005-06 figures exclude communications activities*
- (c) *Major safety and operational communications activities planned for 2007-08 include new graduated licensing system, Monash-CityLink-Westgate upgrade and other major road upgrades*

5.7 Departmental workforce

The department has estimated that, at 30 June 2008, it will have a total workforce (including major funded agencies) of 3888.9 equivalent full-time (EFT) staff. This represents an increase of 63.9 EFT staff (1.7%) on the 30 June 2007 estimate and an increase of 124.8 EFT staff (3.3%) on the 30 June 2006 actual.

Table 5.6 provides information on the actual EFT staff numbers (which include casuals and funded vacancies) at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

**Table 5.6: Department of Infrastructure
Staff numbers**

	30 June 2006 Actual (EFT)	30 June 2007 Estimated (EFT)	30 June 2008 Estimated (EFT)
Department of Infrastructure			
Secretary	1.0	1.0	1.0
Executive officers	69.7	59.6	61.6
Victorian public service officers	1,048.5	1,005.1	1,044.0
Sub-total	1,119.2	1,065.7	1,106.6
VicRoads			
Executive officers	67.0	70.0	70.0
VRO's	2,546.1	2,656.0	2,679.0
Sub-total	2,613.1	2,726.0	2,749.0
SEITA			
Executive officers	8.0	8.0	8.0
STS	3.0	3.0	2.0
Victorian public service officers	20.8	22.3	23.3
Sub-total	31.8	33.3	33.3
Total	3,764.1	3,825.0	3,888.9

5.8 Performance measures – changes

Discontinued performance measures

The department presented the following table which is an extract from the 2007-08 Budget Paper No.3, *2007-08 Service Delivery, Appendix C – Discontinued Outputs and/or Measures*.

In addition to the discontinued performance measures outlined below, the Information and Communication Technology (ICT) Policy, Programs and Infrastructure output and the Energy Policy Services output have transferred to other government departments following the machinery of government announced in December 2006.

**Table 5.7: Department of Infrastructure
Discontinued performance measures**

	Unit of measure	2006-07 Expected outcome	2006-07 Target	2005-06 Actual
Vehicle and driver regulation				
<i>Timeliness</i>				
Preliminary investigation of serious taxi service complaints completed within 10 working days (a)	per cent	94	94	92
Integrated transport policy and planning				
<i>Quantity</i>				
University campuses recruited for TravelSmart first year enrolment (b)	number	4	3	n/m
<i>Quality</i>				
Transport infrastructure project feasibility studies delivered in accordance with agreed scope and standards (c)	per cent	100	100	n/m
<i>Timeliness</i>				
Transport plan: progress report released (c)	date	n/a	qtr 4	n/m
Transport model development: metropolitan area freight movement model implemented (d)	date	qtr 2	qtr 2	n/m
Central Melbourne area transport model developed and implemented (d)	date	qtr 2	qtr 2	n/m
North eastern integrated transport study – final strategy complete (d)	date	qtr 4	qtr 2	n/m
Transport infrastructure project feasibility studies completed within agreed timeframes (d)	per cent	100	100	n/m
Public transport infrastructure development				
<i>Quantity</i>				
Regional Fast Rail construction projects – contract completion: Latrobe (d)	per cent	100	100	93
Southern Cross Station redevelopment project (Partnerships Victoria) – design and construction contracts progressed (d)	per cent	100	100	100
<i>Timeliness</i>				
Regional Fast Rail – introduction of revised timetables incorporating Regional Fast Rail services:				
• Ballarat (d)	date	qtr 1	qtr 1	n/m
• Bendigo (d)	date	qtr 1	qtr 1	n/m
• Latrobe (d)	date	qtr 2	qtr 2	n/m
• Geelong (d)	date	qtr 1	qtr 1	n/m
Craigieburn rail project:				
• All track work complete (d)	date	qtr 3	qtr 3	n/m

Table 5.7: Department of Infrastructure
Discontinued performance measures (*continued*)

	Unit of measure	2006-07 Expected outcome	2006-07 Target	2005-06 Actual
Southern Cross Station project:				
• Final handover to Civic Nexus Consortium (d)	date	qtr 1	qtr 1	n/m
Development of new integrated public transport ticketing solution:				
• commence installation of New Ticketing System (NTS) equipment (devices) (e)	date	qtr 3	qtr 3	n/m
• NTS pilot implementation complete (e)	date	qtr 4	qtr 4	n/m
Metropolitan train communications system: tender specifications complete (d)	date	qtr 4	qtr 4	n/m
North Melbourne station upgrade:				
• request for tender for construction (d)	date	qtr 1	qtr 1	n/m
• award construction contract (d)	date	qtr 2	qtr 2	n/m
• construction commences (d)	date	qtr 3	qtr 3	n/m
Freight, logistics, ports and marine development				
<i>Quality</i>				
Geelong Port Rail Access: project construction progressed within agreed scope (d)	per cent	100	100	n/m
<i>Timeliness</i>				
Channel deepening:				
• SEES completed and exhibited (d)	date	qtr 3	qtr 3	n/m
Dynon Port rail link:				
• complete pre tender design and documentation (d)	date	qtr 2	qtr 1	Jan 2006
• contracts let for construction of Footscray Road grade separation (d)	date	qtr 4	qtr 2	n/m
• construction commenced (d)	date	qtr 4	qtr 3	n/m
Public construction and land development				
<i>Timeliness</i>				
Hazardous waste siting:				
• statutory approval given for long term containment facility (f)	date	n/a	qtr 1	n/a
• commence process for appointment of an operator for long term containment facility (f)	date	n/a	qtr 2	n/a

- Notes:
- (a) *this measure is replaced with one which is more robust in measuring the timeliness of resolving taxi complaints*
 - (b) *tertiary education campuses are now incorporated into a measure covering schools, workplaces and other organisations*
 - (c) *the transport plan has been superseded by Meeting Our Transport Challenges*
 - (d) *measure that was completed in 2006-07*
 - (e) *NTS pilot implementation is underway and is scheduled for completion in qtr 4 – pilot implementation constitutes all planning and preparation works necessary to undertake the NTS pilot*
 - (f) *with the release of the EES statement (9 January 2007) the government's decision was to discontinue with the project, therefore no approval was given for a long term containment facility. Appointment of an operator was not made due to the project being discontinued after release of the EES statement*

New performance measures

The department presented the following table which is an extract from the 2007-08 Budget Paper No.3, *2007-08 Service Delivery, Chapter 3 – Departmental Output Statements*.

**Table 5.8: Department of Infrastructure
New performance measures**

	Unit of measure	2007-08 Target	2006-07 Expected outcome	2006-07 Target	2005-06 Actual
Public safety and security					
Vehicle and driver regulation (l)					
<i>Quality</i>					
Customer satisfaction index: taxi services (x) (y)	score	>64.4	n/m		n/m
<i>Timeliness</i>					
Taxi services complaints investigated and closed within 30 days of receipt (x)	per cent	>60	n/m		n/m
Marine safety and regulation					
<i>Quantity</i>					
All accredited training providers audited (ac)	per cent	100	n/m	n/m	n/m
Transport and marine safety investigations (ad)					
<i>Quantity</i>					
Proportion of notified accidents with passenger fatalities and serious passenger injuries investigated (ag)	per cent	90(ah)	n/m	n/m	n/m
Proportion of accident/incidents involving identified multiple safety system failures investigated (ai)	per cent	90(ah)	n/m	n/m	n/m
<i>Timeliness</i>					
Accidents/incidents assessed within 2 days of notification to determine need for detailed investigation	per cent	100	n/m	n/m	n/m
Investigation of accidents/incidents completed within agreed timeframes (aj)	per cent	80	n/m	n/m	n/m

**Table 5.8: Department of Infrastructure
New performance measures (*continued*)**

	Unit of measure	2007-08 Target	2006-07 Expected outcome	2006-07 Target	2005-06 Actual
Infrastructure planning, delivery and management					
Integrated transport policy and planning					
<i>Quality</i>					
Local area access program grant funding committed within agreed timelines (e)	per cent	100	n/m	n/m	n/m
Local Area access program evaluation framework developed (e)	per cent	100	n/m	n/m	n/m
Completion of Auslink corridor strategies involving Victoria (f)	number	8	n/m	n/m	n/m
<i>Quality</i>					
Local Area access program assessments, monitoring reports and payments undertaken according to grant agreements (e)	per cent	100	n/m	n/m	n/m
<i>Timeliness</i>					
Local Area access program activities completed within agreed timelines (e)	per cent	100	n/m	n/m	n/m
Policy advice including COAG National Reform Agenda provided to agreed timelines (i)	per cent	100	n/m	n/m	n/m
East-West Link needs assessment final report to government (j)	date	qtr 3	n/m	n/m	n/m
Public transport infrastructure development					
<i>Quantity</i>					
Track duplication – Clifton Hill to Westgarth: main works packages (m)	per cent	30	n/m	n/m	n/m
<i>Timeliness</i>					
Track duplication – Clifton Hill to Westgarth(m):					
• main works contract awarded	date	qtr 2	n/m	n/m	n/m
• signalling contract awarded	date	qtr 3	n/m	n/m	n/m
Development of new integrated public transport ticketing solution (p):					
• Commence customer education program	date	qtr 1	n/m	n/m	n/m
• Commence metropolitan installation	date	qtr 2	n/m	n/m	n/m
Metropolitan train communications system replacement (q):					
• request for tender issued	date	qtr 1	n/m	n/m	n/m
• tender awarded	date	qtr 3	n/m	n/m	n/m
North Melbourne station interchange upgrade:					
• commence works on concourse	date	qtr 2	n/m	n/m	n/m

Table 5.8: Department of Infrastructure
New performance measures (*continued*)

	Unit of measure	2007-08 Target	2006-07 Expected outcome	2006-07 Target	2005-06 Actual
Vigilance Control and Event Recording System (VICERS) (t):					
• complete wiring on Comeng fleet for installation of VICERS units	date	qtr 1	n/m	n/m	n/m
• complete VICERS unit installation on Comeng fleet	date	qtr 2	n/m	n/m	n/m
• Commence installation on Siemens/Xtrapolis fleet	date	qtr 2	n/m	n/m	n/m
SmartBus: red orbital - Box Hill to Altona (u)					
• Construction works commence on road priority treatments	date	qtr 2	n/m	n/m	n/m
• Construction works commence on bus stop upgrade works	date	qtr 4	n/m	n/m	n/m
Traffic and transport management					
<i>Quantity</i>					
Number of cycling projects delivered (ai)	number	20	n/m	n/m	n/m
Length of cycling paths and lanes completed (ai)	km	18.35	n/m	n/m	n/m
Number of pedestrian projects delivered (ai)	number	15	n/m	n/m	n/m
Freight, logistics, ports and marine development					
<i>Timeliness</i>					
Channel deepening: project approval (ao)	date	qtr 2	n/m	n/m	n/m
Dynon Port rail link (ap):					
• complete customs access road	date	qtr 4	n/m	n/m	n/m
• complete Appleton Dock Road	date	qtr 4	n/m	n/m	n/m
Mildura Rail corridor freight upgrade project (aq)					
• Sleeper contract commenced	date	qtr 1	n/m	n/m	n/m
• Construction commenced	date	qtr 2	n/m	n/m	n/m
Public construction and land development (ar)					
<i>Timeliness</i>					
Princes Pier: commencement of deck demolition (aw)	date	qtr 2	n/m	n/m	n/m
Parkville Gardens: completion of retrofit works (ax)	date	qtr 1	n/m	n/m	n/m

- Notes:
- (l) *general references in this output to 'driver licences', 'vehicle registration' and 'other driver and licensing procedures' relate to all non-commercial passenger vehicles and drivers. Performance measures relating to commercial passenger vehicles and drivers are worded accordingly and cover areas such as taxis, hire cars and tow truck operations*
 - (x) *the new taxi service complaints investigated and closed with 30 days measure is a more robust measure than the previous measure relating to timeliness of handling taxi service complaints and, combined with the customer satisfaction index measure for taxi services, provides an improved analysis of overall taxi service performance and complaints handling processes*
 - (y) *the Director of Public Transport commissions monthly surveys of both users and non users of public transport to measure satisfaction with services*
 - (ac) *new measure relating to audits performed on accredited training provider*
 - (ad) *there are 158 designated waterways in Victoria*
 - (ag) *a serious injury means an injury that requires, or would normally require, admission to hospital*
 - (ah) *some investigations of accidents that occur in Victoria fall within the jurisdiction of the Federal Australian Transport Safety Bureau. The Chief Investigator, Transport and Marine Safety Investigations would not normally conduct an investigation of accidents investigated by that Federal agency*
 - (ai) *safety systems are a combination of policies, processes and procedures used by organisations to guard against unwanted safety outcomes during operations*
 - (aj) *investigations are categorised as Level One for those involving large scale losses of life and/or equipment and Level Two for lesser events. Level One investigations will be completed in 52 weeks, and Level Two events in 26 weeks from the time of notification*
 - (e) *new measures for the Local Area Access Demonstration program. This program will fund local councils to develop and implement small scale 'demonstration projects' that improve access to activity centres, community services, jobs and other attractions within local areas and support the use of sustainable transport alternatives*
 - (f) *new measure. Auslink is a cooperative transport planning and funding initiative with joint federal, state and territory responsibility for the delivery of projects. Its core components include a defined National Network of important road and rail infrastructure links and their intermodal connections and a National Land Transport Plan which integrates planning and investment on the national network. There are eight Auslink projects in Victoria, which are: Melbourne - Adelaide; Melbourne - Brisbane; Melbourne - Geelong; Melbourne - Mildura; Melbourne - Sale; Melbourne - Sydney; Adelaide - Sydney (includes parts of Northern Victoria); and Melbourne Urban*
 - (i) *new measure. The department provides policy advice to the COAG on: Victoria's first Infrastructure Report to COAG; National Review of Urban Congestion; Review of Ports Regulation; Road and Rail Pricing; and the importance of Australia's cities and their transport systems*
 - (j) *new measure. The East-West Link Needs Assessment (Eddington Study) was announced by the government in May 2006 as part of Meeting Our Transport Challenges. The study formally commenced in early 2007*
 - (m) *new measures introduced to track commencement and progress of the project on approval of funding in 2007-08*
 - (p) *new measures reflect the next phases of the new integrated public transport ticketing solution project*
 - (q) *this project involves replacing the train radio system across the electrified rail network. New measures reflect next phases of project*
 - (t) *new measures introduced to track progress of the project for which \$22m was allocated in 2006-07*

- (u) new measures introduced to track progress of the project scheduled to commence in 2007-08*
- (ai) new measures to reflect the additional cycling paths and lanes to be introduced as part of the Walking and Cycling Infrastructure program*
- (ao) new measure reflects the next phase of the Channel Deepening project after completion of the SEES (Supplementary Environment Effects Statement). This is subject to the findings of the Independent Review Panel's Inquiry into the SEES, the Minister for Planning's assessment and appropriate state and Commonwealth environmental approvals*
- (ap) new measures reflect the next phases of the Dynon Port Rail Link project*
- (aq) new measures introduced to track progress of the project*
- (ar) projects named in this output are those for which funding is received directly by the department. The department also manages the delivery of major projects that are funded through other departments and agencies*
- (aw) new measure for the restoration and partial refurbishment of the pier in accordance with the Victorian Heritage Legislation*
- (ax) new measure for re-fitting Commonwealth Games housing for public sale, and social housing for handing over to the Housing Association*

Review of portfolios

5.9 Major Projects portfolio

5.9.1 Introduction

The Committee received evidence from the Hon. T Theophanous, Minister for Major Projects, on 4 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 1 hour. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

5.9.2 General comments

At the budget estimates hearing the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 11.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions taken on notice (see 11.10.4) should be submitted to the Committee by Monday 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

5.9.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- benefits to Victoria that funding of the Synchrotron facility will provide (p.3);
- the confidentiality, accountability and utilisation of developer contributions that have been made to VicUrban by Docklands developers (pp.3-4);

- provision in the 2007-08 budget for community infrastructure for Docklands (pp.8-9);
- progress, future plans and funding of the Dandenong Transit City project (p.4-5);
- modification and expansion of the Melbourne Convention Centre development and adequacy of governance and probity checks of the tender process (pp.5-6);
- additional funding of \$57 million for the Rectangular Sports Stadium (pp.7-8);
- funding of benefits for the Footscray Transit City project (p.9);
- public transport provision for future residents of VicUrban's Aurora Estate project (pp.9-10);
- the level of government funding, and the benefits of such funding, for the integration of the South Wharf sheds into the new Melbourne Convention Centre (pp.10-11); and
- the role and involvement of Major Projects Victoria in water infrastructure projects (pp.11-12).

5.9.4 *Questions taken on notice at the budget estimates hearing*

- The following question was taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):
- provision of details of the progress of the letter from Austexx to Mr. John Phillips (p.8).

A written response by the Minister to the Committee on this question is due by 11 June 2007 and will be considered for publication in a further report.

5.9.5 *Unasked questions at the budget estimates hearing*

All questions of the Committee were raised at the budget estimates hearing.

5.9.6 *Documents tabled at the budget estimates hearing*

The following documents were tabled at the budget estimates hearing:

- the Treasurer provided an introductory slide presentation at the estimates hearing; and
- a letter sent from Austexx to Mr. John Phillips of DSE was tabled (p.8).

The abovementioned slides and other documents are available on the Committee's website.

5.10 Public Transport portfolio

5.10.1 *Introduction*

The Committee received evidence from the Hon. L Kosky, Minister for Public Transport, on 9 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately two hours. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

5.10.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 5.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 5.10.4) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

5.10.3 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1.):

Issues relevant to better meeting the needs of travellers

- progress in the context of the current budget and related proposals in meeting the requirements of the Commonwealth Disability Discrimination Act for accessible public transport (pp.7-8);
- concerns regarding the impact on country commuters of changes made to the scheduling and frequency of certain train services (pp.8-9);
- commuter difficulties arising from overcrowding on trains during peak periods, frequency of monitoring of overcrowding, responsibilities of operator and strategies in place and planned to address problem (pp.10-11);
- further elaboration of strategies in place or planned to address the overcrowding problem on trains (pp.18-20);
- explanation of recent changes to public transport fares and ticketing in terms of benefits to commuters (pp.15-16); and
- update on actions in response to the recommendations of the Australian Transport Safety Bureau inquiry into the 2003 Broadmeadows train incident (pp.20-21).

Enhancing transport infrastructure and asset maintenance

- progress made to date and the nature of future plans in the delivery of the commitments totalling \$10.5 billion under Meeting Our Transport Challenges (pp.9-10);
- clarification sought on extent of budget provision over forward estimates period for maintenance of rail freight network (pp.11-12);
- elaboration of outputs and planned deliverables relating to development of the new integrated public transport ticketing solution (pp.12-14);
- outline of the triplication of the Dandenong rail corridor project and the expected benefit to the travelling public, especially people in Narre Warren South (pp.16-17); and
- steps in course to ensure maintenance issues associated with level crossings are adequately addressed and improvements to management processes expected from the State's buyback of regional rail network (pp.17-18).

Portfolio productivity and performance

- expected impact of budget on productivity in the portfolio (pp.4-5);
- quantification of proportion of transport fine revenue returned to franchise operators by way of administration fee (p.16); and
- explanation of apparent delay in completing core design work for the replacement of the Metrol system based on revised target of fourth quarter, 2007-08 identified in the budget (pp.21-22).

5.10.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Minister at the budget estimates hearing (page references refer to the transcript in Appendix 1):

- clarification of the nature of the allocation of \$25 million identified in the 2007-08 budget as a provision for maintenance of the rail freight network to be expended in 2006-07 (pp.5-7);
- outcome of expanded monitoring of crowding levels on trains in May 2007 (p.11);
- nature of access arrangements with Pacific National regarding regional rail network and amount expected to be recouped from that entity in access fees to offset future maintenance costs (pp.11-12);
- specific quantification of additional costs associated with purchase of six Hitachi trains (pp.14-15);
- past movements in the level of the administration fee paid to operators for issuing of transport fines and generation of fine revenue (p.16);
- provision of additional explanatory information on footnote in budget papers identifying reasons for revised target for completion of core design work for replacement of the Metrol system (pp.21-22); and
- level of resources and staffing costs anticipated by the department to apply to servicing the Committee's activities in the 2007-08 financial year, based on experience over the past few years (p.22).

A written response by the Minister to the Committee on these questions is due by 11 June 2007 and will be considered for publication in a further report.

5.10.5 Unasked questions

All questions of the Committee were raised at the budget estimates hearing.

5.10.6 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.

5.11 Roads and Ports portfolio

5.11.1 Introduction

The Committee received evidence from Mr T Pallas, Minister for Roads and Ports, on 10 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately one hour 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

5.11.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 5.11.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 5.11.4) should be submitted to the Committee by 14 June 2007. These answers will be considered by the Committee for inclusion in a further report.

5.11.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

Roads

- independent audit of reviews carried out on the West Gate Bridge structure (pp.6-7);
- initiatives in place to address the needs of country road users (p.8);
- discussion on funding for country roads to reduce the road toll (pp.8-10);
- funding arrangements and timelines for the completion of the Geelong ring-road project (pp.10-11 and 15-16);
- public transport trips as a percentage of motorised trips for 2006-07 compared to the target of 20 per cent to be reached in Melbourne by 2020 (pp.12-13);
- proposed initiatives to improve traffic flow on the Monash West Gate corridor (pp.13-15);
- financial impact of changes to driving arrangements in the Burnley Tunnel (pp.18-19);
- update of progress on the EastLink construction project (p.19);
- details of the grey spot project as part of the government's safer roads infrastructure program (pp.19-20);
- information on the trial of 40-kilometre-an-hour speed limits in strip shopping centres (p.21); and

Ports

- trends in freight transport by rail to and from Victoria's commercial ports (pp.16-17).

Other Issues

- impact of new initiatives and portfolio spending on productivity in Victoria for 2007-08 (pp.4-6);
- initiatives in place to improve access to recreational boating and ensure waterways remain safe (p.17); and
- walking and cycling infrastructure program (p.20).

5.11.4 Questions taken on notice at the budget estimates hearing

The following questions on notice were taken by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- identification of parties involved in carrying out the last safety audit in 2006 on the West Gate Bridge structure (pp.6-7); and
- public transport trips as a percentage of motorised trips for 2006-07 (pp.12-13).

A written response by the Minister to the Committee on these questions is due by 14 June 2007 and will be considered for publication in a further report.

5.11.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

5.11.6 Documents tabled at the budget estimates hearing

- The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled the following documents at the hearing:
- a graphical description of the Monash-CityLink-West Gate improvement program showing areas where improvements are planned;
- a news release from the office of the Minister for Roads and Ports 1 May 1997 detailing the share of federal road funding received;
- a news article titled 'Victoria's hotspots', *Bairnsdale Advertiser* newspaper, 9 March 2007, p.25; and
- a handout providing a graphical description of what can happen if you can get cars off our roads.

The slides and other documents are available on the Committee's website.

CHAPTER 6: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Departmental review

6.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Innovation, Industry and Regional Development on 1 May 2007. Detailed information was provided in response to most questions while others were limited and required further amplification. A revised response was provided on 10 May 2007. Sections 6.2-6.8 detail these responses.

6.2 Factors impacting on the formulation of the budget and associated outcomes

6.2.1 *Key assumptions*

The key assumptions used to develop the department's budget projections for 2007-08 include:

- an estimated carry over of \$16.9 million;
- budget escalation factor as applied by DTF;
- the endorsement of new initiatives; and
- savings of \$13.3 million.

6.2.2 *Changes to major government objectives*

There are no changes to key government objectives expected to be achieved by the major outputs.

6.2.3 *National Reform Agenda*

The National Reform Agenda is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform ; and
- Human Capital Reform.

The department is involved in the following three areas related to the National Reform Agenda:

(a) *Business Licensing*

COAG, at its 14 July 2006 meeting requested the Small Business Ministerial Council (SBMC) to consider options for the full mutual recognition of all business licensing requirements and report back to COAG by November 2006.

The department has led work to identify areas on which a review of business licensing should focus (for maximum impact) and to establish the costs, risks and challenges of full or partial mutual recognition.

(b) *ABN/Business Names*

At its April 2007 meeting COAG noted the interim report from the SBMC to develop a model to deliver a seamless single online registration system for Australian Business Numbers (ABN) and business names including trademark searching. COAG requested that SBMC, in consultation with the Ministerial Council on Consumer Affairs, develop a business plan for implementation of a preferred model, based on maximising the positive net benefits following a detailed analysis of the costs and benefits.

This project has close links to the department's World Class Service project, with its focus on improved and streamlined service delivery arrangements for Victorian business, and Victoria is working closely with the Commonwealth and other jurisdictions on development of the appropriate business plans.

(c) *Apprenticeships, Training and Skills Recognition*

The Office of Training and Tertiary Education (OTTE) is involved in a number of measures agreed upon under the COAG National Reform Approach to Apprenticeships, Training and Skills Recognition to improve the vocational education and training (VET) sector, including:

- more effective mutual recognition of occupational licensing between jurisdictions;
- an appropriate system for recognition of overseas qualifications;
- competency-based completion of apprenticeships;
- accelerated implementation of an outcomes-based auditing model for registered training organisations (RTOs) in Australia;
- Recognition of Prior Learning program;
- intermediate or specialised qualifications for the residential building and construction industry;
- enabling school-based apprenticeships; and
- further reform of VET.

Involvement in the NRA related projects has marginal impact on departmental services as the issues addressed are those with which the department is already actively engaged as part of its portfolio responsibilities. Internal re-allocation of staff has enabled the NRA related projects to be pursued effectively.

In terms of examining the extent of state funding that has been allocated in 2007-08 for initiatives under the NRA, there are no 2007-08 budget implications for the business licensing project or the ABN/business names project. With regard to the area covering Apprenticeships, Training and Skills Recognition, Victoria will match the Commonwealth's commitment to provide \$2.7 million (excluding GST) over three years to establish Skills Stores. The matched funding is included in the \$23 million Skills Stores initiative announced in the 2006-07 Victorian budget. A key function of Skills Stores is to facilitate the uptake of Recognition of Prior Learning (RPL).

The focus of the first year will be development of guidelines to inform consistent systemic implementation.

The strategies for the first year in summary are:

- guidelines to assist the development and implementation of effective RPL models. This includes standardisation of definitions, OTTE policies, and auditing procedures (\$220,000);
- best practice case studies, a resource reference tool for practitioners and a communication strategy across the sector (\$225,000); and
- capacity building through delivery of RPL training workshops for assessors associated with Skills Stores, specific industry sectors and local needs (\$470,750).

Project plans for 2007-08 and 2008-09 will be developed on the basis of experience gained in the first year.

6.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

The following information provides an overview of each new initiative and estimated costs.

There are no direct staff implications for the department in delivering these initiatives.

Nature Attractions and Car Based Touring

Victoria has a competitive advantage in nature based touring. To realise its potential, Tourism Victoria, Parks Victoria and DSE will work together to market nature based tourism; create supporting frameworks and partnerships; facilitate viable and innovative businesses; plan and manage sustainable destinations; and evaluate and facilitate investment attraction.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
1.0	1.0	2.1	2.2	0.0

Next Generation Film, Television and Digital

The Next Generation Film, Television and Digital program will enable the Melbourne International Film Festival (MIFF) to build on its significant local profile and to extend national and international industry awareness. MIFF will have additional funding which will provide added capacity for the festival to invest in human resources and programs to develop new income streams and work towards long term sustainability.

This will contribute to the Creative Industries output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
1.4	1.4	0.0	0.0	0.0

Regional Community Tourism Events

This program aims to support regional events that have the potential to grow and attract visitors to the regions and contribute to community spirit. Examples of events to be supported are the Warrnambool International Children's Festival and the Whittlesea Country Music Festival.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.5	0.5	0.5	0.5	0.0

Excellence in Service Standards

This initiative aims to address the skills shortage in the tourism industry and to increase the number of businesses accredited, the number of businesses participating in customer satisfaction benchmarking programs and the number of businesses entered into the tourism awards. The type of programs included is the development of a Workforce Development Plan in consultation with the Office of Training and Tertiary Education, Service Skills and the Victorian Tourism Industry Council. A range of targeted skills programs will also be developed through the Office of Small Business to meet the needs of tourism operators.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.2	0.2	0.3	0.3	0.0

Industry Capability Network

This initiative will expand the regional office network of the Industry Capability Network (ICN) to ensure that its local sourcing and import replacement services are available to regional businesses. It will also see the appointment of Industry Champions and Business Capability Advisers to contribute to the government's industry policy agenda. Industry Champions will work in partnership with key industry groups to develop opportunities for new business collaborations and investment, and to develop strategies for individual firms and industry sectors, with a particular focus on international procurement. The Business Capability Advisers will assist industry clusters and individual firms to

identify new customers, improve business operations and access government support and incentive programs.

This will contribute to the Export Promotion output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
1.4	1.4	1.4	1.4	0.0

Expand Internet Usage by Regional Tourist Operators

This program aims to increase the number of tourism businesses marketing and selling their products online and increase online bookings for regional tourism operators. The two key components of this initiative is to encourage businesses to adopt emerging technologies and increase the use of the internet and to provide opportunities for tourism operators to achieve increased online bookings through the establishment of improved linkages between the private sector booking systems and Tourism Victoria's websites.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.2	0.2	0.3	0.3	0.0

Opening Doors to Export and Victorian export network

This initiative will continue the Opening Doors to Export program and create a new Victorian Export Network, seeking to promote Victorian industry's capabilities in key export markets and create mechanisms to establish collaborative export partnerships. The Opening Doors to Export initiative was established in 2004-05 to promote Victoria internationally and boost the state's presence in world markets. It has assisted 7,000 Victorian businesses to export. The Victorian Export network aims to match companies looking for partners to fill supply and distribution chains. A key component of this will be a new interactive website where companies can register and receive advice, updates, notification of trade and exhibition opportunities.

This will contribute to the Export Promotion output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
2.2	2.6	2.6	2.6	0.0

Farmers' Markets

The program will support Farmers' Markets as a community based option for farmers to deliver their products direct to consumers. It aims to stimulate local economic activities through growing this budding industry to enhance the sustainability of this alternative market channel for small production farmers.

This will contribute to the Regional Economic and Community Development output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.5	0.5	0.5	0.5	0.0

Fly Drive Holidays to Regional Centres

The program will assist in improving key stakeholder relationship with regional airports, through increased investment in both cooperative marketing activity and the facilitation of infrastructure upgrades. The program will also ensure the continuation of existing partnerships with national travel trade partners and key wholesale and airline partners.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.2	0.2	0.3	0.3	0.0

Interstate Promotion of Food and Wine

In 2004 Tourism Victoria launched the Food and Wine Tourism Plan 2004-07 and has undertaken marketing campaigns primarily in the interstate markets. The extension of food and marketing activities to key interstate markets will complement existing intrastate marketing activities for the food and wine segment. A dedicated interstate marketing campaign will significantly increase the profile of Victoria's food and wine offering.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.3	0.3	0.3	0.3	0.0

Tiger Teams and Victorians Abroad

Tiger teams comprise a joint effort by government and industry to aggressively chase footloose investment for Victoria. In response to the changing investment attraction environment, the teams will concentrate on chasing high-end, niche operations. The Victorians Abroad initiative aims to keep our expatriate workforce connected, informed and better able to assist Victoria through their skills and connections, via an Ambassadors program, and the creation of a database and web based portal.

This will contribute to the Investment Facilitation and Attraction Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.5	0.5	0.5	0.5	0.0

Marketing of International Tourism

This program will involve a focus on international markets that represent the greatest tourism growth prospects (such as China and other emerging Asian markets) and a continued focus on mature markets (such as North America, United Kingdom and New Zealand) that have the greatest short term potential for regional coverage.

This will contribute to the Tourism Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.7	0.7	2.0	2.0	0.0

Working Families Council

This initiative is to establish a Working Families Council to promote employment practices that help balance work and family time. The Council's roles and responsibilities will include: championing the issues facing Victoria's working families; assist employers to introduce family friendly provisions/conditions; and further develop pay equity strategies and initiatives.

This will contribute to the Innovative and High Performing Workplaces Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
(a) 0.1	0.2	0.2	0.2	0.0

Note: (a) that the funding for this initiative will be from internal reprioritisation

Workplace Pay and Conditions Standard

This initiative establishes a Workplace Pay and Conditions Standard to be based on conditions in awards that existed prior to the introduction of the Commonwealth's WorkChoices legislation. It will include provisions relating to overtime pay, public holiday and shift work pay rates, casual pay loading, family friendly provisions, redundancy pay and dispute resolution processes.

This will contribute to the Innovative and High Performing Workplaces Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
(a) 0.5	0.2	0.2	0.1	0.0

Note: (a) that the funding for this initiative will be from internal reprioritisation

Returning to Earning

This initiative will assist parents who have temporarily been out of the paid workforce, with flexible grants up to \$1,000 for education and training-related costs, particularly targeting relevant industries with skills shortages.

This will contribute to the Innovative and High Performing Workplaces Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
3.3	3.3	3.3	3.3	0.0

Workplace Toolkit

This initiative is to provide an online toolkit to provide advice to employers and employees on responsibilities and opportunities for parents returning to work. This supports the Returning to Earning initiative.

This will contribute to the Innovative and High Performing Workplaces Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.3	0.3	0.3	0.3	0.0

Small Business Commissioner

The Victorian Small Business Commissioner was established in May 2003 under the *Small Business Commissioner Act 2003* and aims to promote a competitive and fair operating environment for businesses in Victoria. This is a continuation of that role.

This will contribute to the Small Business Support output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
2.3	2.3	2.4	2.4	0.0

Apprentice/Trainee Completion Bonus

The aim of the Completion Bonus is to encourage employers to increase the number of young apprentices and trainees completing their qualifications.

This will contribute to the Skills output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
24.5	0.0	0.0	0.0	0.0

Skill Up

This program provides assistance to around 1000 retrenched workers per annum to upgrade their skills or develop new skills so they can re-enter the workforce as quickly as possible.

This will contribute to the Innovative and High Performing Workplaces Output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
(a) 1.4	1.4	1.4	1.4	0.0

Note: (a) that the funding for this initiative will be from internal reprioritisation

Strategic Industry Development

This initiative includes: implementation of the government's Defence Industry Roadmap; enhancing defence industry capabilities to win projects and contributions to the national Cooperative Research Centres (CRC) for Advanced Manufacturing.

This will contribute to the Export Promotion output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
(a) 2.0	2.0	2.0	2.1	2.0

Note: (a) that the funding for this initiative will be from internal reprioritisation

Victorian Government Business Offices

This initiative provides recurrent funding to address a range of issues for the Victorian Government Business Offices such as rents, refurbishment and repairs and general operating expenses.

This will contribute to the Investment Facilitation and Attraction output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.4	1.1	0.6	0.6	0.0

Victorian Major Events Company

This initiative aims at implementing the recommendations of the strategic review undertaken in 2005-06 and to maintain the level of success experienced in an increasingly competitive and professional international market.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.380	0.390	0.399	0.409	0.409

Brand Victoria

This initiative is to continue the funding for the Brand Victoria initiative which aims to increase export income from the state's tourism, education, foreign investment, skilled migration and goods and services industries by providing a consistent approach to brand marketing and communication activity.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.5	0.6	0.6	0.6	0.0

Film and TV Industry

This program aims to support Victorian practitioners to develop, produce and exploit content for feature films, television series and documentaries. It provides support via grants for script development.

This will contribute to the Creative Industries output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.5	0.5	0.5	0.5	0.4

Major Events Cap

This initiative will increase the Major Events Cap to continue to attract new events to the state and so tourists, and add to the vitality and diversity of the state. The events market is becoming increasingly competitive internationally and this increase will ensure Victoria retains the tourism benefits achieved over recent years.

This will contribute to the Tourism output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
11.5	11.0	10.0	0.0	0.0

Kangan Batman Docklands – Stage Two

This asset initiative is to construct stage two of the Kangan Batman Institute of TAFE facilities at the Docklands and will see the re-location of the remaining automotive trade programs from the Coburg and Richmond campuses.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
2.0	10.0	15.0	3.0	0.0

Gordon Institute – Wool Classing

This asset project completes the transfer of the remaining training programs that are located at Deakin University Waurn Ponds Campus to the East Geelong Campus and the occupied space return to Deakin University.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.1	2.9	0.0	0.0	0.0

Nursing Centre of Excellence – Box Hill

A consortium that includes Box Hill Institute of TAFE, Deakin University, the Epworth Hospital Foundation and Eastern Health Network will develop a Nursing Skills Centre of Excellence as an asset initiative to address the gap between supply and demand of current/future needs in nursing and allied health services.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.50	4.0	0.0	0.0	0.0

Northern Institute of TAFE - Epping

This asset project is to expand the Epping Campus to meet the demand for vocational education services provision in one of Victoria's fastest growing growth corridors, Whittlesea. This initial funding is to complete the project business case.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.1	0.0	0.0	0.0	0.0

Transport and Logistics Centre - Wodonga

This asset initiative is to establish a national Logistics and Driver Skills Training Centre, which will include the relocation and expansion of Wodonga Institute of TAFE's national Industrial Skills Training Centre and the establishment of a driver education centre with capacity to expand the Institute's Specialist Centre in Motorsports. This initial funding is to complete the project business case.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Ongoing (\$ million)
0.5	0.0	0.0	0.0	0.0

6.4 Departmental asset investment

Table 6.1 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08.

Table 6.1: Department of Innovation, Industry and Regional Development
Asset investment projects

Asset investment project	2007-08 Budget (\$ million)
South West Institute of TAFE – Warrnambool Stage 3	7.7
Swinburne University – Wantirna Sustainability and Land Management	5.0
National ICT Australia (NICTA) Victorian Research Laboratory	4.0
Kangan Batman TAFE – Docklands Stage 2	2.0
Nursing Centre of Excellence – Box Hill	0.5
Wodonga TAFE – Transport and Logistics Centre	0.5
Other	0.2
Total	19.9

6.5 Financial information

6.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

There has been no impact on the preparation of the department's budget as a result of Australian equivalents to the IFRS. In addition, there have been no features of the standards that have impacted on the preparation of the estimated financial statements of the department for 2007-08.

6.5.2 Revenue and expenditure

Table 6.2 provides information on revenue and expenditure for controlled and administered operating statements for the department.

Table 6.2: Department of Innovation, Industry and Regional Development
Operating Statement

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	959.2	1,420.5	48.1	0.0	0.0	0.0
Special appropriations	0.0	0.0	0.0	0.0	0.0	0.0
Sale of goods and services	229.3	471.4	105.6	0.0	0.0	0.0
Commonwealth grants	145.6	294.4	102.2	0.1	0.0	-100
Fines and fees	0.0	0.0	0.0	2.3	2.3	0.0
Other grants	4.2	0.9	-78.6	0.0	0.0	0.0
Other revenue and revenue from other parties	24.6	47.9	94.7	5.2	5.2	0.0
Total	1,362.9	2,235.1	63.9	7.6	7.6	0.0
Expenses from transactions						
Employee benefits	494.9	924.2	86.7	0.0	0.0	0.0
Supplies and services	360.6	609.7	69.1	0.0	0.0	0.0
Depreciation and amortisation	42.1	78.8	87.2	0.0	0.0	0.0
Grants and other payments	365.7	421.7	15.3	0.0	0.0	0.0
Capital assets charge	84.6	170.8	101.9	0.0	0.0	0.0
Finance costs	0.3	0.5	66.7	0.0	0.0	0.0
Other expenses from ordinary activities	0.0	0.0	0.0	0.1	0.1	0.0
Payments into Consolidated Fund	0.0	0.0	0.0	7.5	7.5	0.0
Total	1,348.2	2,205.7	63.6	7.6	7.6	0.0
Net result from transactions	14.7	29.4	100.0	0.0	0.0	0.0
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	14.7	29.4	100.0	0.0	0.0	0.0

6.5.3 Assets, liabilities and equity

Table 6.3 provides information on the financial position for controlled and administered items for the department.

Table 6.3: Department of Innovation, Industry and Regional Development
Balance sheet

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	334.2	326.4	-2.3	-0.1	-0.1	0.0
Other financial assets	107.2	107.0	-0.2	0.2	0.2	0.0
Receivables	101.9	104.4	2.5	44.6	44.6	0.0
Property, plant and equipment	2,248.5	2,283.6	1.5	0.0	0.0	0.0
Other	101.5	106.5	4.9	0.0	0.0	0.0
Total assets	2,893.3	2,927.9	1.2	44.7	44.7	0.0
Liabilities						
Payables	100.1	100.1	0.0	0.0	0.0	0.0
Employee provisions	163.3	165.7	1.4	0.0	0.0	0.0
Other	47.2	47.2	0.0	93.1	93.1	0.0
Total liabilities	310.6	313.0	0.8	93.1	93.1	0.0
Net assets	2,582.7	2,615.0	1.2	-48.4	-48.4	0.0
Equity						
Contributed capital	1,446.3	1449.3	0.2	30.9	30.9	0.0
Accumulated surplus	139.4	168.7	21.0	0.0	0.0	0.0
Reserves	997.0	997.0	0.0	-79.3	-79.3	0.0
Total equity	2,582.7	2,615.0	1.2	-48.4	-48.4	0.0

6.5.4 Carry over funding

The department expects to carry forward \$16.9 million to be applied to outputs.

The following factors have contributed to the carry over of funding:

- delays in starting new initiatives (relating to recruitment of staff to administer programs, etc);
- delays in finalising grant contracts;
- grant recipients not achieving milestones in line with payment schedules; and
- drought and bushfires have caused delays in regional Victoria initiatives.

6.5.5 Revenue raising initiatives

There are no new revenue raising initiatives for 2007-08.

6.5.6 Departmental savings

The department is to achieve savings in purchasing, shared services, grant administration and duplication, fleet management, advertising and consultancy and information communication and technology (ICT).

The department is required to achieve a total of \$13.3 million in savings in 2007-2008 as shown in table 6.4.

Table 6.4: Department of Innovation, Industry and Regional Development
Savings per category to be achieved in 2007-08

Savings Category	2007- 08 (\$ million)
Buying smarter	2.6
Grants administration	1.6
Integrated focus on ICT	2.0
Advertising & consultancy	0.8
Shared services	0.2
Fleet management	0.03
Sub total Efficient Government	7.2
Grants duplication	5.5
Victorian public service (VPS) savings	0.6
Total Savings	13.3

The savings will be achieved consistent with the government's *Efficient Government* policy. This will result in a range of actions which will deliver ongoing sustainable savings. The way in which these savings are to be achieved are set out below:

- the savings associated with *Buying Smarter, Buying Less* will be delivered through rationalisation of purchasing agreements as well as other measures in line with the buying smarter policy;
- the department is currently reviewing its grants programs and associated grants management activity. Rationalisation of grants and eliminating duplication will deliver associated savings in grants management;
- advertising and consultancy savings will be delivered through rationalising expenditure across the department on those two items;
- savings associated with an integrated focus on ICT will be delivered through a minor reduction in grants and associated expenditure within Multimedia; and
- savings associated with shared services and fleet management will be achieved through consolidation of support activities across the department.

6.6 Communication, advertising and promotion

In 2007-08, the department's communications, advertising and promotion budget is expected to be in the order of \$6.7 million.

Communications, advertising and promotion budgets for the department are determined at program and policy levels. A number of factors influence the final budget, including forthcoming budget announcements and government priorities.

In 2006-2007, total communications, advertising and promotion expenditure to 31 March amounted to \$7.7 million. Major campaigns were:

- | | |
|---|---------------|
| • VET Way to Go | \$4.4 million |
| • Make It Happen in Provincial Victoria | \$1.9 million |
| • Careers in Manufacturing | \$1.0 million |
| • LPG campaign | \$300,000 |
| • Workplace Rights Advocate | \$200,000 |

In addition to these major campaigns, the remaining expenditure was for smaller campaigns, ongoing communications activity and printed stationery.

In 2005-2006, total communications, advertising and promotion expenditure totalled \$7.7 million.

The department advised that:

- the definition of '*communication, advertising and promotion*' has been interpreted as for previous responses to the Public Accounts and Estimates Committee i.e. general communications/marketing work undertaken to promote government programs and business objectives, encompassing: collateral, display material, videos, writing, public relations and events, advertising (campaign and non-campaign);
- in keeping with previous reports to the Committee, Tourism Victoria is excluded;
- Multimedia Victoria and the OTTE were not part of the department during 2005-06;
- figures for 2006-2007 cover expenses from 1 July 2006 - 31 March 2007 only;
- figures include costs for printing stationery as well as printing for promotional purposes (brochures, newsletters etc); and
- figures do not include costs of professional services and consultants.

The Committee will seek information on Tourism Victoria spending and the costs of professional services and consultants.

6.7 Departmental workforce

The department has estimated that it will have a total workforce of 774.59 EFT at 30 June 2008 (estimate of 774.59 EFT at 30 June 2007). While it anticipates that staff numbers in June 2008 may change, it is not possible to provide details of overall staff numbers at this point of time.

The department estimates that there will be a staff increase of 68.79 EFT between 30 June 2006 and 30 June 2007 (an increase of 9.7 per cent).

Table 6.5 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

Table 6.5: Department of Innovation, Industry and Regional Development Staff Numbers

	30 June 2006 Actual (EFT)	30 June 2007(a)(b) Estimated (EFT)	30 June 2008(a)(b) Estimated (EFT)
Executives	47.00	51.00	
Victorian public service officers	653.80(c)	718.59	
Other	5.00(d)	5.00(e)	
Total	705.80	774.59	774.59

- Notes:
- (a) estimation of staff numbers for 30 June 2007 and 30 June 2008 includes Multimedia Victoria employees and budgeted vacancies
 - (b) estimation of staff numbers for 30 June 2007 and 30 June 2008 does not include Office of Training and Tertiary Education employees as the transitioning of staff due to the machinery of government changes is not yet finalised
 - (c) includes 1 EFT casual
 - (d) comprises ministerial staff (2 EFT) and fixed term appointments of the Small Business Commissioner (1 EFT), Workplace Rights Advocate (1 EFT) and Agent General London (1 EFT)
 - (e) comprises ministerial staff (1 EFT) and fixed term appointments of the CEO Regional Development (1 EFT), Small Business Commissioner (1 EFT), Workplace Rights Advocate (1 EFT) and Agent General London (1 EFT)

The Committee is awaiting further information from the department on its estimate of staffing figures at 30 June 2008. When this information is received, it will be included in a further report on the 2007-08 Budget Estimates.

6.8 Performance measures - changes

The changes that have been made to the department's output structure for 2007-2008 are shown in table 6.6.

Table 6.6: **Department of Innovation, Industry
and Regional Development**
Changes in output structure between 2007-08 and 2006-07

2007-08 Output	Reason	2006-07 Output
Creative industries	machinery of government	Part function transferred from the Department of Premier and Cabinet
ICT policy and programs	machinery of government	Part function transferred from the Department of Infrastructure
Regional Economic development and investment	restructured	Regional Economic and Community Development
Regional promotion and development	restructured	Regional Economic and Community Development
Skills	machinery of government	Part function transferred from the Department of Education

These changes are designed to ensure better alignment with the department's overall objectives, government outcomes and to reflect machinery of government changes.

Table 6.7 sets out those targets for 2007-08 that have increased from those of the prior year.

Table 6.7: Department of Innovation, Industry and Regional Development
Increase in targets between 2007-08 and 2006-07

Target	2007-08	2006-07	Explanation
Export Promotion Companies provided with export assistance (number)	3,150	3,050	Targets increased to reflect the continued annual increase in participating firms.
Number of firms participating in individual export specific programs (number)	700	600	
Small Business Registration for online services (number)	30,000	3,000	Target reflects the increased use of this technology
Businesses participating in the My Business My People Program (number)	200	100	2007-08 is the first full year of operation.
Agencies participating in World Class Service Initiative (number)	80	40	Target doubled due to increasing activity of the program.
Creative Industries Design Sector Initiative: Case studies completed (number)	12	10	Target increased to reflect the increased activity.
Regional Infrastructure Development Regional Infrastructure Development Fund (RIDF) projects funded (number)	15	10	Target increased to reflect more consistency in actual outcomes.
Marketing Victoria Number of visitors (international) (million)	1.3-1.6	1.2-1.5	International visitors and expenditure are anticipated to grow due to continued investment in major events and marketing.
Visitor expenditure (international) (\$ billion)	2.5-2.8	2.4-2.7	
Visitor expenditure (Domestic) (\$ billion)	10.0-11.0	6.8-7.2	2006-07 results were better than expected driven by increases in interstate travel and visitation. These measures have been broaden to include overnight and daytrip spend.
Visitor expenditure in regional Victoria (Domestic) (\$ billion)	5.0-5.4	2.7-3.1	
Visitvictoria.com.au annual visitors to site (number '000)	5,200	3,800	Target increased to reflect the increase in online marketing and research travel by consumers.
Investment projects facilitated (\$ million)	250-300	200-250	Reflects the anticipated increase in value of projects realised in 2007-08.
Value of media coverage generated: Domestic (\$ million)	40-50	35-45	There will be an increased focus on public relations in 2007-08. Also wording as been changed from 'earned ink' to 'value' and moved to a quality measure rather than quantity measure.
Value of media coverage generated: International (\$ million)	120-140	80-100	
Target market awareness of advertising on Victoria	14-19	12-17	Increased target reflects a greater emphasis on intrastate marketing.

Table 6.8 shows those targets for 2007-08 that have decreased from that of the previous year.

**Table 6.8: Department of Innovation, Industry and Regional Development
Decrease in 2007-08 targets compared with 2006-07**

Target	2007-08	2006-07	Explanation
Investment Facilitation and Attraction Client satisfaction rating by businesses of investment facilitation services	80%	90%	Former system of reporting replaced by 5 point scale, i.e. 4 out of 5 = 80 per cent satisfaction rating.
Regional Infrastructure Development Small Town Development Funds (STDF) projects funded (number)	50	90	Due to funding, phasing for the program 2006-2007 funds were 50 per cent higher than for 2007-2008.
Marketing Victoria Visitor expenditure in regional Victoria (international) (\$billion)	200-250	250-290	The Tourism Forecasting Commission advises that the 2006-2007 result and the 2007-2008 target are due to a nationwide change in international visitor composition, i.e. less visitors from Western markets who are more likely to travel to regions.
Skills Annual government funded module enrolments (number million)	2.25	2.31	This target is set conservatively to reflect recent trends, which show a decline in the ratio of annual government funded module enrolments to government funded student contact hours of training and further education provided. The machinery of government changes have no impact here, as the Adult Community Education (ACE) component of this measure will be reported both here and by the Department for Victorian Communities.
Audit of contract compliance by registered training organisations and other State Training Systems organisations (number)	125	350	Target represents 50 per cent audit rate of funded Registered Training Organisations (RTOs), following the transfer of some audit functions to the Victorian Registration and Qualifications Authority (VRQA) (Department of Education) from 1 July 2007.
Number of apprenticeship/trainee commencements by new employees (number)	52,600	65,100	The number of new entrant apprenticeship and traineeship commencements achieved reflects employer recruitment decisions and employment options pursued by individuals. Government support through incentives and training support may help to influence these decisions, but a range of other matters outside the provision of training are also significant including economic conditions, enterprise performance and the supply of labour. Commencements are currently reducing despite government support.
Persons aged 15-64 participating in TAFE programs as proportion of population	12.7%	14.8%	Target takes account of a revised methodology to calculate the participation rate resulting in a more precise estimate.

The targets in table 6.9 are new measures from those in 2006-07.

**Table 6.9: Department of Innovation, Industry and Regional Development
New measures for 2007-08**

Target	2007-08	2006-07	Explanation
Small Business Business interactions (call, web, in person) (number)	140 000	-	Better description of measure provided covering all service channels.
Victorian Small Business Commissioner – Client satisfaction with mediation service	80%	-	Following an independent review of the Small Business Commissioner operation, this measure replaces the former measure around retail tenants as a more appropriate measure of service and quality.
Innovative and High Performing Workplaces Client satisfaction with activities arising from the Working Families agenda	80%	-	Measure to reflect the new activities around working families.
ICT Policy and Programs ICT companies provided with export assistance (number)	200	-	New measures to reflect a consistency in approach across outputs with the machinery of government changes.
ICT Trade Fairs and Missions supported (number)	6	-	
Regional Development Provincial events held with Regional Development Victoria (RDV) support (number)	55	-	Measure reports on the output of the Provincial Sponsorship Program, which is supported from the Provincial Victoria Growth Fund and is part of the government's <i>Moving Forward</i> Statement.
Projects to support Councils plan for growth (number)	25	-	Measure reports on the output of the Planning for Growth Program, which is supported from the Provincial Victoria Growth Fund and is part of the government's <i>Moving Forward</i> Statement.
Delivery of Leadership programs in provincial Victoria (number)	1	-	Measure reports on the output of the Provincial Victoria Leadership Program, which is supported from the Provincial Victoria Growth Fund and is part of the government's <i>Moving Forward</i> Statement.
Regional Councils satisfaction with RDV's delivery of promotion and development programs	75%	-	Measure of RDV's performance in delivery of Moving Forward initiatives to a key stakeholder group.
Regional Councils satisfaction with timeliness of RDV's response to queries and funding applications	75%	-	
Skills Minimum target for TAFE students funded through Youth pathways Program (number)	2,100	-	Measure replaces former measure around Managed Individual Plan which now automatically forms part of contractual arrangements.

The targets in table 6.10 are discontinued measures from 2006-2007.

**Table 6.10: Department of Innovation, Industry and Regional Development
Discontinued measures from 2006-07**

Target	2007-08	2006-07	Explanation
Small Business General enquiries: Business Enquiries (number)	-	40 000	New measure in place that covers all channels of interaction e.g. web, call, in person.
Small Business Commissioner – proportion of applicants by retail tenants before leases of less than five years are responded to in 21 days	-	100%	Measure replaced by a client satisfaction measure following an independent review.
Innovative and High Performing Workplaces Number of firms participating in programs designed to facilitate high performing and innovative workplaces. (number)	-	10	Funding for Partners at Work and Better Work and Family programs ceased in 2005-2006 and 2006-2007 respectively. New activities reflected in new measures around Working Families.
Science, Technology and Innovation Australian Synchrotron: Client management beamline user groups operating (number)	-	9	Advisory groups will be absorbed into governance structure of independently operating facility.
Value of investment attracted by Energy Technology Projects	-	5:01	Energy Technology Innovation Strategy (ETIS) Program transferred to Department of Primary Industries.
Advanced Manufacturing Participation in Balance Sheet Ready Program (number)	-	50	Contract with workshop provider expired 30 June and given the range of such workshops now available, funding from program has been reallocated.
Companies assisted through Australian Logistics Assured Program (number)	-	15	Program expired 30 June 2007.
Companies provided with assistance in technology uptake (number)	-	270	Program discontinued following evaluation. Funding reallocated to new manufacturing initiatives proposed under the draft Victorian Manufacturing Strategy.
ICT Policy and Programs Export development projects (number)	-	40	Replaced with new measures relating to export promotion activity for 2007-2008.
Regional Development Clusters supported in regional Victoria (number)	-	10	Funding is fully committed in 2006-2007.
Next Generation Food Strategy – initiative in operation (number)	-	36	Funding fully committed in 2006-07.
Towns with works commenced to enable connection under the Natural Gas Extension Program (number)	-	34	All towns connected under this program will have works commenced by 30 June 2007.
Skills TAFE students funded Youth Pathways Program with a Managed Individual Plan	-	100%	Measure was an establishment measure to monitor initial implementation of the initiative. It has been replaced with a new measure.

**Table 6.10: Department of Innovation, Industry and Regional Development
Discontinued measures from 2006-07 (*continued*)**

Target	2007-08	2006-07	Explanation
Participation rate 15 to 19 year olds in training and further education in Victoria: Non metropolitan	-	34.3	This was a Growing Victoria Together (GVT) measure that was removed in 2005 and replaced with a new measure encompassing 15-64 years.
Universities participating in cooperative arrangements in regional areas.	-	9	This measure monitored cooperative arrangements associated with University Scholarships as part of the regional ICT funding initiative in 2001-02. Funding ceased in 2004-05 and the measure is no longer appropriate for continued reporting.
Direct costs of accrediting private providers recovered through fees	-	100%	Transferred to Victorian Registration and Qualification Authority (VRQA) 1 July 2007
Private provider applicants assessed within six months	-	75%	Transferred to VRQA 1 July 2007
Private providers complying with quality standards	-	100%	Transferred to VRQA 1 July 2007

Review of portfolios

6.9 Industrial Relations portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

6.10 Industry and State Development portfolio

6.10.1 Introduction

The Committee received evidence from the Hon. T Theophanous, Minister for Industry and State Development, on 4 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately one hour and 30 minutes, which covered both the industry and state development portfolio and the small business portfolio. 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 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 6.10.6 below) are available on the Committee's website. The Committee has agreed that written answers to questions taken on notice

(see 6.10.4) should be submitted to the Committee by Monday 12 June 2007. These answers will be considered by the Committee for inclusion in a further report.

6.10.3 *Key matters raised at the budget estimates hearing*

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- industry-specific water savings and management plans to minimise the impact of the drought on individual industry groups (pp.4-5);
- the incentives provided by the government to facilitate Tiger Airways to locate in Victoria and their commercial-in-confidence nature (pp.7-9);
- investment attraction and facilitation (pp.11-12);
- export promotion – client satisfaction with export assistance offered (pp.10-11);
- analysis of Victoria's annual share of national exports and the value of exports facilitated and imports replaced (pp.12-13);
- benefits that the reduction in stamp duty on new motor vehicles will have for locally manufactured vehicles (p.13); and
- effectiveness of Victorian Government Business Offices (pp.13-14).

6.10.4 *Questions taken on notice at the budget estimates hearing*

The following questions were taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- to which Minister are water management plans for the top 200 water users and industry plans submitted (pp.4-5)
- level of resources and staffing costs the department anticipates applying to servicing PAEC hearings and inquiries in 2007-08, based on experience over the past few years (p.14).

A written response by the Minister to the Committee on these questions is due by 12 June 2007 and will be considered for publication in a further report.

6.10.5 *Unasked questions at the budget estimates hearing*

- All questions of the Committee were raised at the budget estimates hearing.

6.10.6 *Documents tabled at the budget estimates hearing*

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

6.11 Information and Communication Technology portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

6.12 Innovation portfolio

6.12.1 Introduction

The Committee received evidence from the Hon. J Brumby, Minister for Innovation, on 4 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately one hour, which covered both the innovation portfolio and the regional and rural development portfolio. 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 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 6.12.6) are available on the Committee's website.

6.12.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- benefits derived through the facilitation of biotechnology partnerships (p. 3);
- Victoria's funding contribution towards the Australian synchrotron (pp. 3-4);
- discontinuance of the performance measure titled 'Australian Synchrotron: Client Management beam line user groups operating' (p.6);
- benefits of the science, technology and innovation program and funding provided to Victoria's biotechnology industry (pp.4-5); and
- fostering growth of the local film, television and digital media industries (p.10).

6.12.4 Questions taken on notice at the budget estimates hearing

No questions were taken on notice by the Minister for Innovation at the estimates hearing

6.12.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

6.12.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

6.13 Regional and Rural Development portfolio

6.13.1 Introduction

The Committee received evidence from the Hon. J Brumby, Minister for Regional and Rural Development, on 4 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately one hour, which covered both the regional and rural development portfolio and innovation portfolio. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.13.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 6.13.6 below) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 6.13.4) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

6.13.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- Rural Finance Corporation increase of the interest rate on customers' working capital facility by 0.2 per cent to 9.85 per cent, effective from 1 May 2007 (pp.5-6);
- bushfire assistance measures directed at bushfire areas and fire stations in fire prone areas that may be affected by fires in the future(p.6);
- compensating property owners for damage caused to fencing and private land as a result of back-burning from containment lines on private property (pp.7-8);
- value of volunteer inputs to the Country Fire Authority and the State Emergency Service (p.7);
- connection of country towns to natural gas – scope, timelines and benefits (p.8);
- analysis of costs and benefits of the bay dredging project (pp.8-10);
- operation of the regional aviation fund (pp.10-11);
- Regional Infrastructure Development Fund activities and performance (p.11); and
- analysis of regional economic development and investment output cost in terms of facilitating employment, investment and economic growth (pp.11-12).

6.13.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- in relation to the bay dredging project, the financial contribution made by the government to the preliminary work (pp.8-9); and
- in relation to the bay dredging project, the increasing size of ships (pp.8-9).

A written response by the Minister to the Committee on these questions is due by 11 June 2007 and will be considered for publication in a further report.

6.13.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

6.13.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

6.14 Skills portfolio

6.14.1 Introduction

The Committee received evidence from Ms J Allan, Minister for Skills, on 7 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 45 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.14.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 6.14.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 6.14.4) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

6.14.3 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

- progress towards establishment of technical education centres that were announced in the government's \$241 million policy statement *Maintaining the Advantage – Skilled Victorians* (p.3);

- envisaged beneficial impact of the nursing skills centre of excellence to be developed at Box Hill in tackling the nursing skills shortage (p.3);
- clarification on whether the apprentice/trainee completion bonus scheme will continue beyond 2007-08 (pp.4-5);
- explanation on how the Kangan Batman Automotive Centre of Excellence at the Docklands will support the automotive industry (pp.5-6);
- issues relating to incentives for country employers to take on apprentices and the associated qualifying criteria (p.6);
- outline of the output initiative Returning to Learning identified in the budget papers (pp.7-8); and
- support for providers of adult and further community education (pp.8-9).

6.14.4 *Questions taken on notice at the budget estimates hearing*

The following questions were taken on notice by the Minister at the budget estimates hearing (page references refer to the transcript in Appendix 1):

- provision of city/country split of figures relating to apprenticeship commencements and apprentice and trainee completions over twelve months to June 2006 (pp.6-7);
- aggregate 2007-08 funding for TAFE capital works incorporating previous years' allocations (p.8); and
- reasons why enrolments in the certificate programs under the government initiative Later Years and Youth Transitions are reducing (p.9).

This question was taken on notice by the Minister on behalf of the Minister for Education for transmittal to that Minister.

A written response by the Minister to the Committee on these questions is due by 11 June 2007 and will be considered for publication in a further report.

6.14.5 *Unasked questions*

All questions of the Committee were raised at the budget estimates hearing.

6.14.6 *Documents tabled at the budget estimates hearing*

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also provided the following documents at the hearing:

- graphs identifying how Victoria compares with other Australian jurisdictions in relation to apprenticeship commencements and apprentice and trainee completions over the twelve months to June 2006; and
- a handout showing asset investment initiatives supporting industry since 1999 at universities and other educational centres.

The slides and other documents are available on the Committee's website.

6.15 Small Business portfolio

6.15.1 Introduction

The Committee received evidence from the Hon. T Theophanous, Minister for Small Business, on 4 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately one hour and 35 minutes, which covered both the small business portfolio and the industry and state development portfolio. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

6.15.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 6.15.6 below) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 6.15.4) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

6.15.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- activities performed by the Office of the Victorian Small Business Commissioner (pp.3-4);
- effectiveness and value for money derived from small business supports (p.5);
- small business support initiatives (p.9);
- reducing the regulatory burden on small business (pp.5-6);
- progress in implementing the World Class Service initiative (pp.6-7); and
- KPMG report on the operation of the Small Business Commissioner (pp.9-10).

6.15.4 Questions taken on notice at the budget estimates hearing

The following question was taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- the recommendations made by KPMG in relation to the operation of the small business commissioner (pp.9-10)

A written response by the Minister to the Committee on this question is due by 11 June 2007 and will be considered for publication in a further report.

6.15.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

6.15.6 *Documents tabled at the budget estimates hearing*

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

6.16 Tourism portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 7: DEPARTMENT OF JUSTICE

Departmental review

7.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Justice on 8 May 2007. Detailed information was provided in response to most questions with follow-up required for the remainder. Sections 7.2-7.8 detail that response.

7.2 Factors impacting on the formulation of the budget and associated outcomes

7.2.1 Key assumptions

Overall the department's \$3.155 billion operating global budget is an incremental one, only varied year on year by the following major assumptions:

- **Continuity of output delivery** – except where the Expenditure Review Committee (ERC) has approved or directed otherwise, the department's output appropriation funding base is provided for on an ongoing basis.
- **Escalation of the cost of delivering ongoing outputs** – incremental appropriation funding at the rate of 2.5% (except for fixed cost items) is provided under the Departmental Funding Model and is reflected in the cost of all outputs.
- **Fixed Price (cost) funding adjustments** – contractually defined and other agreed fixed price (cost) items are reviewed annually and any necessary incremental / decremental funding adjustments agreed with the Department of Treasury and Finance (DTF). Major cost items currently falling within this regime include the finance lease of the County Court facility, prisoner health and transport contract costs, and the accommodation and services contracted costs of Victoria's two existing privately operated correctional facilities and two new facilities funded under Partnerships Victoria principles.
- **Business and market activity impacting retained and Consolidated Fund revenue** – as part of the mid year (unchanged policy basis) estimates review and update process each year, relevant business units and agencies within the Justice portfolio undertake an assessment of factors that materially impact revenues likely to be generated. Typically these involve an assessment of changing economic and market conditions and demographics. These largely relate to the Consumer Affairs portfolio licensing and business names functions as well as fines and other regulatory fees levied by police and the courts. The DTF leads in the formulation of estimates pertaining to gaming and gambling taxes. Final net changes observed in the department's estimates therefore can reflect a combination of standard escalation, market, economic and policy driven parameter changes.

7.2.2 *Changes to major government objectives*

No changes to major government objectives have been identified for 2007-08. The department outputs continue to contribute to the following key government outcomes:

- building friendly, confident and safe communities;
- a fairer society that reduces disadvantage and respects diversity;
- greater public participation and accountable government;
- a fairer society that reduces disadvantage and respects diversity; and
- more quality jobs and thriving, innovative industries across Victoria.

7.2.3 *National Reform Agenda*

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform ; and
- Human Capital Reform.

The department is responding to all facets of the NRA through the delivery of programs and initiatives aimed at encouraging workforce participation, continued application of National Competition Policy and establishing a consistent, best practice regulatory framework. Most reforms are likely to take the form of consistency of laws and processes across states and territories coupled with enhanced opportunities to exchange information.

More specifically:

(a) *Competition*

The NRA encourages jurisdictions to continue and strengthen (where relevant) gate-keeping arrangements established in the National Competition Policy (NCP) arrangements and complete outstanding legislative reviews.

The department has an Accredited Purchasing Unit, which develops and manages the department's procurement framework and systems, manages purchasing approval processes, applies Victorian Government Purchasing Board Policies and guidelines and provides purchasing advice to departmental staff.

In accordance with the NRA, the department will continue with current effective purchasing arrangements to prevent the introduction of unwarranted competition restrictions. In terms of the current NCP Legislative Review Program, all priority legislative reviews have been completed.

(b) Reducing the Regulatory Burden

Victoria's Reducing the Regulatory Burden project was announced by the Treasurer in the state budget on 30 May 2006. Consumer Affairs Victoria (CAV) leads this initiative for the department.

The Reducing Regulatory Burden project commits the Victorian Government to reducing both the administrative and compliance burden of regulation. Strategies are currently under development and by May 2007, every department is required to develop and implement a strategy for reducing the major administrative burdens identified through review of legislation administered by their Minister(s). In addition, departments are required to submit proposals for review of compliance burdens in legislation and propose reductions.

(i) Review of compliance burdens:

Proposal submissions to DTF for funding to review compliance burdens include:

- **Consumer Affairs Victoria (CAV)/Business Licensing Authority (BLA) Occupational Licensing Review** – This initiative aims to introduce a new occupational licensing system and associated process reforms to reduce the regulatory burden for Victorian businesses in six occupational license categories – Credit Providers and Finance Brokers, Estate Agents and Agents Representatives, Introduction Agents, Motor Care Traders, Second Hand dealers and Pawnbrokers and Travel Agents.
- **Victoria Police Reduction of Regulatory Burdens on Firearms, Private Security and Controlled Weapons License and Registration Holders** – Victoria Police regulates the issue of licences, registrations, permits and authorisations under the *Firearms Act 1996*, *Private Security Act 2004*, and *Control of Weapons Act 1990*, and supporting regulatory instruments. Over 180,000 firearms licensees, 573,000 registered firearms, 2,000 private security businesses, 27,000 private security employees, and 800 controlled weapon users, are regulated. On average, more than 100,000 applications per year are submitted for approval by Victoria Police, with the majority lodged by persons regulated to utilise their licence, registration or permit for an occupational, business or organisational purpose.

The review will enable the implementation of opportunities to reduce the administrative and compliance burdens associated with the abovementioned Acts. The pilot project to deliver on-line transaction capability for licensed firearms dealers has already proved to be successful, and now requires rollout to enable business to harness the full benefits of this system. Likewise, the development of the on-line participation reporting capability for handgun clubs, the information reporting by private security businesses, and the facilitation of on-line application processing will provide significant benefit.

- Department of Justice Better Business Regulation Stage 3 (Rollout of Process Maturity and Performance Measurement assessments across Justice regulators) – The department administers well in excess of 30 regulatory schemes which impact on business, involving some 16 agencies (including both statutory offices and authorities). This involves approximately 75 Acts/regulations from real estate agents to liquor and firearms licensees.

This initiative aims to improve the performance of the department's agencies and the achievement of policy outcomes sought through regulation. Stage 3 builds on the introduction of a regulatory practice improvement framework and involves the introduction of enhanced performance measurement linking objectives of the legislation with administration of the schemes. The focus is on regulatory burden reduction, efficiency and effectiveness measures.

(ii) Gambling Regulation

In the context of gambling regulation, the Productivity Commission and the National Competition Council (NCC) have both agreed that a relatively high level of regulatory controls is justifiable, as gambling regulation is focused on ensuring probity, harm minimisation and consumer protection. The NCC has also accepted that national consistency in Gambling regulation may not be achievable given the significantly different industry structures that exist in each jurisdiction. In short, it is accepted that in relation to gambling, regulatory controls are in the public interest (National Competition Council: Regulating gambling activity; issues in assessing compliance with National Competition Policy, October 2000, <http://www.ncc.gov.au/pdf/LEGa-001.pdf>). Victoria has completed national competition reviews of all of its gambling legislation to the satisfaction of the NCC.

In 2003, the department undertook a review of the Victorian gambling regulatory framework. The result of the review was the creation of the *Gambling Regulation Act 2003*, which consolidated eight of the previously existing 10 principal gaming acts into a single act, clarified the application of the regulatory regime, and removed areas of unnecessary regulatory effort or overlap. As part of this process, 21 separate sets of gambling regulations were also consolidated into one set. This consolidation has made the understanding and navigation of the gambling regulatory framework a simpler task for the industry and others.

The streamlining of the gambling regulatory framework has continued through bills that have been subsequently passed in Parliament. Further regulatory reform will be undertaken as opportunities to reduce compliance costs and regulatory burdens that are consistent with the government's policies arise. As per the Victorian Government requirements, all new gambling regulations and legislation have to comply with the Regulatory Impact Statement (RIS) and Business Impact Assessment (BIA) requirements that apply to all Victorian legislation.

The department is currently reviewing the licensing arrangements for public lotteries. In addition the department is currently reviewing the licensing arrangements for electronic gaming machines, club keno, wagering and funding arrangements for the racing industry post 2012. The department will provide advice to government in relation to post-2012 licence structures and funding arrangements in the latter part of 2007.

(iii) Other Regulation Activity:

Other areas of activity subject to Council of Australian Government reforms include:

- **Business Registration** – Victoria currently has the most efficient business names system in Australia including application of an automated names test and online transactions. CAV will continue to be proactive in its participation in the development of new systems and technology including seeking opportunities to leverage off our already developed systems and skills.
- **Personal Property Securities** – The previous Ministerial Council on Consumer Affairs (MCCA) work on a national vehicle securities register has Victoria represented by CAV in relation to policy and VicRoads (the securities register is located with VicRoads in Victoria). The Standing Committee of Attorney Generals (SCAG) personal property project has overtaken the work on the national Register of Encumbered Vehicles (REVs). The SCOCA working party has consulted the SCAG working party and will monitor progress to determine the impact of that work on the vehicle securities register and any gaps that will need to be considered, e.g. issues relating to stolen and written-off vehicles.

In April 2007 the Council of Australian Governments (COAG) agreed to the establishment of a national system for Personal Property Securities to commence operation in 2009. Funding includes the closing of state registers and migration of information to new national registers. As there are no main CAV registers involved, CAV will maintain a watching brief.

- **Product Safety** - A review initiated by MCCA on the Australian consumer product safety system commenced in August 2004 with the release of a public discussion paper. CAV was pivotal in placing this issue on the national agenda.

Victoria has successfully led the way in seizing banned products. Specific emphasis has been placed on targeting wholesalers to prevent suspect products in reaching retail outlets.

Research initiated by CAV's product safety team also commenced on identifying the triggers and barriers to importing and trading in banned goods in \$2 shops. A leading initiative underway in Victoria, on infant nursery products highlights unsafe products for expecting parents.

- **Trade Measurement** – COAG has agreed to the Commonwealth's offer to take full responsibility, including funding, for the national trade measurement system, and noted the Commonwealth's commitment to ensure the maintenance of existing service standards.

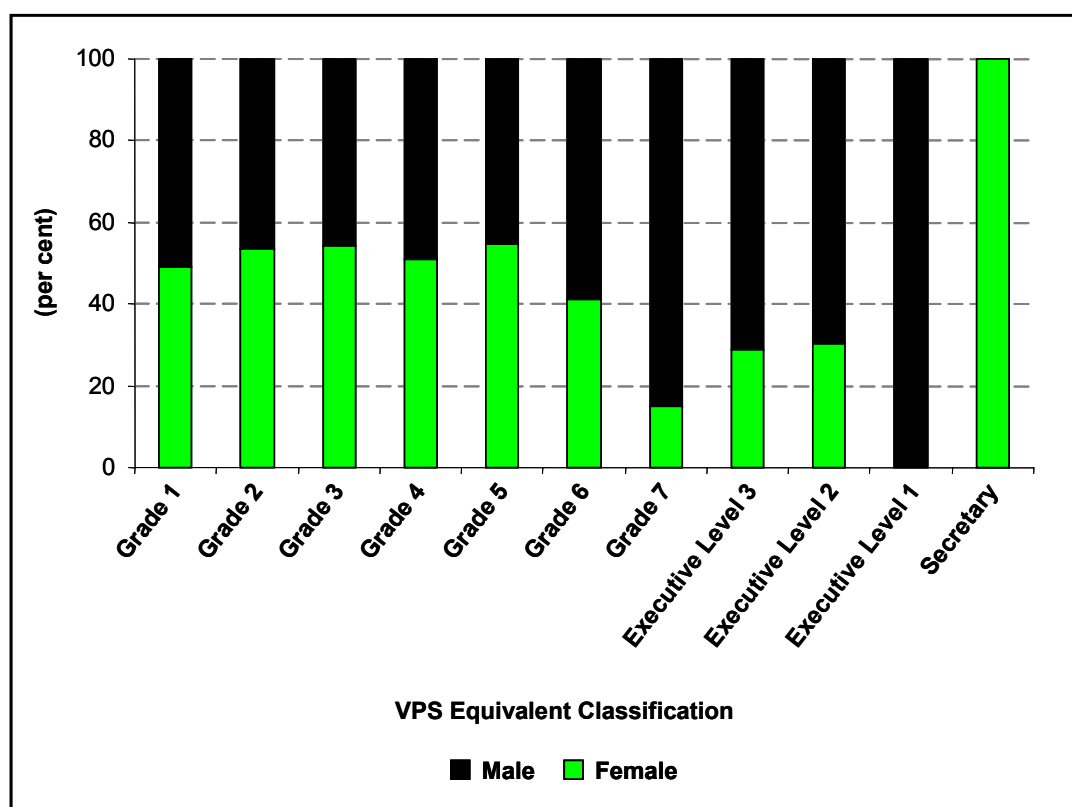
Victoria has played a significant part in coordinating consultations with business, government and the community and investigating options to overcome the problems identified. Victoria will continue to work with the other states and territories and the Commonwealth Government to develop a national trade measurement system and a transition process, in accordance with the COAG decision.

(c) *Human Capital*

In terms of growing the workforce, the NRA encourages a focus on those groups with the greatest potential to increase their participation. The department has been proactive in recognising and encouraging this potential, particularly in the key groups of women, youth and indigenous Australians.

Table 7.1 provides information on the department's gender profile for male and female employees as at 29 March 2007:

Table 7.1: **Department of Justice
Gender Profile**



As at 29 March 2007, the gender profiles of each classification showed that staff classified at Grades 1 through to 5 (or equivalent) were evenly balanced between the genders.

Of those staff in Grade 1 (or equivalent), women accounted for 49.0%. It should be noted that this classification includes newly recruited Prison Officers as well as VPS Grade 1 staff. The gender profile for each of these categories is; Custodial Officer Grade 1, 33.7% female and 66.3% male; VPS Grade 1, 72.9% female and 27.1% male.

Of the department's Executive Officers, 30.1% are female, although the Department of Justice's Executive Committee has a gender profile of 5 females to 4 males.

(i) Youth Employment Scheme (YES) 2006-07:

The Justice portfolio, including Victoria Police, Metropolitan Fire and Emergency Services Board (MFESB), Country Fire Authority (CFA), Victorian Legal Aid, Office of Public Prosecutions and the Victorian Electoral Commission, was given a quota of 117 youth trainees for the 2006-2007 financial year.

As at April 10, 2007, the YES coordinator has received 72 placement proposals of which 70 placements have been advertised, and 61 trainees have commenced their traineeship. 90% of trainees are female. There are 80.3% of trainees who are registered as disadvantaged.

(ii) Koori Recruitment and Career Development Strategy:

The NRA recognises the clear evidence that Indigenous Australians are less likely to be participating in work than non-Indigenous Australians. In response, the Indigenous Issues Unit's Koori Recruitment and Career Development Strategy has implemented a range of initiatives (including in part Job Fairs, Koori Staff Network, Scholarships, Indigenous Law Students and Lawyers Association) which have been successful in increasing the number of Kooris working within the department from 4 in 2000 to 62 in 2006.

(iii) Occupational Health and Safety:

The department continues to address occupational health and safety (OHS) issues as a measure of ongoing workforce participation and has developed an OHS strategy and action plan for 2005 to 2007. It has implemented a number of key strategies focused on establishing a systematic approach to the management of occupational health and safety risks.

Some of these strategies include:

- preventing hazards and injuries;
- building the capability of managers and staff to understand and implement a systematic OHS system approach;
- improving OHS reporting relating to incidents and injuries; and
- implementing an early intervention injury management system that supports employees to achieve an early return to work.

Achievements against these strategies are significant and include:

- a gradual decrease in the total number of time lost claims in the previous financial years from 194 in 2004-05 to 188 in 2006-07;
- the standard claim rate has decreased from 1.51 equivalent full-time (EFT) in February 2006 to 1.32 EFT per 100 claims;
- a reduction in the length of time of work (days lost) since 2005 indicates an improvement in early return to work and a reduction in the severity of injuries sustained by staff;
- extensive OHS training programs offered to department staff since 2006 has seen over 600 staff attend training to improve knowledge of OHS law and application of risk management approaches to OHS in the workplace; and

- a reduction in the WorkCover premium rate from 2.07% in 2005-06 to 1.9% in 2006-07 also indicates improved WorkCover claims management initiatives and early intervention work through hazard identification and assessment in the workplace.

The department's strategic focus on OHS intervention, proactive early intervention work with injured employees and capability building of managers within the department has contributed to building a safety culture where OHS is integral to creating safe systems of work.

(d) Other Issues

(i) Indigenous Issues - Bilateral agreements on service delivery

The NRA states that cross-jurisdictional collaboration has been advanced through bi-lateral agreements on service delivery to indigenous Australians. There are currently no bilateral agreements in place between Victoria's Department of Justice (DOJ) and the Commonwealth on justice issues for the indigenous community. However, the Victorian Government, in partnership with the Lake Tyers community, Commonwealth and local government committed itself to a ten year Lake Tyers Community Renewal Project in 2005.

To demonstrate its commitment, the State Government announced a \$3.2 million commitment to the Renewal Project in 2005-06. The Commonwealth Government, through the Department of Families, Community Services and Indigenous Affairs, has committed \$1.5 million for a sewerage system upgrade much needed in Lake Tyers. The Commonwealth has also provided funding for a range of home maintenance repairs and assisted in domestic road up-grade. Both State and Commonwealth governments have also focused on providing employment opportunities through the Renewal Project, with an Employment Development Officer on-site to increase employment outcomes for residents.

Progress on the renewal project has been overseen by the Lake Tyers Inter-Departmental Committee which comprises community and Commonwealth, State and Local government representatives. The multi department integrated service approach established in July 2005, with the Department of Justice as the lead agency has been instrumental in driving change in Lake Tyers. This success is evidenced through continued improvements in education, training and employment outcomes, increased community engagement and community participation in community activities, increased community cohesion across the family and leadership groups; significant increase in community safety and improved community infrastructure including housing, sewerage and commitment to the building of a new community hall.

In the absence of a formal bi-lateral agreement, the partnership forged with the Lake Tyers community has been carefully nurtured and built by a committed team of government representatives from the three tiers of government. To date, the whole of government partnership approach has greatly strengthened the quality of engagement with the community enabling government to work meaningfully with the Lake Tyers community to determine the scope, direction and pace of the renewal project.

(ii) State funding allocated in 2007-08 for initiatives under the National Reform Agenda

Two Victorian public service (VPS) Grade 6 positions are currently funded by the department for central co-ordination of work related to 'Reducing the Regulatory Burden' and the 'Better Practice Regulation' initiatives across the department.

7.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

The output initiatives that fall within the department's responsibility are listed below:

Additional Police Resources

This initiative will provide an additional 350 sworn police officers and 25 specialist crime fighters to support operational policing to protect the community and maintain a visible deterrent presence in the community. Funding of \$86.5 million over four years is provided for this initiative. This initiative contributes to the Policing Services output.

Asset Confiscation Scheme

Funding of \$6.6 million over two years is provided for the continuation of the Asset Confiscation Scheme. This scheme focuses on the profit motive of crime by confiscating the proceeds of crime and assists victims of crime by applying the proceeds of confiscated property towards satisfying court orders for compensation and restitution. This initiative contributes to the Court Matters and Dispute Resolution output and the Infringement and Orders Management output.

Community Legal Centres

This initiative seeks to expand the existing Community Legal Centre (CLC) network by:

- appointing five rural and regional community lawyers to provide legal advice, assistance and outreach to smaller regional and rural towns, particularly those experiencing hardship, and will reach areas surrounding Ballarat, Bendigo, Warrnambool and Colac, Mildura, Wodonga and Wangaratta;
- expanding the CLC presence at Rosebud to meet the growing need in that area. Funding of \$3.2 million over four years is allocated to initiatives one and two above;
- funding of \$1.8 million over four years has been allocated to support a change in Legal Aid guidelines to enable families struggling as a result of the serious effects of drought in rural and regional areas to get legal assistance for civil matters such as debt refinancing, mortgage and contractual issues;
- funding a network of 7.5 dedicated family violence community lawyers and increase resources to provide assistance at courts to help people apply for family violence intervention orders. Additional assistance will be available when family violence hearings are held at Dandenong, Sunshine, Broadmeadows, Ringwood, Werribee, Frankston, Melbourne, Latrobe, Geelong, Warrnambool and Colac; and
- as part of this network, a further family violence position at the Aboriginal Family Violence Prevention Legal Service will assist indigenous women experiencing family violence in the Melbourne, Barwon and Gippsland regions. Funding of \$3.8 million over four years is allocated for initiatives four and five above.

A total of \$8.8 million is provided for these initiatives, which includes a contribution of \$5.6 million from Victoria Legal Aid. This initiative contributes to Supporting the Judicial Process output.

Community Safety Emergency Support Program (CSESP)

Funding for this program will support community-based emergency service volunteers for the purchasing of emergency equipment (vehicles, buildings, rescue boats and other ancillary equipment). The program's focus is on providing special once-off support for equipment that would not otherwise be available, either because of limitations in local community resources or because of budget constraints within volunteer organisations. The CSESP funding comes from the Government's Community Support Fund. CSESP grants are made through an open, needs-based decision-making process with direct input from local community and emergency services organisations. Matched funding arrangements apply to all grants, requiring applicants to also contribute towards the funding of CSESP projects. The agencies covered are the CFA, VICSES, Life Saving Victoria, the Coastguard and alpine search and rescue. Funding of \$11 million over four years is provided for the continuation of this program and there are no staffing implications. This initiative contributes to the Emergency Management Capability output.

Conciliation Prior to Court Proceedings

The Dispute Settlement Centre of Victoria will receive \$400,000 over four years to provide mediation services to assist Victorian workers and employers resolve workplace disputes. This initiative contributes the Court Matters and Dispute Resolution output.

Continuing Professional Development for Judicial Officers

This initiative will provide additional funding to the Judicial College of Victoria to extend the current capacity for curriculum development, program delivery (including electronic publishing) and program evaluation to satisfy the requirement for all judicial officers to undergo ongoing professional development. This will enable judicial officers to maintain the skills necessary to meet the demands of office. Funding of \$2.4 million over four years is allocated to this initiative. This initiative contributes to the Court Matters and Dispute Resolution output.

Expanded Role of Equal Opportunity Commission in Workplace Discrimination

This initiative amends the *Equal Opportunity Act 1995* to improve protection for employees with parental or carer responsibilities and entitlements to request more flexible working arrangements and provide redress for employees who question their employers in their individual capacity about their existing wages and conditions. The initiative forms part of the Victorian Government's response to the Commonwealth's WorkChoices legislation. Funding of \$800,000 over four years will be provided. This initiative contributes to the Protecting Community Rights output.

Facial Recognition

This initiative will implement facial recognition technology at police stations in Victoria. 155 fixed digital video cameras will be installed at 24 hour police stations, Crime Squads and selected sites at a cost of \$900,000 output funding over two years and \$2.5 million asset funding. Output funding will provide an additional four staff for the Criminal Identification Squad and one staff for the Intelligence and Court Support Department at Victoria Police. This will result in faster and more efficient identification of suspects and offenders. This initiative contributes to the Policing Services output.

Financial Counsellors

The state budget includes \$2.2 million from appropriations to replace the expiring community support fund (CSF) funding for 2007-08 only. This funding component represents approximately 40% of the total program funding. Funding is provided to continue existing financial counselling services to support Victorians experiencing difficulty with the changing credit market and the broader economic environment. This initiative contributes to the department's Promoting and Protecting Consumer Interests output. Continuing funding of this component is subject to a review of the administration of CAV Financial Counselling and Problem Gambling Financial Counselling.

Firearm Safety Foundation and Training on Firearm Awareness

This initiative will provide education to community groups and shooting organisations on hunting and firearm safety across Victoria. In developing its educational materials, the Firearms Safety Foundation will draw on research on past injuries and fatalities involving the discharge of firearms and will consult with the Victorian Firearms Consultative Committee. The initiative will be funded \$400,000 over four years. This initiative contributes to the Policing Services output.

Forensic Capability

Victoria Police provides a range of forensic analysis, including biology and DNA testing and a clandestine drug laboratory investigation service. This initiative will fund an additional 25 forensic officers to enhance police drug laboratory analysis capability and undertake DNA analysis within shorter time frames. The provision of a more timely forensic service will assist in reducing the crime rate and provide for a safer community. Output funding of \$7.1 million over four years and \$1.7 million asset funding will be provided. This initiative contributes to the Policing Services output.

Graffiti Prevention and Removal Strategy

This initiative will build on existing graffiti clean up and prevention programs. It includes a state Wide Graffiti Clean Up Program comprising a targeted graffiti removal from state assets with an accompanying communications strategy, a Clean Up Program in which offenders clean graffiti, and a program to support local responses to graffiti issues and the implementation of the Graffiti Prevention Bill. Funding of \$4.5 million will be provided over three years. This initiative contributes to the Community Safety and Crime Prevention output.

Home Detention

Funding of \$6.6 million over four years is provided for the continuation of the home detention program which commenced as a three year pilot in 2004. This initiative provides an alternative sentencing option to keep non violent offenders out of prison. This initiative contributes to the Community Safety and Crime Prevention output.

Improve Access to Justice for homeless Victorians

This initiative will provide homeless people with increased access to legal assistance and provide the capacity for the Melbourne Magistrates' Court to link homeless Victorians with services that are available to them. Funding of \$800,000 over four years will fund a dedicated homeless person's liaison officer to be located at Melbourne Magistrates' Court and increase funding to the Homeless Person's Legal Clinic. This initiative contributes to the Court Matters and Dispute Resolution output.

Improved Capability for the Office of Police Integrity

This initiative is for the Office of Police Integrity to develop an in-house telecommunications intercept function and to establish a special investigations monitor to monitor intercept activities. The benefits of interceptions are: significant improvements in the quality of information used to develop intelligence; improved accuracy of threat level assessments; and the opportunity to identify further persons of interest. Funding of \$12 million is provided over five years (including \$1.9 million in 2006-07) and asset funding of \$900,000 has also been provided. This initiative contributes to the Police Integrity output.

Increase in state Compensation for Victims

This initiative will provide funding to increase the pain and suffering compensation payable by the state through the Victorian Civil and Administrative Tribunal (VCAT) by 30%. Funding of \$8.4 million over four years has been allocated. The maximum payment for pain and suffering available through the VCAT will increase from \$7,500 to \$10,000. This initiative contributes to the Court Matters and Dispute Resolution output.

Increased Police Fleet

This initiative will increase the police vehicle fleet by 100 cars and increase the number of marked cars to 50% in the fleet. This will provide Victoria Police with the ability to put more cars on the road undertaking enforcement activities and enable them to maintain a visible deterrent presence in the community. Output funding of \$7.7 million over four years and \$2.3 million asset funding has been allocated to this initiative. This initiative contributes to the Policing Services output.

Increased Services provided by the Court Network

Funding of \$400,000 over four years is provided to enable the court network to expand its current functions to provide greater assistance to witnesses and court users. This includes providing each volunteer with a blue jacket to ensure that the volunteers are more easily identifiable to court users so they can provide directions, information, assistance with basic enquiries, court tours and other services. This will assist in providing a more effective service to court users. This initiative contributes the Court Matters and Dispute Resolution output.

Laptops for Victoria Police

This initiative will fund the provision of up to 250 'tablet' laptop computers for use at crime scenes. Asset funding of \$600,000 and output funding of \$100,000 is provided. This initiative contributes to the Policing Services output.

Modernising Coronial Services

This initiative will upgrade the state's coronial system and address recommendations of the Victorian Parliamentary Law Reform Committee's review of the *Coroner's Act 1985*. It will provide capacity to handle the increased workload and increasing complexity of medical investigations, provide coronial services to rural and regional Victoria and improve support and counselling for grieving families. Output funding of \$11.5 million over four years and \$31.7 million asset funding has been allocated to this initiative. This initiative contributes the Court Matters and Dispute Resolution output and the Supporting the Judicial Process output.

Planning Rules and Problem Gambling

Funding of \$200,000 is being provided to support local councils applying new planning powers over gaming venues and to assist them in developing local gaming policies. The funding is being administered by a block grant provided to the Victorian Local Governance Association. This initiative contributes to the department's Gaming and Racing Management and Regulation output.

Prison Beds

This initiative will fund on an ongoing basis 35 prison beds to ensure that prisoners are taken promptly from prison cells freeing up police time. This initiative will cost \$6.1 million over four years. In addition, this initiative will provide funding for a further 265 prison beds to increase the total capacity of prison beds at a cost of \$19 million (including \$8 million provided in 2006-07). Capacity requirements beyond 2007-08 will be fully assessed in the prisons facilities master plan 2006-2015, which will be completed during 2007. This will increase the number of prison beds to 4,300. This initiative contributes to the Prisoner Supervision and Support output.

Reducing Court Delays

This initiative provides two judges and associates and one master and associate, and seven VPS 3 associates for the Supreme Court, two judges and support staff (1 associate and 1 tipstaff for each judge) for the County Court. It also provides additional funding for the Office of Public Prosecutions. This initiative is a critical component of a strategy to reduce delays in the criminal and civil justice systems and improve access to justice for the Victorian community. Funding of \$43.4 million has been allocated to this initiative over four years and \$1.9 million in asset funding. This initiative contributes to the Court Matters and Dispute Resolution output and the Public Prosecutions output.

Sentencing Advisory Council

Funding of \$2.9 million is provided for a period of two years to the Sentencing Advisory Council to enable it to continue to deliver services to government and bridge the gap between the community, the courts, and government by informing, educating, and advising on sentencing issues. This initiative contributes to the Court Matters and Dispute Resolution output.

Structural Firefighters Personal Protective Clothing

This initiative will provide more than 20,000 sets of personal protective clothing (over trouser, jacket and kit bag) to CFA structural firefighters. Funding of \$7.4 million over four years is allocated to this initiative. This initiative contributes to the Emergency Management Capability output.

Valuing Volunteers Emergency Services Workers Program

This initiative will extend the valuing volunteers emergency services workers program which provides grants to the Australian Volunteer Coast Guard, CFA, Life Saving Victoria and Victoria State Emergency Service (VicSES) to develop emergency services volunteers through recognition, recruitment and support initiatives. A total of \$3 million over four years is allocated to this initiative. This initiative contributes to the Emergency Management Capability output.

VICSES Support

Funding for this initiative will provide and maintain an appropriate and sustainable funding base for VicSES to enable it to discharge its statutory powers and functions as an emergency service organisation. This will increase the satisfaction and retention of volunteers and will benefit all sections of the community. Funding of \$36.8 million over four years will be used for asset maintenance, motor vehicle lease and running costs, volunteer training and regional service delivery and IT systems improvements. Asset funding of \$11.5 million is also allocated for new equipment. Funding includes 24 additional staff in 2007-08. This initiative will increase the number of service delivery points for the emergency management. This initiative contributes to the Emergency Management Capability output.

Victoria Legal Aid

Ongoing funding of \$7.1 million over two years is provided to support the Victoria Legal Aid (VLA) and its complementary network of CLC in providing accessible legal advice to the community. This initiative contributes to Supporting the Judicial Process output.

Victoria Police Weapons & Equipment

Under this initiative an independent expert panel will be established to assess weapons requirements for operational police. This initiative will also provide funding to provide Victoria Police with appropriate weapons and new thigh holsters and equipment vests to replace their current equipment belts. Asset funding of \$9.7 million and output funding of \$4.2 million is provided. This initiative contributes to the Policing Services output.

7.4 Departmental asset investment

Table 7.2 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08

Table 7.2: Department of Justice
Asset investment projects

Asset investment project	2007-08 Budget (\$ million)
Existing asset investment projects with capital expenditure budgeted to occur in 2007-08	
Melbourne legal precinct master plan	15.1
Justice Statement – integrated courts management system	11.0
Law enforcement data system (LEDS)	8.4
Victoria Police air wing	7.1
Lilydale Police station	6.7
North Wyndam Police station	6.0
Carlton/North Melbourne Police station	5.2
Mildura Police station	4.0
Better Pathways – Women’s offending	3.4
Organised Crime – Forensic information management system	3.3
New Moorabbin court complex	3.2
Various other projects	21.2
Subtotal	94.6
New projects approved (as part of the 2007-08 budget) with capital expenditure budgeted to occur in 2007-08	
Police stations	11.0
VicSES support	5.8
Crime department upgrade	3.0
Various other projects	9.0
Subtotal	28.8
Total	123.4

7.5 Financial information

7.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

There have been no additional impacts to the department’s 2007-08 budget arising from the application of the Australian equivalents to the International Financial Reporting Standards (A-IFRS).

7.5.2 *Revenue and expenditure*

Table 7.3 provides information on revenue and expenditure for controlled and administered operating statements for the department.

Table 7.3: Department of Justice
Operating statement

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	2,797.8	2,979.7	6.5	0.0	0.0	0.0
Appropriations - Payments made on behalf of the state	0.0	0.0	0.0	46.4	46.4	0.0
Special appropriations	96.6	74.5	-22.9	40.7	35.2	-13.5
Sale of goods and services	45.9	0.0	-100.0	95.6	100.5	5.1
Commonwealth grants	0.3	0.3	0.0	52.5	53.7	2.3
Taxes	0.0	0.0	0.0	1,514.2	1,529.7	1.0
Fines and fees	7.3	7.9	8.2	522.5	577.4	10.5
Revenue from other parties and other income	144.7	137.8	-4.8	14.7	18.1	23.1
Total	3,092.6	3,200.2	3.5	2,286.6	2,361.0	3.3
Expenses from transactions						
Employee benefits	1,667.8	1,701.4	2.0	0.0	0.0	0.0
Depreciation and amortisation	154.8	138.0	-10.9	0.0	0.0	0.0
Grants and other payments	184.4	174.9	-5.2	37.4	31.0	-17.1
Capital assets charge	114.5	122.5	7.0	0.0	0.0	0.0
Supplies and services	873.2	962.3	10.2	0.0	0.0	0.0
Finance costs	63.4	51.7	-18.5	0.0	0.0	0.0
Other expenses	4.8	4.5	-6.3	0.0	0.0	0.0
Expenses on behalf of the State	0.0	0.0	0.0	68.0	58.2	-14.4
Payments into the consolidated fund	0.0	0.0	0.0	2,106.5	2,197.1	4.3
Total	3,062.9	3,155.3	3.0	2,211.9	2,286.3	3.4
Net result from transactions	29.7	44.9	51.2	74.7	74.7	0.0
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	29.7	44.9	51.2	74.7	74.7	0.0

7.5.3 Assets, liabilities and equity

Table 7.4 provides information on the financial position for controlled and administered items for the department.

**Table 7.4: Department of Justice
Balance sheet**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Other financial assets	370.1	418.9	13.2	0.0	0.0	0.0
Receivables	430.7	477.7	10.9	531.4	605.4	13.9
Property, plant and equipment	2,115.3	2,131.2	0.8	0.0	0.0	0.0
Other	102.5	100.5	-2.0	80.5	81.2	0.9
Total assets	3,018.6	3,128.3	3.6	611.9	686.6	12.2
Liabilities						
Payables	156.5	156.5	0.0	36.7	36.6	-0.3
Interest bearing liabilities	664.5	644.3	-3.0	0.0	0.0	0.0
Employee provisions	515.3	548.9	6.5	0.0	0.0	0.0
Other	20.2	20.5	1.5	36.2	36.3	0.3
Total liabilities	1,356.6	1,370.2	1.0	72.9	72.9	0.0
Net assets	1,662.0	1,758.1	5.8	539.0	613.7	13.9
Equity						
Contributed capital	1,036.2	1,087.5	5.0	0.0	0.0	0.0
Reserves	207.1	207.1	0.0	0.0	0.0	0.0
Accumulated surplus	418.6	463.5	10.7	0.0	0.0	0.0
Total equity	1,662.0	1,758.1	5.8	0.0	0.0	0.0

7.5.4 Carry over funding

A number of factors can contribute to the requirement to carry forward funding from one financial year to the next. The most common factors are:

- enabling legislation being passed and becoming operational later than originally anticipated;
- site location for new infrastructure taking longer than anticipated; and
- variations in the phasing of project implementation due to the requirement to more fully consider policy implementation implications – this can encompass further community consultation and refinement of policy via regulation (for example the operation of working with children check legislation which determines the nature, quantity and timing of output services to be delivered).

Note, actual carry over into 2007-08 will be determined in July once final expenditure and output delivery results for 2006-07 are available. Therefore all provisional carry over estimates reflected in the 2007-08 Budget are subject to change.

Table 7.5 provides information on funding the department expects to carry over from 2006-07 to 2007-08:

**Table 7.5: Department of Justice
Carry over funding**

Business Unit / Initiative or Project	Reason for carry forward	Output	(\$ million)
Victoria State emergency service	Revised timeframes in implementing enhanced volunteer trainings programs funded in the 2006-07 Budget	Emergency Management Capability	0.7
Working with children check	Completion of systems development and implementation, expected spike in processing of applications expected to be lodged in June/July 2007.	Community Safety and Crime Prevention	5.0
Human rights charter	Implementation of reforms funded in the 2006-07 now expected to be fully in place in 2007-08.	Protecting Community Rights	1.3
Fairer and firmer fines initiative / infringements management enforcement system	Completion of implementation of systems modifications and enhancements to reflect new legislation pertaining to fines enforcement	Infringement and Orders Management	5.5
Office of police integrity	Revised timeframes in fully implementing new resourcing initiatives	Police Integrity	1.7
Courts and tribunals, neighbourhood justice centre	Revised timeframes in finalising full implementation of initiatives commenced in 2006-07	Court Matters and Dispute Resolution	5.0
Victoria Police	Revised timeframes in delivery of new initiatives: Organised Crime and Counter Terrorism, Forensic Information Management System, Law Enforcement Data System and Counter Terrorism Prevention and Preparedness.	Policing Services	15.0
Total			34.2

Additions to Net Asset Base (ATNAB)

At the time of preparing provisional carry over estimates for incorporation into the 2006-07 published Budget Estimates, the department estimated it would apply its full Contributed Capital (ATNAB) budget for 2006-07 and accordingly estimated a 'nil' carry over into 2007-08.

Note, actual carry over into 2007-08 will be determined in July once final expenditure and output delivery results for 2006-07 are available. Therefore all provisional carry over estimates reflected in the 2007-08 budget are subject to change.

7.5.5 Revenue raising initiatives

There is no new major revenue raising initiatives planned or major changes to existing revenues anticipated for 2007-08.

7.5.6 Departmental savings

Labor's Financial Statement 2006 identified that there would be savings in the Efficient Government Policy. This policy identified a focus on savings in six areas – *Buying Smarter*, *Buying Less*, shared services, best practice grant administration, fleet management, advertising and consultancies and an integrated focus on information and communication technology (ICT).

Table 7.6 shows areas where the Department of Justice (including Victoria Police) has been advised it will be required to achieve savings in 2007-08:

**Table 7.6: Department of Justice
Departmental savings**

Source of savings	2007-08 (\$ million)
Efficient government policy (including <i>Buying Smarter</i> , <i>Buying Less</i> , shared services, best practice grant administration, fleet management advertising and consultancies and integrated government focus on ICT)	9.6
Reduction in grants duplication	0.4
Reduction in central business district (CBD) growth	1.9
Total	11.9

Table 7.7 provides a further breakdown of savings to be made by the Department of Justice (including Victoria Police) under the efficient government policy for the estimates period:

**Table 7.7: Department of Justice
Efficient government policy savings**

Initiative	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
<i>Buying Smarter, Buying Less</i>	5.6	7.3	8.8	10.7	32.4
Shared services	1.9	2.4	4.2	5.3	13.9
Grant administration	0.1	0.3	0.3	0.3	0.9
Fleet management	0.3	0.3	0.3	0.3	1.2
Advertising and consultancy	0.4	0.4	0.4	0.4	1.4
Total department savings	8.3	10.6	13.9	16.9	49.8

Prior to the last state election total efficient government savings requirements by category were published. The department, along with other departments, were advised of the breakdown of this late in the 2007-08 budget process. Since being advised of the department's share of the efficient government initiatives, the department has established a project group to identify strategies and develop proposals to achieve the requirements. It is envisaged that they will be in the nature of the following:

- implementation of more rigorous reporting and cost control regimes over projects and non-recurring areas of cost to ensure required outcomes are delivered within approved budgets;
- continued standardisation and rationalisation of systems and occupancy related costs arising from the recent consolidation of much of the department into the Southern Cross building in Exhibition Street;

- a review of cost recovery policies and practices to ensure that Justice services funded in whole or part from non-appropriation sources including services for which user pays charges apply are fully costed in accordance with full cost recovery guidelines;
- a review of the grants administration processes and costs; and
- stringent management of staff turnover by ensuring vacancies are critically assessed prior to any replacement recruitment action being undertaken.

7.6 Communication, advertising and promotion

Budgets for communication, advertising and promotion have not been allocated for 2007-08 and figures for expenditure are not able to be estimated. Approved communication, advertising and promotional budgets will be determined at the business unit level within the department in accordance with specific project and program needs.

Table 7.8 provides information on the communications, advertising and promotion expenditure of the department for 2004-05 to 2007-08:

**Table 7.8: Department of Justice
Communication, advertising and promotion expenditure**

Financial year	Total expenditure
2004-05	\$2.5 million
2005-06	\$6 million (increase due to the CrimeSmart Campaign and the Problem Gambling: Think of What You are Really Gambling with campaign which was moved to DOJ from DHS because of the machinery of government changes.)
2006-07 year to date	\$4.5 million (estimated based on reporting to the Government Communication Review Group. Final expenditure for the period will not be available until end of financial year figures are released)
2007-08 estimated expenditure	\$3.5 million has been allocated for the Problem Gambling campaign in total for statewide community education and awareness campaigns. It is important to note that only a portion of this will be spent directly on communications, advertising and promotion in 2007-08. The exact figure for problem gambling communication expenditure will be available at the end of May 2007. \$1.88 million has been approved by the government communications review group for the real estate education campaign. An estimated amount of \$500,000 will be spent on other minor campaigns. At this stage there are no other major campaigns planned, however other campaigns may arise as an outcome of the 2007-08 business planning process, due for completion at the end of June 2007.

7.7 Departmental workforce

The department has estimated at 30 June 2008, it will have a total workforce of 20,066.5 EFT. This includes 6,319.4 within the department itself and 13,747.1 within Victoria Police.

This represents an increase of 181.6 EFT staff (0.9 %) on the 30 June 2007 estimate and an increase of 556.4 EFT staff (2.9 %) on the 30 June 2006 actual.

Table 7.9 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

Table 7.9: Department of Justice Staff Numbers

	30 June 2006 Actual (EFT)	30 June 2007 Estimate (EFT)	30 June 2008 Estimate (EFT)
Department of Justice			
Allied Health	74.9	83.0	83.0
Community Corrections Officer	330.6	334.6	334.6
Custodial	1,433.9	1,478.4	1,478.4
Executive Officer	71.0	72.8	72.8
Victorian Public Service Officer	3,163.2	3,514.9	3,514.9
Registrar	404.8	406.7	406.7
Sheriff's Officer	140.6	153.4	153.4
Solicitor	203.4	204.7	204.7
Other	16.1	18.9	70.9
Subtotal	5,838.5	6,267.4	6,319.4
Victoria Police			
Sworn Police Officer	10,955.2	11,029.5	11,130.0
Recruit	265.0	115.0	122.0
Reservist	14.5	12.5	12.5
Executive Officer	15.0	16.0	16.0
Victorian Public Service Officer	2,099.4	2,122.2	2,132.0
Forensic Officer	176.8	172.7	185.0
Protective Security Officer	145.7	149.6	149.6
Subtotal	13,671.6	13,617.5	13,747.1
Total	19,510.1	19,884.9	20,066.5

The department's staff numbers do not include the CFA, MFESB or VLA which are part funded agencies and whose salary costs do not reflect in the employee benefits estimates of the department's Operating Statement. Funding provided to these agencies is reflected as grants and other payments. The table also excludes judicial officers including sessional members of VCAT who are not classified as 'staff' of the department.

7.8 Performance measures – changes

The department has significantly revised its output structure for 2007-08. The Attorney General and Minister for Finance approved the revised structure in March 2007. The output structure review was initiated in 2006-07 following the DTF view that the Justice portfolio had too many output groups and outputs for the level of budget and that the output structure focused on organisations rather than the services provided by the portfolio. The structure for 2007-08 reduces the number of outputs from 39 to 16, the number of output groups from 13 to 8 and the number of measures from 214 to fewer than 100. The output structure is focused on services delivered by the portfolio rather than organisations.

Table 7.10 shows the Justice portfolio in relation to other departments for 2006-07:

**Table 7.10: Department of Justice
Comparison of outputs**

Department/portfolio	Output groups	Number of outputs	Number of output measures	2006-07 Budget (\$ million)
Education	4	9	122	7,634
Human Services	14	42	271	11,684
Infrastructure	4	17	214	3,781
Innovation, Industry and Regional Development	5	11	81	433
Justice	13	39	214	2,983
Premier and Cabinet	3	13	104	520
Primary Industries	1	4	48	399
Sustainability and Environment	4	7	162	1,066
Treasury and Finance	6	15	118	191
Victorian Communities	3	11	120	310
Parliament	5	6	51	116

The Justice Portfolio's revised structure is achieved by aligning and consolidating services provided by different entities in the portfolio within new output specifications. The review focused on broad principles of simplifying the output structure while retaining its effectiveness as a tool for managing service delivery, transparency and accountability. It has taken into account the recent Machinery of Government changes, the need for consistency with the Departmental Funding Model, legislative requirements, as well as providing the focus on services delivered rather than the organisations delivering them. The review has also taken the opportunity to improve performance measures where appropriate, rather than simply moving them into the revised structure.

The following table summarises the changes to the outputs for 2007-08 compared with 2006-07.

Table 7.11: Changes to the output structure

2006-07 Output Groups	2006-07 Outputs	2007-08 Outputs	2007-08 Output Groups		
Legal Support for Government	Native Title Framework	Legal Policy, Advice and Law Reform	Legal Support to Government and Protecting the Rights of Victorians		
	Legal Advice to Government				
	Law Reform				
	Legal Policy				
	State Electoral Roll and Elections				
Achieving Equal Opportunity	Privacy Regulation	State Electoral Roll and Elections			
	Discrimination Prevention & Redress	Privacy Regulation			
	Advocacy and Guardianship	Protecting Community Rights			
Dispensing Justice	Legal Aid	Supporting the Judicial Process	Dispensing Justice		
	Forensic Evidence				
	Victims Support				
	Public Prosecutions	Public Prosecutions			
	Matters in the Supreme Court	Court Matters and Dispute Resolution			
	Matters in the County Court				
	Matters in the Magistrate's Court				
	Matters in the Children's Court				
	Matters in the Coroner's Court				
Matters in the VCAT					
Enforcing Court Orders	Alternative Dispute Resolution	Infringement and Orders Management	Community Operations		
	Traffic Fines Processing				
	Enforcement of Court Orders & Warrants				
	Asset Confiscation Order Processing				
Public Safety Policy	Crime and Violence Prevention	Community Safety and Crime prevention	Supporting the State's Fire & Emergency Services		
Emergency Prevention & Response	Emergency Readiness Support	Emergency Management Capability			
	State Emergency Services				
	Country Fire Authority				
High Levels of Community Perceptions of Safety	Metropolitan Fire Services	Policing Services		Providing a safe, secure and orderly society	
	Responding to Calls for Assistance				
	Community Safety and Support				
Reducing the Crime Rate	Facilitating Justice Outcomes				
	Investigating Crimes				
High Levels of Customer Satisfaction	Community Confidence in and Access to Policing Services				
Reducing the Road Toll & Incidence of Road Trauma	Targeting Road User Behaviour				
Public Safety Policy	Office of Police Integrity		Police Integrity		
Enforcing Correctional Orders	Prisoner Supervision & Support	Prisoner Supervision & Support	Enforcing Correctional Orders		
	Community Based Offender Supervision	Community Based Offender Supervision			
Protecting Consumers	Consumer Protection	Promoting and Protecting consumer interests	Protecting Consumers		
Regulating Gaming & Racing	Gaming & Racing Industry Management	Gaming & Racing Management and Regulation	Regulating Gaming and Racing		
	Regulation of Gambling				

The statutory independence of all agencies (identified in 2006-07 Outputs column in the table above) will be unaffected by the consolidation of output headings. This is reflected in the 2007-08 output structure by maintaining performance measures that specifically identify each agency delivering key services.

All agencies will continue to have statutory responsibilities in relation to tabling of reports in Parliament, Annual Reports and Audited Financial Statements. A number of agencies identified in the *Public Administration Act 2004* s.16(1) are represented separately in the output structure, as legal advice from DTF indicated that the outputs of these organisations need to be separately identified in the revised structure. The relevant entities are:

- Victoria Police;
- Office of Police Integrity (OPI);
- Victorian Electoral Commission (VEC);
- Office of the Victorian Privacy Commissioner (OVPC) and;
- Office of Public Prosecutions (OPP).

Other non section 16(1) entities such as VLA have their outputs consolidated and not featured separately. This also means that their budget allocation is not separately identified in the budget papers. However, the changes in the output structure have no effect on their status and responsibility as an independent statutory body.

Review of portfolios

7.9 Attorney-General's portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

7.10 Consumer Affairs portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

7.11 Corrections portfolio

7.11.1 Introduction

The Committee received evidence from the Hon. B Cameron, Minister for Corrections, on 11 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 45 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.11.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec

Documents provided at the hearings of the budget estimates (see 7.11.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 7.11.4) and unasked questions (see 7.11.5) should be submitted to the Committee by 15 June 2007. These answers will be considered by the Committee for inclusion in a further report.

7.11.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- the effect of the new Judy Lazarus Transition Centre on community safety, service delivery and the integrity of the prison system (p.3);
- activities undertaken by the Corrections Inspectorate, in particular, reports, inquiries and investigations on prisons (p.3);
- progress on the implementation of the better pathways program to reduce offending and re-offending by women (p.4-5);
- alleged overuse of prescription drugs in the prison system (p.5);
- use of people on community-based orders for the removal of graffiti (pp.5-6);
- estimate of the daily recurrent cost of housing prisoners in public and private prisons respectively (p.6);
- factors contributing to the imprisonment rate in Victoria (pp.6-7);
- transitional programs in place to help prisoners re-integrate into society and not re-offend (pp.8-9); and
- technology advancements in prison security (pp.9-10).

7.11.4 Questions taken on notice at the budget estimates hearing

The following questions on notice were taken by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- estimate of the annual daily recurrent cost of housing prisoners in public and private prisons respectively, for the estimates period, by prison (p.6);
- a list of relocatables at prisons that are currently still in use (p.7);
- prison design capacity as the national measure used for prison utilisation; Australian states that use that measure; and details for all prisons in Victoria (pp.7-8);
- resources, both in terms of staffing and costing, the department anticipates spending on servicing the PAEC in 2007-08, based on experience over the last few years (p.10); and
- staff numbers for the Country Fire Authority, Metropolitan Fire and Emergency Services Board, Victoria Legal Aid and judicial officers (p.10).

A written response by the Minister to the Committee on these questions is due by 15 June 2007 and will be considered for publication in a further report.

7.11.5 *Unasked questions at the budget estimates hearing*

The following question was unasked by the Committee at the budget estimates hearing and has been referred to the Minister for a written response by 15 June 2007:

- re the Corrections Inspectorate (CI) (p.3):
- names of systemic and thematic reports and audits of individual prisons from 1 January 2003 to present, recommendations from these reports, and action taken on these recommendations;
- other investigations and reports completed since 1 January 2003;
- annual budget in each financial year of existence and the projected budget for 2007-08;
- breakdown of current staffing numbers;
- external agencies with the right of access to CI's reports; and
- number of completed reports released to the public.

The Minister's written responses will be considered for publication in a further report.

7.11.6 *Documents tabled at the budget estimates hearing*

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

7.12 Gaming portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

7.13 Police and Emergency Services portfolio

7.13.1 *Introduction*

The Committee received evidence from the Hon. B Cameron, Minister for Corrections, on 11 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 2 hours. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

7.13.2 *General comments*

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 7.13.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 7.13.4) should be submitted to the Committee by 14 June 2007. These answers will be considered by the Committee for inclusion in a further report.

7.13.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

Community safety and crime reduction

- expected future crime rate trends and major contributing factors to these trends (pp.7-8);
- current trends in sexual assault and initiatives in place to reduce crime against the person (pp.10-11);
- comparison of targets to current trends for crimes against the person, in particular sexual assault, domestic violence and street assaults (pp.11-13);
- expected trend of the crime rate resulting from the budgeted increase of 350 police officers and 25 specialist crime fighters over the next 4 years (pp.15-16);
- connection between new technology initiatives for Victoria Police and the goal of community safety and crime prevention (p.19);
- current measures and new initiatives to deal with ‘hoon’ driving (pp.21-22);
- the government’s speed camera policy (p.22);
- progress made by various task forces, including *Purana*, on organised crime (pp.22-23); and
- information on leniency for drivers with ‘clean’ records (pp.25-26).

Victoria Police

- activities and educational programs in place to limit the use of force and prevent fatal shootings (pp.8-9);
- statistical information regarding fatal shootings for all states and territories other than Victoria (p.9);
- particulars of the Victoria Police code of practice for dealing with family violence (p.9);
- extent to which the audit of police officers’ resource allocations has been completed (pp.9-10, 14);
- comparison of the proportion of the community satisfied with policing and services to other states and territories (p.13); and
- expected turnover in police numbers over the forward estimates period, trend over the past few years and comparison to other jurisdictions within Australia (pp.17-18).

Country Fire Authority

- proportion of funding received by the County Fire Authority from the government and the fire services levy (pp.16-17); and
- methods for funding equipment purchases of the Country Fire Authority (pp.23-24).

Other issues

- impact of new initiatives and portfolio spending on productivity in Victoria (p.4);
- financial impact of negotiations between the Police Union, Premier and Police Commissioner on the next Enterprise Bargaining Agreement for Victoria Police (pp.5-6);
- reason for changes made to the Department of Justice’s output structure (p.6);

- possible communication and implementation issues for volunteers obtaining police checks (pp.6-7);
- protocols in place between Victoria Police and the Department of Human Services (pp.18-19);
- completion date and funding arrangements for the replacement of the *LEAP* database system (pp.20-21); and
- impact of additional forensic officers and equipment on the backlog of forensic work (p.24).

7.13.4 Questions taken on notice at the budget estimates hearing

The following questions on notice were taken by the Minister at the estimates hearing (page references are to the transcript in Appendix 1):

- activities and educational programs in place to limit the use of force and prevent fatal shootings (pp.8-9);
- the combined number of fatal shootings for all states and territories, except Victoria, since 1990 (pp.8-9);
- gender breakdown of the 1,625 offenders who have had vehicles impounded since 1 July 2006 (p.21);
- criteria used by the Country Fire Authority to develop a base kit of equipment for each brigade (pp.23-24);
- percentage of road deaths attributed to suicides (p.26);
- status of the existing upgrades and replacement program for police stations and police facilities (p.26); and
- number of sworn police officers on permanent or indefinite sick leave, WorkCover, maternity leave or extended maternity leave and leave-without-pay (p.26).

A written response by the Minister to the Committee on these questions is due by 14 June 2007 and will be considered for publication in a further report.

7.13.5 Unasked questions at the budget estimates hearing

- All questions of the Committee were raised at the budget estimates hearing.

7.13.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

7.14 Racing portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 8: DEPARTMENT OF PREMIER AND CABINET

Departmental review

8.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Premier and Cabinet on 2 May 2007. Detailed information was provided for most questions while others were limited and required further amplification. A revised response was provided on 11 May 2007. Sections 8.2 to 8.8 detail the department's responses.

8.2 Factors impacting on the formulation of the budget and associated outcomes

8.2.1 *Key assumptions*

The key assumptions used to develop the department's budget projections for 2007-08 were the following departmental priorities for the year:

- strengthening key relationships with the federal government and states and territories, through new inter-governmental institutions;
- whole of government leadership and strategy for climate change across departments;
- modernising legislation and ensuring a vibrant democracy facilitated by the Office of the Chief Parliamentary Counsel and Ombudsman Victoria;
- implementing the machinery of government changes; and
- continued development and implementation of Growing Victoria Together framework.

8.2.2 *Changes to major government objectives*

In 2007-08, a major program of work for the department will be to continue to lead work relating to the National Reform Agenda (NRA) and other Council of Australian Government's (COAG) related policy initiatives.

A key challenge for the department will be to provide high quality policy advice and leadership in response to climate change and to explore associated opportunities. The establishment of an Office of Climate Change within the department will facilitate this.

The department will also focus on strengthening key relationships with the Federal Government and other states and territories, through new intergovernmental institutions such as the Council for the Australian Federation and the COAG Reform Council.

These objectives will be achieved through the Strategic Policy Advice and Strategic Policy Projects outputs.

8.2.3 *National Reform Agenda*

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform; and
- Human Capital Reform.

(a) *Responding to the National Reform Agenda*

Victoria initiated the push for a NRA through the Premier's *A Third Wave of National Reform* report prepared by the department in August 2005. Since then, the department has taken a very active role in supporting the development of the NRA through COAG meetings, chairing of and representation on COAG working groups and promoting Victoria's approach to NRA through senior officials meetings. Implementation of the NRA over 25 years is estimated to increase Australia's GDP by 9 per cent to 14 per cent.

The Council for the Australian Federation (CAF) was established in October 2006. CAF will facilitate state and territory leaders to discuss issues of national importance. In addition, the creation of the COAG Reform Council (CRC) represents an important forum intended to monitor reform under the NRA.

The creation of CAF and CRC will strengthen cooperation between Australian governments and improve the services delivered to Victorians.

(b) *Implications for departmental services*

The NRA proposes a strategic and holistic approach to lifting productivity and increasing workforce participation through reform in the areas of competition, regulation and human capital. If implemented as envisaged by Victoria, the NRA will fundamentally reshape Commonwealth-State relations and provide a major new source of funding for health and education and competition and regulation reform.

The department has established a National Reform Secretariat to work on COAG and NRA (comprising 7.8 equivalent full-time (EFT) departmental officers). Capacity has been achieved through reprioritisation of resources.

(c) *Funding allocated in 2007-08 for initiatives under the National Reform Agenda*

As stated in section 8.2.2; a major program of work for the department will be to lead work relating to the NRA and other COAG related policy initiatives. No specific funding has been allocated for this initiative but it will be a key priority in policy advice and projects of the department.

Specific funding however of \$168,000 and \$150,000 in 2007-08 has been allocated respectively for Victoria's support to CAF and CRC, the two new inter-governmental institutions, which will strengthen cooperation between Australian governments and improve the services delivered to Victorians.

8.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

The output initiatives that fall within the department's responsibility and other relevant information are itemised below:

Inter-governmental reform

Victoria has played a leading role in developing new ways for the Commonwealth, states and territories to work together. Victoria's support to new inter-governmental institutions totals \$320,000 per annum for the CAF and the CRC. These institutions will strengthen cooperation between Australian governments and improve the services delivered to Victorians. There are no staffing implications for this initiative.

This initiative contributes to the Strategic Policy Advice and Strategic Policy Projects outputs.

Office of Climate Change

Funding is provided for the establishment of the Office of Climate Change. Allocations of \$900,000 in 2006-07 and \$2.3 million in 2007-08 and 2008-09 will facilitate the provision of strategic policy advice and projects in relation to climate change. This reflects the great importance of responding to the climate change challenge by bringing the resources of a government as a whole together in support of new initiatives. Funding to conduct research and analysis, provide whole of government strategic policy advice and coordinate projects will consist of 6-7 core staff, representing less than 50% of total budget.

This initiative contributes to the Strategic Policy Advice and Strategic Policy Projects outputs.

Ombudsman Additional Resources

Funding of \$900,000 per annum has been provided from reprioritisation for additional resources for Ombudsman Victoria, reflecting increased jurisdictions granted through legislation. This will include staffing of five investigation officers and a major projects manager.

This initiative contributes to the Ombudsman Additional Resources output.

Strengthening Services of the Office of the Chief Parliamentary Counsel

Funding is provided for additional resources for the Office of the Chief Parliamentary Counsel to ensure the delivery of a wide range of significant legislative reform and initiatives. An allocation of \$468,000 per annum will provide a more robust office structure comprising two additional executive assistant chief parliamentary counsel and assistant parliamentary counsel roles.

This initiative contributes to the Chief Parliamentary Counsel Services output.

Arts in the Suburbs

Arts in the Suburbs will enhance the range and diversity of locally based arts and cultural facilities across the urban areas of Melbourne. An amount of \$6.6 million will be provided over four years to support the development of arts facilities and venues close to people's homes and local business centres, generating new opportunities for people from all walks of life to participate in the arts. This funding includes one staff member.

This initiative contributes to the Arts Development and Access output.

City of Literature

Provision of \$250,000 in annual funding will support the development of a bid to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) to have Melbourne designated as a 'City of Literature'. Underpinning the bid is the development of Australia's first Centre for Books and Ideas to be housed at the State library of Victoria; the expansion of the Melbourne Writers' Festival with an increased international focus and the creation of a new category for 'Best Music Theatre Script' as part of the Premier's Literary Awards. There are no staffing implications for this initiative.

This initiative contributes to the Arts Development and Access output.

Community History Grants

The Community History Grants Program encourages community groups to preserve, record and share the local and community history of Victoria. An amount of \$400,000 per annum will be provided for grants for the preservation and circulation of community history by local history societies and community groups interested in Victorian heritage. One staff member will be employed for this initiative.

This initiative contributes to the Arts Portfolio Agencies output.

Creative Communities

An allocation of \$1.75 million per annum will be provided for Victoria's small and medium sized performing arts companies and festivals to support new initiatives, commissions, seasons and touring. Focus will be given to areas of need such as indigenous, disability arts, culturally and linguistically diverse and youth arts organisations. The program will also provide new support to more than 28 Eisteddfods based in suburban and regional Victoria. This initiative includes employing two staff members.

This initiative contributes to the Arts Development and Access output.

Imagination Unlimited

Imagination Unlimited will take the arts to schools and diverse communities across Victoria. Provision of \$1.75 million per annum will support a combination of outreach, cultural excursions, arts residency and online programs that bring arts professionals and companies together to work in partnership with students, teachers and wider school communities. One staff member will be employed.

This initiative contributes to the Arts Development and Access output.

Major Performing Arts Companies

Victoria will contribute \$690,000 per annum to ensure the sustainable delivery of Circus Oz, Malthouse Theatre, Melbourne Theatre Company and The Australian Ballet. This additional contribution will leverage three times the amount of Commonwealth support. This is in response to recommendations made by the Major Performing Arts Inquiry following the 2006 review of the funding model. There are no staffing implications for this initiative.

This initiative contributes to the Arts Development and Access output.

Melbourne Recital Centre

Melbourne Recital Centre will be internationally acclaimed for its commitment to excellence in presenting, creating and exploring great chamber and ensemble music to the widest possible audiences. In 2007-08, \$2.08 million will be provided for the purchase of operating equipment, in 2008-09, \$5.703 million will cover operations, operating equipment and launch programming. Ongoing operational funding of \$3.23 million per annum will be provided. There are no staffing implications for this initiative.

This initiative contributes to the Creating Place and Space output.

Premier's Literary Awards

The Victorian Premier's Literary Awards are amongst Australia's oldest and most prestigious annual awards for writing by Australian writers. This initiative provides \$110,000 in annual funding to support the sustainability of the Awards, enabling the recognition and reward of literary achievement by Australian writers to continue. There are no staffing implications for this initiative.

This initiative contributes to the Arts Portfolio Agencies output.

Victoria Rocks – Big Break

A package of \$1.775 million per annum will be provided to support the overall growth and viability of the local music industry. The initiative will strengthen career opportunities and the development of young people within the music industry through the continuation of the statewide FReeZA Central programme. The initiative will be delivered jointly through Arts Victoria and the Office of Youth and Tourism Victoria. Arts Victoria will receive \$850,000 per annum of the total funding package. For this initiative, 1.5 full-time equivalent staff will be employed.

This initiative contributes to the Arts Development and Access.

8.4 Departmental asset investment

Table 8.1 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08.

**Table 8.1: Department of Premier and Cabinet
Asset investment projects**

Asset investment project	2007-08 Budget (\$ million)
Melbourne recital centre and Melbourne theatre company	54.5
City of literature – centre for books and ideas	6.0
Museum of 100 years of the moving image at the Australian centre for the moving image (ACMI)	5.9
Arts and cultural facilities maintenance	5.0
Other	7.9
Total	79.3

8.5 Financial information

8.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

Australian equivalents to International Financial Reporting Standards (A-IFRS) were first applied in the preparation of the department's 2005-06 budget. Subsequent updates to A-IFRS do not significantly affect the department and as a consequence the application of A-IFRS has had no material impact on the preparation of the department's budget for 2007-08.

The major impact of A-IFRS on the department's operating statement for the year ended 30 June 2006 (on initial adoption of A-IFRS) was the derecognition of certain IT development costs capitalised under previous Australian Accounting Standards as they did not meet the recognition criteria under A-IFRS.

8.5.2 *Revenue and expenditure*

Table 8.2 provides information on revenue and expenditure for controlled and administered operating statements for the department.

**Table 8.2: Department of Premier and Cabinet
Operating statement**

	Controlled			Administered		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	455.0	469.7	3.2	0.0	0.0	0.0
Special appropriations	6.2	6.2	0.0	0.0	0.0	0.0
Sale of goods and services	30.4	31.0	1.9	0.6	0.9	50.0
Revenue from other parties and other income	33.3	45.4	36.3	0.3	0.3	0.0
Total	525.0	552.3	5.2	0.9	1.2	33.3
Expenses from transactions						
Employee benefits	170.0	176.9	4.1	0.0	0.0	0.0
Supplies and services	149.4	161.2	7.9	0.0	0.0	0.0
Depreciation and amortisation	42.5	45.1	6.1	0.0	0.0	0.0
Grants and other payments	71.3	63.0	-11.6	0.0	0.0	0.0
Capital asset charge	93.3	97.0	4.0	0.0	0.0	0.0
Other expenses	1.3	1.3	0.0	0.9	1.2	33.3
Total	527.8	544.5	3.2	0.9	1.2	33.3
Net result from transactions	-2.8	7.8	3.2	0.0	0.0	0.0
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	-2.8	7.8	3.2	0.0	0.0	0.0

8.5.3 Assets, liabilities and equity

Table 8.3 provides information on the financial position for controlled and administered items for the department.

**Table 8.3: Department of Premier and Cabinet
Balance sheet**

	Controlled			Administered		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	24.8	22.8	-8.1	-0.1	-0.1	0.0
Other financial assets	69.5	66.8	-3.9	0.0	0.0	0.0
Receivables	66.4	67.0	0.9	1.8	0.1	-94.4
Property, plant and equipment	4,558.3	4,603.9	1.0	0.0	0.0	0.0
Other	10.0	9.9	-1.0	0.0	0.0	0.0
Total assets	4,729.2	4,770.5	0.9	1.7	0.0	-100.0
Liabilities						
Payables	39.7	34.8	-12.4	1.6	-0.1	-106.3
Employee provisions	33.3	34.6	3.9	0.0	0.0	0.0
Other	27.7	25.7	-7.2	0.0	0.0	0.0
Total liabilities	100.7	95.1	-5.6	1.6	-0.1	-106.3
Net assets	4,628.5	4,675.4	1.0	0.1	0.1	0.0
Equity						
Contributed capital	1,579.1	1,618.2	2.5	0.0	0.0	0.0
Accumulated surplus	152.4	160.2	5.1	0.0	0.0	0.0
Reserves	2,897.0	2,897.0	0.0	0.0	0.0	0.0
Total equity	4,628.5	4,675.4	1.0	0.0	0.0	0.0

8.5.4 Carry over funding

The Committee had sought from the department its estimate of the funding for 2006-07 that it will carry forward to 2007-08 and the purposes of such carry over, either by outputs or additions to net asset base. The department responded as follows and reiterated this response to the Committee when subsequently requested to provide more specific information:

Departments can apply to carry forward up to 3% of their recurrent budget. Carry forward in relation to the capital program is usually determined on individual project/initiatives. A final carry forward amount is not finalised until the end of the financial year, at this stage no precise figure has been formalised.

Given that only around six weeks will transpire before the end of 2006-07, the Committee is surprised that, unlike most other departments, the department is not in a position to furnish an estimate of its 2006-07 carry over or the factors expected to give rise to that estimate.

8.5.5 *Revenue raising initiatives*

There are no new revenue raising initiatives or major changes to existing revenue initiatives planned by the department in 2007-08.

8.5.6 *Departmental savings*

The implementation of the Labor Financial Statement; Efficient Government Policy and limitation on future staff growth will be the focus of efficiency in 2007-08. Efficiency measures will be in the areas of *Buying Smarter, Buying Less*, shared services, fleet management, grant administration and reform, advertising and consultancies and integrated information and communication technology (ICT).

Savings of \$2.2 million are to be achieved in 2007-08. The department anticipates it will achieve some of these savings through grant reform and leveraging operating efficiencies through the Government Services Group within the Department of Treasury and Finance (DTF).

The Government Services Group will be working with the department to identify and implement efficiencies and innovations associated with the Efficient Government outcomes and generally buying less.

The department will continue to review its process and systems to identify and implement efficiencies and innovations.

8.6 Communication, advertising and promotion

The department does not have a specific budget for advertising and promotional activities. Funding for advertising and promotional activities is generally drawn from within the business unit or branch from which the need is generated on an ad hoc basis, as is the case for other departments.

However, where advertising and promotional activities are core to the operations of the business unit, as is the case for the largest arts agencies, such as the National gallery of Victoria and the Museums, budgets are developed, and those for 2007-08 can now be provided, with prior two years of expenditure for comparison, as shown in table 8.4.

**Table 8.4: Department of Premier and Cabinet
Advertising and promotional budgets
in major arts agencies**

Arts agency	30 June 2006 Actual (\$ million)	30 June 2007 Actual (\$ million)	30 June 2008 Estimated (\$ million)
National Gallery of Victoria			
Includes NGV St Kilda Rd, Federation Square, media advertising and development costs, but does not include value of partnership contributions in relation to specific exhibitions	1.572	1.486	1.512
Museums			
Includes Melbourne Museum, Scienceworks and Immigration Museum, media advertising and development costs but does not include value of partnership contributions in relation to specific exhibitions	1.462	1.405	1.476

The Committee is awaiting further information on the expenditure incurred by the department on communication, advertising and promotional activities when received, this information will be considered for inclusion in a further report on the 2007-08 Budget Estimates.

8.7 Departmental workforce

The department has estimated that at 30 June 2008, it will have a total workforce of 558.9 equivalent full-time (EFT) staff. This includes 322.9 within the department itself, and a total of 236.0 within its major funded agencies, namely, the Office of the Chief Parliamentary Counsel, the Office of the Governor, Ombudsman Victoria, the State Services Authority and the Public Record Office of Victoria. Similar staffing figures are estimated for 30 June 2007.

The Committee is awaiting further information from the department on the 2006 staffing figures for the Public Record Office. When this information is received, the above percentages and the relevant table under table 8.5 will be completed and included in a further report on the 2007-08 Budget Estimates.

The estimates do not include casuals as the department advised they cannot be counted as EFT. Figures for casuals are presented separately in table 8.6.

Table 8.5 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

**Table 8.5: Department of Premier and Cabinet
Staff Numbers**

	30 June 2006 Actual (EFT)	30 June 2007 Estimated (EFT)	30 June 2008 Estimated (EFT)
Department of Premier and Cabinet			
Secretary	1.0	1.0	1.0
Executive officers	26.8	26.8	26.8
Solicitors	6.0	9.6	9.6
Senior technical specialist	2.8	2.0	2.0
Victorian public service officers	267.6	260.5	260.5
Driver	22.0	22.0	22.0
Cadet	1.0	1.0	1.0
Sub-total	327.2	322.9	322.9
Office of the Chief Parliamentary Counsel			
Executive officers	3.0	3.0	3.0
Solicitors	13.0	14.0	14.0
Senior technical specialist	0.0	1.0	1.0
Victorian public service officers	13.8	15.0	15.0
Sub-total	29.8	33.0	33.0
Office of the Governor			
Governor	1.0	1.0	1.0
Statutory appointment	1.0	1.0	1.0
Victorian public service officers	27.2	26.4	26.4
Sub-total	29.2	28.4	28.4
Ombudsman Victoria			
Statutory appointment	1.0	1.0	1.0
Executive officers	2.0	1.0	1.0
Victorian public service officers	41.7	39.0	39.0
Sub-total	44.7	41.0	41.0
State Services Authority			
Statutory appointment	2.8	2.8	2.8
Executive officers	6.0	6.9	6.9
Victorian public service officers	41.1	47.6	47.6
Sub-total	49.9	57.3	57.3
Public Record Office of Victoria			
Executive officers		1.0	1.0
Senior technical specialist		1.0	1.0
Victorian public service officers		74.3	74.3
Sub-total		76.3	76.3
Total		558.9	558.9

**Table 8.6: Department of Premier and Cabinet
Casuals**

	30 June 2006 Actual	30 June 2007 Estimated	30 June 2008 Estimated
Department of Premier and Cabinet	36.0	16.0	16.0
Office of the Chief Parliamentary Counsel	0.0	0.0	0.0
Office of the Governor	46.0	50.0	50.0
Ombudsman Victoria	3.0	4.0	4.0
State Services Authority	2.0	2.0	2.0
Public Record Office of Victoria	0.0	0.0	0.0
Total	87.0	72.0	72.0

8.8 Performance measures – changes

As a result of the machinery of government changes, the ICT Strategy and Services output is now incorporated in the Department of Treasury and Finance's Government Services output, to reflect the transfer of the Office of the Chief Information Officer.

Performance measures for Film Victoria and the Victorian Major Events Company's (VMEC) have been moved to the Department of Innovation, Industry and Regional Development, while the Public Record Office of Victoria indicators are now reported on by Arts Victoria.

The Office of the Ombudsman has made several changes to performance measures to make them more meaningful. The Ombudsman's satisfaction rating has been replaced by a more objective measure of the complaints resolution process. Measures associated with the inspections and monitoring process have been deleted to reflect the transfer of inspection functions to the Special Monitor within the Department of Justice.

Arts Victoria has changed some indicators which include: a new measure of community engagement to better reflect volunteer hours; new measures to reflect core activities of Arts Agencies such as education and collection management; an improved measurement of governance; and extending the visitor satisfaction measure to all Arts Agencies.

Review of portfolios

8.9 Arts portfolio

8.9.1 *Introduction*

The Committee received evidence from the Hon. L Kosky, Minister for the Arts, on 9 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

8.9.2 *General comments*

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 8.9.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 8.9.4) and unasked questions (see 8.9.5) should be submitted to the Committee by 12 June 2007. These answers will be considered by the Committee for inclusion in a further report.

8.9.3 *Key matters raised at the budget estimates hearing*

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

- update on developments at the Melbourne Recital Centre and clarification of output funding of \$15 million allocated in the budget (p.3);
- potential cost issues if both sites of the National Gallery of Victoria opened seven days a week (pp.3-4);
- extent of contributions to growth of regional Victoria from funding of regionally-based arts organisations (pp.4-5);
- further elaboration of major capital arts investments in country Victoria (pp.5-6); and
- outline of past and projected economic impact of major arts exhibitions (pp.6-7).

8.9.4 *Questions taken on notice at the budget estimates hearing*

The following question was taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- estimated savings from the closure of the National Gallery of Victoria International on Tuesdays and of the National Gallery of Victoria Australia on Mondays (pp.3-4).

A written response by the Minister to the Committee on this question is due by 12 June 2007 and will be considered for publication in a further report.

8.9.5 Unasked questions

The following questions were unasked by the Committee at the budget estimates hearing and have been referred to the Minister for a written response by 12 June 2007:

- reason for replacement of output measure stating total number of visitors to each Arts Facility with a global users/attendance figure;
- re the Australian Centre for the Moving Image (ACMI):
 - extent of increase/decrease, if any, in ACMI's revenues following \$4 million asset initiative listed in 2005-06 budget;
 - extent of predicted increase, if any, in ACMI's revenues following the \$5.9 asset provision in current budget; and
 - level of cash losses considered to be appropriate for ACMI;
- expected date of completion of the State Library of Victoria refurbishment and projected aggregate cost of all 7 stages of the refurbishment once completed; and
- details of performance standards/criteria that apply to the funding of festivals and how they compare to those used for major events.

The Minister's written responses will be considered for publication in a further report.

8.9.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

8.10 Premier's portfolio

8.10.1 Introduction

The Committee received evidence from the Hon. S Bracks, Premier, on 3 May 2007. The Premier provided an overview of his portfolio at the start of the hearing which included a briefing from Mr Hartnett, Chair, State Services Authority. The duration of the budget estimates hearing was approximately two hours 25 minutes. The Committee thanks the Premier and 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 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 8.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 8.10.4) should be submitted to the Committee by 12 June 2007. These answers will be considered by the Committee for inclusion in a further report.

8.10.3 Key matters raised at the budget estimates hearing

Key matters raised at the budget estimates hearing included the following (page references refer to the transcript in Appendix 1):

Matters pertaining to the work of the Public Accounts and Estimates Committee

- announcement of additional funding for the Public Accounts and Estimates Committee to be included in the Parliament's 2007-08 appropriation (pp. 33-34); and
- the different role and function of the Public Accounts and Estimates Committee compared with other joint parliamentary committees (p.34).

Planning and funding for water infrastructure projects

- planned strategic policy projects relating to water infrastructure (pp.5-6);
- clarification of plans and funding for major water infrastructure projects (pp.7-8); and
- extent to which forward estimates of public non-financial corporations net debt encompass debt funding of water authorities for water projects (p.13).

Budgetary implications arising from the drought

- impact of drought on Victoria's projected economic growth and adequacy of consequential provision in budget for drought assistance (pp.9-11);
- specifics about drought assistance to Victoria's central region (p.13-14); and
- discussion on potential anomalies in the provision of certain forms of drought assistance to rural communities (pp.18-19).

Additional funding for the Office of the Chief Parliamentary Counsel and the Office of Ombudsman

- purpose of additional funding for strengthening services of the Office of the Chief Parliamentary Counsel (p.11);
- clarification of whether assistance from the Office of the Chief Parliamentary Counsel is available for the drafting of a private member's Bill (p.12); and
- advice on the investigative work program of the Office of Ombudsman in the light of additional funding allocated to that Office (p.12).

The new Office of Climate Change

- explanation of aggregate funding directed to establishment of the Office of Climate Change (pp.14-15); and
- resourcing of Office of Climate Change, and the Premier's expectations and work plan for that office over the next 12 months (pp.29-31).

Some key aspects of the work of the State Services Authority

- initiatives taken by the State Services Authority to promote high standards of governance in the public sector (p.21); and
- actions underway by the State Services Authority to improve workforce planning throughout the public sector (pp.22-23).

Emergency management during bushfires and bushfires recovery strategies

- provision of emergency services during bushfires as a key element of the State's Emergency and Security Management strategy (pp.23-24); and
- existing and planned strategies for bushfire recovery in Victoria (p.26).

Budgetary matters relating to productivity and capital works

- expected impact of budget on productivity across government and specifically within the Premier's portfolio (pp.15-16);
- source of future funding for the significant level of unfunded capital works for education identified in the budget (pp.16-17)
- adequacy of the quantum of road funding for country roads (pp.27-28); and
- clarification sought on completeness of the budget figure for unallocated provision for future allocation (p.33).

Other issues

- machinery of government changes within the portfolio since the government's re-election (pp.8-9);
- implementation of the human rights and responsibilities charter (pp.17-18);
- update on the implications of the High Court decision on Work Choices (pp.19-20);
- circumstances relating to the non-release of a document prepared by Melbourne Water in November 2006 during the caretaker period (pp.24-26);
- update on progress in the implementation of the *A Fairer Victoria* policy statement and achievement of its objectives (p.26);
- the work program and achievements of the Victorian Government Architect (p.31); and
- implementation of the community cabinet strategy together with the nature of feedback from the various communities and future plans (pp.32-33).

8.10.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Premier at the estimates hearing (page references refer to the transcript in Appendix 1):

- provision of additional detail relating to potential anomalies in the provision of certain forms of drought assistance to rural communities (p.19);
- number of staff positions and quantum of related funding for the Liberal and National parties within the line item Number of staff positions (pp.20-21);

- breakdown of the planned investment of \$1.7 billion in water and catchment projects, identified on page 7 of the Treasurer's Budget Speech, identifying estimated expenditure for individual projects and whether the government or a water authority will be incurring the expenditure (pp.21-22);
- confirmation of accuracy of aggregate figure of \$1.611 billion in unallocated capital identified on page 45 of Budget Paper 2 in the light of other comments on the subject allegedly made by the Treasurer (p.23);
- timetable for complementary Commonwealth/State legislation on the carbon capture and storage regulatory regime (p.31);
- composition of line item on '*Other efficiencies*' shown in Budget Paper relating to the Department of Premier and Cabinet (p.32); and
- in regard to the portfolio, the level of resources and staffing costs to be applied by the department in 2007-08 to servicing hearings of the Committee, based on experience in previous years (pp. 33-34).

A written response by the Premier to the Committee on these questions is due by 12 June 2007 and will be considered for publication in a further report.

8.10.5 *Unasked questions*

All questions of the Committee were raised at the budget estimates hearing.

8.10.6 *Documents tabled at the budget estimates hearing*

The Premier provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

The Chair, State Services Authority provided a slide presentation on key aspects of the work of the authority.

CHAPTER 9: DEPARTMENT OF PRIMARY INDUSTRIES

Departmental review

9.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Primary Industries on 4 May 2007. Detailed information was provided in response to the majority of the questions with further information sought on the remainder. Sections 9.2-9.8 detail that response.

9.2 Factors impacting on the formulation of the budget and associated outcomes

9.2.1 *Key assumptions*

The following key assumptions have been used to develop the department's budget projections for 2007-08:

- consumer price index at 2.5 per cent;
- continuation of exceptional circumstances until end of current declarations only;
- reduced revenue from industry for research and development due to drought related impacts on turnover;
- increase in employee entitlements under the enterprise bargaining agreement of 3 per cent;
- new initiatives announced in the 2007-08 budget;
- new initiatives announced in the Labor Financial Statement; and
- incorporation of savings targets as established by government.

9.2.2 *Changes to major government objectives*

As a result of the machinery of government changes, the department now has responsibility for delivering on energy policy and the energy technology innovation strategy (ETIS), however there have been no changes to the key government objectives under *Growing Victoria Together* which are expected to be achieved by the department's outputs.

9.2.3 National Reform Agenda

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform ; and
- Human Capital Reform.

The department is participating in the competition stream of the NRA by developing and implementing the Council of Australian Government (COAG) energy market reforms. The department's energy policy services are resourced to deliver the relevant advice for, and related development of, Victoria's share of the transfer of energy regulation to the national energy market reform framework. The department's share of funding for the national energy market reform program will be approximately \$5 million in 2007-08.

The department is also participating in broader Victorian government regulation reform efforts in areas like water and reducing red tape.

The Committee is awaiting information from the department on how it is responding to the National Reform Agenda. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

9.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

Clean Coal and Carbon Storage

This initiative will support the first phase of the government's commitment to a Clean Coal Authority in the Latrobe Valley, and other clean coal initiatives within the department including clean coal research and the Otway Basin Carbon Capture and Storage pilot project.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
2.3	1.3	0.3	0.0	3.9

Continue the 13FISH Fisheries Offence Reporting Line

This initiative will continue the 13FISH Fisheries Offence Reporting Line for a further four years. The 13FISH initiative was introduced as a component of the government's broader agenda of Getting Tough on Fisheries Crime. 13FISH (telephone 13 3474) is a statewide 24 hour, 7 day a week fisheries offence reporting line.

The 13FISH service assists in protecting fish stocks from theft, and promoting responsible commercial and recreational fishing behaviour. The service provides a cost-effective mechanism for collecting intelligence on illegal fishing activity by enlisting community assistance in monitoring fisheries and providing data to help target compliance operations. 13FISH empowers the community, establishes a greater sense of resource stewardship, and enhances the efficiency and effectiveness of compliance activities.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.3	0.3	0.3	0.3	1.2

Electronic Identification and Tracking of Sheep

This initiative will introduce an electronic tagging option for producers who are required to identify their sheep and goats as part of the National Livestock Identification System through a \$1 million grant.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
1.0	0.0	0.0	0.0	1.0

Enhanced Recreational Fishing Opportunities

This initiative will enable a range of new strategic investments to be made to further improve recreational fishing experiences in Victoria. The initiative comprises:

- new fish cleaning table grants program;
- saltwater artificial reef trial;
- habitat improvement ('Adopt-a-Stream') program;
- establishment of new fisheries and fishing opportunities; and
- improvement in angler access to public waterways.
-

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
2.6	2.6	2.9	3.9	12.0

European House Borer Surveillance and Containment Program

Funding for Victoria's contribution to a joint state, commonwealth and industry surveillance and containment program for European House Borer in Western Australia.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.5	0.2	0.0	0.0	0.7

Increase in Fish Stocking

This initiative will increase the number of fish stocked in Victorian waterways by a further 30% over the next four years, further enhancing fishing opportunities for families in regional Victoria.

Annually, the department stocks Victorian waters with approximately 1.3 million fish, including 400,000 salmonids (trout) and 900,000 native fish (Murray cod, golden perch and silver perch). A 30% increase in salmonids and native fish numbers equates to an additional 430,000 fish over four years.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.2	0.3	0.5	0.3	1.3

Increased Support for the Royal Society for the Prevention of Cruelty to Animals (RSPCA)

This initiative will provide extra funding to assist the RSPCA to investigate claims of animal cruelty, increase prosecutions and fund the RSPCA to develop data sharing on investigations with the Victoria Police.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
1.0	1.0	1.0	1.0	4.0

New Recreational Fishing Haven in Western Port Bay

This initiative will provide a recreational fishing haven by removing all commercial netting in the bay of Western Port, improving opportunities for saltwater recreational fishing in the bay. Commercial fishermen will be allowed to continue to operate in the area using longlines. The government will commit \$5 million for a voluntary buy-back as an alternative for affected licence holders, in line with previous buy-back offers.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
5.0	0.0	0.0	0.0	5.0

Our Rural Landscape Extension

This initiative will build on the core scientific and practice change capability developed over the last four years through the Our Rural Landscape program, by laying the foundation for the government's scientific, rural and regional response to climate change.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
13.0	0.0	0.0	0.0	13.0

Queenscliff Marine Discovery Centre

This initiative will provide an additional \$300,000 per annum funding to allow the Queenscliff Marine Discovery Centre to expand the services it provides to the community in relation to caring for the state's complex marine eco-systems.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.3	0.3	0.3	0.3	1.2

Rediscover Victoria

This initiative will invest \$5 million over four years in a new geoscience program to encourage minerals and petroleum exploration in parts of the state where little exploration has occurred. The proposal includes support for a targeted drilling program in conjunction with the private sector and will accelerate the development of a whole-of-state 3-D geological model. This new program will develop an overview of Victoria's earth resources at a regional scale and provide new geoscience information to both existing and potential mineral and petroleum explorers. Large scale regional geology data covering gold, base metals, other metallic minerals, petroleum and potentially carbon capture and storage utilising state of art technologies is crucial for attracting new investment to the state.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
1.3	1.8	1.0	1.0	5.1

Responsible Pet Ownership

This initiative will allocate \$500,000 over four years to extend the responsible pet ownership scheme to educate pet owners and families about dangerous pets in an effort to further reduce the incidence of animal attacks on children. It will extend this scheme from its current emphasis on grade prep, kindergartens and childcare centres to include new parents and maternal child health centres.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.1	0.1	0.1	0.1	0.4

Victoria Energy Efficient Target Scheme

Funding is provided over two years for policy work to address the 2006 election commitment to establish a Victorian energy efficiency target scheme. The funding will assist in identifying, approving and monitoring energy efficiency activities that will be eligible to create certificates under the scheme.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
0.5	0.5	0.0	0.0	1.0

Weeds and Pests

This initiative will improve the management of weeds and pests on public and private land, and reduce the number and impact of new weeds and pests outbreaks.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
7.3	7.4	7.6	7.8	30.1

Bushfire Recovery Initiatives

Various initiatives to assist primary producers and communities with bushfire recovery.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)	Total (\$ million)
3.7	1.1	0.1	0.0	4.9

Note: the department will be reviewing the staffing implications associated with the above initiatives

9.4 Departmental asset investment

Table 9.1 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08:

**Table 9.1: Department of Primary Industries
Asset investment projects**

Asset investment project	2007-08 Budget (\$ million)
Melbourne Wholesale Market redevelopment	31.5
New Biosciences Research Centre	10.2
Redevelopment of Melbourne Showgrounds	9.9
Fisheries Catch and Effort System redevelopment	2.5
Establishment of new fishing production facility in Northern Victoria	0.8
Lysterfield Lake Park land purchase	0.1
Minor asset purchases	2.4
Total	57.4

9.5 Financial information

9.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

There has been no impact on the preparation of the department's budget for 2007-08 due to Australian equivalents to the International Financial Reporting Standards (A-IFRS).

9.5.2 *Revenue and expenditure*

Table 9.2 provides information on revenue and expenditure for controlled and administered operating statements for the department.

**Table 9.2: Department of Primary Industries
Operating statement**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	426.1	440.3	3.3	0.0	0.0	0.0
Appropriations - Payments made on behalf of the state	0.0	0.0	0.0	18.4	27.9	51.6
Sale of goods and services	35.7	34.9	-2.2	47.3	48.6	2.7
Commonwealth grants	1.2	0.0	-100.0	66.9	28.3	-57.7
Other grants	0.0	0.0	0.0	12.8	8.7	-32.0
Taxes	5.1	5.3	3.9	0.0	0.0	0.0
Fines and fees	4.7	4.7	0.0	6.7	5.5	-17.9
Revenue from other parties and other income	2.0	2.0	0.0	42.6	42.4	-0.5
Total	474.8	487.2	2.6	194.7	161.4	-17.1
Expenses from transactions						
Employee benefits	169.3	177.2	4.7	0.0	0.0	0.0
Depreciation and amortisation	20.5	20.5	0.0	0.0	0.0	0.0
Grants and other payments	121.4	94.6	-22.1	18.4	27.9	51.6
Capital assets charge	15.6	15.6	0.0	0.0	0.0	0.0
Supplies and services	148.0	178.1	20.3	0.0	0.0	0.0
Other expenses	1.0	1.0	0.0	0.0	0.0	0.0
Expenses on behalf of the state	0.0	0.0	0.0	0.1	0.0	-100.0
Payments into the consolidated fund	0.0	0.0	0.0	176.0	133.2	-24.3
Total	475.8	487.0	2.4	194.4	161.1	-17.1
Net result from transactions	-1.0	0.1	-110.0	0.2	0.3	50.0
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	1.0	0.1	-110.0	0.2	0.3	50.0

9.5.3 Assets, liabilities and equity

Table 9.3 provides information on the financial position for controlled and administered items for the department.

**Table 9.3: Department of Primary Industries
Balance sheet**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	33.7	33.2	-1.5	1.5	1.8	20.0
Receivables	117.0	114.4	-2.2	41.7	41.7	0.0
Property, plant and equipment	285.0	284.0	-0.4	0.0	0.0	0.0
Other	17.6	17.2	-2.3	0.0	0.0	0.0
Total assets	453.3	448.8	-1.0	43.2	43.5	0.7
Liabilities						
Payables	19.3	17.3	-10.4	0.1	0.1	0.0
Interest bearing liabilities	22.6	22.6	0.0	0.0	0.0	0.0
Employee provisions	58.3	58.1	-0.3	0.0	0.0	0.0
Other	79.8	69.9	-12.4	5.5	5.5	0.0
Total liabilities	180.0	167.9	-6.7	5.6	5.6	0.0
Net assets	273.4	281.0	2.8	37.6	37.9	0.8
Equity						
Contributed capital	278.1	285.6	2.7	0.0	0.0	0.0
Accumulated surplus	-4.8	-4.6	-4.2	0.0	0.0	0.0
Total equity	273.4	281.0	2.8	0.0	0.0	0.0

9.5.4 Carry over funding

The department expects to carry forward \$42.2 million to be applied to outputs and \$600,000 to be applied to additions to net asset base.

Factors that contributed to carry over of funding for the department include:

- redeployment of staff on drought & fires during 2006-07 and the consequential re-negotiation of milestones to 2007-08;
- delays in sourcing critical equipment for the MTE Coal Drying Demonstration plant has led to an extension of the construction schedule;
- plantation incentive strategy – carry over has resulted from redeployment of staff to emergency response activities;
- powerline relocation grant under-expenditure in 2006-07 is mainly due to under-subscription and contractor delays. The uptake and progress of the initiative is expected to improve with administrative changes and the grant restructure to encourage projects proponents to take effect in 2007-08;
- deferral of funding in the ETIS Large Scale Demonstration Project due to grant announcements and contract negotiations with the commonwealth; and

- brown coal research and development and projects for Rural Industry Research Corporation's (RIRCs) were late in commencing due to negotiations in finalising contracts.

Table 9.4 provides information on the expected carry over funding of the department:

**Table 9.4: Department of Primary Industries
Carry over funding**

Projects	Total Estimated Carry Over (\$ million)
Outputs	
Marine Parks	1.3
Catch and Effort systems upgrade	0.1
Developing gold undercover	0.6
MTE project	0.2
Sustainable mining and community engagement	0.5
Developing Latrobe Valley resources further	0.1
Farmbis	1.3
Plantation incentive strategy	2.5
Advanced metering infrastructure	0.2
Powerline relocation grants	2.2
Large scale demonstration project – ETIS	5.0
Research and development brown coal – ETIS	4.0
Reducing regulatory burden	0.2
Assistance for Victorian horticulture	0.4
Piloting new approaches to national resources allocation	0.1
GM technology policy	0.1
Business and corporate services – enterprise architecture and audit services	0.3
Agriculture and pastoral society grants	0.1
Emergency management capability review and training	2.2
Domestic animals management programs	0.7
Agriculture and veterinary chemical permits – regulation	0.2
Industry funding – biosecurity programs	3.5
RIRCs – co-funded projects	6.0
Industry funded research and development projects	7.0
Catchment Management Authority funded projects	3.5
Total outputs	42.2
Additions to Net Asset Base (ATNAB)	
Catch and effort system upgrade	0.6
Total ATNAB	0.6

9.5.5 Revenue raising initiatives

There is no new revenue raising initiatives or major changes to existing revenue initiatives planned for 2007-08 within the department.

9.5.6 Departmental savings

Cost savings in 2007-08 will be focused in the areas specified in Labor's Financial Statement 2006, including *Buying Smarter, Buying Less*, shared services, fleet management, advertising and consultancies and grant administration.

The department will be reviewing departmental processes and practices that will contribute towards achieving savings as specified by government. This will include implementing more efficient fleet management practices, reviewing procurement policies and contracts to achieve efficiencies, participating in moves towards implementing greater sharing of corporate services and reducing, where possible, spending on discretionary advertising and consultancies.

The department is required to achieve savings of \$5.73 million in 2007-08.

The Committee is awaiting further information from the department on the breakdown of savings expected from the efficient government policy and how the department expects to achieve these savings. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

9.6 Communication, advertising and promotion

The department does not allocate a separate advertising and promotion budget. Rather, budgets are derived using the objective-task method. That is, each project manager allocates the budget necessary to achieve the specific objectives outlined in the project's communication strategy, rather than an arbitrary percentage of the department's overall budget being allocated to advertising and promotion each year.

The department's expenditure largely relates to specific communications support for its core business, rather than for advertising or communications campaigns. For example, in the department, the majority of the expenditure relates to communications support for department staff in their work encouraging rural landholders to apply new knowledge and practices, or informing specific industry groups about policy and legislative changes.

Budget staff loadings for the 2007-08 financial year total \$2,527,031.90.

Expenditure for communications, advertising and promotion for the previous two financial years are as below:

- **2006-07** – includes campaign advertising, printed material, exhibitions, rural show displays and sponsorship to December 2006 and staff expenditure to March 2007: \$2,748,385.03
- **2005-06** – includes campaign advertising, printed material, exhibitions, rural show displays, sponsorship and staff expenditure for the financial year: \$4,250,721.70

Note: These figures are derived under the Master Agency Media Service contract.

The Committee is awaiting further information from the department on the communication, advertising and promotion budget for 2007-08. When received, this information will be included in a further report on the 2007-08 Budget Estimates.

9.7 Departmental workforce

The department has estimated at 30 June 2008, it will have a total workforce of 2,624.9 equivalent full-time staff (EFT). This represents a decrease of 25 EFT staff (0.8 %) on the 30 June 2007 estimate and a decrease of 46.4 EFT staff (1.7 %) on the 30 June 2006 actual.

Table 9.5 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

Table 9.5: Department of Primary Industries Staff Numbers

	30 June 2006 Actual (EFT)	30 June 2007 Estimate (EFT)	30 June 2008 Estimate (EFT)
Executive officer	21.0	24.0	25.0
Principal scientist	39.5	39.5	39.5
Victorian public service officer	1,491.7	1,464.2	1,452.0
Science officer	1,089.54	1,096.6	1,082.8
Field staff	19.0	16.0	16.0
Other	10.6	9.6	9.6
Total	2,671.3	2,649.9	2,624.9

9.8 Performance measures – changes

The Energy Policy unit from the Department of Infrastructure and the Energy Technology Innovation Strategy (ETIS) from the Department of Innovation, Industry and Regional Development were transferred to the Department of Primary Industries (DPI) from 1 January 2007. As a result the former Energy Policy output from the Department of Infrastructure has been incorporated into the Primary Industries Policy output, while funding for ETIS has been included within the Strategic and Applied Scientific Research and Development Output.

Table 9.6 below explains changes to the department's performance measures:

Table 9.6:

**Department of Primary Industries
Changes to performance measures**

Primary Industries Policy						
Output performance measure	Unit of	Measure	2006-07 Published target	2006-07 Expected outcome	2007-08 Target	Comments
Compliance with criteria for approval of powerline relocation grants	Quality	per cent	100	100	100	This performance measure was transferred from the Department of Infrastructure (DoI) as part of the machinery of government changes effective from 1 January 2007. The former DoI Energy Policy Services Output has been incorporated into DPI's Primary Industries Policy Output to reflect the activities and services delivered on behalf of government, in line with the Department's existing output structure.
Enhanced Fishing Grants: program components meet agreed milestones for delivery.	Quality	per cent	nm	nm	100	This is a new measure to reflect the new initiative on enhanced recreational fishing opportunities.
Percentage of key management performance indicators for the relevant stage of current fisheries management plans that are measured and reported.	Quality	per cent	>80	91	>90	Given the performance history of DPI this target has been increased to >90 per cent from 2007-08. A minor wording change has been made to clarify that only the fisheries management plan indicators that DPI is responsible for/has control over are being monitored and reported.
Exercise strategies for maintaining security of electricity and gas supply	Quantity	number	2	2	2	This performance measure was transferred from DoI as part of the machinery of government changes effective from 1 January 2007. The former DoI Energy Policy Services Output has been incorporated into DPI's Primary Industry Policy Output to reflect the activities and services delivered on behalf of government, in line with the department's existing output structure.

Table 9.6: Department of Primary Industries
Changes to performance measures (*continued*)

Primary Industries Policy (<i>continued</i>)						
Output performance measure	Unit of	Measure	2006-07 Published target	2006-07 Expected outcome	2007-08 Target	Comments
Major strategic policy advice on energy matters to government	Quantity	number	5	5	5	This performance measure was transferred from DoI as part of the machinery of government changes effective from 1 January 2007. The former DoI Energy Policy Services Output has been incorporated into DPI's Primary Industry Policy Output to reflect the activities and services delivered on behalf of government, in line with the department's existing output structure.
Policy projects in progress that promote efficient policies and resource allocation mechanisms	Quantity	number	2	2	2	Minor wording change to reflect all relevant policy projects rather than just economic policy projects.
Powerline relocation grants approved	Quantity	number	20	12	20	This performance measure was transferred from DoI as part of the machinery of government changes effective from 1 January 2007. The former DoI Energy Policy Services Output has been incorporated into DPI's Primary Industry Policy Output to reflect the activities and services delivered on behalf of government, in line with the department's existing output structure. Demand for powerline relocations decreased in 2006-07 partly due to the financial impact of the drought.
Strategic policy briefings on energy matters to portfolio Minister	Quantity	number	200	200	200	This performance measure was transferred from DoI as part of the machinery of government changes effective from 1 January 2007. The former DoI Energy Policy Services Output has been incorporated into DPI's Primary Industry Policy Output to reflect the activities and services delivered on behalf of government, in line with the department's existing output structure.

Table 9.6: Department of Primary Industries
Changes to performance measures (*continued*)

Primary Industries Policy (<i>continued</i>)						
Output performance measure	Unit of	Measure	2006-07 Published target	2006-07 Expected outcome	2007-08 Target	Comments
Key energy policy deliverables and projects managed on time - in line with planned and agreed project timetable	Timeliness	per cent	95	95	95	This performance measure was transferred from DoI as part of the machinery of government changes effective from 1 January 2007. The former DoI Energy Policy Services Output has been incorporated into DPI's Primary Industry Policy Output to reflect the activities and services delivered on behalf of government, in line with the department's existing output structure.
Western Port bay recreational fishing haven established within agreed timelines.	Timeliness	per cent	nm	nm	100	This is a new measure to reflect the new initiative implementing a new recreational fishing haven in Western Port Bay.
Strategic and Applied Scientific Research						
Area of the state for which first generation regional 3D geological models are available	Quantity	per cent	n/a	n/a	47	A major focus of the GeoScience Victoria work program for attracting new exploration investment to the state over the next five years is the development of regional 3D geological models. This new measure will highlight the performance of new geoscience initiatives, including the Rediscover Victoria and Gold Undercover programs, in increasing the area of the state covered by new 3D geological models.

Table 9.6: Department of Primary Industries
Changes to performance measures (*continued*)

Primary Industries Policy – discontinued measure						
Output performance measure	Unit of	Measure	2006-07 Published target	2006-07 Expected outcome	2007-08 Target	Comments
Responses to Ministerial correspondence delivered within agreed timelines	Timeliness	per cent	85	85	n/a	This measure from the previous Energy Policy Services output has been discontinued as it is not in line with DPI's output reporting focus.
Strategic and Applied Scientific Research – discontinued measure						
Strategic areas of the state in which new generation Minerals & Petroleum mapping has been completed	Quantity	per cent	84	84	n/a	This measure will be discontinued from 2007-08 as the remaining area of the state (16%) is not a priority for new generation mapping. Although there will be some small areas targeted for further detailed work, the focus will now shift to new regional 3D models.
Sustainable Practice change – discontinued measure						
FarmBis courses completed	Quantity	number	600	550	n/a	A reduction in the 2006-07 outcome is expected due to the impact of the drought. Measure has been discontinued following the Commonwealth Government's decision to withdraw Fambis funding. The state government is committed to this program and will consider options based on decisions and announcements expected in the federal budget.

Review of portfolios

9.9 Agriculture portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

9.10 Energy and Resources portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 10: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Departmental review

10.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department of Sustainability and Environment on 8 May 2007. Detailed information was provided in response to some questions while others were limited in coverage. Sections 10.2 – 10.8 detail that response.

10.2 Factors impacting on the formulation of the budget and associated outcomes

10.2.1 *Key assumptions*

The key assumptions used to develop the department's budget projections for 2007-08 include:

- additional funding that has been announced in the budget;
- delivery of government efficiency savings of \$14.4 million;
- water supply and fire management will remain a priority; and
- Australian government contributions to departmental operations will be similar overall to 2006-07.

10.2.2 *Changes to major government objectives*

The Liveable Cities output now includes a focus on Housing Affordability and Building Policy. The department is providing support to the Minister for Housing in conjunction with the Department of Human Services on the subject of housing affordability. The building policy unit has joined the department from the Building Control Commission.

10.2.3 *National Reform Agenda*

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform ; and
- Human Capital Reform.

In February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high-level inter-jurisdictional Climate Change Group to oversee implementation of the Plan's recommendations.

COAG decided that the Climate Change Group will prepare a National Adaptation Framework for its review.

COAG also requested that the Natural Resources Management Ministerial Council examine and report on the possible development of emissions intensity benchmarks and environmental management systems for agriculture. This includes development of new approaches to reduce emissions from agriculture and land use and new measures to promote carbon sequestration in agriculture and land use.

COAG agreed to progress review of regulatory hot spots, including environmental assessment and approvals processes under the Environmental Protection and Biodiversity Conservation Act 1999.

COAG committed to streamlining and harmonising development assessment processes within jurisdictions.

DSE is supporting these work programs under the National Reform Agenda.

This work is being managed within existing resources and no state funding has been allocated to the department in 2007-08 for initiatives under the NRA.

10.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

Altona Industrial Recycling Project – Stage 1 (\$5 million in 2007-08)

Funded in conjunction with City West Water, this project, which is to be developed in two stages, aims to supply recycled water from the Altona Treatment Plant to major industrial customers in the Altona Industrial Precinct (Melbourne's largest industrial area) and new residential developments within the region. The first stage of the project will substitute up to 2 000 megalitres of potable water with recycled water with completion expected in mid-2009.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Bushfire Recovery (\$19.2 million over 3 years)

Funding is provided for both short-term and long-term measures to assist Victorian communities and the environment to recover from the impact of bushfires in Gippsland and North-Eastern Victoria. Initiatives include restoration of public visitor areas and roads, cultural values management and assessment, fire severity mapping, management of weeds, pests and threatened species on public land, assessment of timber supplies and bridges, rehabilitation of forest destroyed by fire and a range of catchment management services.

This initiative contributes to the department's Land and Fire Management output

CarbonDown (\$10 million over 3 years) – Whole of Victorian Government (WoVG)

Funding has been provided to develop and deliver an industry carbon management program in partnership with the Victorian Employers Chamber of Commerce (VECCI). This program is intended to assist small and medium sized businesses reduce their carbon emissions and transition to a low carbon future.

This initiative contributes to the department's Environmental Policy and Climate Change output.

Energy and Water Taskforce (\$2.1 million over 4 years)

The Energy and Water Task Force assists low income Victorians undertake energy and water-efficient home improvements to reduce their energy and water usage, lower utility bills and improve the comfort and quality of their homes. Funding is provided to extend this initiative to provide a further 3,000 low income households living in Neighbourhood Renewal areas with access to free energy and water retrofits.

This initiative contributes to the department's Environmental Policy and Climate Change output.

Expert Planning Teams (\$3 million over 2 years)

This initiative will provide for additional specialist technical advice to metropolitan councils to complete and implement structure plans in Melbourne 2030 Activity Centres. Structure plans guide growth in activity centres in terms of development, land use, higher-density housing, transport and community infrastructure.

This initiative contributes to the department's Planning, Urban Design and Housing Affordability output.

Four Wheel Driving Initiatives (\$4.7 million over 2 years)

Funding is provided to enhance four wheel drive (4WD) recreational opportunities in state parks and forests. Key elements of this initiative include the upgrade of 4WD tracks, developing a 4WD classification system, promoting six iconic 4WD touring routes, and providing special access for volunteers to '*Management Vehicle Only*' tracks on public land.

This initiative contributes to the department's Public Land output.

Frankston Community/Sports Facilities Water Recycling Project (\$2.2 million in 2007-08)

This initiative will provide fit-for-purpose recycled water as substitution for potable water to community and key sporting facilities within the City of Frankston. Funded in conjunction with Frankston City Council and South East Water, this project has the capacity to benefit from the current upgrade of the Eastern Treatment Plant in providing Class A recycled water in the future and expanding potential users of the upgraded infrastructure.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Government Purchase of Green Power (\$6 million over 4 years)

Under this initiative government departments and twelve agencies will progressively increase the purchase of Green Power so that 25 per cent of the electricity used in buildings comes from renewable sources by 2010.

This initiative contributes to the department's Environmental Policy and Climate Change output.

Grants for Wildlife Shelters (\$500,000 over 2 years)

Funding is provided to assist with wildlife shelter operators and animal foster carers to purchase or upgrade facilities and improve the treatment of injured, sick, or orphaned wildlife in Victoria. This initiative will increase the capacity, and relieve some of the financial burden, of the wildlife shelter operators and animal foster carers.

This initiative contributes to the department's Biodiversity output.

Green Wedge Management Plans (\$400,000 in 2006-07)

Funding is provided to assist local councils complete Green Wedge Management Plans. The plans are intended to provide direction and outline actions for land management, conservation and environmental protection and guidelines for industry in the twelve green wedge areas.

This initiative contributes to the department's Planning, Urban Design and Housing Affordability output.

Greensborough Redevelopment (\$7 million over 2 years) – WoVG

The government will contribute funding to the City of Banyule's planned redevelopment of Greensborough. The proposed redevelopment will include a new town square, a regional aquatic and recreation centre, an upgraded civic centre and new and improved commercial and retail facilities.

This initiative contributes to:

- DIIRD's Investment, Facilitation and Attraction output; and
- DSE's Planning, Urban Design and Housing Affordability output.

Gundijtmara Native Title (\$100,000 in 2006-07)

Funding is provided to enable the Department of Sustainability and Environment to manage the settlement of the Gundijtmara Native Title claim.

This initiative contributes to the department's Public Land output.

Informing the Government's Climate Change Forward Agenda (\$1.8 million over 2 years) – WoVG

Funding is provided to undertake strategic and economic research into the likely effects of climate change upon the Victorian economy and society. Policy responses will also be investigated to help identify the optimal government response to climate change, which balances the state's economic and environmental interests.

This initiative contributes to DSE's Environmental Policy and Climate Change output.

Landcare Recruitment Drive (\$2 million over 4 years)

This initiative will assist community-based landcare groups undertake targeted recruitment campaigns to increase volunteer participation in natural resource management activities. A start-up grant will also be provided through this initiative to assist new landcare groups cover the costs of administrative support and insurance requirements.

This initiative contributes to the department's Natural Resources output.

Leongatha Water Recycling (\$4 million over 2 years) – WoVG

The government will contribute \$4 million (including \$2 million from RIDF) towards the construction of water recycling facilities at a major dairy processing plant run by the Murray Goulburn Cooperative Company Ltd at Leongatha. Reverse osmosis technology will be used to treat water so that it can be reused within the plant and, in turn, free up 589 megalitres per year of potable water for the town of Leongatha.

This initiative contributes to:

- DSE's Sustainable Water Management and Supply output; and
- DIIRD's Regional Infrastructure Development output.

Maritime Heritage Study (\$100,000 in 2006-07)

Funding is provided to undertake a detailed marine survey of the Polly Woodside, which is the key exhibit of the Melbourne Maritime Museum. This survey will inform the development of a strategy for the long-term conservation of the Polly Woodside.

This initiative contributes to the department's Heritage Protection output.

Melbourne 2030 Five Year Audit (\$1 million over 2 years)

Funding is provided to undertake the first five year review of the implementation of Melbourne 2030, consistent with government's commitment outlined in Melbourne 2030 - Planning for Sustainable Growth. The review will assess how M2030 can best respond to emerging demographic, social, environmental and economic trends.

This initiative contributes to the department's Planning, Urban Design and Housing Affordability output.

Northern Grid – Promoting Interconnections (\$8 million over 2 years)

Funding is provided for stage one of a northern irrigation district upgrade, comprising program development, system design, feasibility studies and business cases for piping, channel automation, channel lining, improve metering and system interconnections.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Onsite Recycling Projects at Australian Vinyls and Qenos (\$4.3 million over 2 years)

Government funding, in addition to funding from Australian Vinyls and Qenos, is provided for water recycling projects at the Australian Vinyls (Laverton) and Qenos (major petrochemical and plastics manufacturer) plants to reduce potable water consumption. Up to 700 megalitres of potable water will be saved along with reduced wastewater discharges.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Otways Transition (\$2.7 million over 2 years)

Through this initiative, government will provide financial assistance to timber workers to transition to alternative employment opportunities, as a result of the cessation of timber harvesting in The Otways in 2008.

This initiative contributes to the department's Public Land output.

Park Rangers (\$24.9 million over 4 years)

The government has allocated \$24.9 million over 4 years to employ 65 national park rangers (FTE) throughout regional Victoria to better maintain national parks and conservation reserves, tackle weeds and pests, and give park visitors a better experience. The junior ranger program will be expanded to provide more people with an understanding of the Victorian parks estate.

This initiative contributes to the department's Public Land output.

Rebates for Being Green (\$14 million over 4 years)

Funding is provided for a rebates package designed to encourage consumers to upgrade to energy efficient products and reduce greenhouse gas emissions from the residential sector. The package of rebates will assist households purchase high efficiency appliances and improve the efficiency of the building fabric of existing homes (for example; installing insulation and weather seals).

This initiative contributes to the department's Environmental Policy and Climate Change output.

Regional Town Development Plans (\$500,000 over 2 years)

This initiative will deliver technology and training to councils in the key regional centres of Geelong, Ballarat, Bendigo, Wodonga and the Latrobe Valley to improve planning for land supply and infrastructure provision.

This initiative contributes to the department's Planning, Urban Design and Housing Affordability output.

Rural Zones – Support for Councils (\$500,000 in 2007-08)

Funding is provided to improve the operation of rural planning zones to support continued farming capability and economic development.

This initiative contributes to the department's Planning, Urban Design and Housing Affordability output.

Shotgun Safety Education (\$200,000 over 4 years)

Funding is provided to deliver a shotgun safety education program, designed to improve the skills and accuracy of duck hunters and reduce the incidence of waterfowl wounding. This initiative builds on a successful pilot program run in conjunction with the Victorian Hunting Advisory Committee and hunting organisations.

This initiative contributes to the department's Biodiversity output.

Small Towns Water Quality Fund (\$20 million over 4 years)

This grant program will assist small towns to improve their water quality and upgrade, monitor, and maintain septic tanks.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Somers Treatment Plant/Bluescope Steel's Westernport Plant Upgrade (\$4.1 million in 2008-09)

This project, funded in conjunction with South East Water, aims to substitute up to 660 megalitres of potable water use per year at Bluescope Steel's Westernport plant at Hastings with recycled water by upgrading South East Water's Somers Treatment Plant. The project is expected to be completed by mid-2009.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Stormwater and Urban Recycling (\$10 million over 4 years)

Funding is provided to continue the provision of grants to eligible recipients for new and innovative water projects that capture and reuse stormwater and achieve water conservation in urban areas.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Support for East Gippsland Industry (\$1.8 million over 2 years)

Funding will be provided to support the management of native forests in East Gippsland and to ensure the sustainable development of the timber industry in that region. This initiative will deliver a processing facility to increase recovery of smaller logs (\$1 million), re-establish the industry transition task force (\$0.5 million over two years) and to enable stakeholders to liaise with that taskforce (\$0.25 million over two years).

This initiative contributes to the department's Public Land output.

Top 1,500 Industry Program (\$1 million over 4 years)

Under the expanded 'Pathways to Sustainability' program, water authorities within metropolitan Melbourne will work with the top 1500 non residential water users to identify specific water conservation actions, and to develop water conservation implementation plans.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Footscray Transit City (\$13.6 million over 4 years) – WoVG

This initiative aims to renew and revitalise Footscray by investing in civic works and transport connections to encourage private sector retail, commercial and residential development. Funding is provided to construct a new footbridge at the train station, integrate the station forecourt with the business district, and to build walking paths. The initiative meets government's election commitment to upgrade Footscray Station.

This initiative contributes to DSE's Planning, Urban Design and Housing Affordability output.

Geelong Transit City (\$2.2 million over 2 years) – WoVG

This initiative aims to renew and revitalise Geelong by investing in civic works and transport connections to encourage private sector retail, commercial and residential development. Funding is provided for works required to improve the pedestrian link between the train station and the central business district.

This initiative contributes to DSE's Planning, Urban Design and Housing Affordability output.

Ringwood Transit City (\$2 million in 2007-08) – WoVG

This initiative aims to renew and revitalise Ringwood by investing in civic works and transport connections to encourage private sector retail, commercial and residential development. Funding is provided in 2007-08 to undertake planning and design works for the upgrade of the train station and town square.

This initiative contributes to DSE's Planning, Urban Design and Housing Affordability output.

Urban Parks & Paths (\$4.9 million over 4 years)

This initiative will deliver improved and extended recreational opportunities available in the parks estate, primarily in Melbourne and Geelong. Funding will be provided to establish new parks (such as the Barwon Regional Parkland and Devil Bend Natural Features Reserves), and extend the bike trail network in Melbourne and Geelong.

This initiative contributes to the department's Public Land output.

Water Industry Savings Package (\$7.9 million over 2 years)

This behavioural change program builds on existing industrial and residential water savings initiatives and is aimed at delivering approximately 7,000 megalitres of water savings per year. The industry component aims to achieve approximately 5,000 megalitres of savings by 2008-09, and consists of a package of four major projects - Cooling Tower Efficiency, Best Practice Laundry Program, Water Management Plans – Top 1500 Industrial Water Users program and Smart Meters.

Funding for the residential component – the extension of the Water Smart initiative – will provide the opportunity for up to 110,000 homes across metropolitan and regional Victoria to reduce water consumption by up to 20-25 per cent and achieve savings of approximately 2,000 megalitres per year.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Water Rebate Scheme (Including Tanks) (\$20 million over 4 years)

Funding is provided to continue the Water Smart Garden and Homes Rebate Scheme. Eligible households who purchase water efficient fittings and products will be provided with a one-off rebate on their quarterly water bill. This scheme has been expanded to include rebates for large rainwater tanks and grey water systems for indoor use.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Water Smart Farms Initiatives (\$10 million over 4 years)

Funding is provided to continue the Water Smart Farms initiative. This initiative will reduce salinity on farmland by assisting farmers to develop farm water management plans and provide incentives for the introduction of more efficient on-farm irrigation systems.

This initiative contributes to the department's Sustainable Water Management and Supply output.

Financial information pertaining to output initiatives

Table 10.1 provides financial information relating to each of the above output initiatives:

**Table 10.1: Department of Sustainability and Environment
Financial information relating to output initiatives**

Initiative	2006-07 (\$ million)	2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
Altona industrial recycling project - stage 1	0.0	5.0	0.0	0.0	0.0
Bushfire recovery initiatives	4.0	7.6	7.6	0.0	0.0
CarbonDown	0.0	2.7	3.6	3.7	0.0
Energy and water task force	0.0	0.5	0.5	0.5	0.6
Expert planning teams	0.0	1.5	1.5	0.0	0.0
Four wheel driving initiatives	0.0	2.2	2.5	0.0	0.0
Frankston community/sports facilities project	0.0	2.2	0.0	0.0	0.0
Government purchase of green power	0.0	0.2	0.8	2.0	3.0
Grants for wildlife shelters	0.0	0.3	0.3	0.0	0.0
Green wedge management plans	0.4	0.0	0.0	0.0	0.0
Greensborough redevelopment	0.0	0.0	5.0	2.0	0.0
Gundijtmara native title	0.1	0.0	0.0	0.0	0.0
Informing the government's climate change forward agenda	0.0	1.0	0.8	0.0	0.0
Landcare recruitment drive	0.0	0.5	0.5	0.5	0.5
Leongatha water recycling	0.0	2.0	2.0	0.0	0.0
Maritime heritage study	0.1	0.0	0.0	0.0	0.0
Melbourne 2030 five year audit	0.4	0.6	0.0	0.0	0.0
Northern Grid – promoting interconnections	2.0	6.0	0.0	0.0	0.0
Onsite recycling projects at australian vinyls and qenos	0.0	2.1	2.3	0.0	0.0
Otways transition	0.0	0.0	2.0	0.7	0.0
Park rangers	0.0	6.0	6.1	6.3	6.5
Rebates for being green	0.0	3.3	5.7	4.1	0.9
Regional town development plans	0.2	0.4	0.0	0.0	0.0
Rural Zones - support for councils	0.0	0.5	0.0	0.0	0.0
Shotgun safety education	0.0	0.1	0.1	0.1	0.1
Small towns water quality fund	0.0	2.5	6.0	6.0	5.5
Somers treatment plant/bluescope Westernport plant upgrade	0.0	0.0	4.1	0.0	0.0
Stormwater and urban recycling	0.0	0.5	3.0	3.0	3.5
Support for East Gippsland industry	0.0	1.4	0.4	0.0	0.0
Top 1500 industry program	0.0	0.3	0.3	0.3	0.3
Footscray transit city	0.0	5.8	4.1	3.4	0.3
Geelong transit city	0.0	1.8	0.4	0.0	0.0
Ringwood transit city	0.0	2.0	0.0	0.0	0.0
Urban parks and paths	0.0	1.9	1.5	0.8	0.7
Water industry saving package	0.0	6.6	1.4	0.0	0.0
Water rebate scheme (including tanks)	0.0	5.0	5.0	5.0	5.0
Water smart farms initiative	0.0	2.5	2.5	2.5	2.5

The Committee is awaiting further information from the department relating to the staffing implications of the above output initiatives. The department has advised that this information is not available at this point in time. When received, the information will be included in a further report on the 2007-08 budget estimates.

10.4 Departmental asset investment

Table 10.2 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08.

**Table 10.2: Department of Sustainability and Environment
Asset investment projects**

Asset investment project	2007-08 Budget
	(\$ million)
Our Water Our Future	7.1
NWI - Wimmera Mallee Pipeline (was 337 - NHT 2 - Piping the System) Commonwealth	41.4
NWI – Macalister	8.9
NWI – Living Murray Initiatives – Commonwealth	11.0
Parks & Reserves Trust	5.3
Warangga Channel	7.0
Melbourne Zoo Seal Pool Redevelopment (Auth 3160)	8.0
Great Parks for a Liveable City	5.0
VWT - Country Towns Water Supply and Sewerage Program	9.5
VWT - Murray River (Sunraysia-Mildura) - upgrading Irrigation System	8.4
Sustainable Management of Victorias Parks - Asset Renew - (statewide)	13.4
S.37 Land Purchases (Public Acquisition Overlay)	6.1
Goldfields Superpipe (Bendigo Interconnection)	32.8
Wimmera-Mallee Pipeline (state)	41.4
Flemington Area Recycling Project	5.1
Werribee Water Reclamation project	5.1
Other	22.7
Sub-total (Note 1)	238.3
2007-08 ERC Decisions	
Bushfire Recovery	5.1
Electronic Conveyancing System Funding	6.0
Footscray Transit Cities	10.2
Water Recycling for Melbourne (Shepparton Irrigation Area)	11.6
Other	16.6
Sub-total (Note 2)	49.5
Total	287.8

Note 1: Total 2007-08 Existing Capital Projects (Excluding Estimated Carryover from 2006-07)

Note 2: Total 2007-08 ERC Decisions included Gross ERC Funding for 2007-08

10.5 Financial information

10.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

There are no financial impacts from the implementation of the Australian equivalents to the International Financial Reporting Standards which were adopted in the 2005-06 Financial Statements. There are no anticipated impacts on the 2007-08 Financial Statements.

10.5.2 *Revenue and expenditure*

Table 10.3 provides information on revenue and expenditure for controlled and administered operating statements for the department.

**Table 10.3: Department of Sustainability and Environment
Operating statement**

	Controlled Items			Administered Items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	965.2	995.1	3.1	25.0	25.9	3.6
Special appropriations	7.2	0.0	0.0	0.0	0.0	0.0
Sale of goods and services	15.3	15.4	0.7	238.5	248.1	4.0
Commonwealth grants	7.5	7.5	0.0	136.6	98.8	(27.7)
Fines and fees	12.9	29.0	124.8	22.7	23.0	1.3
Revenue from other parties and other income	176.4	167.4	(5.1)	87.2	82.0	(6.0)
Total	1,184.5	1,214.4	2.5	510.0	477.8	(6.3)
Expenses from transactions						
Employee benefits	247.6	250.9	1.3	0.0	0.0	0.0
Supplies and services	305.5	359.8	17.8	3.2	4.1	28.1
Depreciation and amortisation	37.5	39.4	5.1	0.0	0.0	0.0
Grants and other payments	526.9	474.7	(9.9)	22.0	21.8	(0.9)
Capital assets charge	69.1	68.9	(0.3)	0.0	0.0	0.0
Finance costs	0.1	0.1	0.0	0.0	0.0	0.0
Other expenses	2.5	3.3	0.3	484.8	452.0	(6.8)
Total	1,189.1	1,197.1	0.7	510.0	477.9	(6.3)
Net result from transactions	(4.6)	17.3	476.1	0.0	(0.1)	0.0
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	(4.6)	17.3	476.1	0.0	(0.1)	0.0

10.5.3 Assets, liabilities and equity

Table 10.4 provides information on the financial position for controlled and administered items for the department.

**Table 10.4: Department of Sustainability and Environment
Balance sheet**

	Controlled Items			Administered Items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Other financial assets	41.4	50.2	21.2	0.1	0.1	0.0
Receivables	148.1	157.7	6.5	14.1	14.1	0.0
Property, plant and equipment	9,752.5	9,835.9	(0.9)	2.0	2.0	0.0
Other	206.5	204.0	(1.2)	589.2	589.2	0.0
Total assets	10,148.5	10,247.8	1.0	605.4	605.4	0.0
Liabilities						
Payables	152.5	158.6	4.0	0.5	0.5	0.0
Interest bearing liabilities	28.4	28.4	0.0	0.0	0.0	0.0
Employee provisions	78.6	82.5	4.8	0.0	0.0	0.0
Other	13.9	13.8	(0.7)	7.5	7.5	0.0
Total liabilities	273.4	283.3	3.6	8.0	8.0	0.0
Net assets	9,875.1	9,964.5	0.9	597.4	597.4	0.0
Equity						
Contributed capital	2,381.9	2,454.0	3.0	(7.2)	(7.2)	0.0
Accumulated surplus	112.1	129.4	15.4	513.1	513.1	0.0
Reserves	7,381.1	7,381.1	0.0	91.5	91.5	0.0
Total equity	9,875.1	9,964.5	0.9	597.4	597.4	0.0

10.5.4 Carry over funding

As at 20 April 2007, the department has estimated it's carryover to be \$29.7 million including:

Smart Urban Water and Recycling Initiatives (Output – \$4 million)

A majority of this carryover relates to the Water Recycling Fund (\$2.9 million). This is a program of funding for water recycling projects to meet actions under the Our Water Our Future policy. Funds carried over are for projects that have not completed business cases as part of the fund assessment process. Carryover is also required for the Stormwater and Urban Water Conservation Fund where a number of projects have not met milestones for various reasons including the inability to complete plantings during the drought, late delivery of tanks orders due to excess demand and various issues associated with the delivery of innovative type projects.

Living Murray Initiative (Output - \$9 million)

As part of the Living Murray Initiative, Victoria has committed to invest in two interstate projects with NSW and SA. Funding of \$11 million has been allocated to meet these commitments in 2006-07, however, funding agreements with both states are yet to be signed by VIC, NSW and SA. If the funding agreements are signed by 30 June 2007 then payments to SA and NSW will be made in 2006-07. Otherwise, the funding will be carried over to 2007-08 to meet Victoria's commitment.

Protecting and Repairing our Water Sources (Capital – \$1 million)

Delay in the state bore 'Observation Bores Network Project' is due to the current mining boom and recently announced drought relief measures. These lead to difficulty with securing drillers needed for bores refurbishment activities.

Native Titles Claims (Output – \$2.4 million)

Carryover funding is a result of pending tenure analysis related to the Gunai-Kurnai and North West settlements to be undertaken by the department. The department expects to analyse between 9,000-14,000 land parcels once the court system escalates the activity.

Wotjobaluk (Output - \$1.2 million)

Funding related to the Wotjobaluk Initiative is to fulfil government obligations under the Wotjobaluk Native Title settlement over a 5 year period. Although funding began in 2003, the official implementation date to the community was 1 January 2006. The carryover relates to delays in settlement and project expenditure.

10.5.5 Revenue raising initiatives**Output Initiatives****Paper Australia Agreement – \$22.5 million (2007-08)**

VicForest commenced mill door sales on 1 July 2007. Mill door sales allow VicForest to undertake (and charge for) the harvesting and haulage of timber on behalf of its customers. Australian Paper is paying the Secretary the harvesting and haulage charge in accordance with this prearranged agreement.

Miscellaneous Industry - \$4.8 million (2007-08)

This is Melbourne Water's contribution to the Large Scale Supply Analysis for Melbourne project.

Capital Initiatives**NWI - Living Murray Initiatives – Commonwealth - \$11 million (2007-08)**

Goulburn-Murray Water Recovery Package (GMWRP) is one of several components to the Living Murray Initiative water recovery project. The total cost of this project (GMWRP) is \$93 million and aims to recover 145 GL in water savings through a package of measures including regulatory reform to create a new lower-reliability entitlement, the transfer of 20 per cent of this new entitlement to the

environment, and targeted infrastructure measures to provide more sustainable and efficient irrigation water supply systems including the reconfiguration of irrigation distribution systems.

\$11m revenue from the Commonwealth in 2007-08 is required to be directed to Goulburn-Murray Water (G-MW) for Phases 2 and 3 of the implementation of reconfiguration plans, which involve on-ground works such as decommissioning channels and structures, upgrading irrigation infrastructure or installing metering to improve the efficiency of the existing distribution system

10.5.6 Departmental savings

The department will aim to achieve greater efficiencies through improved business practices and procurement arrangements.

The department will be required to achieve savings of \$14.4 million in the 2007-08 financial year.

All operational functions and expenditure will be reviewed in order to achieve these savings targets.

10.6 Communication, advertising and promotion

The communication, advertising and promotion budget expenditure for 2007-08 is \$7.9 million.

The department's actual expenditure incurred on communications, advertising and promotion in 2005-06 was \$9.7 million compared to an estimated \$8.4 million for 2006-07.

10.7 Departmental workforce

The department has estimated that at 30 June 2008, it will have a total workforce of 4,624.5 equivalent full-time staff (EFT). This includes 2,855.2 within the department itself, 1,231.0 within Parks Victoria, 117.3 within Sustainability Victoria and 421.0 within the Environment Protection Authority.

This represents an increase of 24.0 EFT staff (0.5 per cent) on the 30 June 2007 estimate and an increase of 336.6 EFT staff (7.8 per cent) on the 30 June 2006 actual.

Table 10.5 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

Table 10.5: Department of Sustainability and Environment Staff Numbers

	30 June 2006 Actual (EFT)	30 June 2007 Estimated (EFT)	30 June 2008 Estimated (EFT)
Department of Sustainability and Environment			
Executive Officer	53.0	56.0	56.0
Victorian Public Service Officer	2,306.9	2,465.4	2,465.4
Field Staff	260.8	313.8	313.8
Other	16.0	20.0	20.0
Subtotal	2,636.7	2,855.2	2,855.2
Parks Victoria			
Executive Officer	11.0	12.0	12.0
Contracted Non Executive	54.0	60.0	62.0
Senior Specialist	30.0	31.0	30.0
Parks Victoria Officer	1,010.0	1,081.0	1,104.0
Board and Advisory Committees	16.0	23.0	23.0
Subtotal	1,121.0	1,207.0	1,231.0
Sustainability Victoria			
Executive Officer	4.0	4.0	4.0
Victorian Public Service Officer	97.7	113.3	113.3
Subtotal	101.7	117.3	117.3
Environment Protection Authority			
Executive Officer	6.0	6.0	6.0
Non Executive Officer	422.5	415.0	415.0
Subtotal	428.5	421.0	421.0
Total	4,287.9	4,600.5	4,624.5

The department is currently working through the implications of the government efficiency savings imposed for 2007-08.

Workforce numbers for 30 June 2007 are estimated to slightly increase due to:

- reduction of 40 fixed term staff as their contracts are not renewed; and
- retention of approximately 60 summer project fire fighters on bushfire recovery programs.

Workforce numbers to 30 June 2008 are not expected to increase.

10.8 Performance measures – changes

There are no changes to the output structure for 2007-08. However, the output subgroups have been altered in all but the 'Healthy and Productive Water Systems' output, to better align performance indicators with the corporate structure.

The following table summarises the changes to the output structure.

**Table 10.6: Department of Sustainability and Environment
Changes to the output structure**

2006-07 Output Summary (Retained 2007-08)	2006-07 Output Subgroups (expire 30/6/2007)	2007-08 Output Subgroups (active 01/07/2007)
Healthy and Productive Water Systems	1 Sustainable Water Management and Supply	1 Sustainable Water management and Supply
Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems	1 Sustainable Catchment Management and Biodiversity Conservation	1 Biodiversity
		2 Natural Resources
	2 Management of Parks, Forests and Public Land	3 Public Land
	3 Fire Prevention, Operation and Planning	4 Land & Fire Management
Less Waste, Less Pollution; and Air, Liveable Climate	1 Sustainability and Greenhouse Policy	1 Environmental Policy & Climate Change
	2 Statutory Activities and Services for Environmental Protection	2 Statutory Activities and Environment Protection
Liveable Cities, Responsible Development, Effective Property Markets and Living Cultural Heritage	1 Liveable Cities, Sustainable Regions and Heritage Protection	1 Planning, Urban Design and Housing Affordability
		2 Land Administration and Property Information
		3 Heritage Protection

Review of portfolios

10.9 Planning portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

10.10 Water, Environment and Climate Change portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 11: DEPARTMENT OF TREASURY AND FINANCE

Departmental review

11.1 Timeliness and quality of the departmental response

The Committee received the 2007-08 Budget Estimates questionnaire response from the Department of Treasury and Finance on 1 May 2007. Detailed information was provided in response to some questions while responses to other questions were limited. Sections 11.2 – 11.8 detail that response.

11.2 Factors impacting on the formulation of the budget and associated outcomes

11.2.1 Key assumptions

The key assumptions used to develop the department's budget projections for 2007-08 include:

- that the department operates wherever possible within its existing resources;
- Consumer Price Index of 2.5 per cent was applied to expenditure prior to savings initiatives;
- capital asset charge (expense) – pursuant to current government policy, capital asset charge of 8 per cent will not be calculated based on written down value of assets. The department will expense the current expenditure estimates during 2007-08 financial year; and
- depreciation – straight-line depreciation rates are adopted for individual asset classes in accordance with Australian Accounting Standards.

11.2.2 Changes to major government objectives

The major change to key government objectives, where a major output will be expected to make a major contribution in 2007-08, is the efficient government policy. The efficient government policy was introduced as result of the 2006 election. The department is responsible for delivering the following elements of the policy:

- a more strategic approach to procurement through *Buying Smarter, Buying Less*;
- increase the efficiency of government; and
- lead the nation in regulation reform.

This policy will be delivered by the Government Services output and the EFP: Analysis and Advice output.

11.2.3 National Reform Agenda

The national reform agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform; and
- Human Capital Reform.

Victoria's involvement in the development of the National Reform Agenda is being coordinated by the DPC. The DTF has been working with DPC on aspects of the agenda which have financial implications or which could increase Victoria's growth prospects in the long term.

In considering the implications of the NRA for departmental services, the department indicated that the COAG meeting on 13 April announced a number of actions to be taken by the Commonwealth and the States and Territories, including Commonwealth funding to tackle diabetes. Given Victoria's recent announcements of measures for diabetes prevention, no additional impact on departmental services is expected. More broadly, ongoing discussions under the NRA umbrella could focus on future reform opportunities, including potential to manage integration and service flexibility better between levels of government.

The department has not received any funding in 2007-08 for the NRA.

11.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

Efficient Government Policy (output)

This initiative provides for a more strategic approach to procurement through a new policy: *Buying Smarter, Buying Less* and to adopt a whole of government approach to Shared Services as detailed in the Efficient Government Policy.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
10.1	8.8	6.1	4.5

The Government Services Group (GSG) within DTF will take the lead on implementing the Efficient Government Policy. Overall staff numbers in the GSG are anticipated to remain unchanged.

This initiative contributes to the Government Services output.

State Revenue Office (SRO) Compliance Initiative (output)

Funding is provided to expand the compliance activities of the SRO. The SRO will increase its audit, investigation and detection of non-compliance with appropriate legislation by taxpayers. The initiative will concentrate on the following areas: payroll tax, land tax, high value conveyancing and land rich acquisitions. Land rich acquisitions are acquisitions of interests in entities that have substantial land holdings in Victoria (ie entities with land holdings in Victoria of \$1 million or more and whose land holdings in all places comprise 60 per cent or more of the value of all the assets of the relevant entity).

The staffing implications are approximately 27 new positions. The engagement of these staff will fall over two years with 12 new staff by 30 June 2007 and a further 15 new staff by 30 June 2008.

This initiative contributes to the department's Revenue Management Services to Government output.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
3.2	3.3	3.4	3.4

Intra-Government Secured Network (Asset)

The Intra-Government Secured Network is an interconnecting fibre optic data network that interconnects key government CBD sites with remote data centres which is critical to integrating ICT across Departments and Agencies and driving efficiencies in telecommunications.

2007-08 (\$ million)	2008-09 (\$ million)	2009-10 (\$ million)	2010-11 (\$ million)
4.0	3.8	0.0	0.0

There are no staffing implications for this initiative.

This asset initiative will contribute to the Government Services output.

The Committee is awaiting further information from the department on the first Home Bonus output initiative and the Removal of Petroleum Subsidies output initiative. When received, this information will be included in a further report on the 2007-08 budget estimates.

11.4 Departmental asset investment

Table 11.1 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08.

**Table 11.1: Department of Treasury and Finance
Asset investment projects 2007-08**

Asset investment project	2007-08 Budget (\$ million)
Standard corporate ict infrastructure strategy	4.2
Intra-government secured network	4.0
Purchase of municipal valuations	3.4
SRO revenue management system	2.0
Information and communication technology infrastructure project	0.7
Total	14.4

11.5 Financial information

11.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

Australian equivalents to International Financial Reporting Standards (A-IFRS) were first applied in the preparation of the department's 2005-06 budget. Subsequent updates to A-IFRS do not significantly affect the department and as a consequence the application of A-IFRS has had no material impact on the preparation of the department's budget for 2007-08.

The major impact of A-IFRS on the department's operating statement for the year ended 30 June 2006 (on initial adoption of A-IFRS) was the increase in superannuation liabilities resulting from a change in the method used to calculate the present value of the state's defined benefit superannuation obligation. Under previous Australian Accounting Standards the obligation was calculated using the expected long-term earning rate on investments held by the superannuation funds. A-IFRS requires that a long-term bond rate be used.

To a lesser extent A-IFRS also impacted depreciation expense for the year ended 30 June 2006. A-IFRS requires non-current physical assets to be allocated into their separate component parts where the components have different useful lives. This change resulted in an increase in depreciation expense. This was partly offset by a decrease in depreciation expense with the de-recognition of certain IT development costs capitalised under previous Australian Accounting Standards but not meeting recognition criteria under A-IFRS.

The same factors outlined above also impacted on the preparation of the Estimated Financial Statements of the department for 2007-08.

11.5.2 *Revenue and expenditure*

Table 11.2 provides information on revenue and expenditure for controlled and administered operating statements for the department.

**Table 11.2: Department of Treasury and Finance
Operating statement**

	Controlled Items			Administered Items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	210.7	228.7	8.6	1,056.2	1,465.3	38.7
Special appropriations	0.0	0.0	0.0	94.2	415.9	341.5
Sale of goods and services	21.2	43.2	103.9	7.4	18.8	154.1
Commonwealth grants	0.0	0.0	0.0	8,519.4	9,125.0	7.1
Taxes	0.0	0.0	0.0	8,420.2	8,472.5	0.6
Fines and fees	0.0	0.0	0.0	12.2	10.5	-13.9
Revenue from other parties and other income	34.0	31.1	-8.5	3,884.9	3,832.6	-.3
Total	265.9	303.0	14.0	21,994.5	23,340.6	6.1
Expenses from transactions						
Employee benefits	100.6	108.2	7.6	-870.4	540.0	-162.0
Supplies and services	86.6	110.7	27.8	145.4	479.9	230.1
Depreciation and amortisation	33.9	36.1	6.5	0.6	0.7	16.7
Resource provided free of charge	0.0	0.0	0.0	0.0	0.0	0.0
Grants and other payments	7.3	6.6	-9.6	478.8	503.3	5.1
Capital assets charge	22.6	23.2	2.7	0.0	0.0	0.0
Finance costs	17.0	16.1	-5.3	359.8	385.3	7.1
Payments into consolidated revenue	0.0	0.0	0.0	20,880.6	21,570.1	3.3
Other expenses	5.2	6.4	23.1	0.0	0.0	0.0
Total	273.2	307.3	12.5	20,994.8	23,479.3	11.8
Net result from transactions	-7.3	-4.3	-41.1	999.7	-138.7	-113.9
Income/expenses from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result from other economic flows	0.0	0.0	0.0	0.0	0.0	0.0
Net result	-7.3	-4.3	-41.1	999.7	-138.7	-113.9

11.5.3 Assets, liabilities and equity

Table 11.3 provides information on the financial position for controlled and administered items for the department.

**Table 11.3: Department of Treasury and Finance
Balance sheet**

	Controlled Items			Administered Items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Other financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Receivables	335.4	384.2	14.6	44.3	1,524.0	3,340.2
Property, plant and equipment	281.5	265.4	-5.7	2.6	4.5	73.1
Other	67.9	61.8	9.0	35.7	38.6	8.1
Total assets	684.8	711.4	3.9	82.6	1,567.1	1,797.2
Liabilities						
Payables	28.3	28.3	0.0	56.9	56.9	0.0
Interest bearing liabilities	24.6	39.7	61.4	4,454.7	6,042.0	35.6
Employee provisions	28.7	31.1	8.4	11,899.3	11,962.2	0.5
Other	229.1	229.8	0.3	569.3	572.6	0.6
Total liabilities	310.7	328.9	5.9	16,980.2	18,633.7	9.7
Net assets	374.1	382.5	2.2	-16,897.6	-17,066.6	1.0
Equity						
Contributed capital	140.1	152.8	9.1	16.4	-13.9	-184.8
Accumulated surplus	94.2	89.9	-4.6	-16,913.3	-17,052.0	0.8
Reserves	139.8	139.8	0.0	-0.7	-0.7	-0.0
Total equity	374.1	382.5	2.2	-16,897.6	-17,066.6	1.0

11.5.4 Carry over funding

The department does not expect to carry over funding to the 2007-08 financial year.

11.5.5 Revenue raising initiatives

Consistent with the government's strategic priority of promoting growth across the whole of Victoria, the government is committed to ensure that Victoria's taxes remain competitive with the Australia average. In line with this objective, the government has implemented a number of taxation reform measures in previous budgets. The Treasurer delivered the 2007-08 Budget on 1 May 2007 and further details will be provided in a later report of the Committee.

The Committee is awaiting further information from the department on revenue raising initiatives. When received, this information will be included in a further report on the 2007-08 budget estimates.

11.5.6 Departmental savings

The department is required to achieve a number of cost savings or greater efficiencies under the Efficient Government policy. These savings are expected to total \$6.195 million and are detailed in Table 11.4 below:

**Table 11.4: Department of Treasury and Finance
Expected Savings**

Description	2007-08 (\$ million)
<i>Buying Smarter, Buying Less</i>	2.6
ICT Integration	2.4
Shared Services	0.2
Advertising and Consultancy	0.2
Fleet Management	0.0
Miscellaneous Departmental Savings	0.8
Total	6.2

The department anticipates to achieve some part of these savings through leveraging operating efficiencies within the newly established Government Services Group. The department continues to review its process and systems to identify and implement efficiencies and innovations, while ensuring service standards are maintained or improved.

11.6 Communication, advertising and promotion

The department's Communication, Advertising and Promotion budget for 2007-08 (including the State Revenue Office), compared to the previous 2 years, is as follows:

2004/05	\$ 2.2 million
2005/06	\$ 1.6 million
2006/07 (Revised estimate)	\$ 1.4 million

11.7 Departmental workforce

The department has estimated that at 30 June 2008, it will have a total workforce of 1,203.6 equivalent full-time staff (EFT). This includes 618.7 within the department itself, 450.0 within the State Revenue Office, 60.3 within the Essential Services Commission and 74.6 within the Shared Services Centre.

This represents an increase of 27.0 EFT staff (2.3 per cent) on the 30 June 2007 estimate and an increase of 117.4 EFT staff (10.8 per cent) on the 30 June 2006 actual.

Table 11.5 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

**Table 11.5: Department of Treasury and Finance
Staff Numbers**

	30 June 2006 Actual (EFT)	30 June 2007 Estimated (EFT)	30 June 2008 Estimated (EFT)
Department of Treasury and Finance	549.4	618.7	618.7
State Revenue Office (SRO)	423.0	435.0	450.0
Essential Services Commission (ESC)	62.2	60.3	60.3
Shared Services Centre (SSC)	51.6	62.6	74.6
Total	1,086.2	1,176.6	1,203.6

11.8 Performance measures – changes

The department has introduced the following changes to its 2007-08 output structure:

**Table 11.6: Department of Treasury and Finance
Changes to 2007-08 Output Structure**

2007-08 Outputs	Reason	2006-07 Outputs
Government services	Machinery of government change	Procurement services
		Government accommodation services
		Management of Motor Vehicle Leases
		Egovernment Infrastructure
		ICT strategy and services

Two new outputs, *eGovernment Infrastructure* from Department of Infrastructure and *ICT Strategy & Services* from Department of Premier and Cabinet, were integrated with the department's existing outputs of Procurement Services, Management of Motor Vehicle Leases and Government Accommodation Services to form the new Government Services output. The consolidation of five outputs into one, saw 31 performance measures amalgamated into 12. The new Government Services output will deliver on the government's commitment to improving efficiency across the government sector.

There are various performance measures discontinued in 2007-08. The majority of these changes relate to the integration of outputs in line with the creation of the Government Services output. New measures have been introduced to better reflect the role of the department. Further information in relation to these performance measures can be found in Budget Paper 3.

Review of portfolios

11.9 Finance, WorkCover and Transport Accident Commission portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

11.10 Treasury portfolio

11.10.1 Introduction

The Committee received evidence from the Hon. J Brumby, Treasurer, on 4 May 2007. The Treasurer provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately two hours. The Committee thanks the Treasurer and accompanying officers for their attendance and assistance.

11.10.2 General comments

At the budget estimates hearing the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 11.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions taken on notice (see 11.10.4) should be submitted to the Committee by Monday 12 June 2007. These answers will be considered by the Committee for inclusion in a further report.

11.10.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

Overall impact of the budget estimates

- impact on productivity of the budget and portfolio spend (p.5);
- the position of government to fund future asset commitments (p.9); and
- funding the government's infrastructure investment program when cash operating deficits are incurred by the state (pp.21-22).
- Water industry support and infrastructure projects
- the government's water infrastructure projects, the number of projects considered by government and the method of funding of the projects, particularly whether these projects will be funded from unallocated provisions for future allocations and whether these future allocations will extend into the next term of government (pp. 5-9 and 17-20);
- adequacy of the government's drought assistance measures (pp.9-11);
- estimated water savings from increased funding for water and the environment in the Goulburn Valley (pp.12-13);

- licensing, regulation and delivery guarantee of water savings (p.13); and
- provision in the estimates for borrowing by water authorities to fund future water projects. (pp.14-16).
- Taxation and stamp duty
- level of growth of the state's taxation revenue (p.12);
- changes to motor vehicle stamp duty (p.13) and the impact on the efficiency of the Victorian passenger car fleet (pp.24-25);
- impact of changes to land tax on business costs (p.24);
- modelling undertaken by Treasury of the impact of stamp duty relief on sales of motor vehicles, sustainable transport and greenhouse gas emissions (p.24);
- Victoria's subsidisation of other states under the existing approach to GST distribution (p.25); and
- reduction in taxation revenue as a proportion of Gross State Product (GSP) (p.16).
- Improving Victoria's competitive position
- future work of the Victorian Competition and Efficiency Commission to identify opportunities for improving Victoria's competitive position (p.20).
- Reducing the cost of red tape
- progress made in reducing the cost of red tape (regulation) for businesses and not-for-profit organisations (p.22).
- Replacement of relocatable buildings in schools
- funding allocations made to replace relocatable buildings in certain schools (pp.22-24).

11.10.4 Questions taken on notice at the budget estimates hearing

The following questions were taken on notice by the Treasurer at the estimates hearing (page references refer to the transcript in Appendix 1):

- consideration by the government to tabling in Parliament the reports of the Victorian Competition and Efficiency Commission in future (p.21);
- the Committee be provided with a full list of the proposed water projects provided for in the budget papers (p.26); and
- level of resources and staffing costs the department anticipates will apply to servicing the PAEC hearings in the 2007-08 financial year based on past experience (p.27).
- Written responses by the Treasurer to the Committee on these questions are due by Monday, 12 June 2007 and will be considered for publication in a further report.

11.10.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

11.10.6 Documents tabled at the budget estimates hearing

The Treasurer provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

CHAPTER 12: DEPARTMENT FOR VICTORIAN COMMUNITIES

Departmental review

12.1 Timeliness and quality of the departmental response

The Committee received the response to the 2007-08 Budget Estimates questionnaire from the Department for Victorian Communities on the 1 May 2007. Detailed information was provided in response to some questions while others were limited and required further explanation. Sections 12.2-12.8 detail that response.

12.2 Factors impacting on the formulation of the budget and associated outcomes

12.2.1 Key assumptions

The key assumptions used to develop the department's budget projections for 2007-08 include:

- consumer price index of 2.5 per cent;
- wage increase from 1 October 2007;
- staffing levels as set out in section 12.7;
- implementation and timing of payment for grant programs and new initiatives; and
- implementation of savings as announced within the 2007-08 Budget.

12.2.2 Changes to major government objectives

The department has introduced changes to its output structure for 2007-08 in response to machinery of government changes. The objectives of these output classifications and associated links to *Growing Victoria Together* are as follows:

Strengthening Communities

These outputs:

- ensure that the system of local government is based on quality services to communities, collaborative partnerships, effective infrastructure and good governance through the principles of efficiency, effectiveness and accountability;
- seek to strengthen communities through supporting collaborative activities between the government, business and community groups to achieve common objectives, and by making information about government available to communities in an accessible and flexible way;

- focus on local participation in planning and prioritising the needs of their community, and place based solutions including support for volunteering, flexible transport solutions and community buses, community centres, community enterprise, community renewal, and other community strengthening projects;
- provide support for the provision of volunteering opportunities in the sport and recreation sector and enhance community participation and engagement in sport and recreation activities through the provision of opportunities for physical activity; and
- seek to support the development of elite sport participation in Victoria and to secure positive, lasting economic, social and environmental legacies by capitalising on major sporting events.

Strong local government and communities contribute to the key government outcomes of:

- building friendly, confident and safe communities;
- a fairer society that reduces disadvantage and respects diversity; and
- greater public participation and more accountable government.

Advocating for People in Communities

These outputs involve advocating for people in communities through the development of policies and the provision of services that emphasise an integrated approach to government service provision.

This involves specialist research, advice and whole-of-government approaches to ensure effective economic, social, environmental and cultural outcomes for all Victorian communities.

Individual outputs directly link to the key government outcomes of:

- a fairer society that reduces disadvantage and respect diversity;
- building friendly, confident and safe communities; and
- greater public participation and more accountable government.

Skilling Communities

These outputs strengthen communities through the provision of services and opportunities for skill development. These include the following outputs:

- The Adult and Community Education output
- Neighbourhood houses output; and
- The Employment Programs output.

Individual outputs directly link to the key government outcomes of:

- a fairer society that reduces disadvantage and respects diversity;
- building friendly, confident and safe communities;
- more quality jobs and thriving innovative industries across Victoria;
- growing and linking all of Victoria; and
- high quality education and training for lifelong learning.

12.2.3 National Reform Agenda

The National Reform Agenda (NRA) is a new partnership between federal, state and territory governments and includes:

- Competition Reform;
- Regulation Reform ; and
- Human Capital Reform.

The department will contribute to the NRA through its focus on workforce participation.

The NRA is not expected to detract from the provision of ongoing department services.

No separate funding has been allocated specifically to the department for 2007-08 for the NRA.

The Committee is awaiting information from the department on how it is responding to the National Reform Agenda. When received, this information will be included in a further report on the 2007-08 budget estimates.

12.3 Output initiatives – content, estimated cost (including out-years), staffing implications and expected outputs

The Committee is awaiting information from the department on its output initiatives. When received, this information will be included in a further report on the 2007-08 budget estimates.

12.4 Departmental asset investment

Table 12.1 provides information on the department's asset investment projects for which capital expenditure is budgeted to occur in 2007-08:

**Table 12.1: Department for Victorian Communities
Asset investment projects**

Asset investment project	2007-08 Budget (\$ million)
Rectangular Sports Stadium	78.0
Improving Major Sporting Precincts	0.9
Electronic Document Records Management System	1.6
Shrine of Remembrance	0.1
Total	80.6

12.5 Financial information

12.5.1 *Impact of the adoption of the Australian equivalents to the International Financial Reporting Standards*

In relation to Australian equivalents to International Financial Reporting Standards (A-IFRS) most impacts occurred in 2005-06 with implementation. The only impact for 2007-08 is that under the guidelines established by the Department of Treasury and Finance assets are to be re-valued every five years according to a rolling program across departments. The department is required to revalue assets in 2006-07. The department has a low asset base and thus the impact on the accounts of the department and program costs is expected to be minimal.

12.5.2 *Revenue and expenditure*

Table 12.2 provides information on revenue and expenditure for controlled and administered operating statements for the department:

**Table 12.2: Department for Victorian Communities
Operating statement**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Income from transactions						
Output appropriations	324.3	292.6	-9.77			
Appropriations - Payments made on behalf of the state	-	-	-			
Special appropriations	96.0	88.4	-7.92			
Sale of goods and services	-	-	-			
Commonwealth grants	-	-	-			
Taxes	-	-	-			
Fines and fees	-	-	-			
Revenue from other parties and other income	33.3	15.3	-54.05			
Total	453.6	396.3	-12.63			
Expenses from transactions						
Employee benefits	56.2	50.1	-10.9			
Depreciation and amortisation	6.8	4.6	-32.4			
Grants and other payments	344.4	310.7	-9.8			
Capital assets charge	5.0	3.7	-26.0			
Supplies and services	61.5	45.2	-26.5			
Finance costs	-	-	-			
Other expenses	2.9	0.0	-100.0			
Expenses on behalf of the state	-	-	-			
Payments into the consolidated fund	-	-	-			
Total	476.8	414.3	-13.1			
Net result from transactions	-23.2	-18.0	-22.4			-
Income/expenses from other economic flows	-	-	-	-	-	-
Net result from other economic flows	-	-	-	-	-	-
Net result	-23.2	-18.0	-22.4			-

The Committee is awaiting further information from the department on administered revenue and expenditure items. When received, this information will be included in a further report on the 2007-08 budget estimates.

12.5.3 Assets, liabilities and equity

Table 12.3 provides information on the financial position for controlled and administered items for the department.

**Table 12.3: Department for Victorian Communities
Balance sheet**

	Controlled items			Administered items		
	Column 1	Column 2	Column (2-1)/1	Column 4	Column 5	Column (5-4)/4
	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)	2006-07 Estimated Actual (\$ million)	2007-08 Budget (\$ million)	Variation (%)
Assets						
Cash assets	24.2	24.3	+0.4			
Other financial assets	45.9	27.8	-39.4			
Receivables	65.2	65.2	-			
Property, plant and equipment	59.6	57.8	-3.0			
Other	6.5	6.5	-			
Total assets	201.4	181.6	-9.8			
Liabilities						
Payables	28.0	28.0	-			
Employee provisions	14.8	14.8	-			
Other	2.1	2.1	-			
Total liabilities	44.9	44.9	-			
Net assets	156.5	136.7	-12.64			
Equity						
Contributed capital	160.0	158.4	-1.0			
Reserves	78.8	78.8	-			
Accumulated (deficit)	-82.3	-100.4	-22.0			
Total equity	156.5	136.8	-12.59			

The Committee is awaiting further information from the department on administered assets and liabilities. When received, this information will be included in a further report on the 2007-08 budget estimates.

12.5.4 Carry over funding

The department expects to carry forward funding in the following areas:

Indigenous Community and Cultural Development is estimated to carryover \$4.5 million of funding into 2007-08 largely due to adjustments to implementation resulting from a longer than estimated consultation phase for both the Aboriginal Land and Economic Development initiative and the Cultural Heritage programs.

Employment programs estimate that \$4.5 million will be required to be carried over into 2007-08 due to the timing of progressive payments to providers under the funding arrangements.

Seniors and Veterans estimate a carryover of \$1 million into 2006-07 due to delays in implementing new initiatives in relation to Valuing Victoria's Seniors and Veterans Commemoration and Education.

12.5.5 Revenue raising initiatives

The department has not planned any new revenue raising initiatives, however, a reduction in electronic gaming revenue into the Community Support Fund is estimated in 2007-08 due to the expansion of the anti smoking rules into hotels.

12.5.6 Departmental savings

The level of savings expected to be applied by the department in 2007-08 is \$9.280 million.

The savings will be achieved by targeting the areas announced within the Efficient Government Policy and undertaking a review of costs. The areas include:

- improvements in procurement;
- shared services;
- grant administration; and
- advertising and consultancies.

The overall aim of the policy is to reduce unnecessary expenditure, use new technology to reduce costs, and operate more efficiently. In addition, savings will be achieved through the merger of the Victorian Office of Multicultural Affairs and Victorian Multicultural Commission.

The savings have been applied proportionally across the department. Work has now commenced in reviewing all the cost areas affected by the efficient government policy to identify the specific areas and implement the necessary change and business re-engineering projects to achieve the savings.

The Committee is awaiting further information from the department on the breakdown of savings expected from the efficient government policy and how the department expects to achieve these savings. When received, this information will be included in a further report on the 2007-08 budget estimates..

12.6 Communication, advertising and promotion

The department does not have a central budget for communication advertising and promotional activities. Appropriate communication, advertising and promotional expenditure is determined by the different units within the department according to specific program needs. At this stage budgets have not been allocated for 2007-08. A similar level of activity is envisaged in 2007-08 and thus budgets are likely to be comparable to actual expenditure over the previous two financial years, minus savings required on advertising and contractors.

The Committee is awaiting further information from the department on the communication, advertising and promotion budget for 2007-08 and comparison information for the last two financial years. When received, this information will be included in a further report on the 2007-08 budget estimates.

12.7 Departmental workforce

The department has estimated at 30 June 2008, it will have a total workforce of 660.4 equivalent full-time staff (EFT). This represents a decrease of 7.7 EFT staff (1.2 per cent) on the 30 June 2007 estimate and a decrease of 98.2 EFT staff (14.9 per cent) on the 30 June 2006 actual.

Table 12.4 provides information on the actual EFT staff numbers at 30 June 2006 and estimates of EFT staff numbers at 30 June 2007 and 2008 for the department and its major budget funded agencies.

Table 12.4: Department for Victorian Communities Staff Numbers

	30 June 2006 Actual (EFT)	30 June 2007 Estimate (EFT)	30 June 2008 Estimate (EFT)
Executive Officers	30.0	29.0	28.0
Victorian Public Service Officers	722.5	636.1	629.4
Casual	3.1	1.0	1.0
Other	3.0	2.0	2.0
Total	758.6	(a) 668.1	660.4

Note: (a) the revised estimate of 668.1 for 30 June 2007 reflects machinery of government changes.

12.8 Performance measures – changes

The department has introduced the following changes to its output structure for 2007-08 in response to machinery of government changes:

- the Citizen Engagement and Information Services output has been created in response to the transfer of functions previously with the Department of Premier and Cabinet and the Department of Infrastructure.
- the Adult and Community Education output has been transferred from the Department of Education.
- in addition a Neighbourhood Houses output has been created to reflect the department's growing emphasis on providing opportunities for increased participation in community activities.
- a Disability output has also been created in response to the establishment of the Office for Disability.
- the Office of Commonwealth Games Coordination output has been discontinued as the wrap up of the financial and operational matters following the delivery of the Melbourne 2006 Commonwealth Games is now complete.
- the Public Record Office of Victoria and the Registry of Births, Deaths and Marriages have been transferred to the Department of Premier and Cabinet.

The department has introduced a range of new performance measures largely in relation to new budget initiatives and new outputs. The new measures are detailed in the budget papers.

Review of portfolios

12.9 Aboriginal Affairs portfolio

12.9.1 Introduction

The Committee received evidence from Mr G Jennings, Minister for Aboriginal Affairs, on 10 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

12.9.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of the proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 12.9.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 12.9.4) should be submitted to the Committee by 14 June 2007. These answers will be considered by the Committee for inclusion in a further report.

12.9.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- concerns with funding arrangements in place for registered Aboriginal parties to cover the cost associated with the implementation of the *Aboriginal Heritage Act* (pp.3 and 5);
- expected process for developing a whole-of-government approach to Aboriginal affairs under the Victorian Indigenous Affairs Framework (pp.3-4);
- training guidelines and advice to be provided to Aboriginal parties interested in registering under the *Aboriginal Heritage Act* (pp.4-5);
- progress to date on commissioning the Sir Doug and Lady Nicholls statue (p.6); and
- activities that fall within the department to assist in ensuring that agencies are compliant with the *Charter of Human Rights and Responsibilities Act*, in particular, section 38 (pp.6-7).

12.9.4 Questions taken on notice at the budget estimates hearing

The following questions on notice were taken by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- methods of income generation available for registered Aboriginal parties to fulfil their obligations in relation to cultural heritage under the proposed Aboriginal heritage regulations. Case studies available to demonstrate how income will be generated to cover these obligations (p.3);

- further elaboration on the method of calculation of extra costs for management plans of \$15.6 million over 10 years for the Aboriginal heritage regulations. Total projected amount anticipated to be paid during this period to all registered Aboriginal parties in Victoria (p.3);
- activities that fall within the department to assist in ensuring that agencies are compliant with the *Charter of Human Rights and Responsibilities Act*, in particular, section 38 (p.6); and
- the percentage of funding provided over four years to improve the lives of indigenous Victorians that will be directed towards urban Aboriginal programs. Details on the period and method of assessment of these programs (p.7).

A written response by the Minister to the Committee on these questions is due by 14 June 2007 and will be considered for publication in a further report.

12.9.5 *Unasked questions at the budget estimates hearing*

All questions of the Committee were raised at the budget estimates hearing.

12.9.6 *Documents tabled at the budget estimates hearing*

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

12.10 Aged Care portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

12.11 Employment portfolio

12.11.1 *Introduction*

The Committee received evidence from Ms J Allan, Minister for Skills, Education Services and Employment on 7 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

12.11.2 *General comments*

At the budget estimates hearing the Committee raised various matters concerning the budget estimates for 2007-08 (See Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 11.10.6) are available on the Committee's website. The Committee has agreed that written answers to questions taken on notice (see 11.10.4) should be submitted to the Committee by Monday 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

12.11.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

Disability Trainee Scheme

- outline of the scheme and its expected achievements (p.3).
- workforce Participation Partnerships Program
- building on past achievements and progressing into the future (pp.3-4);
- number of partnerships achieved and level of funding provided to the program (pp.4-5); and
- contribution of the '*Maintaining the Advantage- Skilled Victorians*' strategy towards the government's skills and training agenda (p.5).
- Victoria's unemployment rate
- consistently higher unemployment rate in Victoria than the national average (p.4); and
- significant fluctuations of the provincial labour market in comparison to the Victorian average (pp.5-6).
- skilled migration strategy
- how the strategy will build on the success achieved over the last few years (p.6).
- performance measures of employment programs
- reasons for decline in the performance measures and level of funding of employment programs (p.7).

12.11.4 Questions taken on notice at the budget estimates hearing

- the following questions were taken on notice by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):
- further analysis and expansion of regional unemployment figures (p.6); and
- reasons for the reduction in expected expenditure from the previous year (p.7).
- written responses by the Treasurer to the Committee on these questions are due by Monday, 11 June 2007 and will be considered for publication in a further report.

12.11.5 Unasked questions at the budget estimates hearing

All questions of the Committee were raised at the budget estimates hearing.

12.11.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled the following document at the hearing:

- a chart titled Projected Growth in Victoria's Working Age Population (p.5); and
- a document showing year-on-year performance, against the national average, of the Skilled Migration Strategy was provided to Committee members (p.6).
- the above slides, chart and document are available on the Committee's website.

12.12 Local Government portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

12.13 Multicultural Affairs portfolio

12.13.1 Introduction

The Committee received evidence from the Hon. S Bracks, Minister for Multicultural Affairs, on 3 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 35 minutes, which covered both the multicultural affairs portfolio and the veterans' affairs portfolio. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

12.13.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearing of the budget estimates (see 12.13.6) are available on the Committee's website. The Committee has agreed that written answers to unasked questions (see 12.13.5) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

12.13.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- funding arrangements for strengthening multicultural Victoria (p.5); and
- particulars on the merger of the Victorian Office of Multicultural Affairs (VOMA) into the Victorian Multicultural Commission (VMC) (p.5).

12.13.4 Questions taken on notice at the budget estimates hearing

There were no questions taken on notice by the Minister at the budget estimates hearing.

12.13.5 Unasked questions at the budget estimates hearing

The following questions were unasked by the Committee at the budget estimates hearing and have been referred to the Minister for a written response by 11 June 2007:

- budget initiatives to assist the government to maintain its reputation as a leader of multicultural affairs;
- long-term impact of improvement works to China Town, Lygon and Lonsdale Streets;
- benefits of the community harmony funding allocations;
- benefits of an additional \$1 million in community grants to Culturally and Linguistically Diverse community groups;
- costs, including staff and wages, associated with the merger of VOMA and VMC; level of recurrent funding and staff numbers and wages before and after the merger; and temporary staffing costs during 2006-07;
- breakdown of total output cost for Multicultural Affairs between service delivery and wages;
- provision of legal costs incurred to date in relation to the FOI case currently before VCAT, dealing with the Racial and Religious Tolerance Act;
- total spending to date for advertising of multicultural government programs by government departments and agencies;
- level of funding allocated to assisting refugees and newly arrived immigrants from the Horn of Africa;
- break down of planned investment of \$8 m for the Cultural Precinct Enhancement Fund;
- possible funding for the Greek Museum at the old mint building in William Street;
- source of funding for the Cypriot Community of Melbourne and Victoria building development;
- allocation of allowances to VMC Commissioners for 2006-07 and 2007-08;
- quantum of new funding arrangements for VMC Community Grants Program over the next four years; and
- grants to the Ethnic Communities' Council of Victoria for 2006-07 and 2007-08.

The Minister's written responses will be considered for publication in a further report.

12.13.6 Documents tabled at the estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

12.14 Sport and Recreation portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

12.15 Veterans' Affairs portfolio

12.15.1 Introduction

The Committee received evidence from the Hon. S Bracks, Minister responsible for Veterans Affairs, on 3 May 2007. The Minister provided an overview of his portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 35 minutes, which covered both the veterans' affairs portfolio and the multicultural affairs portfolio. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

12.15.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 12.15.6) are available on the Committee's website. The Committee has agreed that written answers to unasked questions (see 12.15.5) should be submitted to the Committee by 11 June 2007. These answers will be considered by the Committee for inclusion in a further report.

12.15.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page reference refers to the transcript in Appendix 1):

- new measures introduced to commemorate the service given by veterans (p.4);

12.15.4 Questions taken on notice at the budget estimates hearing

There were no questions taken on notice by the Minister at the budget estimates hearing.

12.15.5 Unasked questions at the budget estimates hearing

The following questions were unasked by the Committee at the budget estimates hearing and have been referred to the Minister for a written response by 11 June 2007:

- details of the ongoing commitment to the Victorian Spirit of ANZAC Prize;
- support provided to the Shrine of Remembrance;
- commencement date and full funding details of the proposed 20 bed ward for veterans with psychiatric conditions at the Heidelberg Repatriation Hospital;
- delivery date to construct a new Health and Rehabilitation Centre at the Heidelberg Repatriation Hospital;
- full costing to deliver a hydrotherapy pool, gymnasium and physical therapy area at the new Health and Rehabilitation Centre;
- funding arrangements for the Shrine of Remembrance, Galleries of Remembrance project; and

- funding arrangements for the attendance of the Rats of Tobruk Memorial Pipe Band at the International Zoria Festival in Moscow this year.

The Minister's written responses will be considered for publication in a further report.

12.15.6 Documents tabled at the estimates hearing

The Minister provided an introductory slide presentation at the estimates hearing. The slides are available on the Committee's website.

12.16 Victorian Communities portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

12.17 Women's Affairs portfolio

12.17.1 Introduction

The Committee received evidence from Ms J Allan, Minister for Women's Affairs, on 7 May 2007. The Minister provided an overview of her portfolio at the start of the hearing. The duration of the budget estimates hearing was approximately 30 minutes. The Committee thanks the Minister and accompanying officers for their attendance and assistance.

12.17.2 General comments

At the budget estimates hearing, the Committee raised various matters concerning the budget estimates for 2007-08 (see Appendix 1 for transcript of proceedings). Transcripts of the estimates proceedings are also accessible on the Committee's website at www.parliament.vic.gov.au/paec. Documents provided at the hearings of the budget estimates (see 12.17.6) are available on the Committee's website. The Committee has agreed that written answers to questions on notice (see 12.17.4) and unasked questions (see 12.17.5) should be submitted to the Committee by 14 June 2007. These answers will be considered by the Committee for inclusion in a further report.

12.17.3 Key matters raised at the budget estimates hearing

Key matters raised included the following (page references refer to the transcript in Appendix 1):

- planned celebrations for the Centenary of Women's Suffrage (pp.2-3);
- Department of Human Services' role in the whole-of-government approach to the women's safety strategy (pp.3-4);
- particulars of the financial literacy program for women (p.4);
- performance against occupancy targets at the Queen Victoria Women's Centre (p.5);
- breakdown of the women's policy output costs for 2007-08 (pp.5-6); and
- purpose of funding for the Queen Victoria Women's Centre (p.6).

12.17.4 Questions taken on notice at the budget estimates hearing

The following questions on notice were taken by the Minister at the estimates hearing (page references refer to the transcript in Appendix 1):

- projects currently provided by the Department of Human Services in relation to the women's safety strategy (p.3–4);
- current rental charge for the tenant, Emily's List, at the Queen Victoria Women's Centre (p.5);
- breakdown of the women's policy output costs for 2007-08 (p.5–6); and
- resources and staffing costs the Minister's portfolio departments anticipate applying to serving PAEC hearings and inquiries in the coming year, based on experience over the past four years (p.6).

A written response by the Minister to the Committee on these questions are due by 14 June 2007 and will be considered for publication in a further report.

12.17.5 Unasked questions at the budget estimates hearing

The following question was unasked by the Committee at the budget estimates hearing and has been referred to the Minister for a written response by 14 June 2007:

- extent of support provided by the government for women who wish to leave the sex industry.

The Minister's written response will be considered for publication in a further report.

12.17.6 Documents tabled at the budget estimates hearing

The Minister provided an introductory slide presentation at the budget estimates hearing. The Minister also tabled the following document at the hearing:

- a handout providing particulars on the centenary of women's suffrage in Victoria.

The slides and other documents are available on the Committee's website.

12.18 Youth Affairs portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

This report was adopted by the Public Accounts and Estimates Committee at its meeting held on 21 May 2007 in Meeting Room 4 at Parliament House, Melbourne.

CHAPTER 13: GOVERNMENT RESPONSE TO THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE REPORT ON THE 2006-07 BUDGET ESTIMATES

13.1 Legislative requirement to respond to the Committee's recommendations

Ministers are required by legislation to respond within six months of the report being tabled, to recommendations in the Committee's reports.¹

13.2 Report on the 2006-07 Budget Estimates – previous recommendations

The Committee's *Report on the 2006-07 Budget Estimates* was tabled on 14 September 2006. The government's response was tabled in the Legislative Assembly on 14 March 2007.

Table 13.1: Government response to PAEC recommendations in the Report on the 2006-07 Budget Estimates

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total
Education	1	-	1	1	1	4
Human Services	8	4	14	-	1	27
Infrastructure	3	-	4	-	-	7
Innovation, Industry and Regional Development	5	-	4	-	-	9
Justice	9	4	-	-	-	13
Premier and Cabinet	1	-	1	-	1	3
Primary Industries	3	1	4	-	1	9
Sustainability and Environment	6	-	2	-	1	9
Treasury and Finance	2	1	-	-	1	4
Victorian Communities	5	-	9	-	-	14
Parliamentary departments	-	-	-	-	2	2
Total	43	10	39	1	8	101
Percentage	42.6	9.9	38.6	1.0	7.9	100

¹ *Parliamentary Committees Act* 2003, s.36(1)

For the purposes of this summary, where the government has responded separately to parts of a recommendation, each part has been counted separately. There are 101 recommendations or parts of recommendations to departments, discounting recommendations 1, 2 and 3 which are recommendations to whole of government.

Of the total number of recommendations 91 per cent were accepted, accepted in part or accepted in principle; 8 per cent of recommendations were rejected; and 1 per cent of the recommendations are under review by government.

APPENDIX 1: TRANSCRIPTS OF EVIDENCE

APPENDIX 1: TRANSCRIPTS OF EVIDENCE

Chapter 2: Parliamentary departments

Chapter 3: Department of Education

- 3.9 Education portfolio
- 3.10 Education Services portfolio

Chapter 4: Department of Human Services

- 4.9 Children portfolio
- 4.10 Community Services portfolio
- 4.11 Health portfolio
- 4.12 Housing portfolio
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Chapter 5: Department of Infrastructure

- 5.9 Major Projects portfolio
- 5.10 Public Transport portfolio
- 5.11 Roads and Ports portfolio

Chapter 6: Department of Innovation, Industry and Regional Development

- 6.9 Industrial Relations portfolio
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Chapter 7: Department of Justice

- 7.9 Attorney-General portfolio
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Chapter 8: *Department of Premier and Cabinet*

- 8.9 Arts portfolio
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Chapter 9: *Department of Primary Industries*

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Chapter 10: *Department of Sustainability and Environment*

- 10.9 Planning portfolio
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Chapter 11: *Department of Treasury and Finance*

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Chapter 12: *Department for Victorian Communities*

- 12.9 Aboriginal Affairs portfolio
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- 12.18 Youth Affairs portfolio

CHAPTER 2: PARLIAMENTARY DEPARTMENTS

Transcript of Evidence

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 11 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr. R. Smith, President of the Legislative Council;
Ms J. Lindell, Speaker of the Legislative Assembly;
Mr R. Purdey, Clerk of the Parliaments and Clerk of the Legislative Assembly;
Mr W. Tunnecliffe, Clerk of the Legislative Council; and
Dr S. O’Kane, secretary, Department of Parliamentary Services, Parliament of Victoria.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2007–08 budget estimates for the parliamentary departments. On behalf of the committee I welcome the Honourable Bob Smith, President of the Legislative Council; Ms Jenny Lindell, Speaker of the Legislative Assembly; Dr Stephen O’Kane, secretary, Department of Parliamentary Services; Mr Ray Purdey, Clerk of the Parliaments and Clerk of the Legislative Assembly; Mr Wayne Tunnecliffe, Clerk of the Legislative Council; departmental officers; members of the public and the media.

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, as requested by the presiding officers, 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 it 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 which should 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 website. Following a presentation by the presiding officers 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 also note in regard to this that the committee has already heard from the Auditor-General even though, of course, the Auditor-General’s votes are part of the Appropriation (Parliament 2007/2008) Bill. But we are dealing here with the other aspects of that bill in terms of the parliamentary departments. The other parliamentary office, of course, is the Ombudsman, and his votes are included in the Department of Premier and Cabinet. The committee may well seek to establish a more cogent relationship with the Ombudsman in future.

I ask that all mobile telephones be turned off, and I now call on the presiding officers to give a presentation of no more than 10 minutes on the more complex financial and performance information for the parliamentary departments.

Mr SMITH — Thank you, Chair, and good morning to the committee. On behalf of the Speaker and myself, we would like to say how absolutely thrilled we are to be appearing before you on our very first occasion. We will do a joint presentation, where I will lead off the first part basically with an overview of where we are at, and the Speaker will go into more detail and then of course we will end with questions.

Overheads shown.

Mr SMITH — The overview: obviously this is with regards to the Council and the Assembly, the Department of Parliamentary Services and investigatory committees. The annual appropriations for the Parliament — 76.7 million of last year — has been increased, as you can see. Special appropriations remain the same, and the total is a slight increase on the previous year.

The significant challenges that we face include the relocation of the parliamentary committees and parliamentary services to 55 St Andrews Place. We are informed that we are not too far away now from moving into 55. Our inspections — when I say ‘our’, the Speaker and I have inspected the premises on a couple of occasions, and all is going well. It looks to be quite an exciting venue for particularly committees and parliamentary services et cetera, and we are really looking forward to it becoming operational.

The improvement of the business processes, particularly the electronic distribution and questions database with *Hansard* et cetera, we are looking at a continuous improvement model there. Some experiments are taking place with electronic pinks and the like, which are seemingly going well.

The support for the select committees of the Legislative Council is an interesting topic, which is going to require not only some ongoing support but increased Treasurer’s advances et cetera and the like to provide the necessary resources. I am sure that will be a matter of some debate at some stage.

The continuation of the heritage strategy — you can see the works that are currently going on around the Parliament. Again, we are quite happy with the progress that is being made there.

The replacement of the electorates office IT equipment is ongoing. As a matter of fact today we will be ordering the new computers for all the electorate offices. I might make a point, which is worth making on the record, that there are still some laptops to be picked up by individual members. It may be a bit surprising, but it is difficult for some people to find the time to go over there to be properly inducted into the use of. I will follow up on that with those individuals.

The environmental management system is particularly of keen interest to the Speaker, who has got some very innovative ideas as to what we can do and what needs to be done.

The relocation and refurbishing of electorate offices is causing a little bit of — I will not say grief or anxiety, but it is a bit slower than we would have hoped for. There is a great deal of cost involved in relocation or refurbishment, as you can imagine, and people have different views as to what they are entitled to and time frames and the like. That is it from me. I will hand over to the Speaker now, who will go into achievements.

Ms LINDELL — I thought I would run quickly through some of the achievements from the 2006–07 financial year. Obviously a lot of these projects were concluded before the President and I became presiding officers. Some of them are ongoing. If you have particular questions about them, I might use the advice from others to answer some of the minutiae.

The commencement of the 56th Parliament was a logistical wonder in that we had the upper house not declared until several days, I think, not even a week before we actually opened the Parliament, so there was a lot of work to be done in a very short time, with the opening of the Parliament, the induction of new members, the establishment of electorate offices and, of course, the President and me both being new to our positions.

There was a lot audit work around the closure of the 55th Parliament with electorate offices needing to have their final audits done, the handovers from previous members and staff movements. I suppose for us as parliamentarians the closure of an office is probably a very sad day but a very simple day in many ways, but there is a great administrative load that is carried by the Department of Parliamentary Services.

There has been a revision of the joint standing orders. I think we are all familiar with those. We have the new standing orders of the Legislative Council, and, of course, anyone in the Legislative Assembly will have noticed the installation of our new timer. Obviously we have gone through quite a lengthy process with our joint investigatory committee staff around new employment conditions. While the relocation to 55 St Andrews Place is probably nearly delivered, there have been 12 months of very hard work that has gone into getting us to the stage that we are.

The President has already mentioned the continuation of the heritage asset management strategy. We have had a very successful trial of electronic pinks and greens to members, and the replacement of members' notebooks. We have had quite a change to the education office — not so much the office itself but to the product that we deliver for visitors to the Parliament. With the program that is delivered to schoolchildren who come and visit, they go through a play; they all get to dress up as the Speaker and have an imitation mace, and it seems to be very good. The feedback from all the teachers —

Mr BARBER — Can I come to that?

Ms LINDELL — Yes, you can come and watch. It is fantastic.

Mr BARBER — I want to dress up as the Speaker!

Ms LINDELL — The kids really enjoy it. It shows how much TV they watch because they point and stand and leap across the table at one another, so I think they are all used to watching federal question time.

Dr SYKES — The pinko, commie socialists!

Ms LINDELL — We can sit here and have some light-hearted remarks about it, but it is the product of a lot of work that has been put in by parliamentary officers to deliver what is seen as a very worthwhile visit to the Parliament. The kids get a lot out of it. It fits into the curriculum that they are studying, and I think we should compliment the staff who have been involved in getting the program to where it is.

We had the completion of the 150th anniversary celebrations, the travelling exhibition, the former members' function and the 're-member' database, and we had a very well attended open day for the parliamentary precinct, so they are some of the highlights of the last year.

The CHAIR — Thank you very much, Speaker and President. We will now move to questions. First of all, we need to bear in mind that in these hearings we are focusing pretty much on the budget, and the forward estimates is really our major concern.

I refer to the Appropriation (Parliament 2007/08) Bill and schedule 1 where it details the estimates for the various departments and particularly the parliamentary investigatory committees. We have got \$5 710 000 and the estimate for the future is \$5 000 803. I also refer you to budget paper 3, page 252, which has a similar table. You will notice there are quite significant differences. While this committee may well be interested in the parliamentary investigatory committees and footnote (d), there are also differences in terms of the appropriation for the Council, the Assembly and parliamentary services. I know it is just the estimates, the summary and there is also information on the other committees in the various other parts of the schedule in the bill, but could one of you try and put the two together and give us a picture of what is the reconciliation between the bill and the 'Output summary' table on page 252?

Mr PURDEY — Chair, I will respond on behalf of the group, if you like. It is obvious in budget paper 3 where it states that the 2007–08 budget for parliamentary committees is 6.2 million, with a footnote indicating that there has been an increase of 8.8 per cent compared with 2006–07, and the direct additional costs being incurred by the Public Accounts and Estimates Committee for increase in research and operational costs; the actual appropriation bill talks about an estimated figure of 5.8 million. Obviously the figures do not agree and what is being provided in the appropriation bill is a figure of 5.8 million. At this stage I am not sure where the difference is. I understand it might be by way of Treasurer's advance but I have yet to check that out —

The CHAIR — What about the wider question, Speaker? It is \$124.3 million in the budget, and in the bill it is 92.138 million.

Ms LINDELL — That is the special appropriation, surely.

The CHAIR — Would it be possible to give us a table which would reconcile the total picture between the output summary table — I know there are probably assets as well — and what is actually in the estimates in the bill? This will obviously assist, I am sure, debate on the appropriation for Parliament 2007–08 bill, which of course is one of the purposes of this committee — to try actually to help the debate in the house when we come to this matter.

Ms LINDELL — The difference is special appropriations to be made to the Parliament. To my mind there are a couple of separate — the difference for the PAEC funding, I am assured, is that there has actually been an error within the budget management system that has resulted the funding being applied against the wrong output authority. This will be rectified once the parliamentary appropriation bill has passed through the Parliament and the changes can be made within the DTF budget management system.

The CHAIR — What about the Council, which is down to 2.667 million and in the output summary is down at 8.6 million; the Assembly is down at 4 and 17.2. I may not understand that there are special appropriations, and it would be good to have a table for all of us, I think, to reconcile —

Ms LINDELL — I am sure we can do that.

The CHAIR — It is quite a big difference between 92 million and 124 million as you probably appreciate.

Mr SMITH — I am looking here at page 176, where it outlines that total special appropriations have increased by 19.4 million.

The CHAIR — That certainly goes a long way towards it, doesn't it?

Mr SMITH — Yes.

Ms LINDELL — Certainly we can prepare a table and get it to you.

The CHAIR — That would be terrific.

Mr WELLS — Speaker, I am just interested in the cost of the security of the Parliament House buildings. Is the cost of security for the Parliament House increasing over the forward estimates? With the PSOs that are here, who determines the actual numbers of the PSOs? Is that a police matter, or is it by the Serjeant-at-Arms? Is the cost of the PSOs a cost to the justice budget, or is it a cost to Parliament, and will there be any progression of numbers on PSOs or actual private security over the forward estimates period? Can you just give us an outline of how we are looking for the security?

Mr PAKULA — What happens when members burn their sangers?

Ms LINDELL — My understanding is that it is a joint between the chambers and the department. I will get Ray and Stephen to — —

Mr PURDEY — In relation to security, some time ago there used to be police who provided the security at Parliament House and supplemented by what we called an internal fire watch where staff of the Parliament were paid overtime amounts to look after the building in the evenings in case there were fire or security arrangements.

Some time ago, and it is probably about 12 years or something ago, it was decided to replace that arrangement with the protective security officers. An agreement was reached with the police at that time as to what the numbers were in relation to protective security officers. That agreement was put in place. Those numbers and those arrangements still remain the same today. Part of the parliamentary appropriation was transferred to the police department, I think it was at the time, to cover the cost of that. Those arrangements still remain in place, and the numbers are the same. The costs might go up within the police budget if the salaries of PSOs go up, but it is no additional cost to the Parliament. The only additional costs we have had over and above that is we now pay for the contract security people who man the scanning devices at the front and back entrances of Parliament House, so we actually pay that by a contract amount to an outside security company. That is the only additional cost to the Parliament over recent years.

Mr WELLS — When there are functions on at night, for example, in Queen's Hall, is it the Serjeant-at-Arms who contacts the security company to extend those hours, or how does that work?

Mr PURDEY — Normally if there is a function on at Parliament House people will only be allowed entrance to the building via special invitation, and so we would have attendant staff on with the PSO staff to man the front doors. To my knowledge the guests do not actually go through the security at that time. The Amil security people only work during business hours, so if the Parliament sits back, when the house is sitting they are still there, but they are not brought in for outside functions is my understanding.

Mr WELLS — Do you think that part of it would change over the coming years, that particular process, that if you have a function on that the private security staff may be required to work back to supervise those people coming in?

Dr O'KANE — It would require an extension of contract to do that, and there would be an additional cost associated with that. Also, building on your previous comment, my understanding is that, as Ray said, those numbers are fixed in legislation in terms of the number of PSOs that could be employed in the state, and they have to be shared around by police command to cover areas like the Supreme Court and Parliament and so on. Until that legislation is amended the numbers are fixed.

Ms LINDELL — I suppose while the use of Queen's Hall needs the approval of the President and the Speaker, it is usually only given to organisations of reasonable stature or people or events that are sponsored by members of Parliament. I would not envisage, while those constraints on its use are there, I would not consider that we would need to go to the extent of that security.

Mr SMITH — I would have thought that the current arrangements have sufficed and I would not see any reason at the moment at least to increase what we currently do.

Ms MUNT — The general community is being asked to make savings for water, and the environment is pretty much the topic at the top of their consciousness at the moment. I noticed in your presentation that you talked about development of a Parliament-wide environmental management system. I was wondering if you could tell me

what you are proposing to put in place with this environmental management system, particularly in relation to water savings.

Ms LINDELL — I will take the question. My view is that there has been considerable effort made by the staff at Parliament particularly with regard to water use, but also with regard to energy consumption as well. But we have never actually looked at a holistic approach to best practice to how we actually do go about reducing our environmental impact.

Before we continue on with what I would term ad hoc arrangements around how we do things, I have a view that we need a total system in place. To develop that we will need to document what we do now and actually have a firm view so that going forward we can make strategic decisions about how we move forward, what priority actions we would have, because while we can, I suppose, in an ad hoc way address different functions around the Parliament they might not always, if we view them in a holistic sense, deliver the best outcomes for us in the quickest possible time.

My view is that we develop an environment management system for the Parliament that looks at every facet of how we do business. The sustainability team is made up of senior management as well as staff representatives. They are meeting on a monthly basis and hopefully towards the end of this year we will be in a position to perhaps have a much clearer idea of the process going forward, but I can certainly talk to you about some of the water in particular, some of the water savings that have happened, around the Parliament. Most people would have seen the rainwater tanks out at the annex. We collect about 19 per cent of the water that we need for our garden beds. There are five tanks with a storage capacity of 60 000 litres.

The CHAIR — The plumbers are out there, starting today, to connect the tanks to the toilets in the chookhouse.

Dr SYKES — Does it qualify for the \$1000 rebate?

Ms LINDELL — We do have some things — we cannot harvest the water from the top of the building because of the lead and copper in the roof so we are limited to some extent by what we can do, but certainly there has been drip irrigation systems installed, we have recycled water, we are using recycled water on the gardens. The toilets in this main building have all been converted to dual flush. The showerheads are all low-use water. The kitchen refurbishment meant that all the handbasins on the ground floor and the first floor kitchen now have automatic shutoffs, and obviously the connection of the annex from the rainwater tanks to the toilets is happening today. We are hoping to install additional water tanks to take our total storage capacity to 80 000 litres and intending to complete the drip irrigation system throughout the gardens. There is only 10 per cent of the garden bed not under drip irrigation at the moment, so we are hoping to finish that off in July–August.

Mr SMITH — Clearly more good management than luck has resulted in the current state of the gardens. They are still in very good condition considering the climate we are in, other than the tennis courts and the like, which have not been given the same sort of attention.

Dr SYKES — First of all, I would like to record my appreciation of the staff and how they go about their work, often in what I consider a very antiquated physical environment and at times I would consider, equally antiquated or quaint systems. I particularly appreciate the good nature and open willingness of the staff to help, and that applies across the full spectrum of staff, regardless of the broad range of personalities that compromise our staff collection.

The CHAIR — Comprise, don't you mean; not compromise?

Mr DALLA-RIVA — Are you after something?

Dr SYKES — And here we go, here is the sting!

Mr WELLS — Relate it to the Benalla electorate!

Dr SYKES — In relation to the upgrading or replacement of computers in the electorate offices, the current computers have caused enormous pain. It is pleasing that, I understand, you said you are ordering them today. I will make a beg; if it is necessary for me to beg, I will beg. Please ensure that they are installed ASAP. I will give you documentation of the current problems that have been experienced. Even for me, whose brain ticks

very slowly, I find the system frustratingly slow to deal with, so those with a quicker brain must get absolutely exasperated. I guess my particular question over and above that request is: given my remark about what I consider antiquated systems, what strategies are in place to ensure continued upgrading of the systems so that we remain, or get up to, best practice in terms of service delivery and efficiency in service delivery?

Mr SMITH — I can say that certainly it has been my experience, despite some arguments to the contrary from some members, that the IT department is very conscientious in what it does. They are fully geared up for service delivery, personal service, customer service et cetera. They are particularly well trained and equipped and have some very, what I would argue is, quality leadership. The system itself is different to the hardware. As you can appreciate, you might get new hardware but that may not be any different in fact without changes to the actual software or the programs themselves. There are some difficulties that are being worked on et cetera. Again, all this comes down at the end of the day to the dollar. It is about how much we can spend in certain areas et cetera. It is like a lot of other areas, it could be a bottomless pit if you allowed it. But in short we are aware of some shortfalls in the current system, and they are being worked on.

Dr O'KANE — If I could just add to that, President, in the current budget we have just been given just under \$1 million on an ongoing basis to increase the capacity and speed of the wide area network. We have actually been trying to do that for a number of years with budget submissions. We are now very pleased to be able to tell you that the capacity of the system out to electorate offices will increase from 512K per second to 4 megabytes per second. What that will mean in practice is that members will notice a substantial difference in the performance of their machines. Together with the refresh of the fleet and the new laptops, we think you will get much better performance than you have in the past.

The CHAIR — What is the timing for that?

Dr O'KANE — We are looking at rolling that out after July — July on.

The CHAIR — So it will be in July?

Dr O'KANE — No, from July. It is not flick over instantly.

The CHAIR — The second half of this year?

Dr O'KANE — Yes.

The CHAIR — That will be helpful.

Ms LINDELL — The money has only just been funded for the next budget, so it is not accessible.

Dr O'KANE — That is something that we have been pushing for for a number of years. We have been trying to get the business case up. We have now got that, and you will see a substantial improvement in performance.

The CHAIR — I think all members would welcome that.

Mr DALLA-RIVA — Just as an aside, what is happening with the old computers? Are they being donated back?

Dr O'KANE — There is, as you would be aware, legislation which deals with the disposal of electrical equipment. So what we do is we attempt to send it to a third party who goes through that process and does some recycling.

Ms MUNT — But what if, for instance, there were local community groups that would benefit from those old computers?

Dr O'KANE — I would need to give you a more detailed answer on that. The issue for us is, though, that the Parliament cannot be onselling or donating electrical equipment, because it requires certification.

The CHAIR — They have to recheck it all and recertify it, with electrical — —

Ms LINDELL — This issue was raised with the laptops. Really it opens, I think, both the member and the Parliament to some risk. I think the best practice would be to go through a third party. Members can be provided with the details, then they can put their community groups in contact with the third party. It just means that we know that if there is a virus on one of those machines or if there is any sort of a problem, it is not a come back then to the member who has donated it — or to the Parliament which has allowed the donation to occur. So I think just as a matter of risk we would go through the third party. There is legislation that we have to abide by.

Dr SYKES — Can I just clarify, if it goes through the third party, is it possible that we can access those computers? I preface that by saying that in my office I have an arrangement with ADI, and we distribute about 50 computers a year to our community groups, and they really are much appreciated. If we can add our computer to that system, recognising the cleansing and procedures that have to go on, it would be very helpful. So what is the mechanism?

Dr O'KANE — I believe that is possible, to approach that group. We will get back to you with some further information on that.

The CHAIR — Thank you for that.

Mr PAKULA — President, in the presentation you touched on electorate offices. Obviously it is more of an issue in the Council than the Assembly, because I imagine all the new Assembly members have just taken over the offices of the departing members, by and large. I think there are still something like five or six Legislative Council members who do not have offices. I would like confirmation of how many members are still waiting for offices and if you could just elaborate a bit on the reason why it is still ongoing. I do not want you to catalogue the particular obstinacies of individual members, necessarily.

Mr SMITH — You do not want to hear them!

Mr PAKULA — Just a general explanation of why six months on, it is still going and when you expect everyone to have an office.

Mr SMITH — It is a reduced number now; as of yesterday one more was taken. There are multiple problems, in particular finding suitable offices in locations where members feel they want to reside. That has not always been possible. I will use one example: the office in Kilmore was vacated by an upper house member and we automatically put in a new upper house member, who really wanted to be elsewhere, in another country town. But we have an ongoing lease — a two-year lease — which we were not prepared to break and incur the losses. There is a commitment given to these individuals that whenever possible, when that lease runs out or when we are able to, given our budgetary constraints and whatever, relocate, we will. But there is significant cost not only in the relocation but refurbishment and the like.

In some cases where people have just decided, 'I have been here long enough; I want to move somewhere else', it is not always that easy and not possible, particularly if there have been a couple of refurbishments already in that office over a period of years and it is deemed to be of a standard that we accept — we are just not going to do it, because of priorities and other needs of other members. I am aware of, say, four in the upper house now who are either still looking — you may be surprised to know that some of the country location rental costs are in excess of metropolitan — —

Dr SYKES — They have seen you coming.

The CHAIR — Because it is such a great place to live, work and raise a family.

Mr SMITH — I am sorry to interrupt you.

Dr SYKES — Put it down to drought assistance, Mr President.

Mr SMITH — For instance, there is an office that was being looked at in, well reasonably close to the metropolitan area which was \$420 per square metre compared to \$500 in Collins Street. That is just not going to happen: we simply cannot spend that sort of money. Then it becomes a matter of looking for somewhere else. Then you have issues with landlords.

For instance, one in the eastern region, in the country, the landlord is an 86-year-old. With great respect to him, he is not going to incur significant costs in bringing his office up to a standard that we would require. There has been a lot of argy-bargy and debate and whatever, and it is the only one available in the town. We finally got there and as of yesterday it was agreed and certain things are going to happen there and we are happy but it did take quite some time.

We could have moved to another town but the member simply did not want to do that. This was their preference. It was not under a great deal of pressure because of an ability to work out of here — there are, I think, three currently working out of the Parliament who are waiting. Shepparton is proving to be quite difficult; the market is very tight there. My advice to anyone who wants to get into property investment is have a look at regional Victoria because commercial rates are extraordinarily high. But we are getting there.

There is one close in the metropolitan area, again where the member has a strong preference and therefore it is a bit harder to find something suitable. We incur something in the order of about \$100 000-plus for a refurbishment or fit-out. It is an issue that has brought a lot of pressure to bear on the department, on to individuals from members who in some cases are frustrated, others who are a little bit more laid-back. But we are getting there.

When you consider it has been six months, you think that is a long time but even as of yesterday when we signed up for that eastern region office, it will take another minimum of three months for everything to be done in terms of the legals, the fit-out and actually moving in. It is not easy, in particular with the changes to the constitution that resulted in much bigger areas and fewer members. We have juggled it and we are getting there.

Mr BARBER — I suppose my concerns are around the area of disability accessibility, obviously in relation to my own office because I made a commitment during the election that not only would I be disabled-accessible but across many of my portfolios and my two fellow Greens we deal with disability accessibility in every issue in every portfolio.

I had one specific question, that was that I asked to see the audit of compliance information for my own office and was told I could not have that. I do not know if that is correct and that is policy, but that means I cannot really demonstrate what level of accessibility I have achieved, which makes it hard for me to keep my commitment. Yes, I could have my own audit done but then that would create confusion between parliamentary services' view and my view in comparison and so forth. That is one question: is it correct that we cannot make public the results of the audit of compliance of our own offices? Secondly, what is our relationship with equal opportunity? Has there been a past ruling or finding or commitment or whatever that has set the benchmark we are now working to? That will do, those two.

The CHAIR — So you want clarification of the equal opportunity requirements in regard to disabilities?

Ms LINDELL — Mr Barber is quite right. There have been ongoing issues, and I suppose from a policy viewpoint the disability access is treated no differently from other issues around leases and where the Parliament tries to have a bit of distance between the member of Parliament and the landlord, so the lease is actually with the Parliament. The landlord should not go to the member and argue the toss over certain things. We try to actually protect both the Parliament and the member by having a bit of arm's length between the two.

In many instances with various things that come up around the leasing of properties — because, as you understand, the Parliament does not own the electorate offices; they are leased buildings — we do try to keep the distance, because it does make life much easier in the long run for the members and it does provide a level of consistency across all the electorate offices. Many landlords seem to be quite reluctant to undertake structural works around disability access. As far as they are concerned, they have an occupancy certificate that does not require them to carry out the works. Parliament has instituted a system whereby all new leases that are signed off do have disability access to the public areas, and I suppose in many senses it will be a continuum — as offices are refurbished and as new leases are entered into, there will be a requirement for landlords to do the required works.

I might hand over to Stephen to talk about the particular standards, because I understand there are various standards. My advice from the previous Speaker around our relationship with Equal Opportunity Commission Victoria is that it is a very strong one and that we do work quite cooperatively with them. We understand that not all our electorate offices have disabled access, but with advice and liaison — I suppose more with liaison — with the equal opportunity commission we have sort of mapped a way forward to address some of those issues. I will ask Stephen to give you the advice on the particular standards that we are working towards.

Dr O’KANE — I do not have a lot to add to what the Speaker said, except that we do follow all applicable standards and comply with the legislation. The Human Rights and Equal Opportunity Commission has an educative role, and it provides us with advice as to what the standards are that we should be following. However, there are a number of other complications that relate in particular to electorate offices. I guess you assume as a member that the issue of a building permit from a council which says that it complies with the equal opportunity legislation relating to disability would be sufficient. Often councils issue building permits to properties which in the past have not complied with disability access requirements. There is not a lot that Parliament can do about that except try to rectify the works that have actually happened for a particular location. We have insisted, as the Speaker said, on including disabled access and on making the landlord comply with that in all future leases, so it has already been done.

There are a number of other difficulties that are associated with disabled access, in particular because members seek to have their offices in certain areas. Sometimes the topography of the area and so on actually precludes easy disabled access to an office. In many cases I know members will offer to go and visit constituents or arrange another forum in which they can talk to them and meet their concerns. But wherever possible we insist on complying with all standards that relate to disabled access, and we receive regular advice from the Human Rights and Equal Opportunity Commission.

Mr BARBER — Can I just follow up with one question? My building is pretty good. In fact there is a disabled housing service upstairs in my building, so wheelchair access and toilets and so forth, it is pretty obvious it is all there. I am one of the lucky ones. But then there are a lot of issues around it — a lot of complications. I do not understand the area. I do not really know all the things that pop up — for example, there is a door into my foyer which would probably be hard for some people to open, and there is quite a high counter, which means you would not immediately see a person in a wheelchair come into my office. So that might be a simple thing that we could fix or it could be picked up in a later refurbishment or budget or whatever. I do not have a copy of the properly completed audit that I gather you have done on my office.

Dr O’KANE — We do detailed condition assessments on every office, and we incorporate those sorts of issues in the design of offices. It is not policy to give out that information, but I am very happy to have my electorate properties unit go and sit down with you, if there are particular concerns, and go through those. But we treat all members exactly the same. We do detailed condition assessments on each office, and we comply with all of our legislative requirements.

Mr BARBER — That was my point. I do not know what the remaining issues are, and I would like to be able to see how we could work through those.

Dr O’KANE — Yes. We are happy to enter into some dialogue with you about that.

The CHAIR — That would be great.

Mr SCOTT — I would like to ask a question regarding the upgrade of the wide area network to, I understand, 4 megabits per second. In terms of that upgrade is there any investigatory work that is being done looking at the potential that exists for the Parliament to explore things like voice-over-IP in order to save on communication costs? I know that is a path a number of private sector agencies and other governments around the world are going down, and 4 megabits would certainly provide that sort of pipe.

Dr O’KANE — The answer to your question is yes. We have particularly looked at that issue for 55 St Andrews Place. Yes, we have done the work. It is a matter of actually fitting that in with the funding requirements, obviously, but we intend to progress that further, and as we are funded for it we will progressively seek permission to implement that.

Mr SMITH — Constant improvement.

Ms LINDELL — Within the budget.

Mr RICH-PHILLIPS — I would like to ask the President about funding for select committees. You touched on it briefly in your presentation. Obviously there is one select committee established, and another is about to be established. Has funding been provided in the budget for select committees. You did mention TAs. Is there any baseline funding in the budget that could be available for select committees.

Mr SMITH — I will defer to the Clerk.

Mr TUNNECLIFFE — For some time the Legislative Council's budget has had an amount of \$25 000 for select committees. This has been the case now for probably the last 15 years or so. That is certainly the case in next year's budget. We have also, however, in acknowledgement I guess of the enhanced review capacity of the Legislative Council and acknowledging the fact that the Legislation Committee has now been enshrined in the standing orders, already established a new office in the department, an office of legislation and select committees, which comprises two staff who have already been appointed. They were appointed earlier this year in February and March. Their total salary costs are \$136 000, and at the moment those costs are being absorbed into the Council's budget.

However, looking ahead, we are looking at making application for a Treasurer's advance to cover salary costs and other costs incurred by select committees. This is, I guess, with the expectation that there will probably be at least one or two, possibly more, select committees operating at any one time throughout the remainder of the Parliament. So the Treasurer's advance would look at salary costs and other costs incurred by committees such as printing and advertising, travelling and use of consultants. It would also include additional Hansard resources that would be needed and other information technology and library research functions that might also be needed by committees.

Mr RICH-PHILLIPS — Did the Parliament seek any additional funding in the budget submission that went to Treasury as part of the budget preparation?

Mr TUNNECLIFFE — No. The matter was raised with Treasury and the advice we got from Treasury was that the best way to do it would be by way of Treasurer's advance.

Ms GRALEY — Speaker, Mr Pakula asked a question that was totally answered by the President of the Legislative Council around the transition program for his members. Would you like to comment on the transition program which is mentioned in budget paper 3, page 251, for the lower house members?

Ms LINDELL — Is this the transition to the new Parliament?

Ms GRALEY — Yes, from the 55th to the 56th.

Ms LINDELL — I suppose, in broad terms, parliamentary services has a budget that normally would refurbish a dozen officers in any financial year. A special ERC bid was put in because of the need, particularly for the upper house members, but also obviously some lower house members. We needed some extra resources to do an extra number of offices. There is an agreed list, and I think it was a million?

Dr O'KANE nodded.

Ms LINDELL — Over \$1 million we received so we did not fall into a huge lag of people being able to have their refurbishments done and new leases entered into. There is though, of course, an ongoing amount of money that will continue year on year for the refurbishment of offices. So I would think that at the end of this next financial year we will be in a position where the cycle will go back to the regular maintenance and refurbishment of offices. It is a very complex process, because just when you think that the system is in place and the offices will come up and be refurbished in an orderly sense, there will then be a redistribution and you will have another 40 members who need new offices.

This probably will not happen with the upper house again, but certainly the lower house — it is a very difficult process to get right so that offices are routinely, every eight years, refurbished because of just the changeover. Different members come and decide that no, they do not want to be in that suburb in their electorate; they want to be in a different suburb. It is a very difficult process to get into what I would consider a smooth refurbishment maintenance order. But certainly we should be able to proceed along a fairly smooth track for the moment. As you would be aware, some electorates are very difficult to find office accommodation — suitable office accommodation — for, and there have been a couple of members in the lower house who have struggled for quite a long time to find an office.

It is frustrating for the member; it is frustrating for parliamentary services as well. I suppose it is that constant improvement process that the President has been mentioning. But some members are quite happy in their office, and parliamentary services would not know that there was a problem. A new member comes in, and all of a sudden

there is a whole range of problems that get brought to its attention, and thus the need to move. So it really is, and I have always looked at it as a, 'Why can't this be so?', because I am fortunate that my electorate office has been an electorate office for about 20 years now.

So why can't it be that it is just on a regular refurbishment schedule? But when you compound it with 128 other offices, it just does not happen as smoothly as we would like it to. Increasingly, though, I think we are getting the processes and the system in place to address some of those issues.

Mr DALLA-RIVA — President, Speaker, I turn to BP3, page 256, in particular under 'quality', 'members, staff and officers satisfied or better with the services provided' — —

Mr PAKULA — That was my question.

Mr DALLA-RIVA — I have probably taken your question, Mr Pakula. I have probably got a light-hearted approach and a serious side to it, so if you would bear with me in terms of the context. I note that the output involves a range of issues that are outlined at the top. They may cross a great number of the areas that we have already discussed. Like Dr Sykes, I have been pretty lucky in terms of the support that I have had from staff, as many would know, in the previous Parliament and part of this Parliament in terms of the facilities that have been available. So I was quite surprised when I saw that the target and the expected outcome for the current financial year had actually dropped by 10 per cent, and in particular that the target was expected to be even lower than the actual in 2005–06.

On one side I am concerned that there is a dumbing-down of the expectations of the Parliament in terms of members, staff and officers satisfied or better with the services. That is the serious side. On the lighter side I guess in terms of health and fitness for members of Parliament, I am pleased that we have now finally got a gym in operation rather than the old gym that used to be up on the first or second floor — or wherever it was. I can say I am probably one of the very few who actually used it, and I can probably say the same thing about the current gym — I am one of the very few members, although there are parliamentary officers using it.

Dr SYKES — It is not doing a lot of good, mate!

Mr DALLA-RIVA — Yes. We will compare later, Dr Sykes. What I am suggesting is that on the serious side we have this intention of being seen in the community as models of society, as we are expected to be; yet on the other side, people say to me, 'What is it like coming into Parliament?', and I say, 'It reminds me of the police academy', and they say, 'What do you mean' — —

Mr SMITH — 1, 2, 3 or 4?

Ms GRALEY — 1, 2 or 3, yes.

Mr DALLA-RIVA — No. The real police academy — having been there. You could argue, President, that it could be 1, 2, 3 or 4. They say, 'Why is that?', and I say, 'The facilities are old and there is lots of legislation and everything that is served in the dining room has got chips', which reminds me of when I was at the police academy; everything had chips. I guess that is the humorous side in terms of the sense that we seem to have — and I hear it from members — about the quality of the food, and I am not casting aspersions on the people there, because I know they have new facilities and there has been a lot of money spent on that. But it seems to me that we have not progressed from getting new facilities to having a new attitude in terms of the provision of food, which in turn provides better health and fitness to the members who are here, and essentially we are here for long periods of time when Parliament is sitting.

So I was just wondering in terms of the performance audit, is the satisfaction declining because of certain areas, and have you identified those certain areas? And do they relate to particular issues such as the delivery of food? My view is that I think we need to have a review of the food provided, and to provide a better quality type of food. I guess it is a long-winded question but maybe some of you might get a bit of an understanding of where I am coming from, because my view is that with growing obesity in our community and members of Parliament needing to send the right signal when they attend or appear in audiences, that we need to actually start from where we are working from and extend that out into the broader community.

Mr SMITH — I agree with you absolutely, Mr Dalla-Riva.

Ms LINDELL — If I can answer the question seriously, when I look at this and see that, as you said, in 2005–06 the actual satisfaction was 83 per cent, and you would go down and look at 73 per cent, I suppose I looked at the target for 2007–08. The target for the coming year is back to 80, and that gives me some comfort, I suppose — at least we are not going to accept that going from 83 to 73 is actually something that we are just going to live with. So I look at the target of 80 and say, ‘I am glad that we are going to be trying to address it’. Why we got to 73, I have got no background on that. I would have to give that — —

Mr DALLA-RIVA — It would be interesting to get a breakdown of what it was. Was it Hansard? I doubt that would be the case. Was it — —

Ms LINDELL — Stephen O’Kane might be able to help.

Dr O’KANE — I need to give you a detailed response on that, but you need to unpack those numbers because they are an aggregate of a number of services, as you point out.

In the case of the dining room issue, the dining room facility was operating in very modified form whilst the kitchen works were being undertaken, so clearly there was going to be a drop-off in that area. It is now coming back up. We have got some business plans in place and some training for the staff, and we actually are reviewing that whole area at the moment. I think the staff are coping extremely well under really difficult circumstances.

There have been some modifications, with the incoming new group of MPs, to the menus and so on that are being offered, to pick up your point about health benefits. Again, it is a matter of the staff and the catering manager actually understanding the preferences of members in each Parliament, and that takes a little bit of time to do. But we are working on all of those things. But I am very happy to come back to you with a bit more of a detailed breakdown of what those numbers mean.

Mr DALLA-RIVA — I think we will just break for tea and unhealthy biscuits, shall we?

Mr SMITH — I just want to supplement that: it has taken us some time to get the House Committee established. The House Committee by and large will deal with, or can deal with, a lot of those particular issues and make recommendations particularly with regards to — that will happen, I think, now quite quickly. But I think your initial comments are quite valid in terms of public perception and, more importantly, healthy living eating style. It is consistent with the government’s policy of promoting ‘Life. Be in it’ and all that sort of stuff.

Mr DALLA-RIVA — It does. There is big policy in that, but it does not seem to reflect in the Parliament, in my view.

Mr SMITH — Could I make a quick comment?

The CHAIR — Certainly, President.

Mr SMITH — It is in response to the question from Mr Gordon Rich-Phillips asking whether an application was made in the budget for the select committees. The reality is we do not know, or did not know, how many committees and the like, so it is impossible — that is why the Treasurer’s advances are important.

Mr RICH-PHILLIPS — At that stage, when the submission was made, the gaming one had not been established?

Mr SMITH — We established a new select committee last week, and God knows if we do more; we do not know, so it is impossible to put in an application.

The CHAIR — And I am sure it is not a bottomless pit, either.

I asked this before, to try and reconcile a couple of those tables. Just to clarify my request, because I know the President pointed me to the operating statement in budget paper 4, but maybe in responding to my clarification between the various tables in the bill, in budget paper 3, also in your response to our questionnaire on output responsibilities, which is on page 1 of that, and also in table 2.11.1, the operating statement on page 128 of budget paper 4 — and I might add all of those have different figures. There are four different figures. Maybe you could attempt the impossible and try and reconcile them all, bearing in mind, of course, that you are not responsible for the Auditor-General’s figures? I know it is not easy. I do not understand it; I do not think anyone does.

Ms LINDELL — I am sure we can do it.

The CHAIR — Excellent. I would like to table, and have incorporated into the Hansard transcript, a letter I wrote yesterday to the Clerk regarding staffing arrangements for the Public Accounts and Estimates Committee secretariat.

See page 23.

The CHAIR — In that letter, on behalf of the committee, I wrote regarding staffing arrangements and noted the additional 360 000, which I think you referred to earlier, Speaker, and knowing that the Premier's view on this, particularly that PAEC has a different role and function to other parliamentary committees, we did note in the letter on behalf of the committee that there were a wide range of roles for the committee and asking for some additional staff and some action immediately as well as the longer term in terms of higher classification staff and additional staff, for which of course funding has been allocated as additional for the budget.

I am not necessarily asking the Speaker or the President for a response to that, but just saying that we are looking forward to a pretty constructive dialogue on this matter as we go forward, particularly since the executive has responded to our request for additional funding. I am just asking for a constructive dialogue on the future staffing arrangements.

Ms LINDELL — Certainly the additional funding of \$359 000 has been received through the budget, and it is obviously there to provide for additional inquiries and for additional staff and operational expenditure. It is being funded on an ongoing basis for the life of the 56th Parliament. I am sure that, as has been discussed before, the business case needs to be put, the inquiry budget needs to be put, and the money is there. I cannot see in the course of events that that will be much of a problem. The real problem, as you know, is the higher classification of the executive officer. That is a decision that is not within the presiding officers; it clearly sits with the Clerk of the Parliaments. As we have pointed out before, it has enormous ramifications for all staff in view of the independent review of the positions that was done in 2005. I will probably just leave it there. It is obviously something that can be discussed ad nauseam for four years if you so wish.

The CHAIR — We would like to continue to progress that, and we are happy to assist in making a case on the basis of the particular role and function, which we agree with the Premier is different to other committees, and that should have an impact in terms of the level and nature of the staff.

Mr SMITH — I think it is probably fair that I also make my views known on the particular matter. I think the Speaker has outlined quite eloquently some of the fears that we would have even though the direct responsibility resides with the relevant clerks in terms of committees, et cetera, but there are a lot of ramifications if there is a new standard set. I do not need to say any more than that, I do not think, or I do not want to at the moment.

The CHAIR — I will comment that I think there is a whole range in terms of HR arrangements within the Victorian public service and there are many different ways of dealing with it. I mean they are quite different from when I joined the Australian public service in 1974 and even when I left the Australian public service less than 10 years ago. I think it is very important that the parliamentary departments are very much in line with modern practice and develop increasing sort of flexibility and best practice and are benchmarked against what is clearly the best available in the public sector.

Ms LINDELL — Absolutely.

Mr DALLA-RIVA — It will eventually happen.

Ms LINDELL — Absolutely. And I would just like to agree with those comments, and that is certainly what the President and I are continually working towards, and a denial of a request does not mean that we do not support those very things.

Mr PURDEY — I would just like to say we agree with those sentiments as well. We have done some benchmarking. We are now the second-lowest paid clerks in all of Australia, and we cannot get our salaries adjusted. My deputy clerk and the deputy clerk of the Legislative Council are EO3, with their responsibilities and what-have-you, and you want to put an executive officer on here at the EO3, it is absolutely ridiculous. I will have

my staff resigning. I just want to make the point quite clear. I think the committee's request in relation to that matter is just over the top. What you need to do is you need to have an evaluation of the position and it goes on work value — not the amount of work but it goes on the level of responsibility. We had those positions evaluated, and they have come out at 6.1. That is where it sits. In my view — —

Mr DALLA-RIVA — And our committee is responsible for overseeing the budget, something in the — —

Mr PURDEY — That is right, but it is not the amount of work; it is the level of responsibility. It is the work value.

Mr DALLA-RIVA — I would have argued that we have a responsibility for overseeing a budget in excess of \$35 billion. If you do not see that as important, with the greatest respect — —

Mr PURDEY — I see it as important, but it is the way you evaluate the jobs.

Mr DALLA-RIVA — Then that is really not respectful to what the people of Victoria expect out of this committee. The Premier himself made that point in his presentation that he sees PAEC as a crucial committee in terms of overseeing the expenditure of public funds into Victoria. So I understand your concerns and comparatives, but I think to be fair you have got to take on board what the Premier said, and the Premier made that assertion, and I think it is a fair statement. I just find your comments fascinating.

Mr PURDEY — We evaluate the positions in relation to exactly the same process that is done in the public service. Our positions are evaluated in the same way. They have been evaluated, and they have come out at an appropriate level. That is what I am saying, and that is what I have said in a letter back to the committee.

Mr DALLA-RIVA — But you cannot have everything on the same.

Mr PURDEY — I am very surprised that the committee has come back to me again with the letter I got yesterday morning.

Mr DALLA-RIVA — Understand, this is a different committee and many of us have been on other committees.

Mr PURDEY — The committee has already written to me, and I have responded. Now I have got a further letter from the committee on the same basis.

Mr DALLA-RIVA — This is the problem: we have the legislation that changed the power for us to appoint — —

Ms LINDELL — No.

Mr DALLA-RIVA — I was led to believe we did have that power beforehand and now it has been taken away.

Ms LINDELL — Not to set salaries.

Mr SMITH — I think most people here voted for it.

Ms LINDELL — The committees have never had the power to set their own levels of remuneration.

The CHAIR — In terms of selection, though, there was a certain involvement.

Mr DALLA-RIVA — Selection, yes. It is a pity for Victoria, because there is no way of overseeing and having somebody who is going to be — —

Mr SMITH — With respect, that act went through both houses, and there was no opposition to it that I am aware of.

Mr DALLA-RIVA — I certainly spoke against it.

The CHAIR — Just to come back to the Clerk's comments, obviously there is disagreement between the Clerk and the committee in regard to the role and function and the work value of at least one of the positions. We would also argue the need for some of the researchers to be at a higher level, possibly 5.2. As I have noted before on behalf of the committee, we are quite happy to engage in a process of making a work value case.

Mr PURDEY — I am happy to look at it.

The CHAIR — The committee certainly agrees with the Premier that the role and function of the committee is somewhat different, and this of course goes to the point that the Clerk has made about the difference. Yes, there was a review — was it 2005, I think, Clerk? Clearly the committee disagrees with that and believes that there is a work value claim which can be made and can be made quite cogently in that regard. I would welcome a constructive exercise and from the point of view of the committee that this be done relatively soon in reviewing the work value case of the executive officer for PAEC and possibly also some senior research officers.

I understand what the Clerk is saying in terms of relativity, and indeed on behalf of the committee my own personal view was an EO3 would be appropriate, but we suggested then a 6.2 with a possible level of gratuity which could be negotiated in terms of the quality of the particular candidate coming forward for the position. We are quite happy to engage in a work value process. I do disagree to some extent with the Clerk that it is actually a volume of activity that it does actually do. It does have some impact. I mean, if you are supervising eight staff rather than two; if you are preparing 10 or 12 substantial reports a year and responsible for that, that is certainly a different order of magnitude than if you were preparing 2 or even 1 a year. Now I understand the work value in terms of a report may be the same, but certainly if you are preparing 10 or 12 of them a year it is actually quite different than just doing 1 or 2, and therefore that has to have some bearing in any sort of work assessment case, but yes also very much the issue is on the work value.

The committee would be happy to engage and I note the Clerk's references saying that a case has to be made. We are happy to work with the Clerk and we would like to do that relatively promptly in terms of looking at the work value case in respect of the executive officer and the possibility of, now that we have additional funding provided by the executive, perhaps one or two senior research officers.

Mr DALLA-RIVA — Chair, in respect of the comment that the Clerk made, you said that the structure is now the second-lowest comparative to the rest of Australia.

Mr PURDEY — Correct.

Mr DALLA-RIVA — Is there any chance that you can perhaps get that presented to the committee because I think that is important for us to make that assessment?

Dr O'KANE — In fact the whole of the senior staff of the Parliament have concerns about its relativity issues, and we do have concerns about that — the three department heads.

Mr DALLA-RIVA — I would like to see that.

Dr O'KANE — Haven't we opened up a can of worms here!

Mr TUNNECLIFFE — It has opened up a can of worms.

Mr DALLA-RIVA — Yes, because that probably argues some way to where you were saying before. It is important we understand that.

Mr PURDEY — We have got a ceiling here at the top and nothing more can go up any further because of that ceiling. But by the same token I come back to the point I made: we have had a comparison done — I mean, I am happy to look at a work value thing, but the way the assessments are done in the public service is basically on responsibilities, not on the amount of work people do. And that is the critical thing.

Ms LINDELL — And if we only had to look at the one salary for all members of Parliament, one salary for all ministers, to see that reflected at the top level. If you are a minister of the Crown, regardless of which portfolio you look after, or which portfolios you look after, your remuneration is the same.

Mr DALLA-RIVA — It is how you perform.

The CHAIR — Or not.

Ms LINDELL — Yes, let us leave it there.

The CHAIR — That is not necessarily the direct comparison.

Mr TUNNECLIFFE — Chair, could I just make a point before that?

The CHAIR — Certainly.

Mr TUNNECLIFFE — This does have very significant ramifications for the structure across the Parliament. It is fair to say that the salaries of staff of the Victorian Parliament now do not stack up very favourably at all compared with our counterparts elsewhere. As Ray Purdey said before, with the exception of the ACT Legislative Assembly, the Clerks are now the lowest-paid clerks in Australia. Two years ago we attempted to rectify the situation when we engaged a consultant — and this was at the invitation of the Acting Premier who had earlier refused to increase the executive salaries but invited us to have a comparative study undertaken. That was done, and the report was submitted, but unfortunately was ignored, so you can see we have this problem at the top.

The CHAIR — No, I understand that although I would judge myself that in respect of the executive officer of PAEC it does not necessarily have — if the work value case is proven — ramifications elsewhere from that particular position.

Mr TUNNECLIFFE — I think it does if you have a proper hierarchical system within the organisation. I think it does.

The CHAIR — I think you will find in the modern public service that hierarchies do not actually operate absolutely.

Dr O'KANE — There are a couple of other issues as well in relation to my department, Chair. When you were talking about researchers, and so on, the quality of the research that is undertaken by the parliamentary library is substantial; and whilst you mention this particular committee, it will have relativity issues across the organisation and that needs to be taken into account.

Mr SMITH — I just make a point that Mr Pakula will understand exactly what I am saying when I say it, that comparative wage justice is not a principle that is generally upheld in places like the arbitration commission, for instance, and every union official in this country would be very much aware of that. By that I mean if you want to argue that a steel worker in Victoria gets paid the same as a steel worker in Port Kembla, good luck!

Mr BARBER — I have a couple of quick questions that are probably related, so in the interests of speeding things up, I will ask those two.

The CHAIR — No, we have got some here.

Mr BARBER — No, that would be the end of my questions, that is what I am saying. So I will just flick these two out. The parliamentary press gallery, they tell me, was moved out on the basis of some repairs being done. Whether or not that is true: you cannot believe everything that the press tell you, but my question is:

Mr SMITH — I thought you were their advocate there for a minute.

Mr BARBER — The question is: is there any plan within the estimates period to bring them back into the Parliament, or has some sort of policy decision been made? Second question — kind of related — the broadcast of the audio of Parliament over the internet, streaming through broadband, I would have thought was pretty technically simple to do. I could probably rig something up based on the speaker in my office, but then I would be in breach of parliamentary broadcast guidelines! But I think I could do that in 20 minutes with the help of Tandy Electronics. I know there have been inquiries on opening up the Parliament, and I do not want to set up another one of those; I just wonder why couldn't you guys, almost at the executive level, just decide to stream this thing out on the internet for the benefit of all the public servants who want to follow debate on a particular policy area, who run in and out of these hearings and Parliament and so forth — for their information; members of the public checking up on how we are doing our jobs, either on a specific debate or just generally; and journalists, who do not happen to reside in that building and run back and forth but are in other major media outlets or even out in rural areas?

Ms LINDELL — I will take the media one, I suppose. I am not familiar with the background of why or when or how the media was moved from Parliament, but can I say I would have thought that they can come directly to the President and myself to argue their case, if in fact there is a case to be argued. That is the answer on that one.

The issues around the webcasting are around the quality of the end product and how the Parliament decides to move forward. My understanding is that we have a staged process that will require funding, if and when it becomes available, but also the continual upgrade — but I might get Stephen to answer. I can see Charles nodding in the gallery; not that I would ever acknowledge the gallery! I will hand the ball to Stephen on the technical bits of webcasting.

Dr O’KANE — That is absolutely the case. A lot of parliaments around Australia do broadcast proceedings. There was a SARC study on this topic. The government’s response to that topic was that the broadcasting of proceedings is not on the agenda and work would not be funded. The Parliament notes what is happening around other parliaments, but at this stage it is not proposing to do that. We do not have any money for it.

Mr SMITH — Can I just say that, in terms of the media and accessing and whatever, I am not aware that there are any issues relating to either their facilities or access or whatever. If there are, I am more than willing to discuss with them any of those issues. We see them as an integral part of the democratic process.

Mr BARBER — I think they have their own press gallery or club, or whatever you call it. I think that press gallery has a chair as well, so probably that would be the first person to come forward on behalf of all of them.

Ms LINDELL — That is my point.

Mr SMITH — It might be an opportune time for me to also mention too to this committee, which I think is quite relevant, we have already started the process of discussing with the leaders of the parties in the upper house and the PEG group about the issue of refurbishment of the Council, having seen the upgrades in other places et cetera. It is just not able to be argued that it is not due; it is. With regards to those issues of webcasting or whatever, you would see that whilst it may not happen immediately the provision would certainly be made for future technology at the very least. So we are very much aware of where we need to go, but there are a number of issues around it.

Mr PAKULA — I have got a question about the bells. There was an issue, I think, in March where a member of the upper house was in a room where the bells apparently did not ring. I know that in my office the bell buzzes rather than it ringing. You can hear it, but it is pretty faint and dull. So my question there is: how often are the bells in the building checked to ensure that they ring? On a more technical note, if our whips are on the ball we tend to get a page when there is a division coming. I am wonder whether, technology being what it is, there can be an automatic page when the bells are ringing — that that goes direct to the pager? It goes to the issue of mobility. There has been a case of where I have thought, ‘I’ll nick across the street to get something from the 7-Eleven’, but you do not because you do not know if the bells are going to ring.

Mr SMITH — Can I just say that there are some issues around that, and I have been caught myself.

Ms LINDELL — No!

Mr SMITH — I did not think it was that funny, actually — and nor did the leader!

The CHAIR — It would be a matter of timing, I think.

Mr SMITH — The fact is that the minister whose office we were meeting in had turned off the upper house bell, because it was not relevant to him, and we had no knowledge that it was actually going off. With regards to your particular bell being of low tone, or whatever, that is simply a matter of adjustment.

Mr TUNNECLIFFE — You can adjust them individually.

Mr PAKULA — Can you?

Mr SMITH — They are checked every morning, too. If it is an issue, then we simply have to talk to maintenance. But it is a valid point you make and there are a number of people who have been caught for a whole host of different reasons, and there are I think a couple of places in the Parliament where there is not a bell. In particular, it is not very helpful when someone turns it off on you.

Mr PAKULA — And this issue in particular of whether or not you can be automatically notified when the bells are ringing?

Ms LINDELL — The paging system is a responsibility of the individual parties — the individual whips. It is not a service that the Parliament offers or delivers and it will not be, so that really is a party communication. The Parliament system is that the bells ring. For bells to be turned down or to be turned off, a request is made of the Presiding Officer and approved by the Presiding Officer. Some people will get caught but they will get caught because they are in a room where someone has actually asked for the bells to be turned off or turned down, or whatever.

Ms MUNT — I would like to have a little bit of a whinge, too.

The CHAIR — We need some bouquets as well.

Ms MUNT — I would like to ask a question about service for members. I understand the difficulties of having a 21st century service in a 150-year-old building. There are challenges all around that, but we are trying to work in a very old building and provide that service in sometimes pretty basic conditions ourselves in our offices. I would just like to point out that when 55 St Andrews opens up and we go and visit, we will be dazzled by all the stuff in there and then walk back to our chookhouse office and think, ‘Well, what about us?’. Are there any plans or any thoughts for putting in place some sort of upgrade or services for the actual members of Parliament while we work in here, because sometimes it can be a challenge?

Ms LINDELL — I think you have highlighted that the move to 55 St Andrews Place will allow the opportunity to have a look at what happens within the Parliament. The discussions at this stage are initial, but the President and I are fully committed to having a process whereby facilities, particularly office facilities and furniture and the provision of services to members while they are in the Parliament, are improved. Of course it will always be dictated by budget concerns and the limitations that we have on the budget, but I think we do have now an opportunity to plot a way forward. If we can get buy-in from all concerned, then a fairly smooth process can be embarked upon.

Dr SYKES — Just a further clarification on the pagers, you said it is a party responsibility, management of pagers. But from an in-principle point of view if the parties sought to have the pagers connected to the bells system, are there any issues from the Parliament in allowing that to happen?

Mr PAKULA — And could it be done technically?

The CHAIR — Probably next you will want electronic voting from your office.

Ms LINDELL — The answer is it is technically not possible. They are actually on the emergency services network so it is just not possible.

The CHAIR — Are there any plans to upgrade the whole bells system in the next couple of years? I know I used to be up on the third floor and it was terrible. There are often real problems with volume — it is too loud or too soft.

Dr O’KANE — It has not been raised as a specific issue for capital item. My understanding is that — I was intrigued by the question before — the tone of the bells is exactly the same. I am not sure that you do not, you know — —

The CHAIR — It is not so much the tone of the bells, it is also the way you get the proceedings in your rooms. It is both things. We had a lot of problems on the third floor, for example, the last couple of years.

Dr O’KANE — I am happy to look at the issue. Maybe it is an issue, if it is a concern to members, that could be raised during the House Committee process and we could follow it up.

Ms GRALEY — In light of the environmental challenges that are facing all of us, as a driver of, I think, one of four Priuses in the Parliament I was wondering if there are any plans to extend the fleet or maybe, like some people are doing in our community, joining plans like Greenfleet to offset carbon emissions. Is that something that the Parliament is thinking about or encouraging?

Ms LINDELL — The motor vehicles that are offered on the members of Parliament motor vehicle plan are approved by the minister for finance, so I really cannot comment on that. I would have thought that the Greenfleet issue is something that would fall into the environment management system — another one of those decisions that will need to be made based on an overall strategy of where we get the best outcome overall for the Parliament. But I absolutely agree, I would love to see —

The CHAIR — So you have got it as part of your environmental management review, have you?

Ms LINDELL — Every aspect of what we do here at the Parliament will be covered by the environment management system. I have also asked for it to have a look at what we can do with electorate offices, although I think that is a challenge that is absolutely enormous so if we can at least look at what we do at Parliament. I would have thought that the idea of offsets for our air travel, offsets for our motor vehicle travel — all of those things have to be considered in the context of the environment management system, absolutely.

The CHAIR — I know we tried a couple of years ago in our electorate offices to move over to green power but, as the President has noted before, they are actually leased and, of course, at that stage the green sort of discounts or whatever — plans — were not available for business premises and we were classified as business premises. I welcome that.

Ms LINDELL — I think with the change in the budget, with the utilities part of the electorate office budget coming back in to be paid by parliamentary services, I would think that is something we can look at again to ensure that we get the best outcome for the environment and for the Parliament.

Mr SMITH — I will just make a quick point in terms of the Prius. I was not aware that it was only four people who have actually taken them up but that is surely voluntary at the moment — anyone can select one if they wish. I am aware that Toyota may actually be developing a Camry hybrid, which I would have thought might be a lot more attractive to an increased number of people, et cetera.

Ms GRALEY — Some of the bigger families.

The CHAIR — You have to wait until the lease runs out.

Mr SMITH — Yes, of course.

Dr O'KANE — The fleet management for this is run by VicFleet and not by Parliament, and I would be very surprised if VicFleet were not looking at that issue.

The CHAIR — It has to, because I think up to 150 as a minimum have to be done now by VicFleet.

Dr O'KANE — That is right. It does the vehicle management for the public sector generally. Parliamentary services is really the conduit between VicFleet and the members.

Mr RICH-PHILLIPS — Just a quick question on committee staffing, looking at the department's submission to this committee. It is a joint question, because it covers both Council committees and Assembly committees. I am just wondering if you can outline the reasons for the decline in senior staff in the committees. Just looking at the table on page 5 of the submission for the year ended June 2006, there were 31 what you could class as senior staff, grades 5 and 6, in the committees and 16.6 junior staff, being grades 2 and 3; but for the financial year ending June 2007 the number of senior staff has declined to 23 and junior staff — again grades 2 and 3 — have increased to 19. I am just wondering what the reason is for that decline in the senior staff.

Mr SMITH — I understand that has been impacted on by the changes to the actual committees, relocation to 55 St Andrews Place and a number of people having their status changed — executive officers, for instance — from a Parliament-by-Parliament contract to a permanent arrangement for employment, which caused some issues that actually ended up in the arbitration commission. There was a requirement to provide some flexibility to the structure on their behalf, and in return they would get permanency. Some decided to take the option of redundancy

and to leave; it suited them, and there was no requirement at all, et cetera. I think that has probably had some impact on those figures. But I just wanted to stress that both the Speaker and myself felt some empathy with the staff of all the committees with regard to their employment status being elected from one Parliament to another, which was inconsistent with our personal views about how people should be employed.

I heard Mr Dalla-Riva earlier in the day refer to his concerns about committees not having the ability to select. Let me tell you I was more unhappy about committees having the ability to fire, particularly on a personality basis — for instance, when people had to have their contracts re-engaged the committee would have them waiting outside to be brought in for an interview, et cetera and told whether they would be working for the next four years or not. We were very concerned about that and unhappy about that. We changed that system, and their employment status now is permanent and, as I said, in exchange for that — or not in exchange but as part of the negotiations — they provided X amount of flexibility. Some raised some concerns about what that meant for them — ‘Oh, would I have to go off and work with another committee?’. The answer was, ‘Well, yes, you would. When this committee has nothing to do and other committees are overburdened with taking two or three inquiries, you may be required in your capacity to work somewhere else’. That was not too arduous, we did not think. But some, as I say, exercised their options and took the redundancy. I think that has had some impact. Stephen may be able to outline any other reasons we have had reduced numbers or a reduction.

Mr TUNNECLIFFE — I think the main reason is, if you look at the comparative figures for grade 5, that is where the main difference is — from 17 last year to 11 this year. The grade 5 staff are the committee research staff, and the numbers vary considerably from time to time, depending on the level of activity across the committees. The figure for 30 June 2006 is the actual figure, whereas the figure for 30 June 2007 is an estimated figure. You may well find that by the time we have finished the recruiting process, the figure of 11 may in fact be more. I think that is the way it can be explained.

Mr RICH-PHILLIPS — Though your estimate for 2008 remains at 11.

Mr TUNNECLIFFE — I guess it is crystal-ball gazing at the moment. Research staff have traditionally been employed on a short-term basis, say, for 12 months or two years, and some have been engaged on a parliamentary term basis, so it has varied considerably from one year to another.

Mr RICH-PHILLIPS — The category 6 staff declined from 14 to 12. I assume from the President’s response they are executive officer staff.

Mr TUNNECLIFFE — They would be executive officer staff, yes.

Mr SMITH — I think I got it right.

Mr TUNNECLIFFE — I think there were two.

Mr RICH-PHILLIPS — You indicated, if I understood correctly, in some of these staff gaining permanent employment the trade-off was a lowering of their classifications; is that correct?

Mr SMITH — No, not at all. There was no loss at all. It was simply a matter of agreeing to flexibility. In other words, when there was a need in another committee and they had, for want of a better term, no work to do, they could be utilised in their capacity to do the sort of work that they do elsewhere. There was certainly no loss.

Mr RICH-PHILLIPS — So there was no loss of classification?

Mr SMITH — None at all.

Mr TUNNECLIFFE — Classifications have remained the same.

The CHAIR — In regard to that table I notice you have kept the same figures for 2008. Given the extra funding for the Public Accounts and Estimates Committee you would be looking to increase the estimated number of staff for 30 June 2008.

Mr SCOTT — Further to the upgrade of the wide area network I just wondered in the light of that if there was any investigation — I know last term there was a bit — but has there been any further investigation of the

possible provision of mobile broadband to the laptops for members of Parliament in terms of members are often working on the road and travelling.

Dr O’KANE — There has been some investigation of that. I will need to come back to you with that.

The CHAIR — I would like to thank you on behalf of Dr Sykes and myself for the action you are taking regard to hearing loops and assistance for those who are hearing impaired. That has proved very valuable for people like us. I understand also that at 55 St Andrews Place in the new committee rooms you will have these facilities, which is very good.

I also commend the presiding officers and their staff for answering question 9 in the Public Accounts and Estimates Committee questionnaire. Yours is the only department that managed to answer that question fully, and I very much appreciate that. We have asked other departments if they could try to answer this fully in their own rights as well.

That concludes the consideration of budget estimates for the parliamentary departments. I thank the presiding officers, the clerks and departmental officers for their attendance today. It has been a very comprehensive session. I am not sure we had any questions on notice — there were one or two right at the beginning. The committee will follow them up with you in writing, and maybe you can look at the Hansard transcript yourselves. We ask that written responses to those matters be provided within 30 days. They will be considered then for a further report from this committee to Parliament. Thank you very much.

Witnesses withdrew.



Public
Accounts and
Estimates
Committee

10 May 2007

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COPY

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Dear Mr Purdey

At the request of the Committee I am writing in regard to the staffing arrangements for the Public Accounts and Estimates Committee secretariat, and in doing so refer to the correspondence from the Speaker dated 22 March 2007, whereby she states I am to direct further correspondence on this matter to you. I also refer to your recent email on this matter which was tabled at the Committee's meeting.

You will be aware that the government is publicly committed to a strong parliamentary democracy, together with a robust committee system. In relation to the PAEC, the committee notes the Premier recognises the intensive workload of the PAEC and the crucial role it plays in terms of accountability to the Parliament. He reinforced this view in his testimony at the Estimates hearings where he announced additional funding of \$360,000 a year for PAEC. He also noted:

...PAEC has a different role and function to other joint parliamentary committees. It is a different function. It ranges over the whole of government. It has an estimates hearing in which ministers make submissions, and it can call in government departments for those submissions as well. (Transcript, 3 May 2007, p.34)

The Leader of the House in the Legislative Assembly has also acknowledged that the committee (along with SARC) is 'the most important, highest profile and most strategic of the parliamentary committees'. Legislation has recently passed that raises the status of Public Accounts and Estimates Committee.

The Committee supports the view of the Premier that PAEC has responsibilities that both differ from and substantially exceed those of other Committees. It is unique among the Parliamentary Committees in that it has a special role to play in regard to the Auditor General and the VAGO work program. It conducts open hearings on the estimates with the Premier and every Minister. It is also able to initiate inquiries into any matter reported to Parliament. In addition to its unique role and function, its workload far exceeds that of any other committee.

In considering the role the Committee undertakes on behalf of the Parliament, a number of matters are pertinent to the urgent appointment of staff to the PAEC secretariat, including:

- the committee's specific immediate responsibilities in relation to the office of the Auditor-General including
 - the review of the draft annual plan and budget;
 - the triennial performance audit of the Victorian Auditor-General's Office
 - the annual financial audit of the Victorian Auditor-General's Office
- the management of the inquiry into the 2007-08 budget estimates — with a state budget of over \$27 billion;
- the management of the inquiry into the options for the next phase of strengthening government and parliamentary accountability in Victoria;
- the management of the inquiry into trustee arrangements for governing the parliamentary contributory superannuation fund;
- the management of an inquiry into the Auditor-General's reports between July 2006 and February 2007;
- the annual review of accounts and outcomes;
- possible additional inquiries from the Committee; and
- the supervision of staff and contractors.

As a consequence, and in consideration of the above, the Committee unanimously agreed that I write to you, requesting:

- an officer be immediately assigned to the role of Executive Officer, Public Accounts and Estimates Committee, as an interim measure until the current recruitment and selection process is completed (including your reconsideration of the level of the position);
- two of the Research Officer positions recently advertised be immediately allocated to Public Accounts and Estimates Committee;
- some part-time research officer positions be created.

The Committee also remains of the view that the Executive Officer for PAEC should be classified at a higher level than what you have proposed. While I believe that the role merits an EO3 position and that this would be supported by Treasury and Finance, the Committee has recommended to you that an appointment at the VPS6-2 level with a gratuity might be sufficient to ensure an appropriately suitable appointment. The Committee would appreciate your reconsideration of this matter and as Chair I would be happy to assist in developing a case for the reclassification of the position.

I also note the announcement of the Premier at the estimates hearings that PAEC has been allocated an additional \$360,000 a year in recognition of its role and to provide for higher level and additional staff.

I would appreciate your prompt response.

Yours sincerely



Mr Bob Stensholt, MP
Chair

CHAPTER 3: DEPARTMENT OF EDUCATION

Transcript of Evidence

3.9 Education portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 9 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr J. Lenders, Minister for Education;
Dr P. Dawkins, secretary;
Ms K. Henderson, deputy secretary, policy, planning and evaluation; and
Mr J. Rosewarne, deputy secretary, resources and infrastructure, Department of Education.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the budget estimates for the education portfolio. On behalf of the committee I welcome John Lenders, Minister for Education, and from the Department of Education Dr Peter Dawkins, Secretary, Department of Education; Ms Katherine Henderson, deputy secretary, policy, planning and evaluation; and Mr Jeff Rosewarne, deputy secretary, resources and infrastructure. 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's proceedings and that 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. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript, and the committee requests that verifications be forwarded to the committee within two working days of receiving the proof version.

In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website. Following the 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 presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the education portfolio.

Mr LENDERS — Thank you, Chair. I am delighted to make a presentation and take questions. I think the Public Accounts and Estimates Committee is one of the strengths of accountability in the Bracks government, so it gives me great joy to be here today, although I am a bit puzzled that we are using Legislative Assembly procedure for questions rather than Legislative Council, but —

The CHAIR — We do not have supplementary questions, Minister.

Mr LENDERS — But I will let that go through to the keeper.

Mr BARBER — We won't.

Mr LENDERS — Thank you, Mr Barber. We have some solidarity among MLCs here. There are only 4 out of 10 on the committee, so I guess I will acknowledge defeat.

Overheads shown.

Mr LENDERS — The presentation on the portfolio of education is now coming up on the slides. As members will have noted from the budget, there is a lot of money for education coming up, and that is because it is the government's no. 1 priority. Firstly, we will go through key achievements, our vision for education and then we will also go through the budget highlights themselves.

I think it is worth reflecting on the achievements. We have now been in government for seven and a half years, and we have come from a position which we thought was inadequate to one where we have invested an enormous amount. There is a lot more to be done, and the achievements are worth reflecting on.

Firstly, I will talk a lot about the blueprint today. It was one of the, I think, absolute highlights of Lynne Kosky's tenure in the portfolio, the work she did with the department, that she has left a legacy of the blueprint, which is a living document that is looked at and read in all 1594 government schools in Victoria. It is one that is looked at, although not obligatory, for the 702 non-government schools, and it is a document that across the rest of the country is frequently looked at as a benchmark for what good educational practice is. That is the thing that is up front for where we are in Victoria. That is a key achievement.

For members who have not seen it, I might ask if we can circulate copies of the blueprint, either for use during this committee or afterwards for members to look at. If there is ever any doubt as to the direction of education in Victoria, the blueprint is something that people should use as a reference.

The second point I will touch on with the key achievements is there are more students in the P-2 reading at expected levels. Again, if we are talking of absolutely fundamentals in education and where we came to in the lead-up to entering government in 1999, we focused on that the early years were critical, that the whole P-2 was an absolute vital start to where you go in education, and we can with some pride look at where we are travelling on that. But in all these areas there is still more to be done.

Record low class sizes — MLCs will know this has been an area of some discussion across the chamber, but it is an area that is unequivocally there. If we are looking again to the P-2, to the starting years of education and the most critical years, we have now got our average class sizes down below 21, and that is 3.1 less on average than when we came to government. Again, there is an investment in extra staff, extra resources in schools, and that is just one indication of it.

Also to students performing at or above the national average in literacy and numeracy — again, I will give more information on it as we go through — and Victoria plays a lead role nationally. They are key achievements and I think we need to put them into the context as we go forward as to the budget estimates.

The blueprint is there. I touched on the blueprint before, but the seven flagship strategies in there are ones that I think everybody should be absolutely aware of. I will touch on some of them during the presentation. Effective teachers, effective leaders, effective schools — the three of those roll off the tongue very easily, but they are absolutely essential if we are to bring forward opportunities for our students and our society as we go forward. The flagships are there, and there are things that are fundamental. This might sound like rhetoric on my part, but until the blueprint came out, often if you were a teacher in a school in Victoria and you were trying to work out what was best practice, we as a state, we as a system, did not necessarily offer advice.

With the flagship we have said, 'This is a good model of teaching. This is a good model of learning. You are autonomous. Within the Victorian essential learning standards, you make local decisions of your own'. But we have the courage of our convictions to actually say what we think is good practice in teaching and learning amongst other things and offer them to our schools. They are important aspects that are in the blueprint.

Moving on, we are seeing better reading results coming through. We have a whole lot of measures and a whole lot of testing constantly going on now in our schools. There is different testing at levels 3, 5, 7 and now 9. I was in a few schools yesterday and they were actually conducting some of the year 9 tests that were going on. So we are seeing that and we are actually seeing better results coming out of reading. In the junior years on the slide we see the plot of the years of prep, year 1 and year 2. I think the graph speaks for itself, but there is always more to be done.

I mentioned before the smaller classes. This graph shows exactly that statistic: class sizes have come down in Victoria in the last seven and a half years. That is something that every school has noticed.

We will move on to the slide 'Literacy and numeracy performance at or above the national average'. This graph plots that. It plots the results of reading and writing for years 3 and 5. Last year at PAEC — and I read the transcript — Mr Baxter, who is sadly no longer with us, had quite an interchange with my predecessor on this matter. If there are any questions about this graph, which is quite a technical matter, Dr Dawkins would be delighted to take the technical questions. But in regard to the issue of what the graphs actually show, again there is more to be done. But in all of those areas, Victoria is now performing best in Australia. Again we have eight jurisdictions to compare ourselves with. In most instances we are the best or near the top. That is again something that we can take pride in, but there is more to be done.

But we are not just talking about Australia. We also have some figures on the slide about our international performance in literacy and numeracy. Without going through this at great length, there are some countries that everybody looks at as leaders — Finland is clearly one of those. But however we look at these figures, Victoria — and Australia, but I am more obviously focused on Victoria — is continually in the band. You could probably on five digits of one hand, in most of these measures, Victoria is up near the top of all of those. I think that is important to reflect on because my federal colleague Julie Bishop quite often likes to focus on the negative, on talking down the system. Let us have a robust debate about the system; no-one is fearful about that. But we need to also be looking at where we are. If we look at those figures, the OECD average of those figures in regard to the PISA testing — or where like, for example, the United States is, which has to be at the lead of the world in innovation and a range of other areas — we are performing better than the United States. We need to keep a perspective on

this because if we do not, all we will just talk ourselves down. That is the last thing that we want to do for our next generation.

Mr WELLS — Do you have the other states on the graph?

Mr LENDERS — Can we just go back to that graph?

Mr WELLS — The others would be interesting.

Mr LENDERS — We do not have them, Mr Wells, on the graph there, but essentially we can certainly get that information quite easily for you and take it on notice. The one thing noting on most of these things is the one area, the one jurisdiction, that tends to do that better than us, but it depends on the measure, is the ACT. Part of that is of, course, firstly, the demographic of the ACT is very different, and secondly, one of those great inequities — and I am not here as the Minister for Finance, I am an ex-finance minister — is, and we can never forget the trauma to Victoria, how much our GST money goes outside our jurisdiction, and particularly to a section of a middle class city —

Mr WELLS — But if you have agreements from the Labor states you would be able to have that result.

Mr LENDERS — It is an inequity of it going to the ACT and Queensland, but no, the ACT is really the only jurisdiction that, in a sense, matches us on these areas and there are good reasons for that.

The next slide, and again I will ask if we can circulate copies of the slides, and I will not spend much time on it now, but there is a document called *The Future of Schooling in Australia*. Now again, I have talked about the blueprint in Victoria and the critical nature of it to us. Again there has been an incredibly long and torturous debate over the last year on education in Australia. My federal colleague — it is quite interesting — has quadrupled the size of the bureaucracy of education to now more than 700 public servants. So they sit there in Canberra, and they do not educate a single child in Australia. There are almost 10 000 schools in this country, and none of them are run by the commonwealth government. As my MLC colleagues would know, I periodically refer to Ms Bishop's bunker as Canberra as Moscow on the Molonglo, because there is far more regulation coming out of Canberra than probably anything since the former Soviet Union. She has her Moscow on the Molonglo. There is a lot of regulation and restriction in schools.

Whereas this is a collaborative document by all eight state and territory jurisdictions as to where we see the future of schools in Australia. It proposes seven areas for work and 12 actions. The significance of this is that it is a collaborative approach among the eight jurisdictions that actually administer schools. It works very closely with the Catholic system and the independent system, so between us, the stakeholders who we have been trying to get to commit to a single document here, it is actually the people who run the almost 10 000 schools in Australia and it is a reiteration that collaborative federalism is the way forward, much like the work done in 1999 — the Adelaide declaration — where all governments of all political persuasions signed up to the same vision.

Moving forward, speaking of vision — a good segue — there is a vision for education in Victoria. I am conscious, Chair, that the time is running out here, but we talk of a modern, responsive curriculum, leading the world in areas, access to latest technology, which my colleague Jacinta Allan would have talked about, and genuine choice for students and families.

School and community partnerships is a very strong area here, and I will try and touch on that if I get any questions on the area. Reducing red tape — I had a go at Moscow on the Molonglo, which I will continue to do while there is breath in my body. One of the things we have done and one of the benchmarks here is that we have reduced red tape for our 1594 government schools and our 702 non-government schools in this state, and we will continue to work on that.

The budget provided a 900 million commitment to education. It is our no. 1 priority — 555 in assets, 349 in outputs. We see as we go through the nature of the problem on a rebuild. There is a graph that will come up here which simply shows the age of our schooling stock. Again I would be happy to take questions on that. It shows what the problem is and the building profile of our schools.

Moving through again, that was a slide on how much we have spent, the age of the schools, budget highlights, which I am sure members will ask me about.

In conclusion, essentially it is a huge commitment — \$904 million over four years extra into education. It is our no. 1 priority. If we get this right, we will change the face of the state, change the face of the nation. Education is a gift that lasts a lifetime and is one that is critical for us to invest in well. Chair, I welcome any questions.

The CHAIR — Thank you, Minister. I am sure each of us will have questions. My first question relates to productivity. I must admit I think it is very important because we need productivity here in Victoria and in Australia. I am disappointed that the federal budget did not seem to do enough. It did something, but not enough.

I would like to hear from the minister: what is the impact you see of the portfolio spend on productivity here in Victoria and particularly in terms of your new initiatives?

Mr LENDERS — Productivity is something we absolutely focus on. When I entered the workforce there were five people in the workforce for every person in retirement. When I leave the workforce — and hopefully at a time of my own choosing — there will be three people in the workforce for every person in retirement. Clearly productivity is an issue that we have to address or else the society we have just will not go. The innovative initiatives of the Hawke-Keating government on superannuation started that, but for us obviously the whole human capital aspect of what our society is — and the people coming out of our schooling system are a critical part of that productivity — is a big thing. It is certainly something the Premier has spent a lot of work and initiative in trying to get a national view on human capital and on the future of schooling in Australia we touch on a lot of the human capital issues. But essentially here there are two aspects of this. If we are talking of the capital component — the 555 million in capital — it is an investment in our schooling system. There are 131 government schools that will receive in this financial year coming either rebuilds or modernisations or totally new schools being built.

Building schools in itself is only part of it, but it is the educational opportunity you have with new classrooms. I was in Trafalgar and Neerim South yesterday at two schools. They were those classic light timber construction schools of the 60s, built for a 25-year period. It is a long time since the 60s. It is more than 25 years, and teaching in that environment is more difficult. The whole idea of breakaway groups and the whole idea of technology are not there, so firstly in productivity we can teach better, by better schools and better facilities.

The second area — and the IT again that Jacinta Allan would have talked about, the ultranet, is an integral part of that — is the 249 million we have invested in outputs in recurrent. This covers a whole range of areas, but fundamentally it is to improve the art of teaching and learning. Fundamentally it is best practice to get that information out — whether it be professional development or whether it be leadership in schools, whether it be best practice. All of those contribute to better productivity.

And again the work done by the Productivity Commission, the work done by the Victorian government as part of the whole human capital venture shows that there is an extraordinarily strong correlation with the time spent in schooling and time people remain in the workforce and productivity. The correlation is very strong, and this investment in our education will probably do more to deal with that earlier statistic I had where there will be three people in the workforce for every retiree by the time I leave the workforce. That productivity will continue to let us be a first-world, growing economy with the quality lifestyle that comes from it.

Mr RICH-PHILLIPS — Minister, I would like to ask you about school maintenance which is an area you did not touch on in your presentation. Last year some information was given to the committee and subsequent follow-up in FOIs revealed that as at June 2006 there was \$268 million backlog school maintenance, and the details are contained in that FOI document. Can you tell the committee please what the current estimate is for backlog school maintenance and how much funding has been provided in this budget to address that issue?

Mr LENDERS — A couple of things — firstly, the Auditor-General in his report identified a figure of backlog of school maintenance which from memory was in the order of 300 million, which he identified. But a couple of things I will say. In this budget particularly — and I will stand corrected on the figures — but the school resource package deals with about a base of 32 or 34 million in maintenance which goes out to schools, and that averages at more than \$20 000 for every government school. Secondly, there is a \$7 million top up for urgent maintenance in there, and in addition there is 10 million in this year's budget for extra maintenance in schools. So that is one part of it. How schools manage this — I mean, how long is a piece of string? You could spend every bit of maintenance on schools, or you could ask, what is the basic level and what do we need to do? So we have a balance in the student resource package to schools which deals with that.

But secondly, and more profoundly, this government is spending \$1.9 billion over this four years to rebuild or modernise 500 schools in the state. So the critical maintenance backlogs, the critical areas will be addressed by that, or will be more effectively addressed than they have been at any time. If we put it into a historical context, that is a 75 per cent increase on an annual basis over the last few years; and it is also a sixfold increase on capital expenditure — or almost a sixfold increase on capital expenditure — on schools than from what we inherited from the Kennett government in 1999.

So if we are talking about reducing the core reason for maintenance, the capital investment will go towards that considerably, but secondly, it is part of the student resource package that schools make choices on maintenance themselves. Plus there has been last year in the budget, this year in the budget, various amounts that come forward. Also there has been a 50 million one-off. There is a range of these things. So we are very conscious of maintenance, but I think the core addressing of maintenance that we are doing — as I mentioned before the examples of Trafalgar and Neerim from yesterday, schools built in the 1960s, 25 years, light timber construction, those schools being replaced or modernised will do more to reduce maintenance need than any other recurrent expenditure that is available.

Mr RICH-PHILLIPS — I am sure as a former finance minister you would appreciate the difference between accounting for maintenance and capital works. That money through the student resource package, the \$34 million and the other 7 million and the 10 million, is that annually over the period of the appropriation?

Mr LENDERS — I think, Mr Rich Phillips, firstly, as a former finance minister I would certainly be aware that you cannot separate capital from maintenance. One of the flaws of all governments in the history of this state — I am the 55th education minister in this state, and I imagine most of my predecessors had the problem where you separated capital from maintenance. You had this short-sighted view that if you bring the capital down as low as you can so you can build more and do not take account of maintenance and a long life, you have a short-term saving in the year of the budget but your long-term costs to government and to the community are higher. So I am acutely aware of the link between capital and maintenance. I think you cannot simply separate them. I think one of the restructures that Professor Dawkins has brought in as part of the department is to bring the whole capital and maintenance under the one area of the department so there is a greater synergy.

One of the great strengths of public-private partnerships — we are not doing public-private partnerships in education, but one of the learnings from public-private partnerships is that if you link capital and maintenance together the whole-of-life cost of a project is far less than when you separate the two. We have brought them together, so I have absolute confidence that structurally we will do more to deal with maintenance in education than probably any government before us in this state.

Mr RICH-PHILLIPS — Minister, on the issue of the student resource package. that is ongoing? that is an annual figure?

Mr LENDERS — Yes.

Ms MUNT — Minister, while I was on the parliamentary committee for education we learnt how important professional development and leadership training is for our teachers and principals in the outcomes for students. Under the blueprint this is mentioned. I was wondering if you could please tell us what the government is going to do to improve those leadership and professional development opportunities.

Mr LENDERS — Thank you for the question. This is a critical area under the blueprint leadership in schools. Again, if you have a philosophy; if you are sitting in your ivory tower on the Molonglo and you make edicts for the whole country — much like Victor Chernenko used to do in the Soviet Union, and he was probably the last person pre-glasnost who had this view — but if you sit there and make edicts about the world and do not actually do anything about delivering it, then not a lot happens. What the blueprint has identified is that if we want change, if we want a culture of performance change, if we want a culture of leadership and we want to take education forward, then you have to invest in school leaders; you absolutely have to invest in them. So the first point, I guess Ms Munt, is that you have to identify that that is an important strategy, which we have done as a state. Secondly, it is no good just to identify the strategy; you actually have to deliver what you can to assist those principals.

What we have done is a range of things. One is taking principals out of schools, whether it be either learning from their peers or from other jurisdictions, other places. It is a great investment that the state has made to take a number

of principals out, and I can get the actual figures for that. We have taken principals out of schools to learn best practice and then go back into schools. We have also had teachers professional leave, and since its inception in 2004 more than 2000 teachers have gone out for advanced professional leave to actually learn best practice. In this year alone 600 or 700 will do that. So the culture of performance and learning is very critical, but the leadership and professional development are of great importance to us.

So what we see in school after school is that principals either go out for the practice or aspiring principals go out. One of the great joys of my role was to preside over a graduation a few weeks ago in the department, of aspiring principals who had responded to a government initiative where they could do a two-year masters of educational leadership — I think that is the course. They have gone out, and there are some amazing people who have an incredible faith in the education system; they have a commitment to it. There is a ticker there; there is a passion. They want to make the world a better place. In addition to their normal duties they go out and do a masters. A lot of these people are at that time of their lives where they are soaring in their careers, they have got life-work balance issues, and yet they make the time because they believe in education. So we have been helping with that by assisting with the masters course, so that they come back and we have this whole group of future leaders coming through our schools to draw on. So it is a range of those initiatives that together mean we will continue to have those people with a passion for education who want to give.

I must share my story from yesterday where I was at Trafalgar High School. It was return-to-schools day yesterday. So I went to my old high school. There was a roast. Two of my former teachers had come back to reminisce about me, and I will not embarrass myself or indulge the committee by going on about what they said about me.

Dr SYKES — Go on!

Mr WELLS — You are trying to get your numbers right. Maybe they spoke about that.

Mr LENDERS — But the fantastic thing again was that here were two teachers whose passion was teaching. They had stayed in schools for their entire lives and they had given, and their professional joy was actually in seeing their students succeed.

Ms MUNT — Become the Minister for Education.

Mr LENDERS — So they took joy from my success. But far more significant is a lifetime of teaching. So that is the sort of culture we want to prevail. It is also about what we can do to assist principals in particular, in response to your question, but more broadly professional development leading to teachers staying in schools, learning best practice and learning from their peers. That goes again to removing the clutter, removing the red tape, focusing on teaching and learning, and professional development in this area and leadership skills are critical. That is what makes schools even better, and if we are to go forward that is from the blueprint an important lesson for us.

Dr SYKES — Minister, my question relates to assistance measures to non-government schools, and I notice in the overview document that there is an allocation of \$30 million over four years for capital grants and \$83 million over four years for other help for schools supporting needy students. My question is: how do those inputs or allocations compare with previous Victorian state allocations, and, secondly, how does the level of assistance to non-government schools in Victoria compare with levels of assistance to non-government schools in other states?

Mr LENDERS — Thank you for the question. There are several parts to the question. Firstly, there is an \$83.1 million commitment in the budget to non-government schools, which is a rollover of the \$20 million a year that we committed in the last term, and that is indexed, so that is why it is not 80, it is 83.1. That is a continuation of that level of funding to non-government schools. There is a new contribution of \$30 million for capital to needy non-government schools, and that, I think, in the forward estimates is 7.5, 7.5, 7.5, 7.5, although I stand corrected on that. That again is to needy schools. We will obviously work with the Catholic Education Commission and the Association of Independent Schools of Victoria so we are not duplicating, doing a Moscow on the Molonglo and creating red tape. We will work with them to actually deliver that through those particular areas.

Your broader question was about our contribution to non-government schools and how it compares to other jurisdictions. Historically Victoria has the highest percentage of students in non-government schools of any jurisdiction in the country, and there is a range of historical reasons for that — part of it being that Victoria traditionally has had the highest Catholic percentage of any population, and obviously the correlation between

non-governments and Catholics is very high. So there is a historical basis for that, but our figures are that we have increased funding in that area since we have been in government. Most of the funding for non-government schools through an arrangement going right back to the Menzies years and science blocks has come from the commonwealth. The state has focused on funding for government schools; the commonwealth has focused on funding for non-government schools.

We have a figure. I can get the actual statistics on what it is per — bear with me a moment; I do have figures on what it is for each individual school, commonwealth and state. We in 2000–01, which was the first year of the Bracks government — —

Dr SYKES — I just need the comparison with the other states in this year, Minister, I do not need to go back six or seven years; just this year would be fine, thank you.

The CHAIR — I am happy to take it on notice if you do not have it.

Dr SYKES — I am happy to have it taken on — —

The CHAIR — And the other comparison that he asked for as well.

Mr LENDERS — Yes.

Mr PAKULA — Minister, in budget paper 3 on page 41 and also in your presentation you referred to the blueprint. I was looking through it; one of your flagged strategies is creating and supporting a performance and development culture. I was just wondering if you can advise the committee what the government is doing to improve outcomes through that particular initiative?

Mr LENDERS — Thank you for the question. A performance and development culture is a critical part of schools going forward. In 1594 government schools we have a responsibility for that, and obviously what we do as best practice in government schools flows through into non-government schools. Effecting that culture is particularly critical. Our challenge is, how do we do that in a devolved educational system where we want people to go forward? Teachers enter the teaching profession because they want to deliver education to students. So it is how we offer guidance and assistance to them in a way that is useful, and culture it quite critical. So there are few things that we have sought to do with our initiatives.

The performance and development culture initiatives — of course it all comes out of the blueprint, which is where we have guidance on that. There are a number of things which would appear to be absolutely obvious but have not necessarily been in place. One is an induction of new teachers. We constantly hear tales of people who enter a teaching workforce. I was briefly in a teaching workforce a long time ago now, back in 1984 or 85 for half a year in a teaching workforce. It is a classic; you enter the workforce and the assumption is that you have learnt everything at teachers college and you can just hit the ground running and know what you are doing. While I would like to think we are all superhuman, we are not. So an actual induction, a formalised induction into a school and into areas for a start is an important part of that performance culture. So it is one of things out of the blueprint that we have actually identified and are dealing with.

Also, multiple sources of feedback for all teachers to inform of teaching and learning practice. Again, it is logical, but the blueprint tries to formalise some of this and put it in as part of the prevailing culture. We have talked of customised teaching development plans for all teachers, based on student and teacher needs and school priorities. Again, the ultranet will be of significant assistance, above and beyond already the work that is happening on a department intranet site at the moment to assist with that. Also, there is just the whole belief in staff by staff that there is a performance and development culture, there is a place for them in this and that that is a desirable way to go forward if they are going to improve teaching and learning outcomes. All of these things are a very important part of that to come out of the blueprint.

Part of that also is an accreditation process. It is fine to say we will have a performance and development culture; we have got to put an accreditation process in place which is rolling out through government and non-government schools. I had the privilege, probably a month ago, to be out at Essendon Keilor college to actually present awards to schools which had actually gone forward and done this. In many of these cases it was the school council president and principal who came forward for their accreditation. Again, this is a very important day. These schools were being recognised by their peers that they had the performance and development culture. We were also doing

an accreditation, again, on some of those things like even a tick-off on effective induction for teachers as an example. The accreditation process shows how the performance and development culture works, how we move through it, and all these schools, government and non-government, were there. I was there also with Stephen Elder from the Melbourne archdiocese Catholic Education Office who was there also. Dr Dawkins was there with me and a range of other people. We all just watched these schools that had done it. This sort of part of the blueprint will go a long way to assisting in that. We want the culture to change and these are methods under the blueprint where it is changing and schools are embracing it with enthusiasm.

Mr BARBER — Minister, I am not sure you are familiar with the redevelopment of the Western Bulldogs' facilities down at the Whitten Oval. Are you vaguely familiar with them?

Mr LENDERS — Vaguely familiar.

Mr BARBER — You have not been there?

Mr LENDERS — I have been there in a previous ministerial life. I was down there and have been on a tour.

The CHAIR — I am sure Ms Graley has.

Mr BARBER — It is my understanding that Victoria University now plans to teach classes out of those facilities. I was wondering if you think it is an appropriate learning environment for the students to be taking classes under the same roof as a pokies venue? If not, what policy influence do you as minister have over the university's decision, given you are responsible for their act? And what recourse would a student have who might be a recovering gambling addict who said, 'I want to do this course, but I do not want to have to walk past poker machines every time I come to class'.

The CHAIR — Try to relate the answer to the estimates.

Mr BARBER — Give the minister a chance to do that.

The CHAIR — You should also try to relate the question as well to the estimates, Mr Barber.

Mr LENDERS — Firstly, and I will stand corrected, but certainly in my five and a half months as minister I have been under the view that the minister responsible for universities is the Minister for Skills, Education Services and Employment, so I have not given a great deal of thought to what Victoria University does.

Mr BARBER — But you are responsible for their act according to the back of the Department of Education's annual report.

Mr LENDERS — The Premier has made a new administrative arrangements order. I will take that on notice if I am, but I am confident that the Minister for Skills, Education Services and Employment is responsible for universities in this state.

Mr SCOTT — The issue I would like to raise is something I know the minister is interested in, since he was kind enough to visit electorate about it. I am referring to healthier eating as part of the Go for Your Life program. In budget paper 3 on page 15 there is a reference to the Go for Your Life program. Could you please advise what the government is doing to support healthier lifestyles for students?

Mr LENDERS — Thank you, Mr Scott, for that question. It is a seminal question because, in the end, if there has been one thing that all governments have struggled with since all of us have been alive, it is how you actually in health-care terms — and I know I am straying into the health minister's portfolio but it relates to education — it is the preventative versus reactive in health. I guess governments of all persuasions have given lip-service to this, but every time when you are under budgetary pressure you deal with the reactive responding to the health conditions, rather than the proactive in doing what you can at an early stage to actually address them. Go for Your Life is a whole-of-government strategy which seeks to address this. Without taking full credit by this government for it, the concept of trying to deal with this, I give some praise to the Hamer government — my hand shakes as I do it — and Brian Dixon, going back to Life. Be in it, which was obviously the start of this as an important strategy. What we are doing, though, with the Go for Your Life is actually trying a whole-of-government approach to bringing this in, because it is increasingly critical as we age. No matter where you look in the

developed world, we are just having growing levels of obesity, growing levels of unfitness and all the diseases and everything that go with that. Getting in early and dealing with it — Go for Your Life — is critical.

There are obviously two aspects of that: one is the exercise component and the other one is the diet component that come from that. I was delighted to be with you, Mr Scott, in Preston at that school. To share with the committee, it was one of those days when there were four television cameras — there was some great issue of state on the day that I was being interviewed on — and on the first day of term the school captains were there. Mr Scott and I admired — I think his name was Justin — the school captain who faced the four TV cameras with great confidence, probably more confidence than I did, and actually addressed them. He did say at the end to me, ‘And I said you have got to eat good food’, so he was very much on message. The importance of school canteens — many families utilise the school canteen as a way of students eating on the day and obviously many canteens for many years have had actually food in there which frankly is junk food, which is not conducive to good educational outcomes. If the kids are having a feed on chips or sweet drinks or something at the start of the day, forget the health component, which you cannot, but also your retention component in class as you get on later in the morning if you have been sort of high on sugars and the like. There is a whole lot of educational and health reasons why we need to be more focused on our canteens.

I guess the healthier eating kit we gave to schools, which we have made available to all government schools and all non-government schools, provides best practice, again, on foods that kids like. Any of us who have had kids know it is often very hard to get them focused on eating good food because tragically they seem to like to junk food, so we actually have a methodology that is best practice in eating good food. Certainly at your school, Mr Scott — I think it was Preston north-east or Preston south-east; one of the primaries anyway — the school there was adapting their canteen to those foods, removing the sugary drinks from it and having healthier foods in the canteen, and also the whole prevailing culture that arises from that. So government is assisting in that area. We have to, again, be very conscious that we do not do a Moscow on the Molonglo and try and prescribe everything students eat down to the last sort of iota, but we need to offer guidance, best practice. Those kits were very useful; a number of parents at a number of schools have said that to me. I think by that sort of practice — offering best practice; it goes right back to the blueprint — we will actually get a far better culture of better eating in schools, which is an important start. Obviously the phys. ed. and other activity components are also part of school curriculum already, which we need to work on as well. The double-pronged approach is what we need to do to take our society into the later part of the 21st century and hopefully one where we are all fitter and healthier than we have traditionally been.

Mr DALLA-RIVA — Minister, I was interested in your comments earlier just as a notation talking about the federal government’s public service. How many public servants do you say the federal government has?

Mr LENDERS — They have quadrupled to 700 who purely deal with education policy.

Mr DALLA-RIVA — And you have 1816, so I just thought we needed to put that in some context in your assertions.

Mr LENDERS — Mr Dalla-Riva, we do administer 1594 schools.

Mr DALLA-RIVA — I was just making the assertion, Minister — —

The CHAIR — Your question?

Mr DALLA-RIVA — My question is relating to numeracy and literacy programs — —

Mr LENDERS — One per school, that is not bad, as opposed to 700 for none.

Mr DALLA-RIVA — The federal government introduced a welcome initiative in numeracy and literacy programs last night in the announcement of a \$700 tutorial voucher for struggling year 3, 5 and 7 students. Given that we do not seem to find anything in the budget papers, were you relying on the federal government for that program to assist those struggling students?

The CHAIR — Try and relate the answer to Victoria, Minister.

Mr LENDERS — In relating to our estimates, firstly, any federal government tuition grant to individual students obviously is not a path for the Victorian estimates. I am sure that the federal government will find some — —

Mr DALLA-RIVA — Is there anything similar, Minister? That is what I was asking. There was the link.

Mr LENDERS — Our literacy and numeracy plan, which again the Premier announced earlier this year, is exactly that: a literacy and numeracy plan where through our schools we actually improve literacy and numeracy. In that plan there is a range of observations, a range of actions — activities that we would do as a state. Many of them are in the forward estimates here now. I mentioned earlier some of their teachers and clusters in literacy and numeracy and a range of other areas and the scholarships and the range of things we are doing are specifically in the Victorian budget in our estimates. We also suggested a range of things that the commonwealth could actually do to assist. Going to your earlier point — I am not going to let this point pass, Chair — the commonwealth does have 700 policy officers who do not teach a single student, not a single student! They have 700 people — —

Mr WELLS — But you keep whingeing about the amount of money they do not give you, and you cannot have it both ways.

Mr LENDERS — No, I am making the observation through you — —

Mr WELLS — You keep whingeing about the lack of federal funding, and then you are complaining. I mean, we have heard you complain the whole morning.

Mr LENDERS — Through you, Chair.

The CHAIR — Let us hear the answer, please.

Mr LENDERS — Thank you, Chair. I will make the observation that if you have a bureaucracy of 700 policy officers that does not administer any one of Australia's 10 000 schools — —

Mr DALLA-RIVA — But that delivers policies like those announced last night.

Mr LENDERS — It does not communicate with a single student in a school in Australia.

Mr WELLS — It delivers funding and policies, I think you would agree.

Mr LENDERS — You do have red tape. Chair, on the issue of literacy and numeracy, in last year's budget we introduced literacy improvement teams in our schools — a concrete action going out there. That was introduced in last year's budget, and in this year's budget we have a range of measures dealing with carrying out the blueprint which will go to literacy and numeracy in our schools. What we have seen is we have got a maths and science initiative, and just recently — the day before Anzac Day — the Premier announced in Essendon a series of grants for every Victorian government school, primary or secondary, for science, where the schools can literally spend that money on equipment for science to assist with the teaching.

What we are seeing is an investment in this particular area, and we have seen it where it is hands on — putting money into schools — and that money will make a difference in these areas. But the literacy and numeracy plan that the Premier announced deals with a holistic approach for how Victoria is going in these areas, and I welcome any money from the commonwealth government into education — any money — because it will ultimately assist in Victoria. But I do make the observation that the commonwealth government in 1996 spent 2 per cent of GDP on education and training; the commonwealth government in 2007 spends 1.6 per cent of GDP on education and training. The commonwealth has slashed funding in education by 20 per cent in real terms, so the commonwealth should put its money where its mouth is.

Mr WELLS — Maybe, Minister, you could provide — but in real terms — what is the actual dollar.

Mr LENDERS — In real terms it has slashed it by 20 per cent.

Mr WELLS — No, in real terms. In 1996 what was the funding compared to 2007?

Mr LENDERS — It was 2 per cent of GDP compared to 1.6 per cent of GDP, so I rest my case.

Mr WELLS — No, you are talking a percentage of GDP.

The CHAIR — Thank you, Minister.

Ms GRALEY — I will just pass on to you while I have the opportunity that when I visit my schools the principals actually talk about the blueprint in a very, very positive light. I pass that on. In fact one of the schools in my area, Narre Warren P-12, a very big school, has over 20 different nationalities in it, and I would like to refer you to budget paper 3, page 9, which relates to encouraging diversity in education. Could you please advise what the government is doing to support multicultural communities and families?

Mr LENDERS — Delighted to take the question. Certainly, Ms Graley, your area — having once lived in the city of Casey, and Mr Rich-Phillips would share this — is an incredibly multicultural community. Always for us as a state there is a challenge, obviously, in an area where perhaps English is not a first language, but there are extraordinary opportunities as well for us. There is both the cultural diversity that families wish to have when they pass on their own language skills to their children, and there is also an extraordinary economic opportunity for Victoria and Australia. Being such a multicultural community and with those multilanguage skills, it gives us an unbelievable international trade advantage over so many other countries and communities if we can harness it, so there are very good social and very good economic reasons for us harnessing it. We are acutely conscious of that, and what we have done is we certainly have refunded the core money for language schools in this budget, and we have also increased the per capita grant from \$100 to \$120 through the excellence in languages initiative which is rolled out through the state. That will make a material difference to those tens of thousands of families who generally on a Saturday morning but also at other times actually take their child to a language school to learn the language of their heritage, and sometimes not even the language of their heritage.

I had the privilege at the Victorian School of Languages some months ago to be actually at the graduation of students. I was at the University of Melbourne, and we had hundreds and hundreds of people came to this and it was a classic. It was parents' extraordinary pride in the achievement of their children. We had all the languages as people came through one by one. But also what amazed me was that there were some people there learning languages who also had no cultural link to the language at all who excelled in languages. There was some very fascinating showcases there of students who did that. But the celebration was really about our diversity and multiculturalism and the skills learnt in languages. So this budget through this financial assistance alone will assist in this happening.

We have got more than 33 000 school-aged children in 50 different languages who are learning as we speak in Victoria today, which again is an extraordinary number of students who do that. We have got 200 community languages. Again, these are not-for-profit schools that provide languages in all these areas. So, again, particularly in the area like the city of Casey, this will be something I am sure that many parents would see as of great assistance as they struggle. They want to give their kids the best opportunity, and this funding — 100 refunded going to 120 per student — will make that available right across the length and breadth of Victoria.

Mr RICH-PHILLIPS — Minister, I would like to ask you about carryovers from 06–07 for the new budget. BP4 suggests the carryover will be \$67 million in aggregate, and your explanation for departmental response to the committee suggests that — it would help to put it in percentage terms — 0.31 per cent of the revised budget for 06–07 operating statement is being carried forward, and 11 per cent of the asset initiatives allocation is being carried forward. Particularly with reference to the asset initiatives, relocatable schools and new and replacement schools, why was that funding not extended during 06-07? I refer you to page 13 of your response.

Mr LENDERS — Firstly, any organisation the size of the Department of Education that has on its recurrent a carryover of one-third of 1 per cent is actually managing its resources well, and even on the capital there are reasons. It goes through individual programs and the reasons for the capital, but I think the premise of your question, Mr Rich-Phillips is, 'Why did you not spend it?' I would say unashamedly that we are not in the business of spending for the sake of spending. If we have a project that we think at budget time is ready — and it will not come forward if it is not ready —

Like this particular budget there were 131 schools that we are seeking to fund in this budget out of that \$555 million on capital. There is the ultranet as well — not quite that figure, but approximately \$400 million we are seeking to spend in this budget. When they are put forward by the department and I sign off on them we will only do that if we think they are ready, and ready to be expended, in the financial year, or if it is TEI over the forward estimates — whatever the arrangement is. But we are not going to get into that old, crazy 60s practice of on 29 June spending everything for the sake of spending it, because we have a responsibility for taxpayers money, a responsibility for the outcomes. I guess with accrual accounting in a sense you can deal with it year by year

anyway. But, firstly, we are not going to spend for the sake of spending because it is the end of the financial year. That is bad practice.

Mr RICH-PHILLIPS — Yes.

Mr LENDERS — And it certainly is something that the Bracks government thinks is bad practice, and I would certainly hope that you as shadow finance minister think is bad practice. I am sure you were not suggesting we spend for the sake of spending, because you would disappoint me, Mr Rich-Phillips, if you were.

Mr RICH-PHILLIPS — I am just wondering why those projects were not ready to commit to. Obviously you would expect them to be when the budget is framed, and 11 per cent of net asset is significant.

Mr LENDERS — If we do talk about an asset program, when the planning goes forward — under Building Futures or whatever — for a school, and again there is a sign-off in the lead-up to the budget, it is announced by the Treasurer in the budget, we wait for it to be formally appropriated for the Parliament, and then obviously from 1 July we start carrying it out. But as you would be well aware, Mr Rich-Phillips, on any school site, when you start construction on a school site you might find contaminated soil, as we have just discovered at Albert Park, where contaminated soil was just found on the school recently. The reality is that until you commence the actual construction you may not find out that there is contaminated soil. For example, finding contaminated soil will clearly, prudently and logically delay the building of the school, because we are not going to build a school just because we have got an appropriation for it, if suddenly we have to rip the thing down to clean up the soil.

We have also had other ones, like last year in the new and replacement schools project there were delays associated with the Victorian College of the Arts. That was an underexpenditure of \$13.1 million. Those delays were due to a possible location for the school, alternate sites being put up for the school, and also dealing with links to commonwealth funding. I will not have a go at the commonwealth on this one, but I am just making the point that if your funding is coming from two sources, you make a reliable guess as to when the money is going to come and try to plan accordingly. So we were waiting for commonwealth funding for the Victorian College of the Arts. Perhaps if some of those 700 policy officers went and looked at the school, there might not have been a problem. But I digress. My point is that sometimes with capital you have to be cognisant of all those things.

We have 131 projects coming forward in this budget. I am confident they will all be delivered. But inevitably on some projects there are issues like matching funding from another source, particularly as we go down partnership approaches. I did not get to it on my slides, because I have obviously been waxing lyrical on other things for too long. But talking about partnerships with a school, I was at Neerim District Secondary College yesterday, and the classic there is that there is a library at that school which is a shared facility between the Shire of Baw Baw and Neerim District Secondary College. That library works very well, and it is a model that I think we should look at. But, again, if you have a partnership between Baw Baw shire and us, and Baw Baw shire, for whatever reason, slows down, the construction will slow down.

I was at a school in Glen Iris but two weeks ago that is a partnership between the City of Stonnington, the education department and the Uniting Church, on the co-use of facilities. That project — and the Chair would well — —

The CHAIR — It is actually in Boroondara.

Mr LENDERS — Boroondara. The Chair, Mr Stensholt, would well and truly know about this, Mr Rich-Phillips, because he played a significant role as the local member in getting this up and running between three institutions that were all a little bit slow. Sometimes this happens, and things slow down, so that is the main reason our capital slows down. But we will be acutely conscious of spending our capital prudently on the task of getting 500 schools rebuilt or modernised over the next four years and also in rolling out the ultranet and other capital projects.

Mr RICH-PHILLIPS — The VCA example you gave accounts for 13 of the 67 million. Can you give the committee details of the other projects that were not — —

Mr LENDERS — I am delighted to take it on notice, but it is typical of them.

The CHAIR — We have some details on pages 13 and 14. You are looking for financial details, are you?

Mr RICH-PHILLIPS — I am looking for details of which projects and the amounts, yes.

The CHAIR — I am sure you will provide that on notice as an estimate — because he has not actually finished yet.

Minister, I would like you to continue to focus on the asset investment in infrastructure and link it to, in terms of building this infrastructure, how it relates to teaching and learning environments and what you are going to achieve in this regard. It is not just a matter of building buildings; you also have to provide a high-class educational environment for the children.

Mr LENDERS — There is a whole range of things we want to achieve, and under Building Futures one of the starting points is obviously the educational outcomes that we can achieve. All of us who have been into schools in our own electorates will have multiple examples of how these things can be improved — for example, the first instance I use is the ultranet. You would have heard from my colleague Jacinta Allan earlier in the week about the ultranet — that is, capital. What it can achieve is that it obviously brings us into the 21st century. We have rolled out broadband and done those things in schools which let parents, students and teachers all take advantage of the 21st century technology.

That is one example, but in other schools as we go forward it is what we can actually achieve. The whole concept of teaching and learning — Mr Dalla-Riva raised literacy and numeracy as an issue before, as an example. The whole concept of reading recovery, for example, in the junior primary years, the whole idea of a light timber construction school with a square classroom that can seat 35 or 40 students, and that being the sole way you teach, for example, does not contemplate something as fundamental as reading recovery, which any educator would now say is a critical intervention in the early years of school. You actually take the student out of the classroom — those light timber constructions like those at Trafalgar and Neerim South where I was yesterday being examples.

How do you in that environment do something as basic as reading recovery, let alone other forms of group work and the like? Firstly, on the capital to educational outcome, it addresses something as fundamental as that. You have also got, particularly in the senior years of schooling, the whole concept of a study club or an area where you have a group of students who simply want to work together in a collegial and harmonious environment; they want access to the library, they want break-out space, they want tutorial space, they want places even where you can sometimes have lectures when you have a larger group who are preparing for VCE subjects and the like. That whole concept of flexibility in the classroom is where the educational outcome comes to, where the structures we have make teaching more difficult.

Now I am sure that in the 1960s — it is not a go at the 60s; I am sure at the time they thought that was the best form of educational outcome when they constructed, and I am sure again at the time the department and the ministers thought they could roll out a lot of schools quickly and they would deal with the need. Good on them. There was a good investment in the 60s — but times move on. So whether it be the technology, whether it be the actual size of the classroom — all of those are absolutely critical.

Stage 2 of our Building Futures is that educational rationale to target the educational needs in the community. One of the joys of the portfolio is that every school is very passionate about it. They have a vision as to how you can achieve educational outcomes. Whether it be the links to environmental sustainability, whether it be the kitchen gardens that they have — and partly in response to Mr Scott's question before, the Stephanie Alexander garden kitchens, for example, are all part of that — people have innovative ways of learning. So for us the challenge is: how do we, in a devolved system, get the best from local input and how do we tie it into our knowledge state wise under the blueprint to invest in that capital? So it is a big investment and lots of schools are often disappointed because they are not among the 131 in a given year. But as part of Building Futures we try to evaluate, we try to get them all into the matrix. But the simplest answer is, using reading recovery as an example, that is just but one of many examples of how modern buildings and modern facilities will actually improve educational outcomes.

The CHAIR — Thank you, Minister. I must admit the new relocatables are really useful in that regard, and also the flexibility which is being built in — and I hope it continues to be built in — in terms of designs for the modernisation program becomes a hallmark rather than necessarily having the same thing for everybody.

Mr WELLS — Minister, I want to talk to you about voluntary fees. What is the exact incremental increase in voluntary fees over the forward estimates that you are expecting?

Mr LENDERS — That would not be in the budget because they are not part of the appropriation.

Mr WELLS — I am just wondering what calculations you have done as a department in regard to the amount of voluntary fees the schools are receiving, and what increase you would expect. The reason I ask this question is that in budget paper 4, page 146, you talk about sales of goods and services and you give a preamble, but then you say:

Major factors contributing to this change are:

expected increases in TAFE fees and schools revenue.

Could you explain that and link it back to voluntary fees, please?

Mr LENDERS — Okay, the voluntary fees, firstly. There is a fundamental policy issue on voluntary fees which the circular from the deputy secretary out to schools makes clear. I am happy at any time to go through what that is. Obviously voluntary fees are that. I mean, they are ones that a school community will seek to levy, to actually allow it to do things above and beyond what the student resource package does.

The government does not resile from the fact that we believe the student resource package is sufficient to deliver a good education in schools. We do not resile from that. We believe we meet the basic requirements. But we also acknowledge that parents are aspirational; they want the absolute best outcomes possible for their children and therefore they will in school communities do whatever they can to add money, to add resources, so that they can do more things that are in place. We do not measure that because it is an individual decision for our 1594 government school communities on what they do. We do have a policy overlay that makes these fees voluntary and not compulsory.

Now each year there will be tensions on that because some schools zealously, or overzealously, try to make it appear, or certainly put pressure on to make it appear that it is a compulsory levy. Whenever that happens our regional directors will be speaking to the individual school principal and addressing that so that families are not under pressure to do that. But the fundamental constraint — and we can go back in history where a predecessor of mine, Don Hayward, was talking about making fees mandatory in schools, and fortunately his successor, Phil Gude, overruled that in 1996. But there has been a debate on this issue as to whether it be mandatory or non-mandatory. We certainly have voluntary fees.

School revenue that is mentioned in budget paper 4 includes fundraising, which is far more than voluntary fees. So fundraising in a school will also include fees. We talked before about language schools, for example, which pay fees to schools for access to them. I think we have 200 joint-use agreements, from memory, with municipalities where there is joint use of facilities, ovals and the rest of it. So the revenue that schools get, the fundraising for schools, is much more than voluntary fees. So again, it is not the department, it is not our revenue, so we do not measure it. But there is a general observation about revenue coming into schools from a whole range of sources. I think that probably answers the question.

Mr WELLS — Let me clarify a couple of points then. So you are expecting that parents will be doing more fundraising in this budget. There is a comment where you have an increase in school revenues and your offsider has indicated that it is fundraising, so there is an expectation that the parents will be doing more fundraising. Secondly, are you saying that you do not have any figures which relate to the amount of voluntary fees that are collected in the state?

Mr LENDERS — Firstly, on parents doing more fundraising — —

Mr WELLS — That is how you answered the question. You said that in relation to the increases in schools revenue, your offsider has given you a note saying that it includes fundraising, so you must be expecting parents to be doing more fundraising.

Mr LENDERS — You can read the deputy secretary's note from a great distance, Mr Wells. You are interpreting his note.

Mr WELLS — No, that is not what I am saying. Let us clarify it: are you correct in saying that the increase in school revenue relates in some part to an increase in fundraising? It is a straightforward question. You have said it before.

Mr LENDERS — But no, there is a difference between fundraising — —

Your question is value laden, saying, 'Parents doing more fundraising'. One of the central themes of this government since our re-election has been joint-use agreements and facilities in schools. In regard to a joint use of a facility of a school, we are going back to my example before, of say Glen Iris, which the Chair is very familiar with, where the school in that particular case has a 10-year lease with a 10-year option of extending to get certain rooms from this Uniting Church complex to use for after-school care and for some teaching areas. If the reverse of that situation was the case and the Uniting Church was actually leasing buildings from the school, the school would be receiving money from fundraising, but it would not be the work of the parents. There would be no obligation on the parents to do that. The joint-use agreement would mean that there would be a revenue stream to the school.

In technically responding to your question regarding fundraising, yes, there is an expectation that more money comes in from that from a range of sources — yes, you are correct on that. But what I am taking particular technical issue with is, 'Do the parents need to fundraise?'. Not necessarily. If there is a joint-use agreement where the school council, as an arrangement with the municipality, for example, with the revenue stream, then more money goes in. I will take the question on notice. Whether there is any more detail we can provide you with, whether this is just a general estimate in budget paper 4 or we may have more material. I will take that on notice.

Mr WELLS — The other part of the question was are you saying that you do not have the amount for the amount of voluntary fees that are collected in the 1594 schools across the state?

Mr LENDERS — Mr Wells, either you or I could go through the reports to — —

Mr WELLS — No, it is a straightforward question — —

Mr LENDERS — No, I am answering your question — —

Mr WELLS — How much does your department — —

Mr LENDERS — I am answering your question — —

Mr WELLS — You absolutely need to cut to the chase!

Mr LENDERS — Either you or I could go through the 1594 annual reports of schools to the community and extract that information.

Mr WELLS — There would be a more sophisticated way of doing that. I mean it is a straightforward question: does the department, yes or no — —

Mr LENDERS — The answer is no.

Mr WELLS — You do not have a clue on how much voluntary fees are collected in this state?

Mr LENDERS — It is general revenue we are measuring in here, but I say this to Mr Wells: on the issue of transparency — —

Mr WELLS — That is okay. I just wanted to know — —

Mr LENDERS — You or I could go through 1594 reports to school communities which are extraordinary reports in place with information for parents to make choices from and people to read, and you might be able to extract that information from there, but the department does not it.

Mr WELLS — All right, that is fine.

Mr DALLA-RIVA — There are 1800 public servants there. That is one book per public servant.

Mr WELLS — Just to finish on this point, in regard to the increase in school revenue, do you have an amount that you are expecting to increase in fundraising over the forward estimates period?

The CHAIR — The minister has said he will give to us on notice the details of that school revenue and the components of it. I assume some of it actually relates to overseas students.

Ms MUNT — I bring the minister's attention to page 53 of budget paper 3. It relates to the government's challenge to drive system-wide improvements in student performance. In relation to the report by the Council for the Australian Federation, *The Future of Schooling in Australia*, which you touched on briefly in your presentation, I was wondering if you could indulge in that a little more deeply and advise the committee of the main issues of that report.

Mr LENDERS — Thank you for that question. I guess the first thing that leaps to mind or comes forward is the very fact that there is a systemic plan across jurisdictions to try to address the issue. That is the most significant thing. If we go back to *The Future of Schooling in Australia*, and we go back to, for instance, the Adelaide declaration that was signed off by nine Australian ministers, and I am assuming Norfolk Island and New Zealand probably had something to say as well who attended these ministerial councils, we had a joint collaborative approach to improving student outcomes, teaching and learning.

The significance of this was that I think this is one of the things that we lose in this current debate. The signatories to the Adelaide declaration included David Kemp, the federal education minister, who was now the president of the Liberal Party in Victoria, and included Phil Gude. It was not a pack of, you know, Labor apparatchiks, it was actually a group of people who had a shared vision. Despite different ideologies in some area of education and the like, it was that if we walked down a common pathway together we could collectively and collaboratively bring out the best in our schools.

Some of those issues that we constantly hear about things between states that might be different where you harmonise things that you can logically harmonise, and if you have particular strengths you deal with them. Some of that is obvious — I mean a student in your electorate at Parkdale Secondary College comes from a very different environment from a student in a remote community in the Northern Territory. One size does not fit all.

I guess the starting point was an acknowledgement that there is diversity, but an acknowledgement also that you can actually walk together, this collaborative federalism. From 1999 until 2007 something dramatically and radically changed on that whole sense of collaboration. Again, and it was not necessarily a partisan sense, because David Kemp was a partner, it was just that after David Kemp, Brendan Nelson and Julie Bishop just seemed to get lost — they just lost the plot and just built up their policy advisers in Canberra up to 700 and forgot that they needed to collaborate with the people who actually taught students.

When we go to the future of education in Australia and we talk on these particular issues, we say, 'What actually can we do?'. Firstly, we reviewed the Adelaide declaration and said, 'Okay, we had this consensus back then in 1999, where could we actually go forward to see how we can keep the consensus going forward?'. I am delighted, Ms Munt, that Dr Dawkins chaired the working group for all the jurisdictions on trying to find our way through how we could have a common position going forward that would we would all sign to and actually put some signposts in place of where we go. That is where the future of schooling came from and where the Council for the Australian Federation signed off and endorsed on it.

We looked at a range of things. We looked at work that had been done on literacy and numeracy. Again rather than theorising from an ivory tower we actually said, 'What is actually working in this almost 10 000 schools across Australia?'. With literacy and numeracy we see all sorts of schools. We see some schools with extraordinary high achieving students, and they continue to be high achievers. Other places with students who were low achievers we see them progressing forward. They are the sorts of things that, again if you are looking at literacy and numeracy, you need to look at all these things.

We have seen that, it is that early childhood development parts where they all link together. So the first thing in *The Future of Schooling in Australia* was to actually look at what is happening and what has worked. Then you move on to the key challenges that are there, the whole issue of collaboration and unity. These are particularly important if we are going to actually see where we can go. We also looked at that international performance, and we had some slides up before. Professor Barry McGaw did work for the Council for the Australian Federation on international comparators, how they are working, how they are going forward.

All of these things were fed into the process. In the end we had our 12-point plan that we all signed up to, and we also had — and I can go through the 12 points, and the document has been circulated, but in the interests of brevity I will not, but I am happy to go to through the individual ones. But the 12-point plan takes us through ways that we

can go forward. All of these are ones that the states are committing money to. A lot of the 249 million in recurrent in the forward estimates goes to, when you look at it, to addressing various parts of the 12-point plan.

There is so much more that can be done, and collaborative federalism will assist. There were some things in the federal budget last night that of course we welcome, but these things can be done more effectively in collaboration. I would be delighted if this document came back to me with a big scrawled autographed 'Julie Bishop' on the front of it to show that the commonwealth had signed off on it as well. There is a lot more that we can do.

Dr SYKES — Minister, I would like to discuss further student performance. One indicator is the year 12 completion rate, and the Minister for Education Services spoke very proudly of Victoria's average of 85 per cent comparing very favourably with the other states, but upon dissecting of that figure down into country and city, we established that the year 12 completion rate in country Victoria is in the order of 66 or 69 per cent, which is way down on the 85.

My question is: what is being done to address that? I do not want you to limit your answer to these specifics, but I will give you a couple that I would like a comment on. First of all, in relation to Kyabram Secondary College, where it is falling down around the students, I am told — is there money in the budget this year for land purchase to upgrade or to replace Kyabram? Secondly, Myrtleford Secondary College, which is in my electorate, is well and truly falling down, and they are looking for basic maintenance and construction of democratic learning spaces.

Mr LENDERS — There are a couple of things, Dr Sykes. Firstly, those two specific schools — I will take them on notice. I do not recall that those two did receive funding out of the 131, but I will need to check a list on that.

Firstly, year 12 retention rates — and we can look at a whole range of figures and data, and we can go through that, but I am absolutely confident that retention rates in schooling in regional Victoria are on the improve. There are various discontinued forms of data and other forms of data. I have had an interesting dialogue with your colleague, Mr Hall, in the Legislative Council on this, and I know your leader has been very mischievous in the *Weekly Times* on how he has used some of these figures, to be polite, but the significance is our expenditure on regional schooling has gone up significantly.

If we can compare capital alone in the last year of the Kennett government to the last year of the Bracks government, allowing for CPI — there is a construction CPI over that period — the figure has gone up almost sixfold in raw terms, and adjusting for inflation it has probably gone up about four or five times in actual terms. That investment is spread across the state.

If you are talking about the capital investment this year in schooling — and I will stand corrected on the exact figures — taking out the statewide programs, and a lot of the statewide programs are actually skewed towards rural areas because of the size of schools and a range of things, but if you take out the statewide programs, about 55 per cent of the specific programs have actually gone into the metro area and about 22 into regional Victoria, so that means of the specific schools programs, about 30 per cent of that component has gone into regional Victoria, so it is at or about the state average.

That is not counting some of the programs like the retention of teachers in rural schools, and it is certainly not counting some of the programs that go to educational performance and outcomes, like the commitment to small schools. In this budget we have funded six small schools, and they are about \$2 million per school. I do not think there was one in your electorate, but there was certainly one in Gippsland at Drouin West. I did not go to it, but we certainly went past it yesterday. It is one of the feeder schools for Neerim District Secondary College. Previously there was no commitment from government to these schools in small rural communities. What had happened was there was a holding pattern. We had 300 schools close during the seven years of the Kennett government.

Dr SYKES — There have been a few closed in my area during your term, too.

Mr LENDERS — We had 300 close during the Kennett years. If we go to a commitment to schooling, in small rural schools it is not just an issue of numbers. There is also an issue of the school being the central community facility, so what we have done in this budget, for example, and Drouin West is one example of this, is where you have a cluster of portable classrooms that sit there and house a group of students and teachers, we are actually in this budget committed to six, and in the forward estimates we will commit to more in our next budget. We have said we are building a permanent community facility in this rural community and that permanent facility

will be a school. That in itself is but the starting point of building up that whole culture of education, teacher-learning performance that you need to do. But our commitment to regional education I think is equal to any. We are seeing growth rates in regional Victoria now higher than they are in Metropolitan Melbourne, and I am sure there are a lot of questions you could ask of other ministers at PAEC rather than me on that, and I am sure they would wax lyrically on our commitment to growing the whole state not just part of it.

In a very serious response: the previous Premier — and you, Dr Sykes, were not part of the Parliament at that stage so I will not hold you accountable for the previous Premier — certainly made the statement that Melbourne was the beating heart of Victoria and regional Victoria was the toenails.

Mr DALLA-RIVA — We have heard this.

Mr LENDERS — ‘You’ve heard this,’ says Mr Dalla-Riva — —

The CHAIR — Keep on the question, please.

Dr SYKES — I should say, Minister, that the particular query I put it to you in relation to Tawonga Primary School has been addressed. The Treasurer has given a categorical commitment to the funding of the relocatable buildings being replaced with permanent buildings. I am very grateful to the Treasurer for doing that in the PAEC meeting last week.

But the underlying issue is that country schools have a year 12 retention rate of 66 or 69 per cent. Yes, there has been improvement from 66 to 69, but I think if we have both passed our numeracy training satisfactorily, there is a heck of a difference between 69 and 85. Therefore is it correct for me to assume or interpret that your government will make a significant further commitment to get country year 12 retention rates up on a par with the city ones? It is a simple philosophical question.

Mr LENDERS — Chair, to Dr Sykes, there is a number of fairly fundamentals. He talks of ability to have numeracy. Firstly, we are committed to a year 12 or equivalent. So if a student in country Victoria, for example, chooses to take an apprenticeship rather than complete year 12, we are not about to start lecturing the student to say, ‘You had better complete year 12 so there will be a better statistic in rural Victoria’. We want the individual pathway of the student to actually be addressed.

There has been a historical difference partly because students go through different pathways as to where that goes. And there are so many lines of statistics you can use: year 12 or equivalent, year 12 alone; there is a range of ones. There is even a whole lot of mythological arguments as to how those are measured. If you are measuring some of the statistics — current year 12 divided by year 10 of two years ago; some the current year 12 divided by year 7 of six years ago, and there are all sorts of methodological areas there.

And populations do move; some areas do grow. I am sure in Ms Graley’s electorate, if we were to start measuring any school by that you would have statistics that would probably blow the Excel spreadsheet out because of the growth in the area. So we measure them in different ways, but the underpinning that I can give you an assurance on is that we are investing in those communities. Whether they vote for us or do not vote for us, we invest in them.

We have a view that all of Victoria is the beating heart. There are no toenails. We will invest in country schools, and we have. So we invest in the schools, we invest in the teachers, we invest in the programs, and they will deliver the outcomes. But in the end the choices as to what a student does, whether they do an apprenticeship or a traineeship or complete year 12, rests with that student and their family, not with a meddling central government. We do not have 700 people doing a Moscow along the Molonglo. We actually devolve to individual schools and families.

The CHAIR — I would just like you to finalise on that, please, Dr Sykes, we need to move on.

Dr SYKES — I think, as you say, there are a number of educational pathways available. Whether country students choose not to pursue the academics stream more so than city students — perhaps that issue needs to be explored to understand whether they are being forced to do that because of family circumstances or educational opportunity circumstances.

I would put it to you that it is a possibility that educational opportunity, and distance to education facilities available may impact on that, but if I have interpreted correctly, you have made a very strong commitment on the part of the

government to ensure that country students have equivalent training or educational opportunities to Melbourne students. Is that a correct interpretation?

Mr LENDERS — We are absolutely committed to the whole of the state and investment in schools across Victoria. Dr Sykes, as you are well aware, whether it be the bus conveyances or a range of things that in place — I mean, there are a range of things in place to try and deal with the issue of distance, which you correctly address, which makes access to opportunities harder in regional areas, and the education that we provide and the transport conveyances we provide, the schools we provide, are all designed to let every Victorian child have an equal opportunity of education.

Mr PAKULA — Minister, page 7 of budget paper 3 goes through a number of the infrastructure regeneration projects. I think I noticed the Treasurer out at Broadmeadows the other day. I am just wondering if you could give us some advice on the progress of the regeneration project at Broadie?

Mr LENDERS — I thank Mr Pakula for his question. If there is a single almost-flagship project which, I guess, gives me as a minister in the Bracks government extraordinary pride, it is our regeneration projects in schools. Mr Pakula mentions Broadmeadows, and in, I think, my first or second week as minister I went out there to have a briefing with Professor Dawkins, Wayne Craig the regional director, and a number of the principals on what the project was about and what it could achieve.

For those of the committee who are not as familiar with Broadmeadows as is Mr Pakula, the educational outcomes for students in Broadmeadows were one of the great disappointments — that is the nicest way of saying it — of where we were in Victoria. We as a government, and my predecessor Lynne Kosky, identified that this was an area that we needed to make a priority, because we govern for the whole state, and in response in a sense to Dr Sykes' question about the geographic challenges in some parts of the state, Broadmeadows was an extraordinary challenge.

We had about 1000 of the government school students in Broadmeadows who left Broadmeadows to go to schools in other areas. Some went to schools of choice like Pascoe Vale Girls High School and others, and some went simply because they thought they had better opportunities outside Broadmeadows.

So the regeneration project is essentially to regenerate 17 schools, with six new amalgamated schools in place, a lot of new building construction, and also an extraordinary investment in assisting the principals and teachers there in providing educational opportunities for those kids. I have been past schools in Broadmeadows with chain-mesh fences with barbed wire on top, so that once school hours are over the community just does not go in. This is really all about getting those kids into schools, providing the best leadership, the best teachers and the best facilities so we can address some of the disadvantage that has been there.

We have a figure of something in the order of less than one-third of Broadmeadows students going on to complete year 12; and for those who do, their ENTER scores are very disappointing by state standards. So the challenge for us if we are governing for the whole state, if we are giving everyone an equal opportunity and a chance, is to provide the best educational facilities in Broadmeadows and to have them match those in any other area of the state, and there are some real challenges in doing that. But again the blueprint is a fantastic guide in that it provides leadership skills; it provides advice to Broadmeadows principals on how to lead, and as new principals come into the area, the professional development for teachers.

Also on the Broadmeadows schools, I heard a very plaintiff tale out there about an incoming educator who heard about many of the dozens of welfare programs being offered in school but not a lot about the educational programs. So we need to run them both; we need to run them concurrently. It is also about bringing community into schools. There are still people who go to school because it is a law of the state that a child has to go to school up to the compulsory age of 15, or 16 once the act is proclaimed later this year. We want people to want to go into schools.

Again some of the community partnerships there are benchmarks although there is still some water to go under the bridge. As part of the budget we announced two sites where funding of more than \$20 million will go, and there is a lot of work still going on with the community. But some of the proposed sites, particularly the Broadmeadows Secondary College, are still to be finalised and announced, but some of the preliminary work there is just unbelievably exciting.

The City of Hume and the Broadmeadows community are working together in partnership. The old town hall is being used as the assembly hall for the school. The sporting facilities are being shared between the City of Hume and the school. The library is being shared between the City of Hume and the school.

These are the sort of things where we are talking about communities that may not have an engagement with education. If the families start coming onto the school grounds, whether it be even senior citizens clubs meeting in schools because often those senior citizens are the carers of their grandchildren while the parents are at work, as many working families do — for Mr Dalla-Riva's edification these people want to live, work and raise a family and part of that work sometimes means that work-life balances are tough.

Mr DALLA-RIVA — I worked there for three years in the police, so I know what it is like.

Mr LENDERS — If you can integrate all of those things — so, Mr Pakula, there is a lot more work to be done in Broadmeadows, but I guess what gives me extraordinary pride is a Labor government has put that investment into a battler area. There are no votes in this at all; it is the right thing to do to give every Victorian an educational opportunity. To an extent it is mirrored in Dandenong, with the investment in Dandenong, and a range of other communities. Unless we make that investment, we will leave some of our state behind. As we go into the 21st century, with all the issues — we talk of human capital and the potential for our young people — we will not have the luxury ever again to leave part of the state behind. This investment in the regeneration is truly a flagship. I am really proud of it, and I am sure you as a local member can be really proud of it. I would say to the whole committee that anyone who wants to see a government making hard decisions in partnership with the local community should just go to Broadmeadows and have a talk to some of the educators and communities up there, and I think it would give people a lot of hope.

Mr BARBER — School services officers are some of your lower paid employees, and many of them are part time. Why did your government, or the department, make a decision to charge them for the working-with-children check when other departments pay it on behalf of their employees? And what is the saving to the budget as a result of that particular cost shift under the government policy onto those workers? How are you planning to phase it in, given it would probably also involve volunteers and other people who assist or have very few hours a week? How are you going to phase it in to make it easier for them?

Mr LENDERS — The whole issue of working-with-children checks is a policy issue that the last Parliament in particular struggled with. As Mr Barber said, in a sense your community wants two things. You want the absolute certainty that those people working with children have had the police checks; that is a fundamental principle and an added safeguard, I guess, in all areas, not just schools, where adults are working with children. You can never, ever completely have safeguards in this, but you know that if someone has a criminal record and an offence against children, that is something that you as an employer or community organisation ought be aware of so that you can deal with that.

There was also a policy decision made, and various departments have different responses to this, as do various non-government organisations, whether it be Catholic schools, independent schools, kindergartens, or whatever it may be. Each have their own decisions on how they deal with this. But who actually pays for the police check? That has been a policy issue that all governments and all departments have gone through. Often there have been ones on these where there are transitions in place — like what happens to someone who has already been in the workforce before the change came? What is the obligation of an employer? Is it to pay for that or not to pay for it? And what happens if someone enters the workforce knowing that this is a legal requirement and a cost to be made? There is a whole range of those particular areas.

There are also the areas that individual departments, agencies and organisations need to make. Do they pay it for their workforce? If it is a very small organisation where the compliance costs and red tape would be such, often an organisation for its own economic reasons will pay it. If it is a very large organisation with a large workforce, it may be different — where simply you can have systems in place to far more effectively and efficiently to deal with that.

The threshold really comes with all those policy constraints, I guess, addressed. With an organisation, for new employees are joining the organisation or after a transition, is it appropriate that someone who seeks to work in a particular area pays the costs of seeking employment, which includes a working-with-children check, or is it that their employer picks up those costs? There are policy issues in that.

Mr BARBER — That was my question to you. You are putting the question back to me.

Mr LENDERS — No, I am not. I am phrasing, Mr Barber, this is a public policy discussion.

Mr WELLS — You are doing a Kevin Rudd.

Mr LENDERS — This is a public policy discussion, and sometimes people expect of ministers or parliamentarians simple yes/no answers, and there seldom are simple yes/no answers. There is a range of policy considerations you put into place. Within the department we have 17 000 employees in that staff service area who require working-with-children checks. We have gone through a process where we have been in discussions with our workforce on this area — are there more efficient or better ways of dealing with this? We are continuing to be in discussions with them. But we do have a policy that after the transition area, it is not unreasonable for a person seeking employment to pay for the working-with-children check. That is just one of the requirements of seeking work in the workforce. I am not sure, Jeff, if you want to add to that at all. It is an area that is not a simple area, but the fundamental principle is, if you are seeking employment, once you are over the transition, it is not an unreasonable expense to occur if you are seeking to work with children.

Mr BARBER — Is 17 000 times \$70 a reasonably good estimate of the savings to the budget for this year, given this year contains the transition?

Mr LENDERS — I would have to take advice on what the exact figure is. There are all sorts of different figures that the police charge to different departments, different agencies at different times. I do not see any reason not to accept your \$70 as an exact figure. There are issues, obviously. Mr Barber, you may say that the state is parsimonious on seeking savings in these areas, but every dollar that we actually have in education we can actually spend on educating children. We make choices at all times.

Mr BARBER — DHS had a different policy, though. DHS is paying it for its employees.

Mr LENDERS — As I said earlier, each employer — and it goes beyond government. I take your word that DHS is paying for its employees, but each department, each employer in the state makes different choices on how it does these things. There is never a simple answer. We do not have a whole-of-government policy on this. It is one that is left for individual departments to make policies on.

The CHAIR — In terms of some of the details, you will take that on notice.

Mr LENDERS — Yes.

Mr SCOTT — My question is regarding schools for innovation and excellence, which is referred to in budget paper 3, page 8. I would be grateful, Minister, if you could please advise the committee what the government is doing to support excellence in the classroom.

Mr LENDERS — I thank Mr Scott for his question. The schools of innovation and excellence was announced in the budget back in 2002–03. It was exactly as it says — to encourage teaching innovation and excellence. It goes to a fundamental question: how do you actually do that? Again, it is very easy to sit in your ivory tower on the Molonglo and sort of preach about how you do these things. Mr Dalla-Riva scoffs but it is a fundamental point of how you effect outcomes in schools. You can pontificate from a great distance or you can actually empower schools and teachers to actually do things. That is where I think fundamentally it is an underpinning of everything in this educational debate. Are you prepared to roll up your sleeves and get your hands dirty and get out there and actually do this, or do you want to sit in a refined building and pontificate? Every school in this state, for example, has to fly flags. Every school in this state has to put posters on walls in different times and different places to meet federal regulations. But what this program is about — —

Mr WELLS — So you do not agree with them flying the flag?

Mr LENDERS — What this program is about, Chair — —

Mr WELLS — Do you not agree with flying the flag?

The CHAIR — Ignore — —

Mr WELLS — Are you saying you do not agree with flying the flag?

The CHAIR — Ignore that question.

Mr WELLS — I am asking a straightforward question: do you or do you not agree with flying the flag?

Mr LENDERS — So, Chair, in response to Mr Scott — —

Mr WELLS — So you are not going to give us an answer on that?

Mr LENDERS — What we are doing here is we are actually empowering students — —

Mr WELLS — That is a disgraceful thing to actually bring up. That is disgraceful.

Mr LENDERS — We are empowering teachers to actually teach students in innovation and excellence, whether it be in Broadmeadows or whether it be in Preston or whether it be in any other area, having lead teachers who come out of the classroom, often successful teachers, and who will go to a school in an area where they actually service a cluster on innovation, excellence and how you can get better teaching outcomes. Breaking through to year 9s historically has been a really hard area. How do you engage a year 9 student? You can see by the looks around the table — anyone who has had a year 9 as a child or taught a year 9 has a knowing look and says they are tough. If you have some really good teachers, and we are talking about the middle years of schooling in some of these areas — Mr Barber said before that Darrell Fraser, one of the deputy secretaries, was his maths teachers at Glen Waverley Secondary College and obviously Mr Fraser had an impact on Mr Barber, which is really good.

Mr BARBER — He probably remembers me as well.

Mr LENDERS — And maybe in two ways; that is correct. So you have a good teacher, and what this program has done, Mr Scott, is let you take some of those good teachers out, put them in a school as a cluster where they then start advising other teachers on ways to bring a Mr Barber or any other student forward.

Mr BARBER — I'm a credit to him.

Dr SYKES — Working off a low base!

The CHAIR — On with the answer, please.

Mr LENDERS — Perhaps that is why Mr Fraser came to the department — to get away from Mr Barber! Nevertheless, to answer Mr Scott's question, these educators were funded for a limited period of time, and in this budget we have extended the funding on a number of these positions so that they can continue the work that has been done to its logical completion.

It goes back to the blueprint and it goes back to all these areas — we need critical interventions at critical times. Every student is an individual, and individual pathways of students is an evolving education phenomenon which we all subscribe to that says the more you can individualise the pathway of a student, the more likely a good outcome for the student will be, and the more you can get the best practice in teaching — so it is not just PD courses, it is also having these educators out there in clusters — the more likely we are to have an outcome.

Chair, through you to Mr Scott, that is one of the things that we are very impressed with, and the logical extension now of some of that earlier work in the innovation and excellence initiative is obviously the rollout of the Ultraneet that will come to schools, and some refocusing will be needed. That is obviously the newest part of technology and it is the newest part of teaching, and that whole idea of parents, students and teachers all using the one tool to all be part of this educational journey for the individual children will be assisted by this.

Mr RICH-PHILLIPS — Minister, can I take you back to the slides on literacy and numeracy performance, if we can get them up on the screen. While we get into that, can I assume as an aside that you do not support the flying of flags in schools?

Mr WELLS — We can take that as a no — no response?

Mr LENDERS — Chair, I will rise to the occasion.

The CHAIR — The question is irrelevant to estimates.

Mr WELLS — He is refusing to answer it. That is disgraceful. I cannot believe the Minister for Education — —

The CHAIR — I think you should ask that in the house. This is not for the estimates hearings. On literacy and numeracy; the slide is up there, Mr Rich-Phillips.

Mr RICH-PHILLIPS — In relation to the assessment for writing for years 3 and 5, I note the error bars are very small for Victoria. Has there been any change in the way tests in Victoria are assessed relative to previous years in the writing category?

Mr LENDERS — Chair, we have a testing. ‘Is the test changed?’. Obviously there are minor iterations on them from year to year as you have better practice, but no, we have consistent testing.

Mr RICH-PHILLIPS — No change as to how they were marked from 2005 in relation to reading?

Mr LENDERS — I will take advice on that, Chair. But while I am waiting for the advice, I will take the opportunity to say I absolutely support the flying of flags in schools, but I do not support the crazy red-tape certification where Darrell Fraser of Mr Barber’s fame has to prepare certification that all 1594 — —

Mr WELLS — It has taken you 10 minutes to think about that. That is a disgraceful situation. Which adviser told you to say that you have to support the flag because it is going to be embarrassing otherwise?

Mr LENDERS — All 1594 schools have to certify a range of things with red tape that probably keeps 70 of Mrs Bishop’s policy advisers busy filling in the forms.

Mr WELLS — Which adviser told you that you had to say that? You really do not believe in that.

The CHAIR — Thank you, Minister. Can we get back to the issue about the writing tests? Try to relate this to the estimates too, please. I notice they are the best in Australia.

Mr LENDERS — Chair, straying back to the answer; yes, there was a minor change in 2005. I am happy to take the detail on notice and get back to Mr Rich-Phillips with that particular detail.

The CHAIR — Thank you.

Mr RICH-PHILLIPS — In relation to the international comparisons, which is the next slide, how does Victoria compare on this measure relative to the other Australian states?

The CHAIR — We have that question on notice, and then we are going to provide the details.

Mr LENDERS — I have taken that on notice already.

Ms GRALEY — Minister, I think we all agree that improving our maths and science curriculum is a major priority, especially in a growing and innovative economy. I would like to refer you to page 9 of BP3, which relates to the government’s focus on increasing capability in mathematics and science. Could you please advise the committee what the government is doing to improve the performance of Victorian students in mathematics and science?

Mr LENDERS — I thank Ms Graley for her question. Through this budget we certainly are implementing a very comprehensive Victorian maths-science education strategy. It is all about improving those outcomes in maths and science, because we want more students to continue to study in these fields. There is a range of things we are doing, Chair. There is \$50 million to refurbish or replace 200 science rooms across the state, so as a starter — going back to that earlier point about the educational opportunities and teaching — revamping our science rooms is a significant contribution, and a range of schools already in the first of the 131 schools now with regenerations, modernisations and the like, and a number of science rooms are already part of that. So that is one of the first parts: to improve the teaching environment to encourage students to take up maths and science. That is certainly one of the ones.

The second one, and the Premier announced this — and I mentioned this before — the day before Anzac Day is the grants for science teaching across all Victorian government schools. Again, the Premier, Minister Hulls as the member for Niddrie and I went through one of the secondary colleges in his electorate. Some of the students there — their enthusiasm for science was just inspirational. Whether it be through the IT where they are doing projects, whether it be — —

They had these frogs under microscopes. They were a far more gentle student group than when I was a student, I must admit — I will not go back to my student practices — but they were gently and delicately dropping water drops on the frogs. But they had frogs under microscopes, they had — —

Dr SYKES — That is a scarce commodity. Some of them would not remember water.

Mr LENDERS — We will not ask you, Dr Sykes, what you did in veterinary school with frogs — but nevertheless! I am sure you were very gentle also.

But watching the students' enthusiasm — whether it be in this particular case is it is frogs, carrots or a range of things they were looking at and a range of experiments they were doing — but it is about the quest for knowledge in science. The facilities to provide that are absolutely critical. In this particular school, whether it be — —

You could use your science equipment grant. You could do it for the microscopes. You could do it for the tanks to store the animals. You could do it for a range of things — that is, the scope they could use. Again, we do not purport to have a single syllabus controlled from on high, whether it be from Spring Street or Moscow on the Molonglo — we leave that to schools. Give them the resources so they work out what is going to actually bring out the curiosity factor in the student.

I have a very strong view that you need to put some tests in what you think an education system is, if it is to work. One of the personal tests that I put on in my own language as a new minister is that in an education system, if it is going to work, you want a child to be literate and you want them to be numerate. I think they are givens; everyone would say that. You also want the child to be curious, because if the child is not curious, they are just not going to perform at school, or I do not think they will. You also want them to be articulate and you want them to have a bit of passion about their future and the world they are in.

So there is curiosity factor. Individual schools, in the science if we can harness that curiosity of students. It was the curiosity that got us an Einstein. It is the curiosity that got us a Marie Pasteur. It is the curiosity factor we need to harness. This sort of individual resources for schools will assist them in bringing it out for students.

We have also got a further 50 places in our Career Change program, where we are trying to actually convince scientists and others or people to change their career and come into schooling. Again, in the size of our workforce it is small, but again an induction of new scientists coming into teaching, that sort of thing in particular will encourage people to come in, and teaching is a great passion. We have scholarships for three years to maths and science graduates who undertake to come in, particularly in some of the more difficult areas to staff; we have those scholarships that we provide.

We also have the additional commitment to three new science and maths specialist centres, which we are building, which again will provide for students who have a passion, curiosity and commitment and will assist in all these areas. We are talking of this in the next four years in Geelong, Ballarat and La Trobe Secondary College.

Also talking of our science centres that we have established, the teaching and learning aids that we talked about under the blueprint, and the learning standards and tools — whether it be the P-10 mathematics development — all of these are but part of fostering the culture of learning in the area.

It is quite interesting. The Governor, who of course is one of our lead scientists in the state, will be conducting a round table in Government House at the end of this month, again to try and bring together people from maths and science, and part of that arises out of the parliamentary committee that was on in the last Parliament on coming out of the strategy on this. Again, these are all part of how we foster this culture of maths and science. That round table will have the best minds in research, some really good educators and also some interested parties, including me, the shadow minister and others, who will be there to try, in a collective fashion, to come forward with great science and maths.

The final thing, to conclude on that, is that my colleague the Minister for Innovation has been unbelievably passionate about the synchrotron for many years. A lot of people, some around this table — not looking in anyone's direction in particular — have been critical of the synchrotron, Chair.

Mr DALLA-RIVA — They are all down there on the left of us. They were all sceptics.

Mr WELLS — The commonwealth is putting in how much?

Mr LENDERS — I take up Mr Wells's interjection, because he has made a pertinent interjection. The commonwealth has finally committed some money to the ongoing running of the synchrotron, and I commend the commonwealth on that.

The vision of the synchrotron was: what can we do to keep our best and brightest in Australia? What can we do to stop them all going off to the Northern Hemisphere to do their research? The innovation minister has been unbelievably consistent on this: that if we can start providing opportunities for science graduates — and this is obviously located next to Monash University, a very good university — —

The CHAIR — Yes, excellent.

Mr LENDERS — I say to Professor Dawkins quite often that I think a better university is the University of Melbourne — being provocative!

The CHAIR — The Chair would have to agree with that.

Mr LENDERS — But it is a fantastic university, the university that the synchrotron is next to. From memory, going back to my days as major projects minister, we have a queue of thousands of scientists just waiting to use it, because they can do their innovation and research work here in Australia. We have the private sector wanting to be part of it, but we have had this brain drain where our best and brightest go to Silicon Valley or Oxford or Singapore or to any of those other places where there are synchrotrons. Now they want to stay here for science.

If we want to bring out the best and brightest, it is the strategies in schools, it is the resources in schools and it is also a vision that we want to encourage science in Victoria. The synchrotron is a classic. There were thousands of people queuing to go into the synchrotron on its open day, and they were overwhelmingly young people with a passion for science. Many of us around the table would have heard Professor Julius Sumner Miller in our youth saying, 'Why is it so?'.

Mr RICH-PHILLIPS — We're not all that old!

Mr LENDERS — I take it from that interjection that Mr Rich-Phillips is a mere callow youth, if he cannot remember Professor Julius Sumner Miller. Perhaps he should watch some re-runs, and he might learn a lot about science.

Mr DALLA-RIVA — Minister, your government continues to make assertions about class sizes. I refer you to budget paper 3 at page 55. In respect of the quantity in the early years, where it shows the numbers are purported to be higher leading into the 07–08 year and in particular the years 3–6 class sizes, and I am just wondering if the minister can refer to why the numbers are increasing, and what he intends to do to try to stop the increase.

Mr LENDERS — In opening, as to why a number increases and what can you do to stop the increase, the government that we took over from not only closed 300 schools but also sacked 9000 teachers.

Mr DALLA-RIVA — I am talking about this current financial year and — —

Mr LENDERS — Chair, Mr Dalla-Riva asked me the cause and effect — —

Mr WELLS — How many schools have you actually shut down over the last seven years, just out of curiosity?

Mr DALLA-RIVA — I want to know about the year 2007–08. I do not want to know about previous years. I just want to know, as it is increasing, what you propose to do.

Mr LENDERS — What the government has done is we have reintroduced 7000 teachers into government schools. Above and beyond attrition, we have reintroduced 7000 teachers into government schools, which is what brings down the class sizes.

This government unequivocally and unashamedly takes pride in the fact that we have injected resources into schools so we can have teachers available to teach children. What we also have is that schools get their student resource package which takes into account what an optimum number of students is, and they are resourced accordingly. Schools also exercise individual decisions, and sometimes this affects class size numbers — for instance, the example I used in response to a question before, the withdrawal of students for reading recovery.

If a style of teaching is that there are a number of students who, for whatever reason, you wish to give some intensive assistance to, a school will always have the flexibility. Again, if a school is going to withdraw students because it thinks a reading recovery program or a music program or a phys. ed. program — all of us can name a dozen other important educational or worthy programs — sometimes schools make the choices that they will have these specialist teachers who then take students out of classes and assist them. What happens is that when we report the figures every year, we report the figures on school census day, which I think is 28 February as to what is at that stage a definition of a class, and a class size does not take account at all of the specialist teachers that schools may have effectively withdrawn so that they can assist in these particular educational areas.

Dr Dawkins has just alerted me to the fact that on page 55 of BP3 the actual numbers have come down. It is the actual target, so we have actually exceeded the target. If we are talking of those particular times, in the years 3 to 6 class size, which Mr Dalla-Riva, I assume, is referring to, we have actually seen a decline. But the reason that can happen is because the student resource package has been targeted to enable schools to do it.

Chair, when we talk of 1594 government schools and we talk of each of them receiving a student resource package, it is a very sophisticated tool that deals with raw numbers — it deals with disadvantage, there is equity funding, it deals with size of schools; there is a whole range of variables that go into the program. Mr Rosewarne will understand far more than anybody else how that actually works. It is a sophisticated model where schools get the resources. But the fundamental is that in Victoria we have a blueprint, we set guidelines and we actually empower our principals and educators to make decisions on a local school basis. Now the federal minister talks about empowering principals constantly.

Mr DALLA-RIVA — I do not want to know about the federal minister.

Mr LENDERS — And I share the federal minister's view that we should empower principals. But there is a fundamental difference between empowering principals and regulating them to within a nanosecond of their life, which is what the federal minister seems to like to do, creating mounds of paperwork, buckets of red ink and more red tape than the original IBM computer.

Mr WELLS — Which your government is going to fix.

Mr LENDERS — That, Chair, is the fundamental difference. If we are about getting the best educational outcomes, the best innovative outcomes, we have to train our workforce, give them clear direction and give them opportunities, but you have to empower them and you do not regulate them to within an inch of their life.

Mr DALLA-RIVA — I think he has answered the question, Chair.

The CHAIR — Minister. I would like to pick up where in your departmental mission statement you talk about reducing the disparity between the city and the country in terms of what you are looking to do to improve the outcomes for young people in rural and regional Victoria. What are you proposing to do? What initiatives, what action, are you looking to take to try to improve these outcomes? I am looking for more specificity.

Mr LENDERS — Chair, there is a range of particular things that we can do to encourage students to stay in schools. For example, we as a government have not just —

In response to the question from Dr Sykes before on the actual raw resourcing of schools, whether it be into capital or the student resource package, if we are talking of retention, and you are talking specifics, it also comes to some

of the options that we put into our schooling system and education system generally to encourage students to go to year 12 or year 12 equivalent. We obviously have a Growing Victoria Together target in this area that we are working towards.

Some of the areas are obviously in my colleague Jacinta Allan's area, the apprenticeships and traineeships, so I will not go into the details of those other than to outline that they are specific options in education or equivalent for students to stay there. But within the education portfolio there is the VET material that becomes available and the VCAL. The Victorian certificate of learning is again one of those areas where — and obviously it is run in I think approximately 400 places, schools and other providers, government and non-government — again it is a legitimate option for students who do not want to go to university and who want practical experience to come into the workforce.

There has almost been a litany today of me telling the awards that I have been to. But I went to the VCAL awards recently where there was just a range of students and also their families present who saw VCAL as an ultimate pathway and gave them an extraordinary opportunity to stay and participate in education which they might not have otherwise had. So there is a range of specifics in here that we do, if we are talking about a holistic system.

I mentioned in an earlier response that in an ideal world you have an individual pathway for every student that will take them through from their schooling years to a career path or a path in society where they want to go. So we have the traditional VCE, we have VET and we have VCAL. These are all additions to what has traditionally been available in education. In regard to VCAL, again, all of us who have been to schools in our electorate that run VCAL programs will know of the students that it has captured brought forward. It is interesting, but we also have a challenge with VCAL that it is not seen as some secondary kind of education that is inferior to others. It is fascinating that one of the students who won the I think it was the VCAL student of the year award, — —

Ms GRALEY — He came from Narre Warren South P-12 College.

Mr LENDERS — Ms Graley had a very passionate school principal and a large community there.

Ms GRALEY — Yes.

Mr LENDERS — But there are a number of people who do these things and get involved in a range of things. But I mean, one of students who had a very successful outcome actually highlighted how his family were very dubious about maybe doing it, by thinking that this was second to the best. Again, when you see the students participating it is fantastic. They are some of the alternatives that we do offer. We also have 24 transition support workers who are employed in organisations across the state who assist with this. A lot of the areas, the learning networks, are more under the jurisdiction of my colleague Jacinta Allan than myself, because a lot of the resources go into those areas. We also have \$6.3 million to support further vocational education and training in schools programs.

All of these things together mean that we have a far broader range of offerings in our education system for students. All of them together will work towards us getting that greater retention rate of year 12 or equivalent that we share a goal of aspiring towards.

The CHAIR — You might provide us with a list of rural and regional schools which have the VCAL program. I am sure that members will be interested in that.

Mr LENDERS — I would be delighted to.

Mr WELLS — In regard to the estimates questionnaire, can I draw your attention to page 8 in regard to your staffing levels? Can you just step us through, so we have a full understanding as a committee, that on 30 June 2006 the total of all public service staff was 1978. Then it goes to 1816 in 07; and 1776 in 08. Are we on the right page?

Mr LENDERS — Yes.

Mr WELLS — So is that the total number of — —

The CHAIR — Can we make sure that Hansard has a copy of this?

Mr WELLS — Is that the total number of public servants effective full-time that are under your direction? Does it include your regional officers, your VCAA and VIT?

Mr LENDERS — Yes, it does, but one qualification I will make is, under my direction, they are the public service staff in the Department of Education.

Mr WELLS — Yes.

Mr LENDERS — So some of those are accountable to Jacinta Allan. But this is the total for the Department of Education in the central office and regional office.

The CHAIR — I ask Hansard to ignore the first attempt at a question. Strike it from the record.

Ms MUNT — Can I refer you to budget paper 3 which deals with water, environment and climate change. I think one of the schools in my electorate is actually one of the first schools in the state to be built under new guidelines where sustainability and environment had to be factored into the new plans. I know schools are very interested in sustainability and environment. So can I please ask you what the government is doing to make schools environmentally sustainable?

Mr LENDERS — I thank Ms Munt for her question. It is a very broad question as to what the government is doing to make things sustainable. Sustainability is more than just buildings, it is a state of mind and it is also best practice. I guess I will start off with just an example, and will use an example of a non-government school here to start off with and come back to the government. I mentioned the Governor before. The Governor mentioned to me one day that he had been to a school which actually had very good sustainable practices and actually had incorporated some of its practices into its architecture and into its teaching. I thought this will be very interesting, so much to the surprise of the local school in Ms Lindell's electorate, I went to the St Leonard's campus at Bangholme.

Ms MUNT — Yes, I visited there.

Mr LENDERS — And visited that school. The school was very passionate about the things it could do with integrating environmental sustainability in schools. State schools are doing equally well, but this is just an example. I fairly spontaneously called down there, as I think a minister should, as minister for the whole system both government and non-government schools, and if there is a good initiative in a non-government school we should explore it.

This school had built a new building which had a range of things: it had solar panels, it harvested wind and put it into the grid at the end, although that was not functioning as well on the day I visited. It had opening windows, it had resources in such a way that students could see every step of the way how windows opened, they had louvres, and they had a whole range of things. They also incorporated sustainability into the curriculum at every level.

It is good educational practice, and in a collaborative sense we should learn good educational practice. We should not purport to be the font of all wisdom. I guess my office is not on the Molonglo River so I can be more humble, but we can purport to have more wisdom, but this school is just an example, and it is also extraordinary work in government schools at every step of the way on how we bring sustainability in.

Certainly in curriculum there are some extraordinary advances; I think state-of-the-art and those sorts of things are being shared by government schools and non-government schools as to how we can bring it in a way that our students are interested in and enthused. Also on government schools, on the same day I went to St Leonard's I went to Western Port Secondary College in Hastings to see a new government building that was being built in a government school with a lot of sustainable practices. The deputy principal — and the name escapes me at Western Port secondary — was extraordinarily enthused because she had part of the responsibility for sustainability, not just the curriculum, but also the building.

By common practice, like a water audit, by a range of other things, like automatic switches on turning off lights and a range of things, that school saved \$12 000 a year from its budget just by having sustainable practices. So green sustainability is not just an ideological statement, it is not just about saving the planet, which is very important, it is also good economics. As Western Port Secondary College found, just by better practice, the school's discretionary budget, after staff, \$12 000 is not something to be sneezed at. They were very delighted in doing all of that.

It brings forward a question as to how we can be more sustainable in all of those measures where it is good for the students to learn best sustainable practices for their lives. It is something they can bring back to their homes, it is also good for the school, it is also good for future generations. There is a range of things that we are seeking to do. Under the Victorian schools plan we are incorporating our water-efficiency measures. That obviously is probably the thing nearest and dearest to most of our hearts in the environmental debate at the moment, simply because of a water shortage, but in a sense it is no different from any other area that we need to focus on.

We are now rolling out water tanks in every building. We have been doing it for the last two years in Victoria in all new school buildings. There is an odd exception in some rebuilding where the site just does not allow it. I have been to schools now where they have huge bladders under portable classrooms. You have schools where there are tanks. A lot of schools are also adding on to the commonwealth grant money on tanks as well, so when we do this in synchronisation, we and the commonwealth together can do really good work. So the schools are getting water tanks, and water tanks being primarily used for flushing toilets. Whether it be just the water measures that you put in place to — whether it be dual flushing systems and all the rest, or water-free urinals and a range of things that schools are experimenting with, but also the water tanks so the water is harvested and used on toilets rather than potable water coming out of the system.

All of these things are being worked on in schools, and the enthusiasm from the students and teachers is palpable. As you go out there it is something that is really capturing the imagination that people are doing something to assist what they see is a — the old adage is ‘Think globally act locally’, and we are seeing this happening in our schools again and again and again as we try to address best practice in these areas.

We have a school water-efficiency program, and again one of the challenges in this area here is in a devolved education system, where you do not dictate to every school what they do, how do you encourage best practice? It goes to Mr Pakula’s earlier question in this area: how do you encourage best practice in this area? We had a take-up of about 10 per cent of government schools on a water-efficiency program where the Department of Sustainability and Environment was offering to essentially do bridging finance for a school that did a water audit, and then took the actions from that audit for saving water. The take-up was quite low — and the school paid this back. By the savings they made from water, they paid back this interest-free loan effectively. We have been trying to find ways to encourage all schools to have water audits so they can learn from them. That is something the department is now taking on board so that in each of those cases we can go through.

Going to technology innovation, if you go to a school, they have all got a metering box of some sort and there are groups of kids who monitor it. They go around the school looking for best practice. They deal with this with considerable enthusiasm. So there is a whole range of other things that we will roll out — whether it be the solar panels that my colleague Mr Thwaites announced as part of the budget. There is a whole range of these areas that will get better practices still in schools. They are old buildings. Retrofitting is very difficult, but with this huge rollout of infrastructure, there are extraordinary opportunities for us to bring out the absolute best, which will be good for the education of the students, savings for the schools and, by thinking globally and acting locally, we will all do our little bit to make this a better planet.

The CHAIR — Thank you, Minister. I assume with the modernisation program that that will include water-saving actions?

Mr LENDERS — Yes, it is a modernisation program.

The CHAIR — That is meant to cover all the schools, then?

Mr LENDERS — All of them will. We do not have a green building council tool yet for education, so we are working off a national building code for the same sorts of principles, but we are also working with the green building council towards a particular tool for education. Most of our schools subscribe to green power, so the best practice we are getting into our schools is one again of a culture of cooperation, putting forward best practice; we are getting fantastic outcomes because it is just an area where our community is very enthused that they are empowered to assist.

The CHAIR — It might be useful to take on notice and give us a short note on what is available to schools and what programs you have. I know a lot of schools, for example, are interested in water tanks and things like that. It might be useful for the committee.

Mr LENDERS — I would be delighted to.

Dr SYKES — I have a question in relation to students with disabilities, but prior to asking that question, in relation to my earlier question regarding assistance to non-government schools, I have a table which would be helpful. This table relates to an analysis done by the Catholic schools in relation to funding for their schools Australia wide in 2001, and at that stage Victoria scored lowest of all states on both primary school and secondary school funding per student. It was \$844 for primary school students compared with the Australian average of 1104; and for secondary school students, it was 1371 compared to the Australia average of 1618. Obviously there is a great opportunity to get Victoria up to at least the national average, and if I was able to get the current information in that format, it would be very helpful.

In relation to my question regarding students with disabilities, I think it is referred to in budget paper 3 at page 62, in a general sense, it is my understanding with students with disabilities that the key issues are early identification of the disabilities that the students have and then appropriate case management. Autism is an example that I have become familiar with as a result of working in particular with the Mansfield Autistic Centre.

The issues that they have drawn to my attention that may span other ministerial portfolios beyond yours are: first of all, there appears to be an ongoing problem of limited funding for early detection or early identification of children with autism. I understand it is particularly critical to be able to identify them at less than five years or preschool age, or school age. Secondly, there is another program they have in place which is called the travelling teacher program, which helps children with autism, their families, their schools and their communities to support that child with autism and enable him or her to achieve to the maximum ability. That seems to be an ongoing limitation on funding there.

The other interesting funding issue is that when children with autism go from their normal school to Mansfield Autistic Centre for a term, which is a normal way of handling or helping those children, apparently the funding support stays with the school which the child normally attends. So that means that Mansfield Autistic Centre looks after the child for one term with no funding following on with the child, but the school of origin retains the funding. I am just wondering whether you could take on board the general issue, and perhaps advise me of any additional initiatives in this budget to address those sorts of issues and whether there is any more can be done.

Mr LENDERS — Chair, two things: certainly on the issue of individual students and disabilities, they are in the portfolio area of my colleague Jacinta Allan, so they are issues for Dr Sykes to ask her. On the issue of the funding, I will certainly take on notice and get to him the updated chart — the information he passed me across the table is for 2002 information from 2001. We will certainly take on notice and get him the most updated information.

Mr PAKULA — Minister, when you answered the question about the Broadie regeneration — Broadmeadows regeneration.

Ms GRALEY — That is right.

The CHAIR — Is this Eddie McGuire or Martin Pakula?

Mr PAKULA — You touched on the use of school facilities in communities. I am wondering if you could just expand on that a bit, that issue of strengthening the links of engagement between schools and the local communities.

Mr LENDERS — Chair, you may have to pull me up on this one because Mr Pakula has asked the issue that I am probably extremely excited about. The most exciting thing about being minister in this government is we have a great blueprint and we are investing resources into education, but as a subset of that, the better use of facilities with communities is an area that I think we collectively can make such a difference. Mr Pakula raises the issue in general of what we do on that, and I have used a few examples here. I will go back to a couple of them.

The challenge that I have made to local government in this state — and I would open up with this — is I do not believe there is any reason that any of our 79 municipalities should ever again invest in a stand-alone public library, because they can share with the schools and build them in our secondary schools. The statement I am making is quite profound in one way; but if you think of the way that we have historically operated the education system and local governments, there is no logic to it. There is no logic why. I will use the example when yesterday I was at

Neerim District Secondary College in Neerim South and, you know, it is a small school. It has about 190 students. It is a small town. I think the town is probably between 1000 and 2000 people. And it is on the edge of Baw Baw shire. But years ago, rather than the old Shire of Buln Buln having a mobile library going around, they came to an arrangement with the school that they would actually share the running of this library at what was then the Neerim South High School. So what you have is a library where four days a week a member of the school staff is a librarian and runs the school, and the library is also open on Friday, Saturday and I believe Sunday, and the now Shire of Baw Baw actually pays for the library to be open. What happens is for the Neerim South community and region community, they have got access to a library for longer hours than probably almost anybody else would.

The vexing issue for me in a sense, the only issue on that, is how do you actually deal with adults and adolescents crossing paths during school hours? Going back to Mr Barber's question, I have worked with children before. It is obviously an important issue for everyone to work through.

In the case of Neerim District Secondary College they have designed the library so there are actually two particular areas. They would probably get five or six citizens coming in during most of the days using the library — a limited resource. But after school and on weekends you have obviously got both citizens and particularly students wanting to stay and work longer. So as an example, Mr Pakula, of a facility, it is absolutely common sense. The issues for the joint use agreement between in this case the Shire of Baw Baw and the Neerim District Secondary College council, are ones that they have worked through, through necessity, and have a far better outcome.

Whether it be libraries, whether it be sporting facilities, whether it be anything — again, Mr Wells would be very interested in this; it is not in his electorate but very close to it. There is a Catholic school, St Joseph's, in Ferntree Gully which I visited last year at one stage in my capacity as TAC minister. Again, this school is extraordinary. It was a struggling Catholic boys school that was losing enrolments. It had inspirational leadership at the school, and what it came forward with was to say, 'What can we do to make it a more integral part of the community?'. This school now has — I think it is in the city of Knox — a relationship where it shares a basketball stadium with the local municipality. Essentially the school has exclusive use during school hours; the community then has parking and all sorts of things out of school hours. It is now a gymnasium with a private provider where, again, all the lads go and do their weights and aerobics and whatever else they do during the day, and after hours it is open. Now the old Tupperware swimming pool site — they are in negotiations to try to acquire a swimming pool. In both these instances vandalism is down because the facility is being used seven days a week, or close to it. The community has extraordinary ownership. It is public money and community money being spent well.

So there are numerous examples of this where if we just put our minds to it in a sensible way, and break out of our silos which we in government do and municipalities do. The example given by the Chair before of the Glen Iris Uniting Church and Glen Iris Primary School and the City of Boroondara — and my apologies for getting the wrong municipality, Mr Stensholt — shows that again, if we all break out of the mould and work collaboratively, it is just a fundamental step to getting better outcomes for all of us.

So I think in that area, if there is a challenge for us now in the huge capital investment in schools, it is the opportunity that we have to do this. At my old school, Trafalgar High School, yesterday they were saying to me that Trafalgar is a town of 2300 people in Gippsland. The West Gippsland Regional Library service goes there. They are talking about building a library; the school is building a library. Again, it is one of those synergies. We may be too late on this one, but if we can get them going we will all look back and say this was an opportunity taken rather than an opportunity lost.

I will close with an example of sometimes why it has not happened. When I was first elected as the member for Dandenong North there was a school in my electorate — Lyndale Secondary College — which handed back \$750 000 to the state government that Tom Reynolds, the outgoing sports minister in the Kennett government, had offered to it. It handed it back because it was trying to find a service agreement between the college and the City of Greater Dandenong. Both bodies had spent close to \$15 000 on legal fees trying to work out a good joint use agreement. In the end both said it was too difficult, and it handed back the \$750 000.

So I guess the lesson for us is that the template for the first 90 per cent of a joint use agreement should not vary from place to place; it is the last 10 per cent that we need to work on. I guess we in the Department of Education, and obviously in the Department for Victorian Communities — and my colleague Peter Batchelor is equally passionate on this — the more we can get templates in place, then communities can come to government and say, 'How do we do a joint use agreement?', and the less we will require people like the Chair here to broker

agreements between municipalities, churches and schools, and the more we will roll these out. We will then look back in 10-years time and say, 'That was a great initiative'.

So in response to Mr Pakula, there is a lot that we have done; there is an extraordinary amount more we can do. But I guess the lesson for us all is that it is these local communities that come up with good ideas and it is how we assist them to get the better outcomes for their communities. There are some really good stories out there, and I hope that by the end of my term that there are a lot more good stories.

Mr BARBER — Stress claims amongst teachers — I think that last year the budget papers indicated you had some stress claim numbers up around the level of the police department. I know that is not a proportional measure but teaching is not meant to be a high-risk occupation either. What is the cost to the department? Obviously stress claims are very difficult; it is not like a council worker doing their back where they can come back and do some light duties picking up rubbish or something. So they are very corrosive, and they are also very expensive. What is the cost to the budget in terms of premiums and in terms of other costs of those claims, and — I guess generally — what is your plan to get those constantly moving down?

Mr LENDERS — Specifically, the cost to the budget, I am advised, in the last financial year was in the order of \$41 million, which was a premium the department actually paid for WorkCover claims. I will answer your question about how we are addressing that in two areas. We can talk of statistics and can go through claims and all the rest of it, but the harsh reality of all of this is each statistic is individual. A person who walks into teaching wanting to make a difference and suddenly leaves with stress is a disappointment for the whole community — that that people coming through feels that way. We really have to address them.

Responding on two levels to how we address them — as a previous WorkCover minister I can say with great pride that the Victorian WorkCover Authority is an exemplar, certainly in Australia, in dealing well in these areas. How does it deal well with them? It does not just treat them as insurable risks, it actually looks at every case and says, 'How can we offer guidance for good practices in the workforce?', and that links essentially to the blueprint.

Mr BARBER — That was my experience at local government, so we got our claims down —

Mr LENDERS — But how do you do that? It is important to answer your question, Mr Barber. One, you develop a best practice — so, a blueprint again. If you are a teacher in a school, what adds to stress? Stress can come from a whole range of areas — it can be a bad working environment, it can be difficulty working with your colleagues, it can be difficult students, it can be too much to do in too little time; we can enumerate dozens of reasons why a person's stress levels will rise in a workplace.

But if we try to address them on how to change the nature of that workplace to bring it down — the blueprint by itself is a starting point in that, because it actually suggests a best practice; it actually provides the tools for delivering on that best practice, which, by definition, should reduce some of the pressure on teachers when they are struggling to find out what is a good form of teaching, what is a good form of learning, what materials do we use. We are certainly conscious of that, and professional development and leadership in schools all assist with that.

The other thing which WorkCover does though, going back to the WorkCover aspect of it, is to identify best practice in a workplace that can produce some of these areas. Again, WorkCover inspectors will, for example — one of the changes this government brought in with the OHS act changes in late 2004; until then a WorkCover inspector by law could not advise a school on best practice.

A WorkCover inspector could come in and say, 'You have broken the code' — and the Chair is nodding his head; he lived the OHS act intimately, the changes to it; for example, something as simple as — there are 200 or whatever number of WorkCover inspectors; their job is to go through a number of schools in a part of Victoria and they actually have advice on what is good practice to reduce stress or whatever, and since the changes under the act of 2004 they can actually offer advice rather than previously they could only say, 'You have broken the law' — like a Moscow on the Molonglo-type prescriptive solution — 'This is the regulation, you have crossed the line'. Whereas here it is far more proactive where they go out and offer advice.

The premiums are 40 million. Like most of Victoria, they do come down, and that is through good practice. The premium rates are a good reflection on injuries in workplaces, because there is a direct correlation between them. There have been four 10 per cent cuts in WorkCover premiums, which is essentially because injuries are coming down through good practice on WorkCover's place, good management of claims on WorkCover's place and

fundamentally a change of attitudes in workplaces across the state, whether they be in the workplaces where Mr Pakula used to organise in his previous life or whether they be in workplaces in education — it is the cultural change in workplace around best practice, which more than anything will bring this down.

The actual statistics that you sought — \$41.024 million on premium last year — —

Mr BARBER — That is the total premium or that is the premium associated with stress-related claims?

Mr LENDERS — That is the total premium, we do not have particular stress-related ones. That was an increase of 1.59 per cent on the previous year, but the total remuneration for the department via the wage increases, or salaries, or more teachers was 5.8. So in real terms, that was a reduction. On the particular area of stress claims, I will have to take on notice what was the proportion of those — I am not even sure whether that information is available.

I think you can take comfort, Mr Barber — like you said you did in local government — that the WorkCover authority under the new act provided by this government is generally dealing with the issues more effectively, but every single stress claim is one too many, because these are all again about an aspiring teacher who wants to make a difference but is ill, and we need to manage that more effectively. Nothing would give me greater joy than to see these figures go down every year, because that would be a very positive achievement.

Mr SCOTT — My question relates to an area I have particular interest in as the member for Preston, as we have a flagship in technical education in Northland Secondary College in my electorate. It refers specifically to tech wings, which are referred to in budget paper 3, at page 8, which relates to the government's investment in technical education infrastructure. Could you please advise what the government is doing to improve the delivery of skills training in schools?

Mr LENDERS — Governments do a range of things for skills training. I think, first, it is important to note that VET in schools has increased in numbers from 28 000 four years ago to 51 000 now. I guess if we are measuring that as a measure for that particular area — and there are multiple measures you can use — the actual number of participating students has gone up. I think that is an important starting point. That includes 6000 skill-based apprenticeships and trainees as part of those enrolments.

Also as part of skills training we have committed 50 million over the next five years to renew tech wings or build tech wings in every government secondary school. Again, that is a very large commitment to assist in those skills. We all share and know the dilemma: are there enough people with technical skills around? I am very fortunate having a 19-year-old son who is actually an apprentice carpenter, because there are plenty of technical skills around my house, and the house has actually been improved considerably as a consequence of this.

Ms GRALEY — I hope he is not charging you.

Mr LENDERS — He is not charging me, Ms Graley, which is very heartening. The shortage in those skills areas is one that we do need to address, and technical wings in schools are obviously a critical part in us doing this.

There are the new state-of-the-art tech wings. There are also equipment upgrades to all other government secondary schools to assist in this area, which are particularly important to us. We need to address that because of the traditional trades and skills shortage and also to provide pathways to students who want to go down that path towards a technical skill. The tech wings in schools are important. The investment in staff resources in schools is very important to us. We will see them roll out, budget by budget, as we have it.

We are also linking students to industry to help meet local skill needs. They are again far more in the portfolio area of Jacinta Allan than mine. Nevertheless it is that constant interface with industry in schools, with us being conscious of what is around in our community and getting partnerships going that help that all go along.

There is also new technical education centres. We have announced 32 million into providing and constructing new state-of-the-art facilities and TAFE institutes. We are also announcing some particular ones. For example, 160 students at Wangaratta High School are undertaking vocational programs through the Wangaratta TEC in 2007. I know Wangaratta is just outside the borders of your electorate, Dr Sykes, but I am sure you will have some of your constituents cross into Mr Jasper's territory and go to that Wangaratta school.

Dr SYKES — Only with an authorisation from Mr Jasper.

Mr LENDERS — That is right. Mr Jasper probably requires visas on the border and stamps to go into his electorate. Nevertheless he is very enthusiastic. Also, Chair, the Ballarat technical education centre will be opening in mid-2007 and Heidelberg will open in 2008. Obviously Heidelberg is one that will be of interest to Mr Scott, because I would imagine a number of his constituents will go into Heidelberg for that.

There is a big investment going on in this area. It is one that, again, I would welcome the commonwealth investment in technical education, but I would urge a greater collaboration between the two jurisdictions so that we can actually go down this path together. We deliver very good services in all our schools in the state. As I said, I welcome the commonwealth's contribution of funds, but I do genuinely urge them — it is Jacinta Allan's area primarily, but I have raised it with Andrew Robb informally at a citizenship ceremony — that we should be talking more about this, because I think if we work collaboratively we can get far more bang for our buck, and we can deliver the services that our community actually wants. With a collaborative approach we can deliver them far more effectively.

There is a lot of it being rolled out in the state, and people are walking with their feet towards it. As I said, the participation in VET and VCAL, for example, over the last few years is a clear sign that that is what parents and students want. That is what our business community wants, and our obligation is to deliver that in an effective and transparent way.

Mr RICH-PHILLIPS — Minister, I would like to ask you about school attendance rates. I refer to pages 57 and 60 of budget paper 3. The first reference is the average rate of student attendance in years 7 to 10. The target has been reduced from 93 per cent in the current year to 91 per cent in 07–08. The same on page 60 for years 11 and 12, where the target has been reduced from 93 per cent to 91 per cent. There is a footnote there referring to the target being reduced because parents are taking their children on extended family holidays. I am guess I am surprised at the reductions, firstly, in years 7 to 10 given that that correlates to the compulsory period of education, particularly with the 16-year minimum coming in this year — you would actually expect attendance to year 10 to increase. Likewise for those students who have elected to continue at years 11 and 12 — you would expect them to attend school and not be on holidays. I guess what I would like to ask is what strategies has the government got in place or is putting in place to address this decline in attendance? I find it quite extraordinary that you actually have that decline in target for that reason.

Mr LENDERS — I thank Mr Rich-Phillips for his question, a very pertinent question. I guess there are two questions: why is it happening, and he addressed part of that by parents making choices. We obviously monitor the absenteeism rates with considerable interest, because it is of relevance to us. Sadly there is an increasing number of parents who will make the choice to withdraw their children from school during the compulsory years because of family holidays. There are the ones Dr Sykes would be aware of — my own experience, growing up on a dairy farm, is during the harvest season we would be withdrawn from school. There are some of those things that probably have not changed with parents who run small businesses or farms or whatever; they will sometimes make those choices when there are particular economic moments that they want to address. That probably has not changed, but the growing area is parents making a choice during the compulsory years for holidays and the like. There are two issues about how we address that. One, again we can use the issue of prescription and enforcement and come down hard, throw the book at people and say, 'You should not be doing this. You shall not, you should not, you shall not, you should not'. I am sure my federal colleague likes doing that, but we in the state would rather go to the causes of things and actually find ways of addressing them. That is one. That is a challenge for us if a family takes out their child for two weeks to go on a holiday to, I guess, get the message through that those two weeks are an educational opportunity lost and while it might only seem small, that ultimately it makes it that bit tougher for your child. That is a challenge for us with parents.

But there are a couple of specific things, I guess, that we are seeking to do. One of them is a program called It's Not Okay to Be Away, which we are now running as an information program through our schools. It sort of has two key messages. One, that student attendance is a responsibility of everyone in the community, not just the school. The second one is that effective schools monitor, communicate and implement strategies to improve regular school attendance. They are the sorts of things that come out of It's Not Okay to Be Away, where we are trying to address those cultural issues there. There is a tool kit for every school to help plan and deliver local school and community strategies to reduce truancy and absenteeism. There is a website with a lot of the hints that have worked in schools, brochures, posters and other info for parents. And also grants for schools that have got innovative activities to

reduce absenteeism. A lot of schools have embraced this and there are some really good examples, in a sense, of what they have done. One is that Yallourn North Primary School presents awards to students with 100 per cent attendance. Again, the aim is to change students' attitudes towards attendance and alert parents and students to that importance of being at school. Some of this can have a program. My earlier response of curiosity being the absolute key, if we can as one of my five goals get students to be curious and want to come and learn, then half the problem of the student not wanting to be there is addressed. Yallourn North is an example of that. The Cathedral cluster of schools has evolved a safe and caring communities program. It has a whole range of things about classroom programs. Woori Yallock Primary School has developed an information campaign to parents which seeks to work this through. There are a lot of other case studies and examples that I could use. Certainly one of the initiatives is an increased capacity to address issues related to attendance, also capacity of the schools to monitor them. All of these things are ones that we try to look at in a holistic way to have a good methodology to do this.

Also, student support officers are an important part of this. Obviously we have invested heavily in this in this budget and in previous budgets to try and deal with that. In 2006, over \$50 million was allocated to a range of services. They included psychologists, social workers, youth workers, speech pathologists, occupational therapists, visiting teachers and curriculum consultants. There are responsibilities here that lie with individual school councils for policies and with individual principals and teachers, and also responsibilities, frankly, that lie with individual parents who are quite happy to have their children leave the school or not attend school.

I guess there is no easy answer to that, but in a holistic sense It's Not Okay To Be Away is an effort by the department to try to put tools in place so that individual schools and individual families can deal with this whole complex array of things. But the new area there — the growing area, as you identify it — is the parents choosing to withdraw children at holiday times. Targets obviously seek to be realistic. They are aspirational and realistic in a way that we can measure them. So, yes, they have changed, and I guess that is the reason for a change in circumstance.

Mr RICH-PHILLIPS — Are you expecting they will plateau at that, or do you think this is will be a growing problem?

Mr LENDERS — We have set the targets for what we think is realistic, so we are confident that that 91 per cent will be achieved, but we will obviously be watching the space like you will. Hopefully we are underestimating what the It's Not Okay To Be Away tool and others are actually doing. But, again, what we seek to do in budget paper 3 is have targets that we can be measured against as a way that our community as well as the Public Accounts and Estimates Committee can keep track of where we are going.

Ms GRALEY — Minister, I was going to ask you a question about class sizes, but I think you have already given all the good news to Mr Dalla-Riva. As a former school teacher and a former school counsellor, I was just wondering if you could advise the committee what the government is doing to free up teachers from administrative work to allow them to focus more on improving teaching and learning.

Mr LENDERS — A very good question, and it is one of the areas that certainly the Australian Education Union is very strong on, saying that if you want teachers to be able to teach more effectively, you have to remove some of their administrative burdens. It is certainly something about which the Victorian Independent Education Union has the same view and the other two sectors — the Catholic and the independent sectors. The more we can actually reduce the administrative burden on teachers, the more we can carry out the blueprint.

We can do that in two ways. I think one of the most effective ways of cutting red tape — I mentioned before the annual reports of schools to the community, for example, and there is a lot of information that schools are required to collect every year, whether it be testing results, whether it be the A to E reporting requirements or whether it be the various prescriptive things that the commonwealth has required — the flag poles that Mr Wells gets very excited about. We all like flying flags, but he gets very excited about the prescriptive nature of flag poles.

Mr WELLS — You don't like it, do you?

The CHAIR — Back to the estimates please.

Mr LENDERS — Chair, if this committee room were a government school, again the deputy secretary of schools, Darrell Fraser, would have to certify on my behalf that we had two posters prominently displayed with all sorts of things that the federal minister requires on the walls of schools. We spend time counting these every year,

making sure they are displayed and reporting to the commonwealth. So in reducing red tape, what we seek to do is reduce red tape on the mandatory requirements, and annual reports of schools is one.

But in the specific area of assisting teachers — and that is more school leaders we are talking about rather than teachers — one of the things is administrative assistants in secondary schools, which we have pledged in our election commitment, and the first 90-plus are being announced. I will not presume the appropriation gets passed by Parliament — I certainly hope it does — but once the appropriation is passed, obviously, on 1 July we would then seek to roll them out in the most needy schools in the first instance until we have 300 administrative assistants to teachers in all government secondary schools.

A lot of what they will do, of course, will be issues for individual schools in how these teachers assistants are deployed and in what they do, but we are looking at them doing things like undertaking the sourcing of teaching and learning materials; they may supervise students on some occasions when the teacher works with a small group; they would monitor some of the student attendance, which is pertinent; they might collect money for excursions; they might book rooms; and they might do other administrative things, even like photocopying, so that the teachers can actually spend their time teaching.

It sounds fairly simple — teachers should be spending their time teaching — and again it is very easy rhetorically to say that teachers should be spending their time teaching, but again what this government is seeking to do with things as simple as this rollout of assistance in schools is to actually listen to our own rhetoric in the blueprint, our own good practice, and say at every step, ‘What can we do to reduce red tape?’. Mr Wells takes exception when I get excited about the flagpoles and about the posters on the walls and all the other things.

Mr WELLS — No, it is the flagpole. We just were horrified at your attitude towards it.

Mr LENDERS — What we get, Chair, is constantly from the commonwealth where to the point — —

Mr WELLS — The flagpoles, which were funded by the federal government.

Mr LENDERS — I am happy to share with Mr Wells over a cup of coffee one day just some of the prescriptive paperwork that we as a state are required to fill in from the commonwealth. Mr Wells says we can hand back their money — —

Mr WELLS — No, it is your criticism of the flag flying.

Mr LENDERS — But if we wish to hand back 12 per cent, or whatever the figure is, of our schools funding to the commonwealth, because we of course will fill in every bit of paper we need to because we want money for our students — but I think if the commonwealth minister were to actually come to some of our 1594 government schools in the state, talk to teachers about some of the administrative burdens, talk to school principals about the burdens of filling in the paperwork to put up the flags — —

Good on them for putting up the flags, but it is this paperwork — the two flagpoles of paperwork. For Ms Graley’s knowledge, we have the Flying Fruit Fly Circus in Wodonga — getting close to Dr Sykes’s electorate. In Albury-Wodonga this is a wonderful school. In one of my first acts as Minister for Education I got a letter to the ‘Honourable John Lenders’ and addressed ‘Dear Lynne’ from my federal colleague, and a big, scrawly signature ‘Julie Bishop’ on the bottom, lamenting the fact that when the notification for the schools had gone up that the ‘Victoria: the place to be’ was a millimetre or two higher than the commonwealth logo.

So here is the federal minister signing correspondence on this. Her parliamentary secretary, Pat Farmer, now has this wonderful task — I would certainly know my parliamentary secretary, Fiona Richardson, has more meaningful tasks in the Victorian government. But part of Pat Farmer’s job is to monitor that we mere mortals in the states put the placards in the right place and meet the protocols of announcement. Good on the commonwealth for wanting recognition for its funding, but there is an obsession on red tape. Administrative assistance in schools is part of what we can do, but all of us need to have a performance culture that says education is the outcome, not minute bureaucracy and red tape.

Mr DALLA-RIVA — I acknowledge the minister’s former position as minister for WorkCover, who insisted on posters being placed in workplaces, but that aside — —

Mr WELLS — That would be different, wouldn’t it?

Mr DALLA-RIVA — It would be different.

Mr WELLS — They have different standards. I understand that.

Ms GRALEY — Like one in your electorate office?

Mr DALLA-RIVA — One in my electorate office? Yes, it has to be up there, as directed by the minister. Can I suggest that on budget paper 268 — —

Mr LENDERS — You have got more budget papers than I remember — 268 of them! That is Julie Bishop's bureaucracy! Julie Bishop would be proud of you.

Mr DALLA-RIVA — That's a Freudian slip.

Ms GRALEY — You're on your own now!

Mr DALLA-RIVA — I apologise, Minister. I should have used the codeword BP3. I did not use the codeword BP3, for those in the know, page 268. In relation to two select-entry high schools there is a TEI of \$40 million. I note that there is only \$1 million to provide for planning for select-entry schools. Can you just advise why that is the case and when you intend to apply the \$40 million proposed?

Mr LENDERS — Chair, I am delighted Mr Dalla-Riva has asked the question. It goes, I guess, back to my earlier response to Mr Rich-Phillips — that we just do not spend for the sake of spending; we do things right.

A million dollars is obviously the planning money for the two schools. We have announced the site in North Melbourne for one of the two selective-entry schools, which will obviously be to Melbourne high and to MacRobertson high that have been in place for, I don't know, perhaps a century. Certainly those two schools have been in place for a long time.

We have committed to obviously one at North Melbourne and one in your electorate, Mr Dalla-Riva — somewhere in the eastern corridor with a site still to be determined. The reason that there is planning money there is because we actually want to plan this right. We have not created a new selective-entry school in Victoria for the best part of a hundred years, so there is not necessarily a great methodology in place for it, so the planning money is that we get it done correctly.

Obviously I will certainly be putting out a discussion paper and seeking information from stakeholders, and I would be delighted, Chair, if Mr Dalla-Riva were to contribute to that, if he has ideas on it. But certainly we want to get it right. As he would be aware, there are a range of things where there is a 3 per cent threshold. At the moment a maximum of 3 per cent of students from any government or non-government school can actually go to the existing select schools. We need to review whether that is the correct figure or whether there should be a higher figure and whether that is the approach.

There is the testing method that is used on how you recruit staff. You do not just say something is a select school and expect it to be. There is a whole establishment and a whole range of things about that that we need to get right. If we had to do it in a hurry, I think we would probably do it okay, but I would rather do the planning on it correctly and take our stakeholders on board with us and get it absolutely right, because there are a number of issues with selective schools where there is a debate on. Parents want them. Parents want their children to be able to go to them. Some of the other schools in the areas are nervous about what it may do to them. We are committed to the schools that my predecessor announced and the Premier confirmed during the election that we will deliver the two select-entry schools. But we will use the planning phase of next year to get it right so that when they hit the ground running, they will operate smoothly. They fit into a context, and we want to take our stakeholders with us in delivering what many parents think is an important addition to the state system, and we want to deliver them well.

The CHAIR — Thank you, Minister. I would like you to take on notice a final question: what resources and staffing costs does the department anticipate applying to service PAEC hearings in the 2007–08 financial year based on experience over the last few years?

That concludes consideration of the budget estimates for the portfolio of education. I thank the minister, witnesses and departmental officers for their attendance today. It has been a very useful session. Where questions were taken on notice, the committee will follow up with you in writing at a later date, as indeed I will also do in regard to the

incomplete answers to question 9 of the questionnaire, which was sent out to all departments. The committee requests that a written response to those matters be provided within 30 days. Thank you very much.

Witnesses withdrew.

Transcript of Evidence

3.10 Education Services portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 7 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms J. Allan, Minister for Skills, Education Services and Employment;
Dr P. Dawkins, secretary;
Ms K. Henderson, deputy secretary, policy, planning and evaluation;
Mr J. Rosewarne, deputy secretary, resources and infrastructure; and
Ms C. Britchford, chief finance officer, Department of Education.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2007–08 budget estimates for the portfolios of education services, skills, employment and women’s affairs. On behalf of the committee I welcome the Honourable Jacinta Allan, Minister for Skills, Education Services and Employment and Minister for Women’s Affairs; Mr Peter Dawkins, Secretary of the Department of Education; Ms Katherine Henderson, deputy secretary, policy planning and evaluation; Mr Jeff Rosewarne, deputy secretary, resources and infrastructure; and Ms Claire Britchford, chief finance officer; 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 may approach PAEC members. Departmental officers, as requested by the minister or his or her chief of staff — her in this case — 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 shall 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 will then be placed on the committee’s website.

Following the presentation by the minister, committee members will also ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. Please turn off all mobile phones. 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 relating to the budget estimates for the education services portfolio. Thank you, Minister.

Overheads shown.

Ms ALLAN — Thank you very much, Chair. As you have indicated, this presentation will just be on the education services part of the portfolio. I look forward to following that up with another three presentations on the other portfolio areas. Certainly it is a great opportunity today to outline the key achievements in the education area in this year’s budget. But, before I start, I thought it might be useful for members of the committee, particularly members who have been here previously — no, we do not have any previous members who might be familiar —

The CHAIR — Do you have a handout?

Ms ALLAN — Handout of the presentation?

The CHAIR — Yes.

Ms ALLAN — Yes. I will just go through the portfolio responsibilities that I have in relation to Minister Lenders, who I understand is coming before the committee on Wednesday. Since the machinery of government changes following last November’s election, as you will see there on the screen and in the handouts, there are different arrangements for the education services portfolio, which means I now have responsibility for the areas of youth transition, which include the local learning and employment networks; student wellbeing and safety; the program for students with a disability; information technology infrastructure; international education; the education maintenance allowance; the School Start bonus; the delivery of senior secondary certificates outside of the school environment; and the Victorian Qualifications Authority, apart from those areas that are courses taught in schools. In the post-compulsory area, if it happens outside of schools, it is in my portfolio area.

The next slide just shows us some of the key achievements. It is important to look at where we are coming from in this year’s budget and to quickly look at the key achievements. There have been significant improvements over the last seven years in the education and training portfolios, particularly as a result of the additional investment that has been made by the Bracks government. Certainly in the area of student health and welfare, which I have a responsibility for, we have made that a real priority — for example, by introducing the 256 full-time primary welfare officers into high-need schools. This budget continues that initiative, and again it should be seen that they sit alongside the additional 7300 teachers and staff who have been invested into Victorian government schools.

We have connected every government school to VicSmart broadband, and that is really going to assist government schools meet future infrastructure needs in the technology area. At the same time we have made quite significant reforms in the post-compulsory education and training area that have seen significantly increased numbers of students participating and completing year 12 or its equivalent. As a result of this investment we are seeing very good results for Victorian students. This slide, just very quickly, shows us a good example of how well Victoria is performing. It shows our year 12 or equivalent completion rates. This slide will show you that not only have we had an increase over the last seven years of young people completing year 12 — we have had a 2.1 percentage point increase in the numbers completing year 12 — you can also see that we are both above the national average and we are the best performing state. You will see there the figures for the territories, but as they are much smaller jurisdictions you can see that compared to other states we are performing very, very well. Clearly that is a result of the additional investments that have been made in education over the last seven years.

I turn to this year's budget. This year's budget has some key areas that I wanted to focus on this afternoon and obviously, through questions, get the chance also to talk about them in a bit more detail. The first one is the Ultranet. This budget provides \$60.5 million over four years to connect every school to the new system — the Ultranet. But this is not just about connecting every government school, it is also about providing parents and students as well with connection to the Ultranet, which will become an online teaching and learning system that will provide one single information point that parents, students and teachers can access 24 hours a day, seven days a week. As the Ultranet rolls out I think we will see it revolutionise not only the way education is delivered but also the relationship that parents have with schools and the relationship between students and teachers.

Also in the area of technology, the budget provides an additional \$7 million to provide more computers for students and teachers in government schools. As I mentioned before, the additional support for students and their families will continue through the extension of the primary welfare officers initiative, which has been a terrific program supporting students who need help, in particular, in key areas around things like improving attendance levels, connectedness to school and also connecting families to schools.

You will see on the final slide that the additional funds that have been invested in schools since 1999 total \$6.1 billion, and this includes \$2.3 billion invested in school capital assets. I should also note that the investment in training and skills is in addition to that \$6.1 billion and that this budget is delivering a record \$904 million, including our significant investment in school capital works, which I think every member of PAEC is very well aware of.

The CHAIR — Thank you, Minister. I am particularly interested in the impact on productivity of the budget, and I do not mind if you answer this in regard to other parts of your portfolios as well, but what do you anticipate to be the impact on productivity of the portfolio spend this year and the following years, particularly in regard to new initiatives?

Ms ALLAN — Would you like me to answer that for all four?

The CHAIR — It will save you answering the same question four times, I guess.

Ms ALLAN — I would be happy to. Obviously in the area of education, the significant investment in our infrastructure projects are a \$555 million capital commitment which, as I think every member has heard also, is one of the largest single ever investments in capital works in Victoria's history. That will really position Victoria very well, and it will also drive high levels of productivity, because some research for us has indicated that there is a direct relationship between the quality of education infrastructure and improved educational outcomes. That is also why this is not just starting from this year's budget. As you saw from that previous slide, we have had a very heavy focus over the last seven years in school capital works. This budget takes it to another level again, so we know that a quality education very much underpins the development of a highly skilled and productive workforce, and we know that that is critical to Victoria's economic prosperity, which is also why, in the area of training, just moving to the skills portfolio, you have also seen over the last seven years our government invest heavily in delivering more places for apprenticeships and traineeships, and why we have also made a significant investment in TAFE capital works and new TAFE facilities. This budget will also build on that and link back to the comments I made earlier around improved productivity as a result of better education outcomes, as a result of improved facilities.

We have had provided more than \$38 million to expand and equip Victorian TAFE institutes for the future, so there are some funds there for big capital projects — I will talk about some of those when I come back as skills minister — but also some funds for equipment as well.

Then further in the employment portfolio, we have a number of initiatives that are very targeted at key groups in our community who need some assistance in getting back into the workforce. Obviously the more we can increase workforce participation for people, say, with a disability or mature age workers, the more we can help those people get into the workforce, obviously the more skilled labour industry and business we will have that will continue to drive economic prosperity and productivity. Also, when I come back as employment minister, we will talk about the continuation of the very successful skilled and business migration program which is also great for Victoria's economy and productivity in the numbers we are attracting and the skill areas that they are coming into.

Finally, I will finish a very quick overview in this area. In the women's portfolio, there are just a couple of things in particular that I wanted to touch on that whilst at first blush might not necessarily indicate that they will make a contribution to productivity, but certainly the initiatives around family violence and the Safer Families training program will assist because we know that the cost of family violence to the Victorian economy is \$2 billion every year, so the more we can do to invest in initiatives that reduce family violence, we will see more productive people and reduce that cost to the Victorian economy. That is obviously a very brief snapshot across the four areas of the initiatives that support Victoria's productivity.

Mr WELLS — Minister, at the start of each year MPs receive a number of requests from parents for further funding for children with disabilities. I am wondering what new funding there is in this budget for students with disabilities, considering that on page 278 of budget 3, in the output initiatives, there do not seem to be any new initiatives for students with disabilities?

Ms ALLAN — Thank you, Kim. The program for students with a disability, as you have indicated, is a program that there is a lot of focus on from parents, and you can understand that when parents want to provide the best support they can for the children. That is certainly backed up by the work we do through the program for students with a disability, by making sure when we are delivering an education system that it caters for everyone. That is why in last year's budget, the 06–07 budget, there was an additional \$215 million over five years provided for in last year's budget. We can get to the breakdown of the figures after the hearing, if you like, in terms of what that looks like over the forward four years. Those funds are continuing through. There are additional funds in the PSD area, they are just not coming up in this year's budget because they were allocated in last year's budget.

If I can take a moment of the committee's time, this current financial year the government is investing over \$350 million into the program for students with a disability. That also should be seen in addition to the \$50 million that is provided for school support officers, health specialists, allied health specialists, speech therapists, psychologists and counsellors who provide very important supports to the program for students with a disability. Over the last seven years, since 1999, the Bracks government has increased funding to this area by 82 per cent, but we recognise that there are particular challenges in this area, and that is why there is a review process that is under way. It has been under way since 2005 where we had a working group set up. They provided me with a report. I have established a ministerial advisory committee which advises me directly on a range of issues. Every year we are looking at reforms to the program, both in terms of how we can best support the students who need it the most and also make reforms to help streamline some of the processes for parents and teachers and principals as well.

Mr WELLS — So the \$215 million over the five years which you mentioned, is that staggered funding over that time or an average of, say, \$43 million?

Ms ALLAN — It does go up each year incrementally. As I said, we can provide that detail. It would have been in last year's budget papers, so we can provide that information to the committee.

The CHAIR — In *A Fairer Victoria*, I think.

Ms ALLAN — Yes, that is right, it was detailed in *A Fairer Victoria* as well.

Ms MUNT — Minister, I was very pleased to hear in your presentation about the commitment to put the ultranet in place. I was actually part of the parliamentary committee on education that recommended that, and we are very pleased to see it becoming a reality. It will lead the world. Critical, of course, in that being a success is the

availability of computers in schools. I was wondering if you could tell me what the government is doing to increase student access to computers and technology?

Ms ALLAN — Yes, certainly. As you have indicated, and through your work that you did on the committee, because I think you also did a report into multimedia technology as well.

Ms MUNT — Yes, we did.

Ms ALLAN — We certainly have a very strong commitment to providing our students with access to the latest technology in the classroom. The reason why we do it is for really two reasons: we know that it can make education very exciting, very engaging and also improve access, but it is also about making sure we are preparing young people with the skills they need for the workforce of the future.

That is why we have worked very hard at improving the student computer ratio. Back in the 1996 it was one to nine, there was one computer to every nine students. That was the average ratio. Today we have a target of one to five, and we are below that at present, and that is largely because of the significant investments we have made in this area in additional funds for computers for students, and that is why in this budget we have committed a further \$7 million to provide student access to computers. That should again be seen alongside the other initiatives, such as the VicSmart rollout, which I mentioned in the presentation where we are connecting every single government school in the state. It does not matter whether you are in Murrumbidgee — is that in your electorate? No, I do not think it is.

Ms MUNT — Close.

Ms ALLAN — Close, but not far away.

The CHAIR — Close to mine.

Ms ALLAN — Or in Violet Town you have the same fibre-optic broadband connection in any part of the state. That will be complete by 2008, and we are delivering that in partnership with Telstra. I do not know if any of you have picked up on this in your visits to schools, but we have also invested \$6 million to make every school a secure wireless network. It is actually the largest school wireless network in the southern hemisphere. We all know from using our wireless computers in Parliament how portable that makes the technology, how much easier it makes the technology to use.

It is really because of that platform of computers of making schools wireless and the high-speed broadband rollout, and alongside having teachers with notebooks, that we have been able to go down the path of rolling out the ultranet. Those members of the lower house might have heard me in Parliament last week talking about how we really will revolutionise, as I said before, the relationship between parents, teachers and students in a way that, I think, from some of the work we have done and the trialling we have done, we have quite a very good idea about what it will do, but as it rolls out I think the potential of it will only be fully realised. It will be tremendously exciting to have the opportunity at future PAECs of talking about it a bit further.

Dr SYKES — Minister, you made reference to the retention rates, or completion rates, for year 12, and that Victoria has an average of 85 per cent. It is my understanding that averages are made up of above and below-average performances, and I understand that the year 12 completion rate amongst Victorian country students is substantially below the 85 per cent. Can you advise what is the year 12 retention rate amongst country students, and what are you doing about seeking to lift it?

Ms ALLAN — Certainly. I have noticed some of the comments from the National Party in this area, and it is a bit unfortunate that in having a bit of a go at the government, I think the National Party has missed sight of the real issue, which is that retention rates for country kids are going up — we have seen an increase of 2.7 percentage points since 1999 —

Dr SYKES — From what to what?

Ms ALLAN — Yes. From 66.8 per cent to 69.5 per cent. And, as I said before, we have got the best year 12 or equivalent completion rates of any Australian state, and it is important to focus here when we are talking about year 12 completion rates, there are not just the VCE completions, there are the kids who go off into the apprenticeship and trainee pathway in an environment where we have got very strong employment growth,

particularly in country Victoria. You would know it as well as I do — we are seeing terrific jobs growth across country Victoria. That is opening up a whole world of opportunities for young people in terms of getting apprenticeship and traineeship opportunities. They are certainly becoming more and more attractive as we are seeing the unemployment rate decrease and employment opportunities increase in country areas.

In terms of the second part of your question around what we are doing about it, over the last seven years the Bracks government has invested enormously in opening up alternate pathways for young people, whether it is alongside the VCE; there is the VET in schools program as well; we introduced VCAL back in 2002, which is providing an alternate pathway for young people, and again we have seen — —

I think I have a handout here actually for the committee's benefit; I forgot to hand out my computer one before. We do have a handout here I can show you in terms of the increase in numbers of people who are completing the Victorian certificate of applied learning, and we have seen that increase to now over 12 000 young people undertaking study in VCAL, and there is a range of schools in country Victoria that are providing VCAL for their students. We also have introduced things — —

I might have given you the slightly wrong figures there. Can I have a chance to correct the record, Bill?

Dr SYKES — Don't worry about that. Wrong figures amongst friends!

Ms ALLAN — The thing is, Bill, I have given you the figures for 7 to 12 retention rates whereas — —

Hang on, just give me two seconds to double-check these figures. Okay, the correct figures — sorry, with the committee's indulgence — the 7 to 12 government school rate has increased from — —

No, that is the statewide rate. I think I was right the first time. Yes, I was right, sorry, with the committee's indulgence. I just want to briefly finish. The one thing with which the National Party could be of tremendous assistance, Bill, is getting the federal government to provide more places at our regional universities and to recognise the extra cost of delivering university education to our regional communities. It would be great if you and I could sign a joint letter to Julie Bishop and get Peter McGauran and all the other senior Victorian National Party members to raise that with the federal government, because that is one area that we are being held back in. We are doing our bit in vocational education and training in government schools, but the federal government unfortunately is not funding regional university places, or we are not getting enough regional places across Victoria.

The CHAIR — Thank you. We need to move on because Mr Pakula — —

Dr SYKES — At the — —

The CHAIR — No, I think we have to move on. We have indulged you. We do need to move on to the next one, sorry. Everyone asks a question each time, so we have only got half an hour each time.

Mr PAKULA — Minister, in the presentation you talked about the wellbeing of students, and this issue of students at risk of disconnecting from schools, or disengaging. I am interested in the primary area especially. How is the government planning to enhance the capacity of primary schools to prevent that disconnection?

Ms ALLAN — Certainly the primary areas whether it is, you know, having our commitment to achieve an average class size of 21 or less — and we are achieving that, and it is a result of the additional teachers and facilities — we do need to provide some specific interventions in particular school communities. That is why this budget continues, as I said in the presentation, the funding for the primary welfare officer initiative.

It was introduced in the 2003–04 budget — that was for 49.5 million to primary welfare officers in 450 high-need — in fact, the highest need — Victorian government schools to support students at that risk of disconnection that you have identified. It has proven highly successful. There have been three evaluations that have been undertaken on this program.

As a result we have continued the funding — it is actually now \$79.9 million in this year's budget — to extend it for a further four years. As I said, we have an evaluation. We are seeing some tremendous results as a result of both that evaluation and the program. We are getting feedback that it has very much improved links between not just the student and their school but also families and external agencies. I have visited some schools where they have

formed a very strong partnership off the back of the primary welfare officer with external agencies in the local community. Welfare agencies that might also be working with that family can now do it around the school.

As I think I indicated before, we are seeing an increased attendance from the students where there is a primary welfare officer. We are seeing improved self-esteem and lower incidences of aggressive behaviour. So it really does show that we can have a targeted and strategic intervention that sits alongside the universal delivery of education with the extra teachers and extra funding that goes into schools. It can make a real difference.

That is why when we came to office back in 1999 we immediately put back the school nurses and welfare officers into secondary schools because unfortunately in the 1990s they went by the wayside. We put them back in secondary schools and then from 2003 onwards we introduced the primary welfare officers as well.

Mr BARBER — I also have some questions about the program for students with disabilities. I understand you are putting more money into it, but what I want to get a sense of is how much is enough. At the time of the regulatory impact statement into the federal disability status for education, Victoria, and all states in fact, had a lot of trouble getting to grips with exactly what proportion of the student body they thought would likely be requiring support — from 3 to 18, back down to 5, up to 10 depending on what sector they were talking about.

I suppose I have a two-part question. As a question on notice could you perhaps provide us with some information about how the program for students with disabilities over the last, say, four or five years has grown broken down by those subsectors like language disorder and so forth, and obviously the funding that accrued with that, and how much you think it will grow next year?

My question for now is: whether it is through your review or advisory committee, how are you coming to grips with the likely growth of need under this program?

Ms ALLAN — Sure. I can go through all of those now, if you like. I came prepared with some information in anticipation of the committee wanting a break down on the PSD. We can hand them out. There are two bits of information which I will be handing around. One is the numbers of students by category on the program for this year, and the other is the funding levels by the proportion of funding levels.

By way of information for the committee and just to assist in the discussions, the second slide shows you — and this goes very much to your question, Greg, as well — how the funding has increased year-on-year for both the program for students with disabilities and the SSSOs. As I said earlier, this year in terms of the program for students with disabilities, we are about \$350 million. For the SSSOs we provide \$50 million. So it is over \$400 million this year. You can see how in each year that has increased and, as I mentioned, that is part of the 82 per cent increase in government funding over the last seven years.

In terms of how much it will grow next year, I think it is reflected in the budget papers that we have a target of 3 per cent of the student population that will require supports under the programs for students with a disability. When we talk about that 3 per cent, I do not mean that is the beginning and the end of the support for students with additional learning needs in our schools. That is support for that proportion of the student population who are identified as being most in need. We go from the severely disabled — physically and intellectually disabled — to things ranging across the autism spectrum and lower level intellectual disabilities. Then there is a whole range of additional supports that sit outside of that \$350 million that is available for the program. There is the \$50 million for the SSSOs. There is the funding we were just talking about in terms of the primary welfare officers as well. There are the additional funds that go into literacy and numeracy programs — I think we have spent over \$1.5 billion on that over the last seven years. We have very strong commitment to helping the students most in need, and that is what this program is about. Then there are the additional supports we provide to schools.

In terms of your question about how we are coming to grips with the growth, I personally have been working on this for nearly five years, and it is a particular challenge. With improved medical technology, with improved diagnosis we are seeing a growth in students coming into this program. We are seeing particular pressures put in place on schools, and that is why, as I mentioned before, the working group and the ministerial advisory committee are looking at how things can be refined and how they can be managed. It is always about looking at how we can improve processes to free up time. We are undergoing a trial of outsourcing our assessments. The early feedback from those trials shows us that it has freed up SSSO time, so that means less time on paperwork and more time with the student and helping them with their education. We are looking at revising the eligibility criteria and educational needs questionnaire (ENQ) to keep pace with those improvements in medical technology and advances, and also a

better understanding of illnesses like autism and autism spectrum disorder. I think it is around 10 years since the ENQ has been revised. That is a lifetime ago in terms of medical technology. I think we will see improvements as a result of that.

We are also undertaking significant research projects that look at the abilities of young people with additional learning needs. We talk about disability all the time, and I am not sure if anyone saw the Logies last night, but this was actually a feature of one of the speeches at the Logies — talking about peoples' abilities rather than their disabilities. That is part of a very significant piece of research the department is undertaking through the ministerial advisory committee and with a range of experts to really help us understand where this area is going and how we can improve our educational supports.

The CHAIR — Thank you, minister. Mr Scott.

Mr BARBER — That is an excellent chart. Can you give us a breakdown for the last few years? That was my question.

The CHAIR — Sorry, Mr Barber, I think we will go on to the next question.

Mr BARBER — Can you give us a breakdown for the last few years. That was my original question

The CHAIR — Can you ask that on notice?

Mr BARBER — On notice.

The CHAIR — That is fine. We will do that.

Ms ALLAN — Yes, sure.

Mr SCOTT — My question relates to youth transition, which is related to budget paper 3, page 59. I would be grateful if you could provide some further information to the committee about what the government is doing, and I will quote:

... to provide young people with effective and varied pathways and support to secure their first formal qualification and to make a successful transition to further study, employment or a combination of both.

Ms ALLAN — This also goes back to the question from Bill earlier about how we can do everything possible to increase the numbers of young people completing as high a level of educational qualification as possible, and also provide them with a range of pathway options and a range of supports. That is why, as I said, alongside the VCE we are providing things like VCAL and providing more supports for VET in schools. It is why we are seeing in this year's budget — and I am sure Minister Lenders will talk a bit more in detail on this — we are putting in technical wings. We are spending \$50 million to provide technical wings in government secondary schools. That is why when I come back as schools minister I might talk a bit about the four technical education centres we are putting in. There are also things like the youth guarantee, which commenced this year. This is, of course, ensuring a place at a TAFE institute or another educational and training provider for a young person up until the age of 20 so they can complete their year 12 or equivalent. There are other initiatives that have been in place for a couple of years like On Track and Managed Individual Pathways that complement this.

That is where, in terms of the specific question around youth transition support, this year saw the commencement of the \$10 million Youth Transition Support Initiative which provides 24 youth transition workers in 12 local learning and employment network areas.

These are workers who are, again in terms of target interventions, we have put these workers into the 12 LLEN areas that have the highest numbers of young people unemployed, highest numbers of young people not in education or in training, and we have also focused this in on the 15 to 19-year-olds group in particular. We are already seeing, I am pleased to report to the committee, some success in this area, whereas as at 31 March — and they only started in January — we have seen 133 young people already being assisted by this initiative, which I think is really about a hands-on approach.

It is providing one-to-one support to help that young person reconnect with school or training or a job, because we know if we can lift their education qualifications, increase their connections to jobs, it means they are going to have

better lifetime earnings, better health outcomes, and that is better for the community, and in terms of your first question, Bob, better productivity for the economy as well.

The CHAIR — Thank you very much. Now the final question in education services.

Mr DALLA-RIVA — Minister, I refer to budget paper 3, pages 56 and 57. In respect of the top of page 56 under 'Early years' we see the statewide computer-to-student ratio, primary, the ratio target for the coming year is 1.5 — —

The CHAIR — One to 5.

Mr DALLA-RIVA — Yes, 1 to 5, sorry. In respect of 'Middle years' on page 57, statewide computer-to-student ratio, secondary, the ratio is 1-to-5. Then I refer you to page 397 of budget paper 3, or BP3. Is that right Mr Wells?

Mr WELLS — So I am told.

Mr DALLA-RIVA — So we are told, BP3. And I refer you to appendix C 'Discontinued outputs and/or measures' and I note that under 'Early years' the schools with a 1-to-5 or better computer-to-student ratio in primary the target was at 95 per cent, and it has actually only been 89.7; and in terms of the middle years secondary, again the same quantity, the target was set at 95 and was actually 84.5.

My question is twofold in the sense that: why is it that the government has replaced the school with a 1-to-5 or better computer-to-student ratio primary and secondary with the new measure statewide computer-to-student ratio, primary, as I have outlined on pages 56 and 57. Just as a supplementary to that, is it an admission that the government has actually failed in terms of its ability to deliver schools with a 1-to-5 or better ratio and you have just fiddled the numbers again, which you are quite good at.

Ms ALLAN — Again? I personally haven't, thank you.

Mr DALLA-RIVA — Not you, particularly, but the government is quite good at that. I like appendix C, it seems to be a good way for removing government scrutiny. Would you like to respond to those comments and questions?

Ms ALLAN — Certainly. In assisting me to respond, in terms of government achievements rather than failures, we have seen a great record of achievement. I mentioned in my comments before, in 1996 the computer-to-student ratio was 1-to-9, and if I can hand it around, I have got a little chart here that shows how over the last seven years — —

Mr DALLA-RIVA — You have a chart for everything!

Ms ALLAN — We certainly do. We like to provide PAEC with a lot of information.

The CHAIR — And you're happy to incorporate them as well.

Mr DALLA-RIVA — Just give us all your charts and save us asking questions.

Ms ALLAN — That is right. And that shows a steady decline in the student-to-computer ratio, because as I said before, we very much believe in providing access to students to the latest technology because it improves their education outcomes and because it improves their prospects when they go out into the workforce.

In terms of your question on school ratios and student ratios, they are two different measures. One is mentioning a school average, and the other is mentioning the student-to-computer ratio. In terms of the student-to-computer ratio, we see that as a better indicator in terms of the access that students have to technology. Since Jeff was making some comments to me, I might let you make those to the committee, Jeff, if you like.

Mr ROSEWARNE — Thanks, Minister.

Mr DALLA-RIVA — Handballed!

Ms ALLAN — No, I am happy to come back and I am happy to continue.

Mr DALLA-RIVA — No, that is all right. I am just disappointed after Essendon's loss, don't worry.

Mr ROSEWARNE — It is just to pick up the aggregate statewide system data in terms of whether or not school information was giving it to us because by reporting it at a school level what we have discovered as part of the census, you might in fact have schools having quite variable ratios within the school within particular year levels across the classes. So a particular school therefore from our perspective might not be putting enough effort in to get the ratio down across the whole of the school because reporting at a school level it would actually say we have satisfied the ratio because some classes are down to 1 to 1, other classes are down to 1 to 10. What we are saying is across the system at the primary level we want schools to bring the ratio down; down at a student level, not at a school level. So we think it is a better driver of the way schools manage the information, if we record it at the student level rather than the school level.

Mr WELLS — Just to clarify that point: so you are saying there is a problem with the school identifying how many students it has and how many computers it has?

Mr ROSEWARNE — No, not at all, not in terms of reporting. What we are saying is a school might think that its efforts in regard to the ratio have been satisfied when an overall school ratio has been met, but within the school some classes are well under the ratio, when in fact some classes might be over. What we want is a considered effort across the school and we take it down to a student level therefore, rather than a school level, in terms of the measurement.

Ms ALLAN — If I can just briefly mention too, I think it is also about we do know that there is some variability and we have been to those schools that have a very strong focus on IT and, frankly, others that have a focus in other areas. I think that is where we provide the funds to schools and, under our self-managed system in Victoria, principals can allocate those funds to their local priority areas. So I think that is where also you see some of that variability that Jeff is talking about, and that is why we use that student-to-computer ratio rather than — well alongside the school's average.

The CHAIR — Thank you, Minister. I thank the witnesses for their attendance and we will now welcome the next group of witnesses.

Witnesses withdrew.

CHAPTER 4: DEPARTMENT OF HUMAN SERVICES

Transcript of Evidence

4.9 Children portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

4.10 Community Services portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 10 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr G. Jennings, Minister for Community Services;
Ms F. Thorn, secretary;
Mr A. Hall, executive director, financial and corporate services;
Ms G. Callister, executive director, Office for Children;
Mr A. Rogers, executive director, disability services; and
Ms J. Herington, director, aged-care branch, Department of Human Services.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the budget estimates for the portfolios of community services and Aboriginal affairs. On behalf of the committee I welcome the Honourable Gavin Jennings, Minister for Community Services and Minister for Aboriginal Affairs; Ms Fran Thorn, secretary of the Department of Human Services; Ms Gill Callister, executive director — Office for Children; Mr Arthur Rogers, executive director — disability services; Ms Jane Herington, director — aged care; and Mr Alan Hall, executive director — financial and corporate services; departmental officers, members of the public and the media.

In accordance with the guidelines for public hearings I remind members of the public they cannot participate in the committee proceedings. Only officers of PAEC, the 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. Those guidelines are actually that you are only able to film the person who is speaking.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, and it is protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript, and the committee requests that verification be forwarded to the committee within two working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations 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. In other words, there are no supplementaries, but clarifications are in order. Before I call on the minister to give a brief presentation on the more complex financial and performance information relating to the budget estimates for the community services portfolio, I ask that all mobile phones be turned off.

Mr JENNINGS — Thank you, Chair and the committee, for that introduction, which has orientated us all and made us pretty clear about who is on my side of the table. I am pretty pleased to see, given my burgeoning responsibilities, that I have almost got as many members on my side of the table as you have on yours! Hopefully we can rise up to your expectations and respond to those issues.

The CHAIR — You have got about 10 minutes.

Mr WELLS — How many on your side from the audience?

Mr JENNINGS — I did not realise how interactive this was going to be! If it is this interactive, you actually probably will not get as much out of me as you might have wanted!

Overheads shown.

Mr JENNINGS — Having said that, the first slide has listed responsibilities — I know the committee will be talking shortly to Minister Neville, but I just wanted to make sure that the committee had their heads up in relation to the division of responsibility as it crosses over between particularly children's services and aged-care services, which may prove to be a slightly vexing issue for the committee. This matrix provides you with a reminder of the areas of my responsibility. In terms of children, they relate to child protection and other family services, juvenile justice, and youth services such as secondary school nursing.

In aged care, I continue to be responsible for public sector residential aged care facilities; supported residential services, the home and community care program, the aged care assessment program, carer support, and dementia services. I will leave Minister Neville to speak for her own responsibilities.

It is important to indicate that in the areas I am responsible for we are embarking upon a range of change programs that have been underpinned by legislative reform and significant budget commitments by our government. I am very happy to be in the situation where I have inherited significant reform and investment that has been outlined in previous budgets and continued within this one.

In the area of improving outcomes for vulnerable children, I want to point out to the committee that there continues to be a major increase over the life of the Bracks government of our investment in child protection, family services

and youth justice services budgets, which is indicated clearly by the bar graphs before the committee. In child protection we have achieved a 93 per cent increase in allocation; youth justice is up by 79 per cent; and there has been an overall increase of 90 per cent in the budget allocation since 1999–2000.

As I indicated to the committee, an extensive amount of work has been done in partnership with the sector and the community to try to ensure that we provide for the safety, security and wellbeing of Victorian children. There is a well-developed body of evidence and legislative framework that underpin our work. That overhead is a snapshot of those pieces of work, which I am sure the committee can apprise itself of at a later time.

In particular, the most recent reforms have been proclaimed in the Children, Youth and Families Act, which came into effect on 23 April. That has engaged people in countless hours, weeks, months and years — you probably can count the years — of deliberations in that work. Very importantly, it is matched by a commitment from the government to fund programs that underpin that important legislative reform: \$225 million has been allocated from 2006–07 onwards into the forward estimates up to 2009–10.

I appreciate that the committee will understand that we are in a continuum of forward estimates from the 2006–07 budget forward over the life of the current forward estimates. I will give you an indication of the growth within those programs. The family support innovations program, which is designed to support families to stay resilient, strong and capable, in this current budget has \$7.2 million and in the forward estimates period, increases to \$11 million by 08–09. The Child First program, which is a coordination effort to ensure that we provide easy access for families to support the needs of their children, this year has \$1.6 million and that increases over the life of the forward estimates to 3.2.

Our approach to actually deal and respond to the needs of those children who may have been sexually abused or at risk of sexual abuse increases significantly over the forward estimate period, as indeed does our commitment to provide for new forms of foster care arrangements to more adequately deal with and respond to the needs of those very vulnerable children who require intensive foster care and residential care support. Indeed, a hallmark of the legislation has been our commitment to ensure within the principles of the best interests of the child that we account for the needs of Aboriginal children who, history would say, have a disproportionate high incidence with child protection systems and which we are hoping to address in the future.

One of the ways we are wanting to do that is to increase our support to Aboriginal community organisations charged with responsibilities and to increase investment within Aboriginal services across the sector.

There is some good news in Victoria in relation to child abuse substantiations. This is basically the level of determination of the level of risk that Victorian children are currently experiencing. In fact, I think the most telling part of this bar graph that the committee has before it is the relatively flat nature of the child abuse substantiations that have occurred in Victoria.

I draw the committee's attention to the very stark difference in the jurisdiction we often compare ourselves with, New South Wales, where there has been extraordinary growth in child abuse substantiations that have occurred within that jurisdiction. From our perspective it actually demonstrates that we have been quite effective in intervening earlier in family support programs.

We also recognise that when children are out of care we have an obligation to provide support to foster carers, who do a great labour of love on behalf of this community each and every day. As you can see, there are significant caregiver payments — we as a community are obliged to provide some financial support for the out-of-pocket expenses and the costs of providing those foster care arrangements. As the committee can see, there has been significant investment provided for within this budget and going forward in relation to foster carer payments. We also recognise that there is a need to make sure we have appropriate residential facilities for when children need intensive residential care. There is a rolling program of capital investment within the residential sector.

Moving into the area of disability, the committee can actually see there has been continual growth during the life of our government for investing in services for people with disabilities and their carers and the service system that provides for those needs. There has been an 87 per cent increase during the life of the Bracks government to the size of disability services. Indeed, in this budget that the committee is currently considering there is \$214 million over the life of the forward estimates period to deal with those needs into the future. They relate to \$184 million of output initiatives and \$30 million of asset initiatives.

To give the committee an indication of what those services cover, there is significant investment for individual support programs. The committee would realise that there is an important direction in disability services to provide for the individual care needs of those in our community with disabilities and trying to tailor specific programs to meet their needs. There is an increasing emphasis, both within the programs but in terms of the resource allocation, to provide for that individual care planning support.

We also recognise that there has been a load, a disproportionate load perhaps, carried by carers for their loved ones and those in their community that they provide care for and assistance. There is an additional \$13.1 million over four years for additional episodes of respite care to provide some breathing space as a fillip to those carers who provide that important work each and every day. Indeed, we provide specific assistance for carers who may wish to re-enter the workforce and perhaps have felt hamstrung about their capacity to do that.

There is a significant investment in the technability program. I do not know whether we invented that word for this program — we might have! The notion of this is to try to ensure that we invest in information technologies and information services that provide for and cater for the breadth of needs of people with disabilities and that ensure that they can more effectively and efficiently access information and use information to empower them and fulfil them in their daily lives. There is \$12.3 million provided over the life of the forward estimates to support people in our community with acquired brain injury, which I bring to the committee's attention.

We can also continue the important programs that have seen great results, including the Futures for Young Adults program, which I draw the committee's attention to, which provides for life planning for young people with disabilities leaving education. We recognise the need to provide support for community service organisations, because most — well, not most — a lot of the services in the disabilities sector are provided by the non-government sector. They can be the inevitable NGOs that have very low-cost structures and the not-for-profit organisations that we need to provide support to. Indeed there is also significant investment in capital initiatives that I have outlined in terms of the refurbishment of the residential sector.

In aged care, members of the committee would realise that we have had a significant increase over the life of our government in aged-care services, and indeed this year it has topped \$1 billion when you include allocations for aged services within the aged-care program and the small rural services. That is a significant increase, and again this year we continue a trend of providing for new initiatives with significant investment in capital — which has been a hallmark of our government — and with a commitment to redevelop 45 residential aged-care facilities across Victoria, 43 of those being in rural areas.

There is significant investment in home and community care in terms of an output measure this year. We would hope to see 400 000 more hours of service reaching 6000 more clients during the life of the program. We want to make sure that home and community care reaches the people who may not readily get access to it, including people from diverse backgrounds and indigenous people who are underrepresented within the HACC community. We actually understand that people might feel vulnerable at home and need additional assistance, whether it be through personal alerts or through specific initiatives, to make sure that they can eat well by providing for dental care or dentures, and to make sure that people can see and get around their daily lives in comfort.

They are features of the initiatives in this year's budget, and, as I have indicated, we are continuing a trend of investing significantly in capital infrastructure across Victoria. It is a hallmark of our government that we have reinvested in aged-care facilities right across the state, the vast majority of these being in rural areas. That continues to be the case with the announcements made today. We are also facilitating new investment in aged-care facilities through innovative approaches such as the Land Bank.

That is pretty much the rapid-fire introduction to my areas of responsibility, but I welcome the committee's interest and questions about these portfolio matters.

The CHAIR — Thank you, Minister. I appreciate the introduction. I would like to begin by asking you, as I have asked every other minister: what impact will the portfolio spend be having on productivity, particularly new initiatives under your portfolio?

Mr JENNINGS — I thank the Chair for his concern about productivity, because obviously this is an issue about which all of the Victorian community beyond PAEC want to have some confidence that we are being innovative and that we are trying to make sure that we deliver services in a way that is cost effective and delivers the maximum result.

I want to draw to the committee's attention that with a lot of the work we do — I will outline a couple of initiatives that we are actually undertaking — it is very important to understand that, for instance, in child protection and family services, 70 per cent of that work is provided by the non-government sector. In terms of our drivers of reform, we actually have to understand that we are a funder of non-government services, and we seek, in partnership with them, to drive productivity reform.

We have done this in a variety of ways — for instance, using the Community Sector Investment Fund, which is trying to ensure that there are technological responses, that there is training that provides for efficient services and that there is an approach to continuous improvement. There are hundreds of hours that we would actually allocate to the field to provide for ongoing efficiencies in terms of understanding best practice and the need to have continual improvement. There is extensive work, as I indicated, in child services alone. There have been 265 training sessions over the last two years designed to support the capacity of organisations to undertake that work.

In terms of disability services, we have some reforms that try to ensure appropriate practice and efficiencies, and in fact there are some statutory obligations that apply in the disability field. For instance, we have a new disability services commissioner who is charged with the obligation of ensuring that services are provided in an efficient and effective fashion. We have established an Office of the Senior Practitioner who drills down into what the effective and appropriate treatment regime would be to ensure there is best practice being applied in that sector. We have confidence that those initiatives and statutory obligations will be met.

I am sure that the Chair, in the committee's conversation with the Minister for Health previously, knows that right across the Department of Human Services there is an integrated and coordinated approach in terms of driving savings and productivity. I will not go back over those unless the committee particularly wants me to, but we are part of that discipline and that approach within DHS.

The CHAIR — Thank you, Minister I hope you will continue with the Community Sector Investment Fund, to make it work and perhaps enhance it, because it offers a bit of microeconomic structural adjustment in the sector, which I am sure will deliver good dividends right across the state.

Mr WELLS — My question is in regard to child protection. It would be the expectation of the community that all vulnerable children who need a service would receive that immediately. My reference is to BP 3, page 95, which talks about child protection reports.

How many children were referred to protection by the child protection hotline in the last budget period? How much money will be spent on the child protection hotline in 07–08? How many child protection cases referred to the hotline were not allocated, and therefore what is the waiting list? I suppose the more disturbing question is: why was it that a child of 3 had to spend 5 hours at the Preston police station last week because for 5 hours no-one could access the child protection hotline? I refer to an article in which the Office for Children executive director blamed a staff shortage for that. I note also that you have asked for a full and detailed explanation of why this took place. Could you answer those in whichever order you choose?

Mr JENNINGS — You are relying on my cumulative memory, but I will do my best to respond to all the various questions embedded within that scoping.

The CHAIR — Particularly in the context of the estimates and the budget.

Mr JENNINGS — Excellent. I thank the committee Chair for keeping us on the straight and narrow. As an overall introduction to this question can I just say that the program that the Deputy Chair has referred to is the after-hours child protection information service that is funded to the level of \$5.815 million in the current budget.

That relates to the ongoing operation of a 24-hour service that is available to members of the community. It receives a very large number of calls during the course of the year — 61 900 calls per year are received through that service. Those calls are taken, and those calls are responded to. So if we are starting from the premise that we are not delivering a service that is responding to Victorians' need, I start by saying that is a very large number of calls that are actively responded to — and actively responded to, in the main, in a very efficient and effective fashion.

Indeed, my understanding is that 97 per cent of the calls are responded to within 30 minutes. Indeed, whilst we would like to provide for all calls to be responded to within that period of time, we are pretty close to being able to provide that degree of support. When you consider that between 160 and 170 calls come in an hour, that would be an onerous — —

Ms CALLISTER — In a 24-hour period.

Mr JENNINGS — Yes, okay. The 160 to 170 calls actually occur within a day rather than an hour.

Mr WELLS — Hang on, we have cut from a 24-hour period — from per hour to per day.

Mr JENNINGS — No, I have given you a leg-up, because I know that you are now very excited about that. Go back — —

Mr WELLS — We just want the truth. We just want to try to get to the bottom of what happened to this poor kid last week. That is why we really want to get to the bottom of it.

The CHAIR — We are actually talking about the services; we are not interested in individual cases.

Mr WELLS — Yes, we are talking about the efficient service that you are referring to.

The CHAIR — That's fine.

Mr JENNINGS — There is no doubt about this, you do not have any difficulty about getting to the truth.

Mr WELLS — Yes?

Mr JENNINGS — The truth is that 61 000 calls are actually taken each year — in fact, 61 900 calls — and they are taken efficiently; 97 per cent of them are actually responded to within half an hour. My faux pas at the moment is getting the wrong denominator for when those calls come in. But the substantive point remains. There is a significant team that responds to the needs of Victorian families each and every day. They do it on a 24-hour basis. There are four unit managers who are funded within the \$5.8 million, there are seven team leaders, there are four specialist infant protective workers, and there are 35 child protection workers who are employed within that service. And under normal circumstances, in the vast majority of cases — and as I indicated, 97 per cent of calls in that time — that they are very efficient and responsive to the needs of the Victorian community.

There were some difficulties on the night in question that the member referred to, on the basis of a shift shortage due to a work practice where a number of staff, who not only provide for outreach work from this service but in fact do follow-ups through the Children's Court, had been effectively rostered on to undertake to discharge their Children's Court responsibilities. That meant that there was an unusual shortage in the office at that period of time — and, as I indicated to you, a very unusual shortage that occurred during that period of time. Attempts to augment the number of staff that were in the office at that time were not successful. As you could understand, and anybody in the community could understand, at some point in time when the workers who are within the service are responding to the urgency of needs that are coming in to them, they make priority decisions about whether they respond to those calls coming in or whether they spend time on the phone trying to get other people to come in. That judgement call is actually something that we are going to be examining and reviewing in light of these operations.

The case in question — the good news in this story is that the child in question was in the custody of the police, as Mr Wells quite correctly indicates. The child went from the care of the police to the Royal Children's Hospital, and at no time from the intervention of the police was the child in question at risk. That is a very important thing for the committee to understand and for the community to understand. Whether in fact it is a satisfactory arrangement for the police or the ambulance service to make calls to the after-hours service and in fact there be a delay — I volunteered immediately, I volunteer to the committee — not acceptable, will not be tolerated, and we will in fact ensure that it will not happen again.

Mr WELLS — Can I just clarify one point, Minister: are there no children who have been reported to the after-hours service who are on a wait list, waiting for a service? The point is that you are talking about the 97 per cent hit rate in regard to responding, so there is obviously the 3 per cent. Does that mean that there is a waiting list? What happens to the 3 per cent that are not being — —

The CHAIR — It is responded to within 30 minutes.

Mr JENNINGS — They are responded to outside of 30 minutes. The substantive issue that you are talking about crosses over into the way in which child protection works and the way in which decisions are made on the notifications that are received by child protection, and how they are prioritised in terms of the assessment that is made by child protection officers about the way in which those matters will either be investigated or substantiated. In that context there are some delays in some investigations, but in terms of the crossover question between your concern about the after-hours service and what happens with child protection, it happens the following day. All of those matters would be examined by the child protection officer within the region the following day.

Mr WELLS — So there would be no waiting list other than — —

Mr JENNINGS — They are all examined — —

Mr WELLS — The next day?

Mr JENNINGS — The subsequent issue is, after they are examined, there is determination about whether there are matters that are going to be investigated fully by a full investigation of the family, which may then lead to a substantiation of the issue.

Mr PAKULA — Minister, I refer you to page 97 of budget paper 3, to the Children, Youth and Families Act. I wonder if you could tell the committee how the implementation of that act will improve the wellbeing of vulnerable children and other young people?

Mr JENNINGS — Thank you for the question, Mr Pakula. You may or may not know that it has been a big couple of weeks in relation to the Children, Youth and Families Act. It was proclaimed on 23 April and will lead to a new common implementation of the best interests of the child principle that underpins this act. It will be a common template that sees all providers of care — the Children's Court and the agencies that become involved within the purview of providing a responsibility to provide for Victorian children — will have a very consistent and definite approach to the way in which they address child welfare issues and the capacities of families.

We will actually see that there will be a new service configuration that supports this approach. I think the committee would appreciate that in the past child protection issues have been all too often reactive. They have actually come in too late after lot of damage has been done and children have been exposed to excessive risk, and we are trying to provide some remedies well and truly after the damage has been done. The new service configuration is to try to prevent that damage from occurring and prevent risk factors in the lives of Victorian children; indeed, beyond just providing for a secure environment to deal with those risks, to provide for the developmental needs of children. That is a very important emphasis in the new legislation and the new regime.

Consistent with this we have funded in the last number of budgets, commitments to family support innovation programs that have been designed to be flexible and responsive to deal with the need to strengthen families to make them more resilient and robust, and there has been significant investment within the last few budgets to achieve that: \$5.2 million allocated in 2006–07, rising to \$11 million in the 09–10 budget, so, as we can see, this is an escalating effort over the life of the forward estimates to try to make families more resilient and to prevent those children being at risk.

Child First is a new innovation. I went to the Barwon region yesterday to kick-start the Child First program throughout Victoria. It is an effort to coordinate a range of community-based services on a sub-regional catchment basis, so something up from the local government area but not too much — two or three local government areas would come together to provide a catchment of providers to deal with the holistic needs of families. So what happens is that if a family recognises, or somebody puts a family in connection with a Child First service, after the initial assessment and interview process, then there would be a determination about the range of needs that family might have. The Child First service would then tap into that range of services. Rather than making a family in the traditional way go from pillar to post, from one service to the other, there will be the one central access point to make sure that those services are easily available and accessible and deal with the holistic needs of those families.

In fact, going back to Mr Stensholt's question about productivity, you can actually see this is a relatively light investment to achieve very big results, because in fact the Child First program itself at the moment is funded at

\$1.6 million this year to introduce nine of those services, rising to 5.1 in the next two years. The extraordinary benefits that will be derived from efficiencies and integrated coordination of previously disparate and fragmented service configuration in the lives of these families will be a major benefit both in terms of results for families and their children, but a major, major investment in productivity and more efficiencies within the sector generally. I think the Public Accounts and Estimates Committee should be alive to that important dimension.

We would also realise, in the context of Mr Wells's question a minute ago, there has been significant investment in child protection services — an increase from November 2005 of 100 additional child protection workers that have been funded within the budget. We are providing support and encouragement to those people to undertake their important responsibilities and hopefully make child protection and family services a good place to work. I would actually hope that that is outcome, because quite often the only scrutiny these workers come under is either malevolent or mischievous interpretation about the capacity of their work. There is great work being done out there and we are hoping to cultivate that culture in the years to come.

The CHAIR — Thank you, Minister. I am sure Dr Sykes will ask about the country, where it is a good place to live, work and raise a family.

Mr DALLA-RIVA — Please — just one a day!

Dr SYKES — Minister, I have a question in relation to sexual abuse of children and the adequacy of funding for the development of appropriate policies and the correct application of those policies by staff. I wish to illustrate the basis of my question with two case studies.

One relates to an incident in a local special school where there was an alleged sexual assault by one student upon another student. Both the alleged perpetrator and the alleged victim remained at the school while the problem was investigated. The parent of the victim was very frustrated by the lack of information provided to her because of following apparently the policy. Secondly, she was frustrated or very concerned about the lack of protection provided to her and her child, the alleged victim. She actually successfully took out a intervention order on the perpetrator. Interestingly, when the mother of the victim took out an extension of the intervention order, DHS contested the extension of that intervention order on behalf of the alleged perpetrator.

The outcome of the whole episode was that the case was found proven; that there was a sexual offence committed and there was substantial criticism of the handling of the whole process. The issue in this case that I am raising is what appears to be an issue of policy to not fully inform parents of children with disability of alleged sexual assaults and inadequacy in the protection of the victim in this case.

A second example which I would quote to you, a very recent one, is where a child with an intellectual disability alleged that she had been sexually assaulted by her father. The action by the government agency involved was to telephone the mother and to advise her to immediately leave home with the child. Fortunately, after getting over the initial shock of that telephone call, the mother and father further investigated the issue, and they established that in fact that no sexual assault had occurred because the child's definition of her private parts included her whole torso. So there was no touching of the child's private sexual parts.

The agency involved is extremely apologetic for having caused this trauma to the family. It has done its best to correct the issue, the matter or the pain. But the issue in this case is where there appears to be, in this case, what we will say is a relatively simple failure to thoroughly investigate the allegation in the first instance by cross-questioning the child that made the allegation and verifying what she in fact meant by her 'private parts'.

In pulling those two case studies together, I come back to asking the question: does the budget provide for adequate funding to review policies where there are shortcomings identified; secondly, does it provide adequate training of staff to ensure that they implement the policies thoroughly and correctly with the minimum risk of these unfortunate consequences?

Mr JENNINGS — I share Dr Sykes' concern about the incidence of sexual abuse that occurs within our community, and I want to make sure that children are supported and empowered to deal with these matters and that their families feel appropriately supported as well.

If in fact you, Dr Sykes, stopped your question at the first example, you might have got a different answer to what you will actually get by giving me the second question. The two examples are actually very telling. They go from

either ends of the spectrum in relation to the range of issues. One is actually whether in fact we are overzealous in pursuing a case in one instance, when in fact it was not warranted, and the other example is in fact when we are under-zealous in relation to one where it was.

The range of issues and the assessments that underpin the real circumstance, the real risk and the real degree of danger that has been imminent is very complex. We have to have confidence in them, and the people who work in this area have to be able to tease out the relevant facts and to be able to provide the appropriate intervention. Quite often public commentary on these issues — and I am not accusing you of doing it, because I know that you have done it in a very sombre, appropriate and overly sensitive way — has a tabloid approach that does not get to the underlying complexities or does not actually appreciate the complex practice issues that are embedded within those issues that you have raised with me. I hope the Public Accounts and Estimates Committee, and certainly we, from our vantage point, appreciate the importance of that work.

We have provided within this budget for specific funding; an increase in funding is available within this budget — \$6.5 million has been provided within the budget, that I am responsible for, for dealing with support for sexual assault services. In particular we are focusing on additional counselling and support for children and adults.

In particular you will be pleased to know that there is additional funding for rural crisis care services. We are wanting to make sure that beyond what might be the disclosures of children coming forward with either claims that might be real or perceived, we in fact recognise that there is a need to provide some additional almost pastoral care support to young people. Within the funding allocation this year, we have additional treatment programs for children who may be demonstrating behaviour that may be indicative of them being sexually abused or at risk of being sexually abused. So in fact we are trying to go further in relation to going in a pre-emptive way to try to make sure we provide that support for those children.

Indeed we understand that workforce development for this area is an emphasis of the work. We want to make sure that we have people who are capable of providing the most professional, responsive and respectful service. As I have indicated to you through the budget allocation, we actually understand that our rural and regional communities have every right to expect that quality of service being provided within their community.

In relation to the starting point of your question as it relates to special schools, you will understand that I am not responsible for special schools, but I am very happy to work in a collaborative way with my colleagues about that interconnection between the service that I am responsible for and those schools.

Mr SCOTT — The question I would like to ask relates to aged care services. In budget paper 3 on pages 293 and 294 is table A.6. I would be grateful if the minister could inform the committee of the state government's commitment to upgrade the facilities for aged-care services as outlined in that particular area of the budget papers.

Mr JENNINGS — I thank Mr Scott for his question, because this just reinforces Dr Sykes' question; this could have been seen as a regional question rather than the one that has come from a city-based member. But I think it is important for us to recognise that one of the hallmarks of our government has been to reinvest significantly over the life of our government, and more than \$400 million has actually been allocated. Indeed \$424 million has been allocated over the life of our government to redevelop 45 facilities; 43 of them in rural Victoria.

When I initially arrived in my responsibilities as Minister for Aged Care and beyond that as Minister for Community Services, I inherited a very large portfolio of projects that required redevelopment to make sure that they satisfied the 2008 accreditation requirements of the commonwealth. I am pleased to tell the committee, as I have told it before — Mr Rich-Phillips has asked me on two or three occasions whether in fact we are going to meet 2008 accreditation, so if he is going to ask that question again, I have front-footed it — that we are.

Indeed, in the budget papers and the asset investment program that Mr Scott referred to, this year we are adding to that series of commitments by redeveloping the Leongatha hospital campus — the nursing home there — which is a \$10 million commitment. It is an important first stage in the redevelopment of the Leongatha hospital precinct. It will provide ongoing care with 36 beds for older members of the community who require assistance there. I am very pleased to say that when I visited that hospital last November they were pretty enthusiastic, so they cannot wait for that project to roll.

That is pretty much the case in Nathalia as well, where we will be developing 26 beds — 6 acute and 20 high-care residential beds — in an \$18 million program, which demonstrates our ongoing commitment to ensure that when older people require it in this community, they can have residential aged care.

We also understand the importance of capital investment in those communities. This may not be very well understood by the Public Accounts and Estimates Committee but the projects that I have been responsible for have been a major driver of economic activity throughout many small, rural communities in the last four, going into five years, and indeed is a major ongoing employer for people who work within residential aged care.

Some places, and I am mindful of Rainbow in particular — and I think from memory about 700 or 800 people live in Rainbow, over 1000 people turned up for the event. The reason why they turned up for the event in that number when we opened the new residential aged care facility — —

Dr SYKES — It was a pot of gold at the end of the rainbow, Minister!

Mr JENNINGS — Pretty much. In fact it was the biggest thing that had happened there for 20 years, and indeed will continue to be. The hospital's aged care facility will continue to be the major employer in town. And that is how important it is to communities.

But we also recognise that there is a need to invest in metropolitan services, so there is major investment in Caulfield General Medical Centre, which will be providing allied health to the suite of services that are provided at Caulfield General. In fact I was out there earlier this week, in the nursing home that we funded during the life of our government, and this will add to the significant redevelopment of that service. Indeed there is some additional funding to allow for the reconfiguration and upgrade of Calvary Health Care Bethlehem, which is also in the same area.

So overall we are going to continue in the business of being a major provider of residential aged care. We provide about 16 per cent of all the beds in Victoria — about 6500 beds we provide. No other state in Australia is a provider of residential aged care. The Victorian government will continue with its commitment to residential aged care during the life of the forward estimates, and I am pleased to say whilst I continue to be responsible for it.

The CHAIR — Thank you, Minister. Yes, we are very unique in that regard, particularly looking after the country. I understand Mr Barber wants to concentrate on the Aboriginal affairs portfolio, so I call Mr Rich-Phillips.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the Victorian aids and equipment program. The budget papers note that this budget provides \$30 million over five years to provide an additional 15 000 items through that program. You may be aware of a Melbourne Citymission report that was released in October last year that commented on the program and noted that:

As a result of underinvestment, increasing demand, and inefficiencies in the program, access to aids and equipment is characterised by long waiting times for many people with disabilities: most families who participated in recent Melbourne Citymission research had experienced delays ... The impact on individual health and wellbeing of unreasonable delays in meeting needs can be substantial for all those with disabilities, but especially for children.

That same report also noted the manner in which applications are categorised into:

‘no waiting’ for immediate needs, such as oxygen equipment, wheelchair repairs, continence aids.

‘high urgency’ where aids and equipment are issued as soon as funds are available to purchase items —

and —

‘low urgent’ where items are made available subject to budget, waiting period and clinical factors...

Can you tell the committee how many people are currently on waiting lists under those three categories? To what extent will the funding that is mentioned in the budget reduce those waiting lists, in terms of numbers, and to what extent will the funding reduce the waiting times for people who are on those waiting lists?

The CHAIR — I assume we are referring here to page 91?

Mr JENNINGS — Ninety-one, yes.

Mr RICH-PHILLIPS — No, page — —

The CHAIR — ‘Clients accessing aids and equipment’, is that correct?

Mr RICH-PHILLIPS — BP 3, page 16 was the reference I was making.

The CHAIR — I was looking also at the quantity — the numbers with the target for this year: ‘expected outcome’ — 31 000, et cetera. Minister, over to you.

Mr JENNINGS — Good, I am glad we have found where we were. I thought that was where we were. The good news — —

Mr RICH-PHILLIPS — I was referencing page 16 as well.

Mr JENNINGS — Yes. The good news for Mr Rich-Phillips and those in the community who are concerned about this is that my answer to the Public Accounts and Estimates Committee is fairly similar to what I went on the public record with in the Legislative Council only a week or so ago. I obviously did not make an impression on you there, so hopefully I will make an impression — —

Mr DALLA-RIVA — A bit more detail, Minister.

Mr JENNINGS — I do not think so — surely!

Mr DALLA-RIVA — We do not get detail in your answers to questions.

Mr JENNINGS — I do not know that is the case; I have never heard that complaint before.

Mr RICH-PHILLIPS — I did not say ‘waffle’ — lots of words but not much detail.

Mr JENNINGS — You do not hear this problem ever.

The CHAIR — Can we concentrate on the answer, please, rather than the interplay.

Mr JENNINGS — Okay. The good news is that there have been about 5000 people who have been on the waiting list, which is a figure that I volunteer, and in fact my best advice is 5138 people have been on the waiting list for this program, which is a significant reduction to what it had been a year or two before. So we have in fact taken nearly 2000 people off the waiting list during the life of 2004, 2005 and 2006. So it is consistently good news.

I think I might have volunteered the substantive nature of that detail to you in the Legislative Council, but I also indicated that there are about 6000 people who are going to be the beneficiary of the one-off payment that actually occurred at the end of the 2006-07 budget. So if you have a look at the budget paper on page 91, you will actually see that there is quite a — if you actually have a look at the life of the estimates period here, we started off with a target of 24 910 people receiving a service, and the outgoing expected outcome is 31 110. Now that spectacular increase — —

The CHAIR — A good result!

Mr JENNINGS — That spectacular increase is being directly attributed to a \$9.5 million injection that was made in the outgoings of the 2006-07 budget. That will make significant inroads; as you can actually see, it is 6200 people — it is larger than the waiting list. In fact I do not know that we are actually chasing up an additional 800 people to get serviced, because in fact, as you would appreciate, there are a range of various service needs and those needs vary across the different needs of people who are waiting to receive a service.

As you can see, the report that you quoted from pre-dated that significant commitment and also pre-dated the commitment going forward. So beyond the \$9.5 million there is another \$20.3 million going forward in the forward estimates which is designed to address those waiting-list concerns, and there are many elements of the waiting list that we optimistically think will be removed — for instance, that those children who are waiting at the Royal Children’s Hospital for aids and equipment through the fantastic services provided there, we think will be eliminated through this investment.

We are also adding to the program to provide for the aids and equipment needs of people who are on extended aged care at-home packages and community aged care packages, which is a commitment that we made at the last election which will open up access to this program to people who previously were not eligible for this program because they were receiving commonwealth-funded assistance. We are also opening up a program to provide for greater home modifications and, for the first time, vehicle modifications.

So we think that the story about waiting lists is that we are trying to remove them and in fact we have probably provided enough money to remove the existing waiting lists, but as anybody in public life will know, in fact there is a certain elasticity in the nature of these programs and we may expect more people who may currently not have applied, to apply in the future. So I may not be able to come back here in 12 months time and say there is no waiting list, but at the moment we have accounted, in cost terms, for the current waiting list.

Mr RICH-PHILLIPS — Are you able to break down — —

The CHAIR — You want the breakdown among the three areas, do you?

Mr RICH-PHILLIPS — Yes.

Mr JENNINGS — I have not got that before the committee at this moment, but we can probably track that down subsequently.

Mr RICH-PHILLIPS — As to the money, you mentioned \$20.3 million in the estimates; can you reconcile that figure, please, with the \$30 million that is mentioned on page 16, over five years?

Mr JENNINGS — Yes, I can. It is the \$9.5 million going back in 2006–07 and it is 20.3 going forward; so add those two together.

Mr RICH-PHILLIPS — Right; okay.

Ms GRALEY — Minister, I think you probably understand that there is nothing more emotional for a local MP than have a family, usually a lone mother, in the office with children with a disability. I understand that the performance of the Victorian disability services system is linked with commonwealth negotiations on funding. I am hoping that the minister could provide us with an update on the development of the next CSTDA and how he thinks this will play out in the future.

Mr JENNINGS — I thank Ms Graley for her question and her concern, and hopefully I will give her a sense of optimism rather than pessimism, because in fact it is very important for all of us to have a sense that we can respond to the needs of any family that may come knocking on your door and may require assistance. So I would like to end on an optimistic note, but I have to indicate to the committee at the moment that the negotiations up until this point in time have not been very fruitful or satisfactory. The commonwealth-state territory disability agreement — of which there have been three previously — is about to run out at the end of June. In the last financial year what that meant for Victoria was that the Victorian budget allocated about \$1.04 billion worth of services through that agreement.

The commonwealth provided \$129 million worth of services. So, as we can tell, about 88 per cent of the commitment was funded through the Victorian government, and the commonwealth level of contribution, we contest, is not equitable in terms of Victoria's share of disability funding or equitable in the terms of the relative weight that the jurisdictions should carry in relation to this important area.

The federal Parliament Senate process did a lengthy examination of the needs of the disability sector, and came down with a report in February that indicated that there is a whole range of unmet needs that the commonwealth should invest in. It was a unanimous report from the Senate inquiry, so you would have actually thought that when the commonwealth minister came to negotiate with state and territory ministers in Brisbane at the beginning of April, that in fact we would have common ground to embark upon the fourth agreement.

Unfortunately that was not the case. The commonwealth is very committed to accountability measures and wanting to make sure that all states and territories obliged with accountability undertakings to it — which is fair enough, from Victoria's perspective; however, there was not a corresponding commitment to grow the program going forward, so there is no agreed growth formula between the states and the commonwealth. There is no agreement about the level of indexation that is appropriate to provide to the field. In fact the indexation rate that the

commonwealth wishes to apply to the price structures of the program is very low indeed — 1.8, which is at the very low end of the scale in relation to indexation factor. There was no particular agreement to any specific purpose payments outcomes, whether they be to mirror the younger people in nursing homes initiative.

I will go off at a tangent to actually say that is one of the successful models of engagement between the state and the commonwealth, so in fact it is within our wit and wherewithal to be able to find opportunities where we can actually agree on a certain direction. Indeed in younger people in nursing homes we allocated \$30 million each — commonwealth and Victoria, going forward — to try to provide for more flexible and responsive needs for younger people who might otherwise live in nursing homes.

So we are capable of finding some common ground, and I am absolutely determined to find some common ground with the commonwealth in relation to this. In fact in the state of Victoria we think an 80:20 share going forward is something that we are happy to countenance. We are very happy to comply with accountability measures. We are very happy for us to have an agreed assessment about what projects we can jointly fund. So the offer is available from the state of Victoria. We actually hope that the commonwealth will respond. In fact we are waiting for the commonwealth to respond, but states and territories will be putting in a combined position to the commonwealth shortly hoping to recommence negotiations in June, because these issues are far too important for them to be shunted from one jurisdiction to the other, and we should be working on an agreed set of principles and priorities.

The CHAIR — I thank the minister on that important issue.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 91 again, in respect of disability services targeted services. In respect of vehicle modifications, as we know, they can cost in the vicinity of \$20 000 plus. I note, minister, in your earlier response in respect of the clients accessing aids and equipment, that you have got an expected target of 26 210 clients accessing aids and equipment. How many vehicles would you expect will be modified in the forward estimates in the 2007–08 target period? I am referring to a comment you made in the *Age* on 27 April, where you mentioned:

For the first time we recognise that mums and dads want to take their children out and about and have an active and full community life —

which I agree with.

The question is: in terms of the priority for vehicle modifications, will it be families with young children or adults who have been waiting for vehicle modifications for a period? Finally, in terms of the guarantee, will the total cost of each vehicle modification be met by the allocated funding? I guess there is a three-part link in terms of vehicle modifications.

Mr JENNINGS — It is a very good question. I have to volunteer that my answer that I give you at this point in time I do not think is going to be a great answer. The various issues that you outlined are a work in progress in terms of the particular allocation within the funding envelope for this purpose, what the demands may be, because at the moment we have not had a waiting list for this because the program has not been opened to this area. So in terms of what the demands may be coming on us, we are not quite sure. What in fact might be the best way that we can actually spread the investment to provide for the biggest range of people — whether we go to the greatest need, or whether in fact we try to provide for a range and spreading the resources as far as we possibly can, without necessarily the most expensive investment; these are the types of finetuning of this program that we are going to be doing during the life of 2007–08.

It is a terrific question in the sense that it goes to the heart of what our deliberative thinking is going to be over the next few months. I am very happy to come back and let you know, the community know, when in fact we have built those parameters of the system so I can meaningfully answer that question.

Mr DALLA-RIVA — So can we expect something perhaps provided on that? Is there a time frame you are expecting, given that we are —

Mr JENNINGS — All of that deliberative work, all that scoping work —

Mr DALLA-RIVA — I understand.

Mr JENNINGS — An example of it may be — just in terms of the efficiencies of being a purchaser of equipment, which we have not been previously — what is our purchasing power? We are not quite sure whether we go through the existing providers and the existing network — which I am sure we will do — about who does those vehicle modifications, because in fact there is a sub-industry that actually undertakes it. We actually have not quite worked out what is the most cost-effective and transparent way to enter into that market, because we do not want to disadvantage people from actually having access to participating in that market. It will take a few months. It is an imminent issue, but by the end of the year —

The CHAIR — So we will not having anything in the next 30 days, but I am sure we will keep this under review, Minister.

Mr WELLS — Minister, I refer to budget paper 3, page 79, the aged care assessment relating to both the cost per assessment and the wait between the client registration and the ACAS community-based assessment. It is a three-part question but all related. Why is the cost per assessment over 9 per cent higher in 06–07 than what it was in 05–06, and why is the target of 15 days not being met? It seems to have been stuck on 20 days in terms of the wait between the client registration and the ACAS assessment. How do you expect to meet your target of 15 days, which is in the 07–08, at the same time as reducing the output cost per assessment?

Mr JENNINGS — That is accumulatively about the best question I have actually ever received in relation to the accounts, really, in all my time of appearing before the committee, because it actually relates to the budget paper and the output measures pretty comprehensively, doesn't it.

Mr WELLS — Thank you!

Mr JENNINGS — I must say, maybe under your chairmanship, Mr Stensholt, the committee is actually digging deeper into the —

The CHAIR — We are, we definitely are — we have a whole lot of new members, Minister.

Mr JENNINGS — You are quite right to indicate that there has been a concern about the average waiting time for people who receive assessments in the community, and that is absolutely true. It is not disputed, and in fact this is actually something that we do not find acceptable either.

What we can say is that there have been major gains and major success in relation to assessments that are actually undertaken within hospital-based settings, which has in fact been a major problem for all of us. We see the system of integrating residential aged care, community care and acute hospital care as being a major problem. A major problem has been that people are staying inappropriately too long within hospital-based settings — acute hospital settings — which is not necessarily accounting for their needs, no. 1, and is a very high, extremely high cost structure.

In fact if we have erred in the emphasis within this program and what we have achieved, we have actually achieved great results in making sure that those assessments take place in a very timely fashion within hospital-based settings and within residential aged-care settings. That has been our emphasis and priority, and we have been very successful at that.

In terms of the staff and the support that has been provided for average waits in the community, we have been stretched, given the nature of some staff turnover and the difficulty of finding specialised staff who have expertise in this field. You would be aware that this is an issue that both the state and the commonwealth are particularly mindful of, and we share a responsibility of trying to ensure that there are better outcomes within this program. We have allocated significant one-off state investment to try to remedy this situation.

Indeed, the cost structures that you indicate relate to the recruitment and training of additional staff. The unintended consequences of where there may have been staff reductions is that in fact we need to invest to try to attract people to the field, to train them and to ensure that our capacity increases over time. Hopefully this will be something that the commonwealth and ourselves can agree on in future as being an area warranting joint attention and investment.

Mr WELLS — Minister, just to clarify, how many additional staff do you think you need in this program to be able to reach your target of 15 days?

Maybe we could get Ms Herington's microphone a bit closer!

The CHAIR — It is good to see a minister prepared to take advice.

Mr JENNINGS — Sure. I am sorry that I offend the committee and my colleagues at the table if in fact I am just such a precious pup that I have to answer all the questions myself. The nature of what I indicated to the committee about this needing to be a collaborative approach has been reinforced by my colleague here, who reminds me that there is a COAG-auspiced process to try to get to the nub of this problem.

To just re-emphasise that point: it is a collaborative effort, where we both have funding arrangements. That does relate to the budget allocation and the target figure that is indicated here. In fact our forward estimates remain flat and static without anticipating what the commonwealth level of investment may be, so we may have some variation to the program on the basis of some matched funding that may subsequently come into Victoria from the commonwealth.

On the question of the number of people that we may need to recruit, there is a certain degree of elasticity in that depending upon the regional variation and the needs of the program, and depending upon the skill mix and what the service configuration may be. There is not a one-size-fits-all response to this on the basis of what the various service configurations of a community may be, what the starting point of the ACAS may be. I cannot actually provide the committee with an estimate of the number of people, so I will pretty much stick to my substantive answer there.

The CHAIR — Thank you, Minister. I might note that in response to the questionnaire we sent around, the Department of Human Services was not able to provide us with data of estimates for June 2008. Perhaps this could be supplied — every other department seemed to be able to supply it.

Last year we saw the Disability Act, which I thought was a great hallmark in the work of the portfolio. I would like you to give us a report on the progress for that with particular reference to what is in the budget here and the estimates in order to implement that new act.

Mr JENNINGS — I thank Mr Stensholt for his question. In fact, as I indicated in my introduction, I have been the beneficiary of a number of great reform programs that will redesign and reconfigure our obligations and service capacity to Victorians. Certainly that is the case within the Disability Act, which will be coming on stream in its full implementation as of 1 July. It clearly outlines the state's obligations in terms of service provision.

There are within the budget papers a number of undertakings that we must fulfil. For example, the requirement for individual case planning is a requirement that is in the budget paper where we actually have to comply within 60 days for 100 per cent of people who require a plan to be developed — we are obliged to develop it in accordance with the act. That is one indication of the onerous nature of this for the state and the people who provide services for people with disabilities.

There are also a lot of support mechanisms and reinforcing mechanisms about best practice in capacity. We have appointed a disability services commissioner who is charged with statutory responsibilities for reporting to the Parliament about the capacity of the sector, will have a role in terms of providing for effective advocacy and education services being provided to the field about best practice, about what the standards of practice should be.

The office of the commissioner will be able to provide for mediation services so that people can exercise their rights. That applies to people with disabilities themselves in terms of the quality of service they are being provided with, or indeed there will be access for their carers, their loved ones to be able to have remedies through mediation and support through the office of the commissioner. We are establishing a council to provide advice to both the commissioner and me about the range of needs in the sector and the effectiveness of the implementation of the act.

We have also introduced a senior practitioner who is charged with the responsibility of making sure that we have best practice, in particular in relation to practices such as compulsory treatment orders and restrictive interventions and other actions that may be done by service providers in disability in the name of maintaining safety and security for the community. But very importantly, we have to be mindful of the human rights aspects to ensure that people who are in those forms of orders and in those forms of intervention do not adversely impact upon their quality of life and their freedoms as citizens of this state.

It is a very important balance to make sure that we as a community are confident about the behaviour of people who may have very volatile or disturbing behaviours but yet have absolute right to ensure that they are not being

inappropriately treated. The combination of the senior practitioner and the services commissioner, we think, will play an important role in trying to ensure that there is appropriate practice taking place. I can say to the committee that the sector generally is pretty enthusiastic about the bill. There have been very passionate debates that led to its establishment.

The CHAIR — Telmo Languiller did a lot of work as parliamentary secretary.

Mr JENNINGS — A lot of work. The parliamentary secretary was a very busy man in terms of community engagement. There has been a lot of community engagement about this bill. There are very high expectations from all in the sector and in the community about our achieving better outcomes for people with disabilities, and I am pretty confident that the combination of things within the Disability Act will enable that to be the case in the years to come.

The CHAIR — Thank you very much for that.

Mr RICH-PHILLIPS — Minister, I am sure you would be disappointed if I did not ask you about aged-care facilities.

Mr JENNINGS — Good on you!

The CHAIR — They are very good. They do very well.

Mr JENNINGS — Excellent.

Mr RICH-PHILLIPS — Perhaps as an aside you might tell the committee what proportion of the aged-care budget you are responsible for versus Minister Neville. My substantive question goes to the issue of the commitments made for the Bendigo Stella Anderson facility and the Trentham Nursing Home — commitments that were made during the election in November. Funding has not been provided in this year's budget for those two facilities, so can you please tell the committee why not, when redevelopment will commence and whether you are confident that those two facilities will meet the requirements for accreditation in 2008?

Mr JENNINGS — That is beautiful! Let me actually start with the end first. Yes; just in case you thought I was being disingenuous at the beginning of my presentation to the committee today, all the Victorian public sector residential aged-care facilities will actually achieve 2008 accreditation standards. That is the good news, to answer the question.

It is all good news, really, because the commitment to redevelop those two services — Bendigo and Trentham — will take place over the life of the government. Indeed in previous iterations of public accounts and estimates I was always asked about when the capital program was going to roll out to ensure compliance with 2008. I consistently came back and said we will actually deliver on our commitments over the life cycle of the government and indeed make sure that we meet those standards, and that is going to be my answer when I come back. If it is not the answer, I will let you know, but I am pretty confident it is going to be the answer. Those projects will be funded in coming budgets.

In answer to your first question, I am not privy to be able to tell you off the top of my head what aspects of the budget Minister Neville is responsible for, but I — as I indicated to you before, on the basis of what is in the aged-care program and the small rural services program — am responsible for outputs of \$1.0216 billion of services related to aged care.

Mr RICH-PHILLIPS — That would suggest there is only about \$10 million left for Minister Neville.

Mr JENNINGS — As I said to you, I do not know the number off the top of my head.

The CHAIR — We can pursue that with Minister Neville.

Mr PAKULA — Minister, could you inform the committee how the government's commitment to the home and community care program of \$83 million over four years will improve and increase service provision? In asking the question I am referring specifically to pages 80, 84 and 85 of budget paper 3.

Mr JENNINGS — Thank you for the question. Yes; one of the good things that I have been responsible for over a number of years and continue to be responsible for is the home and community care program — a major provision of support to seniors in our community and people with disabilities who want to live independently at home but require some additional support. Whether it be nursing care, personal care, help around the home or Meals on Wheels, these are the types of programs that are funded through home and community care. As lingering members of PAEC will know, I have actually come to the committee and told you on a number of occasions that under normal circumstances home and community care around the country is a 60-40 program, where the commonwealth contributes 60 per cent and the states contribute 40 per cent.

That has not been the case in Victoria. Over the life of our government we have gone pretty close to a fifty-fifty match, and indeed in the current budget of \$470 million in this year Victoria has funded \$57 million beyond what our matching component is. It is a significant commitment we make to seniors and people in the community who require assistance. We recognise that in the forward estimates with \$83 million in the next four years to try to keep that momentum and capacity going within the system. We estimate that will provide for about 400 000 hours additional service and that in the order of 6000 additional people will be able to receive access to that program.

We recognise there are some reasons for us to make sure there is appropriate accessibility within the programs, so in the last triennial funding round and going forward we will be trying to make sure we do a number of things. The first is that we provide for equity across the state so that regardless of where they live people have a reasonable probability of receiving that service. When I arrived in the portfolio there was a very unequal distribution of those funds, and to be honest there continues to be a bit of an unequal distribution of those funds. On a per capita basis there is a disproportion between rural areas and metropolitan areas. With the triennial funding arrangements we are trying to address that imbalance by allowing for ongoing quality of service and by not diminishing any funding that goes into regions and then subsequently into LGAs. We are trying to distribute growth money through the program to try to address those imbalances.

We are establishing a benchmark for funding across rural areas which is higher than the benchmark for metropolitan areas. Members of the committee would understand that is probably an appropriate thing to do, given the tyranny of distance factors and transport factors that may come into providing for people within the program who might be socially isolated and have additional transport costs in rural areas. It is very important within that two-tiered system of regional benchmarking and metropolitan benchmarking for us to allocate maximum funding to cater for growth. That is the first issue.

The second issue is in relation to accessibility for people from culturally and linguistically diverse backgrounds to make sure they receive service in accordance with their needs. We estimate that somewhere around one in five Victorian seniors speak another language at home and come from a background where English is not their first port of call in relation to language. There may also be some cultural impediments to the accessibility of the service, and we want to try to overcome those. We have embarked upon investment strategies to try to turn that around so we have a more representative and responsive service configuration.

Exactly the same theory applies to members of our indigenous community in terms of their access to the program. There has been significant investment made in the last three years, and indeed there will be going forward, to try to account for the home and community care needs of indigenous people within the program. They are the major emphases and drivers of this program in the years ahead.

The CHAIR — Thank you, Minister. That pretty much concludes our consideration of that portfolio. Just before we finish I note that I would appreciate it if we could get an answer from the Department of Human Services to question 9 of our questionnaire. I am happy that it be taken on notice and be provided within 30 days. We would appreciate that. We are also looking for a departmental indication of the costs involved for the portfolio department in regard to servicing the Public Accounts and Estimates Committee, both in terms of staffing and resources, that you expect to have next year on the basis of experience over the last few years. I thank all witnesses for their attendance.

Witnesses withdrew.

Transcript of Evidence

4.11 Health portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 8 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms B. Pike, Minister for Health;
Ms F. Thorn, secretary;
Mr L. Wallace, executive director, metropolitan health and aged care services;
Dr C. Brook, executive director, rural and regional health and aged care services; and
Mr A. Hall, executive director, financial and corporate services, Department of Human Services.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2007–08 budget estimates for the health portfolio. On behalf of the committee I welcome the Honourable Bronwyn Pike, Minister for Health; Ms Fran Thorn, Secretary, Department of Human Services; Mr Lance Wallace, executive director, metropolitan health and aged care services; Dr Chris Brook, executive director, rural and regional health and aged care services; Mr Alan Hall, executive director, financial and corporate services; departmental officers; members of the public; and the media.

In accordance with guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings and that only officers of the PAEC secretariat may 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. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript. The committee requests that verifications be forwarded to the committee within two working days of receiving the proof version. In accordance with past practice, the transcripts and presentations 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. Generally the procedure followed will be that relating to questions in the Legislative Assembly, and questions should relate to the budget and the forward estimates. I ask that all mobile telephones be turned off.

I call upon 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 health portfolio.

Overheads shown.

Ms PIKE — Thank you very much, Chair, and thank you to the Public Accounts and Estimates Committee. Good afternoon, and thank you for the opportunity to make a few brief comments to start with. I want to outline some of the current challenges facing the health system here in Victoria, how we are responding to these challenges and what we are achieving, and also outline the new investment that is in this budget so that we can continue with our work in responding to these challenges and building a world-class health system for all Victorians.

We know there are increasing demands on the health system, and that is not something that is unique to Victoria; it is a worldwide phenomenon, and health planners do need to find extra capacity within the system to treat more patients every year. The volume of that is quite extensive here in Victoria. We will admit more than 360 000 more patients in 2007–08 than we did in 1999. That is an extra 1000 patients every single day into our hospitals.

We know what the major drivers are, and that bottom graph gives you a breakdown of those drivers — and I know you have it before you. The population, of course, in Victoria is growing faster than the rest of Australia, and that is represented in the blue section. But it is also an ageing population, and, on top of that, that increases the proportion of older people in our community and those with chronic conditions, because they, of course, become more manifest in old age.

We also know that as technologies and clinical practice improve more patients can and will be treated, and with economic growth — and you can see on your graph that much larger section, in fact, is economic growth — and as the community does become richer, in a sense, there are greater expectations placed upon the health system, and all of those things will indicate a very, very large growth in demand. All advanced health systems are finding that health is absorbing a much greater proportion of their national and state output every year. This graph shows the ratio of health expenditure to GDP in Australia overall. So you can see that health is actually taking up a growing proportion of our expenditure at both state and commonwealth levels.

You will be aware that the Australian health care agreement provides the funding arrangement between the commonwealth and the states for the funding of our hospitals. And what was a fifty-fifty agreement — and you can see there in 98–99 it was much closer to fifty-fifty — is now changing dramatically with the commonwealth's share of the costs really diving. So we now have the commonwealth barely meeting 40 per cent of the costs in what is, as I said, a fifty-fifty funding agreement for our hospitals.

We are also facing challenges in workforce. That is partly because of a lot of different trends: the ageing of the health workforce; the reduction in working hours — particularly doctors are not following the old pattern of being available and working 24 hours a day, 7 days a week; we do face increased competition from private hospitals; and of course as long as the commonwealth continues to control the number of training places in our universities, we have to draw on a diminishing number of people in the workforce.

We are also restricted in some ways by the ways that we can deploy our workforce because of the traditional practices and professional cultures in different dimensions of the workforce. There is some good work going on nationally which is trying to address that. We are responding by continuing to invest the state's resources in building our system. You can see from that graph that the 2007-08 budget now brings us to a 96 per cent increase in acute health output funding since 1999-2000.

Likewise, we are continuing to boost our asset investment for health and also aged care. There has been a massive rebuilding and modernisation program within health over the last few years. This budget builds on that with about half a billion dollars of extra funding for health and aged care.

On top of investment, of course, there has been major innovation and reform, and that continues in the system. There have been over 40 service innovations implemented in the system to really make sure people are getting the right care in the most appropriate setting and making sure we make efficient use of every single dollar that we put into the health system. These innovations range from keeping people well — and obviously prevention is something that deserves a huge effort and is something we are very committed to; early detection and referral through things like Nurse-on-Call; targeted programs for people with chronic disease such as the HARP program; being much more effective and efficient in the way we deliver services in emergency departments through things like 'see and treat' and short-stay units and others; and then of course a greater use of IT and other enablers within the system.

We are achieving results. I said that we have seen a huge growth in the number of admissions and that top line in fact reflects that. The bottom line reflects the total number of people on waiting lists for elective surgery. As the number of admissions is rising and rising, our performance is improving, and in a sense the gap between those is the productivity that you are seeing in hospitals. They are getting more resources but they are increasingly more productive. You can see that we now have the second lowest waiting list in nine years. Just put that in perspective, since 1999, 920 000 Victorians have had elective surgery. So even though elective surgery only makes up about 15 per cent of the overall activity within the acute health system, it is a sector that is performing well in the context of a huge growth in admissions.

We are building the workforce, and you can see there the increase to now well over 7000 extra nurses. We are improving access to dental care and 70 000 more people are being treated annually now than there were in 2000-01.

But as we know the challenges are well before us and we have to continue to invest in our system. So this budget allocates additional resources to emergency and critical care; to treating more elective surgery patients sooner in not only a volumes sense but in a very strategic way; expanding our capacity through the development of more same-day services; specialist services in Craigieburn and Melton; extra funding for the HARP program and chronic disease management; targeted growth in things like dialysis, chemotherapy, radiotherapy, blood services — all of those extra things that are seeing huge growth in numbers in the system — and of course additional funds for inpatient maternity services because we know we are going through a bit of a boom in birthing here in Victoria.

We are also expanding outpatient services, as we committed, and also responding to the growth in the demand that will come from the national bowel screening program. There are a range of other initiatives — Nurse-on-Call, home support for children and all of our rural initiatives in maternity care and extra volume within the system.

We are building on the strength of our workforce, continuing of course the COAG workforce reforms by expanding training for specialists; establishing a national approach for international medical graduates, and that is very important as far as safety and quality is concerned; growing VET places; establishing a new national registration scheme and providing of course the clinical placements for additional medical and nursing undergraduate positions. We are also doing work on workforce redesign — and we are doing that in partnership with other states and the commonwealth at a national level — and we are strengthening our rural workforce with more training for obstetricians and GP proceduralists.

I spoke about health infrastructure. The asset investments again are considerable in health: Frankston Hospital redevelopment, stage 2 — that is the theatres, the ICU, the HTU — building, of course, on the initial bed capacity that was provided in stage 1; Western Hospital — some redevelopment work on the Footscray campus and then the beginning of what is a major redevelopment at Sunshine; Royal Melbourne Hospital brickwork rectification — that is absolutely essential for the continuing service delivery there but also for the capacity to put in the massive new emergency department that was funded in last year's budget; some work in community health at Peninsula; and, of course, the short-stay unit at Northern, which adds to the additional capacity in mental health that has also been added there. And there are a range of other metropolitan projects.

In rural health, we are continuing the massive redevelopment program there — and really you would have to go a long way to find a place in rural Victoria that has not been upgraded or rebuilt or redeveloped in the last nine years — this year with Stawell; Warrnambool hospital, a \$90 million redevelopment was committed by the government in the election campaign, and we are getting that going with stage 1; Ballarat, Murtoa, Barwon Health, Bendigo health. And this year particularly in the budget, is a very significant amount of additional funding for medical equipment replacement for infrastructure renewal, which often does not get a headline — the pipes, the electricity, the roofs, and all of those things that keep hospitals going — MRI, additional work in emergency departments and in intensive care.

We also need to continue to upgrade ambulance services. This year we will expand ambulance services to ensure fast response times in Bacchus Marsh and Hastings, where we will go up to 24 hours, and in Melton and Sunbury next year; and there will be new peak period units at Whittlesea, Altona and Doncaster East, a new ambulance station at Lara and extra crews at Moe. We will also fund and/or refurbish stations in Geelong, Belmont, Norlane, Wonthaggi, Lismore, Stawell, Daylesford, Warragul, Yea and Lara, and provide extra shifts in Moe. We will also, of course, provide \$8.3 million for a new fixed-wing facility to be funded jointly with the police and other emergency services at Essendon airport.

We are continuing to do our work in oral health, and I am very pleased that we are able to extend fluoridation. We have been on a significant program of providing additional fluoridation right across country Victoria, which was left behind — and we know, of course, how important fluoride is for the prevention of decay, particularly in young people. There is the new rural dental school in Bendigo and some additional services for older and disadvantaged Victorians.

Finally, I want to continue to talk about the Go for Your Life strategy, because, as I think members of PAEC will know, we face a huge challenge in our community with rising levels of obesity, and particularly childhood obesity. We know that if we do not address this as a whole community with a very broad range of initiatives to deal with what has become quite a culturally embedded challenge, then we will see the really quite large growth of the onset of type 2 diabetes at even earlier ages.

The lifestyle change program, which is one of the things that it is coming on stream this year, will see a specific, targeted program for 25 000 people who have been identified as at high risk for the development of type 2 diabetes. Of course the Department for Victorian Communities will receive \$102 million over four years. So it is a broad, whole-of-government package with some components in the health area and some in other areas.

Finally, I want to make mention of some funding to continue to build on our counter-terrorism and disaster preparedness, which is something that we have a very important part to play in, in health, and we have certainly provided investment in over the last few years and we are continuing to do that.

So, Chair, as you can see, there are huge challenges in health. They are not just challenges that Victoria has. Every single state in Australia and every Western country around the world is seeing huge demand in the number of patients that are coming into our hospitals, huge growth in funding health — the cost of health-care delivery far outstrips CPI on every measure and in every jurisdiction. That is why you will see further investment here in this budget, building on the innovation and investment that has been the feature of our response to these challenges over the last seven years.

The CHAIR — Thank you very much, Minister, for that comprehensive outline. You touched on the issue of productivity. I am particularly interested in this one and would like to ask you to elaborate more on that in terms of what impact on productivity will portfolio spend have next year, particularly new budget initiatives?

Ms PIKE — Thank you, Chair. Just in recounting my last statement, what we have is the cost of delivering health care ranging from about 5 per cent up to about 8 or 9 per cent additional per annum. You can see that when the private health insurance funds come to the commonwealth government and ask for permission to actually put up their premiums, that it is within that range. So it is certainly acknowledged that the costs are rising.

We have also of course demonstrated that the number of people coming into the system through the ageing of the population, through the growth of the population, but of course more importantly and more significantly through the availability of new technologies, new medicines, new procedures, better ways of treating people, all mean that you have got growth in cost and growth in demand. By all nationally accepted indicators Victoria's hospitals are now the most efficient at actually meeting those challenges and those costs. We have a lower cost per casemix adjusted separation than the Australian average, and that has been case for the last five years. We have a lower average length of stay, and we have the best emergency department performance of any state and territory and the best elective performance of any state.

We also are improving in our quality — for example we have 127 sentinel events in 04–05 compared to 429 in the same period in New South Wales. Our adjusted mortality rates in cardiac surgery are well below the UK and the US benchmarks. How have we achieved these good results in the context of a massive increase in demand and cost? We have had a very multilayered strategy. We have cost-reduction strategies and things like Health Purchasing Victoria. The creation of nurse banks have seen services drive down costs where there is capacity to do so without affecting the quality of patient care.

We have introduced new models of care, and medi-hotels are a great example of this where people can have oversight before they have an operation, but they are not in a very high-expense acute bed because that is not necessary for them at that stage in their care. There are a whole range of other initiatives where we are moving people to a more appropriate level of care and a more effective and efficient level of care. The growth in sub-acute is another example of this.

Then clinical practice improvement; just in some of your most basic surgical areas, practices that used to keep people in hospital for 7, 8, 9 or 10 days are now same-day procedures in many of our hospitals, and that is because of the huge growth in expertise, but also, of course, the new treatment technologies, our use of imaging technology and all of those things that have made our hospitals and system just so much more effective.

So, as I said, these improvements and this productivity comes against the backdrop of the growing population of increasing co-morbidities. As people get older they come in with more complex issues. There is a growth in chronic disease prevalence, new technologies, a great rise in the cost of medical and surgical supplies — prosthetics, drugs and all of those sorts of things — and a very tight labour market. So when you put that all together it is a challenge, but we have really demonstrated significant productivity over the past few years.

Mr WELLS — Minister, I refer you to budget paper 4, page 66, table 2.2.1, especially 'Employee benefits'. What impact will the reported payout to Dr Rob Hall, the former chief health officer — which is estimated to be half a million dollars more than what his contract requires — have on the forward estimates? What proportion of that payout is actually hush money?

Ms PIKE — Dr Robert Hall's termination is in full compliance with all of the government guidelines and within the terms of his contract. Dr Hall will receive no more or no less than his contract stipulates.

Mr WELLS — So what impact will that have on the employee benefits? I mean, obviously there is going to be a cash payment up front which would not have been in the forward estimates, so when will that final termination take place on that?

Ms PIKE — The arrangements for the termination, as I have said, are within the terms of Dr Hall's contract, and all of this was effected within the terms of his contract. There are no additional payments that are being made. Obviously when the termination of a contract is brought forward, then the allowance has obviously been made for the full payment of that contract. So it will have no impact on the forward estimates because it is all within the terms of a fully funded contract that we anticipated paying.

Mr WELLS — Okay, so just to clarify that point —

The CHAIR — Keep it to the estimates.

Mr WELLS — I am looking at the estimates. So in other words, he was not given any extra payment for time that he may have served? He was terminated on a particular date and received no other payment for any forward employment contracts other than his annual leave, superannuation and long service — —

Ms PIKE — No, there are conditions within standard contracts for public servants, like my colleagues here all have. They are governed by GSERP, an independent body. Dr Hall was paid according to the terms of his contract, which he signed, and there is no impact on the forward estimates. If you require the secretary of the department to elaborate, I am very happy for that to happen.

Mr WELLS — So he was not paid — —

Ms PIKE — He was not paid additional funding beyond those items that were determined within the contract when he first signed that contract to come and work within the Department of Human Services. That is exactly the same as for the other departmental officers who sit before you.

Ms MUNT — Minister, you touched briefly on elective surgery waiting lists in your presentation. I would like to refer you to budget paper 3, page 288, under 'Hospital futures', which talks about increased funding for elective surgery lists. I would you to please tell the committee what has been achieved so far by this allocation of extra resources to elective surgery, what further plans the government has to improve elective surgery access, and when will the two new elective surgery centres at St Vincent's Hospital and Austin Health Heidelberg repat be completed and operating?

Ms PIKE — The most recent *Your Hospitals* report, which reported the activity within the health system for July to December 2006, indicated that we have the second lowest elective surgery waiting lists in nine years. Since 1999, 920 000 Victorians have received elective surgery. Since the blitz, as we have described it, since a massive increase in funding for elective surgery, 202 000 Victorians have received elective surgery. We are very committed to ensuring timely treatment for people who need elective surgery, and in 2006–07 we have invested an additional \$22 million to provide more surgery for patients and invested \$6.2 million at the new Alfred Centre.

For the benefit of the committee, the Alfred Centre, which has been completed now and is in fact taking patients, is a dedicated elective surgery centre, which means that people can have their booking, and there should not be hospital-initiated postponements because it is separated from the emergency department. Of course, people understand that in a system like ours the sickest people always get treated first, so there are times when a very, very sick person comes into emergency — they might have been in a car accident or something like that — and there sometimes have to be postponements. But the new elective surgery centres will deal with that.

The Alfred Centre will treat 30 000 elective surgery patients over the next four years, including 1704 statewide patients just in 2006–07. When it is fully operational and it is completely up and going, that will be nearly 4000 people who will be treated.

As I said, the waiting list performance has improved since 1999, and when you look at that in the context of the increased admissions as a proportion of the additional people broadly in the system, it is even a greater improvement in percentage terms than the raw numbers would actually indicate.

As I said, our system is based on the fact that the sickest people get treatment first, and in Victoria 100 per cent of category 1 patients are treated within the recommended time of 30 days. In fact the average waiting time for category 1 patients is eight days in Victoria. The overall average waiting time across all categories for elective surgery in Victoria is 28 days. That is the average time. Within the varying categories there are different outcomes, but that is the average time.

As I said, a total of 22.1 million will also be provided in the budget to other health services to treat longer-waiting patients and to expand capacity. You asked specifically about the new elective surgery centres. St Vincent's Health will specifically focus on joints replacement; that of course is an area of high demand. Austin Health has received funding in this budget to do the refurbishment required so that it can also have specific elective surgery conducted there, again, on the Heidelberg site. It will not be adjacent to the emergency department, which of course is facing huge demand in the brand-new hospital there. It means that we can continue to have the work done there. As I said, both the St Vincent's and the Austin initiatives are funded in this budget. We expect the Austin to be up and running in 2008; we expect St Vincent's centre to be completed by 2009.

I do not want to diminish the fact that there are many people in Victoria requiring elective surgery. It is a huge and growing area of demand. We are working very hard to keep within the national targets. We, in elective surgery, are performing well above the Australian average in many categories and at the Australian average in category 2.

We know that there is a lot more work to be done, and we have a whole range of innovative strategies. It is not just about expanding the amount of dollars so that elective surgery can take place across right across the state, it is not just the dedicated elective surgery centres; it is also specialist funding for physiotherapy and some of those other support services that can often be of assistance to people who in the past may have found themselves on the elective surgery waiting list.

For example, the treatment of varicose veins has seen a fairly dramatic improvement, because not everyone who has a varicose vein problem needs drastic interventional surgery. The establishment of vein clinics and the use of medication and physiotherapy has been very effective. Similarly, in orthopaedics, not everyone requires a hip, a shoulder or a knee replacement. There is certainly a very great capacity for physiotherapy to be of assistance. I think everybody knows that if it is possible to avoid a highly interventionist procedure, then everything needs to be done to do that.

Elective surgery is about managing the community who are on the waiting list and making sure that they can have timely access to treatment, giving people good information about that through *Your Hospitals* report, investing in new treatment options, investing in dedicated elective surgery centres so that we have a robust system and we can continue to meet that demand that I described earlier.

Dr SYKES — Minister, I am interested in your addressing the shortage of health professionals in country Victoria. My understanding is that there are considerable federal funds available for the training of doctors, a lot of which is being spent at Deakin and Warrnambool for country-oriented doctors. It is also my understanding that there is limited money available for the training or placement of interns in country hospitals, with the result that a large number of the interns who have had training at Deakin or Warrnambool are in fact doing their internship at Box Hill.

If that is so, then the underlying objective of having health professionals train and live in a country community and therefore realise that country Victoria is a great place to live, work and raise a family, if that part of the equation is not being addressed, then we are not going to have those young people come to country Victoria. Can you please confirm whether my understanding is correct, and, if it is, what is being done about it?

Ms PIKE — As you will know, we were very successful in lobbying the commonwealth government for additional places in medical schools. In fact, Victoria does have 220 additional places. Both Deakin University and the Monash-Melbourne consortium to train people in country Victoria are yet to get up and running, but obviously the provision of appropriate clinical places for those students and then the provision of advanced places when they pursue that aspect of their course is something that we have already been planning for.

Deakin University, in fact, will not have any graduates for another five years, so this is something that is a way off, but we have begun to put money aside so that they can have access to appropriate training for that course. As you have rightly said, we want to make sure that as many doctors as possible have access to training in country Victoria so that we can attract them. Certainly the research shows that the longer time they spend in country Victoria, the more they will see that as a viable professional option for them in the future.

In the first raft of students there will be some who have a small part of their training at Box Hill, that is true. I can give you some numbers on that although I do not have them here before me. That is because the universities themselves require a level of supervision and obviously with around 27 per cent of health service delivery happening in the rural area and a very significant additional number of students, there is not complete capacity for that supervision within the whole rural community.

You are correct in identifying that there will be a part of their training at Box Hill for some students, but it certainly will not be all of their training, and they will have plenty of rural experience. But as capacity develops and supervision develops and as the course continues, then we will be working to make sure that we can have as much supervision as possible for this new cohort of people.

More broadly on the area of capacity within rural areas, this budget does see additional funding for specialist training. The group, of course, that you are talking about — it is going to be five years before they even graduate.

The issue of specialist training, of course, needs to be negotiated with the colleges and all of that sort of thing. In this budget we are providing \$18.4 million over four years for specialist training.

We are also, as I said, growing the number of VET places. We are working with the commonwealth on a national accreditation and registration scheme. We are also providing extra funding for VMOs within country hospitals for their on-call allowances so that we can help to sustain the viability of emergency services within rural hospitals. We are providing funding for GPs to improve their procedural skills to become GP/anaesthetists, GP/obstetricians, other areas like pathology, paediatrics and other specialities. There is a whole raft of initiatives.

On top of that, until these 222 additional young doctors come through the scheme, we know that we do have a gap. That is why we have provided funding in the budget for a major recruitment campaign in the United Kingdom and other places overseas, which will see incentive grants paid to people who want to come to work in Victoria, and obviously the greatest area of need is country Victoria. It is a very comprehensive rural workforce program. We are looking forward very much to Deakin and the Melbourne-Monash initiative getting up and running, as well as the new dental school that will be developed in Bendigo for La Trobe University.

Mr PAKULA — In the presentation, at the start, you touched on the continuing demand pressures on the health system. I am broadly referring to pages 71 to 88 of budget paper 3, and I am wondering how the demand pressures have been reflected in health system performance and how you view it impacting over the forward estimates period and on any impacts that were outlined in the *Your Hospitals* report.

Ms PIKE — Thank you very much. We are very committed to improving access to our hospitals. We have set very challenging benchmarks for service delivery, and we make no apology for that. We think that we need to strive for excellence, we want to continually improve the work and the activity that is happening within our health system and we want to drive towards those benchmarks over time.

We do perform, however, very well when we compare the Victorian system to other states. In fact the most recent Australian Institute of Health and Welfare data shows, as I said, that the median waiting time for service delivery in an emergency department is 16 minutes. That is across all categories, from emergency right through to categories 4 and 5 — the primary-care type patients. It is a 16-minute average wait, and the national performance figure is 25 minutes, so Victoria is well ahead of other states and territories in access to emergency departments — and that is in spite, as I said, of the continuing growth in demand.

If you look at the last *Your Hospitals* report, you will see that between July and December last year there were 4525 more patients coming into our emergency departments and being admitted to a bed. That is not everyone coming in, that is just the ones who have been admitted; that is a 3.9 per cent increase. There are also an additional 36 371 admitted bed days, and, as I said, overall — including those patients who were admitted to a bed — there were 28 515 extra people coming into our emergency departments. They are people who were not coming in before, as a volume number.

We need to continue to meet this growing demand, and we have allocated \$142 million to manage growing demand for acute services. On top of that, we are also providing more capacity: additional beds at Northern Hospital; the two new day hospitals at Melton and Craigieburn, which will just see thousands of additional patients who will have terrific services — one in your community — that in the past they would have had to have gone to a hospital for; and of course a new expanded emergency department at Monash, which is now up and running. We have also, as I have said, provided additional funding for elective surgery. I have outlined how we will be spending that money and what an impact that has been having in the system overall.

Broadly, though, on top of that extra resourcing to deal with the volume, it has been the hospital demand management strategy — a comprehensive multilayered strategy that supports system improvement and assists with dealing with service demand — that has really helped to deal with this issue. For example, the very successful hospital admissions risk program (HARP) will continue to be funded and rolled out. The HARP program is specifically designed for people who have chronic illnesses.

If you imagine someone with a chronic illness, such as a respiratory condition, before this program that kind of person would often deteriorate within the community to the point where they had bounced back into an emergency department — often unnecessarily — time after time after time. They came in, they put demand on the emergency department, they ended up having to go into a bed, and that was because their chronic disease was not being treated appropriately.

With the HARP program, for those people who are in the HARP cohort there has been an average of a 30 per cent reduction in avoidable hospital readmissions. So it is not just about providing more volume. It is about saying, 'This is a group of people, and we can treat and support these people better. It is better for them and it is better for the system as a whole'. Those kind of community-based options are intersectorial and they have been very, very successful.

We have also been mainstreaming different models of care — I spoke about medi-hotels — but medical assessment planning units, where people from different disciplines can round a patient, if you like, and actually plan in a comprehensive and interdisciplinary way the kind of care pathway that a person will have in a hospital so they do not just jump around the hospital not being dealt with appropriately.

Fast-tracking for people who come in with issues that really ought to be dealt with by a GP, except, of course, we have seen such a dramatic decline in after-hours and bulk-billing GPs; the care-coordination services in emergency departments; the psychiatric short-stay units; the general practice liaison program — making sure that when people leave hospital that they are connected back into general practice. These are all areas of service interface that are dealt with under the HDM (hospital demand management) strategy, which have helped us to not only drive efficiency and not only deal with that huge volume of people but also provide a better service for the people who are coming into the system.

So we are committed. We have had 40 different initiatives. We are certainly committed to continuing to find innovative ways to treat people, and I think that the report identifies where that has been successful and also identifies where we have more work to do.

The CHAIR — Thank you, Minister.

Mr SCOTT — My question relates to an issue which you touched upon briefly in response to a question that Mr Pakula raised in terms of the hospital system's performance on access to emergency departments, as reported in budget paper 3, page 72, I would be grateful if you could provide information to the committee on how this compares to other states, both in terms of historical performance but moving forward in the estimates period for this budget?

Ms PIKE — Thank you very much. I have spoken about the demand for emergency care, and, of course, that has dramatically increased. Just to give you a bit of historical perspective on that, there were 264 427 more emergency presentations and 77 000 more patients admitted to a ward bed in 2005-06 compared to 2001. So that is a very large number of extra people who are coming into our system. There is a whole range of reasons for this. I have talked about the growing ageing population.

I think there are a couple of other factors that really are worthy of mention here too. Obviously we have in certain places seen a very significant growth in the number of primary care-type patients. They are patients, usually around category 5, sometimes category 4, who really would much prefer — and it would be more appropriate for them — to have their services provided by a general practitioner. But we do know that through changes in work practices but also, of course, by diminished numbers of general practitioners, after-hours GPs are increasingly unavailable.

Let me give you the example of Werribee, where the Werribee Mercy Hospital has, for example, a very high proportion of its emergency presentations in that category. Werribee has the lowest per head of population ratio of doctors in Victoria. In other words, for a person moving into Werribee, most of the doctors, GPs, have closed off their lists. It is almost impossible for a person to have timely access to a GP — in fact to have access to a GP for an emergency condition is almost impossible. On top of that, we know that overall the level of bulk-billing remains low and that, of course, is a barrier for many people because they are not able to afford co-payments and, of course, free emergency care is found within an emergency department.

The other factor is that, quite frankly, the improved conditions within our emergency departments actually make them very attractive places for people to come, and there has been a huge increase, for example, in presentations at the Austin emergency department, after that new hospital was built. Similarly, I anticipate in Monash, where we have a brand-new emergency department and in Maroondah with the Angliss new facilities out there. When the Royal Melbourne \$54 million brand-new emergency department is built I have no doubt at all that people will move into those facilities.

Now, we do know that the sickest patients are always given priority for care. I think people understand that — that when they come into an emergency department there will be people who go before them in the line, because they are sicker. Of course the whole emergency department is geared around that. But nevertheless we do continue to outperform every other state in all triage categories, with an average time of 16 minutes, with the national average of 25 minutes. At peak times, as I said, there might be times when people wait longer — non-urgent patients wait longer — but we do remain very committed to trying to move people through as quickly as possible and some of the work in fast-tracking has meant that we are able to stream patients more effectively.

Despite the growth in the number of patients requiring admission, 70 per cent are admitted — or have been, in the last report — to a bed within 8 hours, and that compares with 67 per cent in 2000–01. We have set a much tougher benchmark. It used to be a 12-hour indicator. We have made that an 8-hour indicator and we are working with hospitals to help them meet that indicator, because we think that that is a way of driving improved performance.

The other factor in emergency care has been the decrease in hospital bypass. That has fallen from around 6.7 per cent in 2000 to 1.8 per cent at the last report, and it certainly remains within target. We have a target of 3 per cent that emergency departments can be on bypass.

One thing that I think is really worth mentioning and that has been a real sea change in our emergency performance is the number of very long waits. I have to say it was very concerning in around the year 2000 that there were in fact 10 000 people in that reported period who waited longer than 24 hours in an emergency department. That number has now reduced dramatically, and I think that really shows that by focusing on a problem and introducing innovative strategies — a number of them were mental health patients, and the provision of additional care for people with mental illness in emergency departments has really improved that indicator.

As I said, there is a continuing demand. There is a lot more work to be done, and I am working very hard to strive towards greater improvement against all indicators, but when you consider our national performance and when you consider the volume of people that are coming in, I think we are on the right track.

The other thing is emergency care, and I will just conclude on this, Chair. We have also had a major project to improve the patient experience within emergency care. I think we all know people get excellent clinical treatment, and that is because of the wonderful doctors, nurses and allied health staff who are there in our emergency departments, but we have now moved to also get people to focus on the other aspects of experience in emergency departments — for example, the provision of standardised information, letting people know what the word ‘triage’ means, what it means to be in a category 1, 2, 3, 4 or 5, and what it means when someone goes in front of you.

We have also improved access to physical facilities, better physical facilities. So the overall patient experience and the improved performance in emergency care has been good. But, as I said, there is always a lot more work that has to be done in that area.

The CHAIR — Thank you, Minister. I should note that questions which are ruled out of order will not appear in the Hansard transcript.

Mr RICH-PHILLIPS — Minister, you have a health protection output group for which you are providing 245 million in funding this year, and the description is, ‘protects the health of Victorians through a range of preventative programs including regulation, surveillance and the provision of statutory services’.

In that context I would like to ask you about the recent HIV debacle in which you sacked the chief health officer, Dr Hall. At that time you said one of the reasons for Dr Hall’s sacking was that he did not inform you of the full extent of the department’s knowledge of the matter. What did you mean by that?

Secondly, given at that stage the matter was a matter of public record and had been in the media — reports on a number of those cases — why had you as minister not sought advice from the department about the matter?

The CHAIR — Minister, if you can confine your answer to the estimates and the protocols which are operating within the department rather than past events.

Ms PIKE — Certainly I think it was a very broad question with some specific aspects to it, but you talked generally about the output in the budget paper regarding HIV services; in fact it was a much broader question. You talked about all of our work that happens in the public health area. Certainly that is a big part of our work, and it

does encompass everything from setting standards for food and water quality to working and empowering local government to fulfil its statutory obligations, dealing with issues like legionnaire's disease, rolling out the immunisation programs that are a requirement to roll out, and smoking cessation. The public health functions of the department are very, very broad, and that is of course why you identified the amount of funding that goes to that whole area.

The work in sexually transmitted diseases is one component of the overall work of the public health branch. In fact the program is a \$14.7 million program which comprises \$3.7 million in health promotion, money for community based support, and of course clinical and laboratory services, including the Melbourne Sexual Health Centre. On top of that, we provide \$10 million to Bayside Health for Victoria's HIV/AIDS service.

We have allocated recently additional funding for our work in that area because we want to make sure that the people who are living with HIV/AIDS in our community receive the best possible service, and we want to make sure that Victorians have a good public health response so that we can limit the overall infection rates for the broader community from HIV/AIDS. A number of our new initiatives will continue our work in this area and provide additional funding for preventative care.

Now the area that you are specifically talking about is the management by the Department of Human Services of a small number of clients — a very, very small number of people — who do engage from time to time in risky behaviour when it comes to HIV. There are established protocols that have been put in place to deal with that group of people. The initial set of protocols were in fact developed on a national basis, and Victoria has in the first instance provided the benchmark, in fact, for performance in dealing with this very small group of people.

I have said quite clearly on the public record that when I became aware that the police were seeking the file of a particular client with our department, that the department notified me of that fact last year. At that time I said to the department, instructed the department, that a number of initiatives take place, that there be a complete review and strengthening of our own internal protocols. And that work in fact was undertaken and those strengthened protocols were put in place.

I also specifically asked that there be work done on the relationship between the Department of Human Services and the police, and that there was a very clear understanding of specific roles in this regard. That is very important, and it is very important because whilst there is a small number of people who engage in risky and sometimes illegal behaviour, there are also many other people in our community who are living with HIV/AIDS, and we have to be very certain that we have the right regime in place to provide for good public health outcomes that do not discriminate against people and do not discourage people from revealing their HIV status. That is internationally accepted best practice.

That is why we have to have the protocols right between the police and the Department of Human Services because each jurisdiction — each particular area, I should say — has a responsibility. The police, of course, need to deal with illegal behaviour; the department needs to deal with public health behaviour.

After I asked for that work to be done I then later found out, this year, that there had been more engagement by the department in the public health area with this small group of people than I had been made aware of. I was also made aware that the relationship with the police had not been dealt with to my own satisfaction and that the communication to my office had not also been to my satisfaction. So all of those matters were of grave concern to me. I had lost confidence in the capacity of the chief health officer to continue to monitor this program and to monitor this group of people and to effectively communicate to me the things that were important to me.

Mr RICH-PHILLIPS — Given the protocols you have now put in place, in future would Victoria Police have access to those files?

The CHAIR — I — —

Mr RICH-PHILLIPS — It is a fair question.

The CHAIR — Okay, right.

Ms PIKE — I am happy to answer that question. I have made it very clear that I have asked the previous deputy chief commissioner, Commissioner Bob Falconer from Western Australia, and also a person who will be

nominated by Graham Rouch to have a look at every single file that we have within the Department of Human Services on this small group of people who are at the attention of the department because they have come to our attention because of their risky behaviour.

The protocol between the police and the department is quite clear. If the police want access to those files because there is a particular matter of investigation regarding criminality, then of course they issue a warrant. That is agreed procedure between the police and the Department of Human Services. I have asked Bob Falconer and Professor Rouch's nominee to give me further advice on this. The head of my department, Ms Thorn, has already met with the chief commissioner as well and the deputy chief commissioner. We are certainly working very closely with the police.

We want to make sure that the different roles and functions are clear, that the protocols are clear, that we are complying with the protocols — both ourselves and the police — because we are all serving the best interest of the Victorian community here. If people are engaged in illegal activity, that is the role and function of the police. It is the role and function of the Department of Human Services in the public health area to deal with the health and wellbeing and public health of the community. This has been very good work; it has been very constructive work, and I expect that to continue, and I want it to continue.

Ms GRALEY — Minister, can I take you back to slide 9? I am particularly interested in health service innovation and reform. You have spoken briefly about HARP, and I am wondering if you can tell us more about the progress in some of the key innovations you mentioned, in particular Nurse on Call which is of keen interest in my electorate and how the 2007-08 budget intends to build on these initiatives.

Ms PIKE — Certainly, and thank you very much. As I said, there have been around 40 separate innovations projects that we have undertaken over the last few years. Those projects have been very successful in helping us to manage that huge and growing demand — 360 000 additional patients to be admitted into our hospitals this year compared to 1999 — a huge growth in emergency demand.

HARP has been one program that has had additional funding and has been rolled out over the last few years. It has in fact been independently evaluated. I sold myself short before when I said that the evaluation said there were 30 per cent fewer emergency department attendances; in fact it is 35 per cent fewer emergency department attendances for people who are in that particular cohort group; 52 per cent fewer emergency admissions and 41 per cent fewer days in hospital.

When you think about the volume of people that this represents, and if you actually put that back into the system — in other words, if HARP had never happened and was not being mainstreamed and rolled out within our service system — you would see a very different picture in our indicators. The reduced need for hospital services has been equivalent to one emergency department attendance, two emergency department admissions and six days spent in hospital for every single HARP participant. As I said, it is now embedded in the chronic disease management programs of our health system and we are now seeing that spread across 22 health services and we have invested \$55.6 million in HARP and chronic disease management. That is the overall, with growth being included in that. So it does provide very integrated and effective chronic disease management for the target population.

I gave the illustration previously of someone with a respiratory illness. Cardiac care is something that also has benefited enormously through HARP. For example, the COACH program — a HARP program funded out of the St Vincent's Hospital, a simple day-to-day contact with people with chronic heart disease, giving them health advice, prompting them around the taking of medication, the engagement in moderate exercise, all of those things — has borne huge fruit and been a very successful program.

You mentioned Nurse-on-Call. Nurse-on-Call has just been enthusiastically embraced by the Victorian community, and there has been a much more rapid uptake in fact than any of us could have imagined. From June to December 235 600 calls were answered; from June to the end of March, 330 000. So it is just going up and up, and we expect the volume to settle, but the average number of calls per week in December, for example, was 8430.

Just to give you a bit of a breakdown of those calls, 71 per cent of calls were people really wanting triage information; in other words, 'What should I do next?'. You know that this is a very conservative health assist line. It is there to really give people information. Nine per cent of total calls answered were providing health education and 7 per cent were just other general kinds of information.

Now, many emergency departments had telephone access available to them. A lot of that is being diverted to Nurse-on-Call for general health advice, so that is really taking pressure off the staff in our emergency departments. Nurse-on-Call is very popular. It is a very clinically safe system; McKesson, who runs it, has had millions and millions of calls internationally, and as I said it has been very warmly received by the Victorian public.

Mr WELLS — Minister, where in Melbourne is it actually based?

Ms PIKE — The Nurse-on-Call centre is based in Richmond; it is still there, isn't it?

Dr BROOK — Yes.

Ms PIKE — It is based in Richmond in the Victoria Gardens complex.

Mr WELLS — Why is it not funded past 2007-08?

Ms PIKE — We anticipate full funding for all of our services beyond that, but the contractual arrangements are in place, so Dr Brook can add further information to that.

Dr BROOK — The contract in fact is a three-year contract and I am not sure which bit of the budget papers you are referring to — —

Mr WELLS — I am just looking at it on page 284, table A.5, budget paper 3.

Dr BROOK — I think that refers to additional funding of \$1.5 million which is in fact the current funding that appears for the first time in this year's budget, so it builds on the basis of re-allocated funds and new funds which were allocated last year to pay for that service. This is an additional amount which will continue

Ms PIKE — For the demand.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, and in particular to the same page we were just talking about, page 284. At the top of the page is 'HIV and sexually transmitted infection prevention'. I noticed in Dr Brook's explanation that would be an additional \$2 million for prevention funding. I note on page 288 in relation to that particular line item that the funding is provided to implement a range of initiatives to enhance HIV and STI prevention if it is in response to increasing rates of infection.

I refer back again to BP3, page 86, in relation to public health. Minister, I note that in the preamble in performance measures it talks about health protection, and that being to protect the health of Victorians through a range of prevention programs which I just indicated, including regulation, surveillance and the provision of statutory services.

Given that a huge amount of money is spent, and if we look at the total output cost of \$245.2 million in the next financial year, why would it be that your department would go to great lengths, and who made that decision in your department to block access by Victoria Police to files related to the alleged intentional spreading of HIV? Given there is so much effort on it in the budget papers, why would you go to the effort of having lawyers from your department, and who instructed those lawyers to stop access by the Victoria Police?

The CHAIR — I am not sure that question actually relates to the outputs.

Mr DALLA-RIVA — It relates very much to the outputs.

Mr BARBER — The output is less HIV.

Mr DALLA-RIVA — You have got performance measures which give you equivalent, not related but similar, infectious disease outbreaks responded to within 24 hours of 100 per cent. Some could quite easily argue that in fact the response time for the issue relating to the alleged intentional spreading of HIV was not 100 per cent, and what I am trying to work out is in relation to the amount of money — \$245 million or one-quarter of a billion of Victorian taxpayers' money — where you are saying through your outputs that you want to protect the health of Victorians, why would it be that you would end up engaging your lawyers to block access to Victoria Police who are actually trying to assist the department in protecting the health of Victorians?

Ms PIKE — I need to indicate that the amount of money in that output group covers a very broad range of responsibilities, including, for example, the new rollout of Gardasil, and including all the infant immunisation areas et cetera.

Mr DALLA-RIVA — I understand that, but I specifically asked about the \$2 million for HIV — —

Ms PIKE — The \$2 million — —

Mr DALLA-RIVA — Which I have noted.

Ms PIKE — Additional funding provided for in the budget — the actual allocation of that will be announced by the new group that we have established of people who represent leadership in this broad area.

Mr DALLA-RIVA — But it sends a mixed message. You have allocated money, Minister, yet on the other side of the ledger you have got — —

Ms PIKE — I made — —

Mr DALLA-RIVA — We have got your department stopping Victoria Police accessing files which in turn prevents the protection of Victorians. It just — —

The CHAIR — The minister — —

Ms PIKE — I am happy to answer that question.

Mr DALLA-RIVA — We are going on to other initiatives which I did not talk about. I have spoken specifically about HIV.

The CHAIR — That is fine.

Ms PIKE — Certainly. I explained very clearly that there are well-established protocols between the police, which we are seeking to strengthen, and the Department of Human Services. When the police believe that they want to access a particular file of a particular client because of a particular aspect of criminality, then, of course, they seek a warrant to obtain those files because patients files — as they are right across every aspect of health care — are governed by particular confidentiality. Now in this case additional files were taken and additional notes were amongst those files. So we have no problem with working with the police on following through with a warrant within the agreed protocols. In this case there was additional material taken and the department made a determination to seek the material that fell outside of the warrant to be returned.

Mr DALLA-RIVA — Do you not think the protection of Victorians is more important than one or two individuals?

Ms PIKE — No, I think doing what is in the law and doing what — —

Mr DALLA-RIVA — Then do not get your lawyers to block — —

Ms PIKE — Excuse me; I am speaking.

The CHAIR — Let the minister answer.

Ms PIKE — I think doing what is in the law and fulfilling different statutory obligations is more important. I do not really seek myself, as a minister, to be judge and jury on this kind of situation, and I would be surprised if any member of this committee sought to be judge and jury or to have greater knowledge than the police or our legal system — —

Mr DALLA-RIVA — So I gather you did not want to make that decision. You made the decision then to bring in the lawyers, I gather, because that was my initial question.

Ms PIKE — The decision was made by the department, and I am happy for Dr Brook to give further information, but these matters are before the courts and I do think that it is highly inappropriate for anybody to actually make a judgement. They are allegations at this point. As I said quite clearly, the warrant related to a file of

a particular individual. There were other files that were transferred from the department to the police, and the department made that decision — as is the normal practice — to have the notes that were associated with some of those files returned, because they identified other people who were not related to the particular file that the police were seeking by way of the warrant.

The CHAIR — Thank you, Minister. I might continue on in terms of acute health services, which is on pages 71 to 73 of budget paper 3. I am particularly interested in services in my local area, and indeed all around Victoria, in terms of renal dialysis services. Would you like to tell us what is in the budget in terms of renal dialysis services?

Ms PIKE — Thank you very much. There are, of course, many more aspects to the health care system than just what happens within hospitals. People within the community are requiring renal dialysis, and there has been a great growth in demand for dialysis services. So throughout 2006 and 2007 we have actually been reviewing the way our renal dialysis services are provided, and we are now rolling out significantly improved and grown renal dialysis services.

Obviously this is happening in lots of different places: Moorabbin Hospital has seen an expansion of 12 to 15 chairs; the Peter James Centre, in your area, 12 to 20 chairs; Rosebud Hospital, 3 to 9 chairs; Mildura hospital, 6 to 9 chairs; the Royal Melbourne Hospital, 5 new chairs; and of course the Craigieburn and Melton super-clinic, will have 6 new chairs respectively. In addition we are building another unit at Maroondah and another unit at Box Hill, and that will be an extra 28 chairs.

We also, of course, want to give people the opportunity to dialyse in their own homes. We have got home-based care — people can have haemodialysis services overnight, and a number of people, with support and a nurse coming in to visit them et cetera, can do that as well. In fact, home dialysis really is the optimal treatment. Not everyone can do it — not everyone's condition allows it — but it is the optimal treatment.

We now see in this budget more funding to expand services. Bendigo Health Care Group will become a regional node; eastern and western health will also become hub providers to support outplaced dialysis facilities and outplaced nocturnal haemodialysis. We believe that by having centres of excellence and then having them provide support, in a hub-and-spoke kind of model, that we will be able to even further improve the system.

We have a maintenance dialysis advisory committee that we have established within the department, and those people offer expert advice to us about how we roll out the additional funding that we are providing. We will continue to implement a number of additional initiatives for home dialysis and expanded services.

Mr WELLS — Minister, in relation to the regulation for the provision of statutory services quoted in the budget paper as the public health branch's primary role — BP3, page 86 — when did your office or the Department of Human Services inform the Premier's office, the Attorney-General's office and the minister for police that the police had raided the DHS, and when were those three offices contacted and made aware that lawyers were being briefed on behalf of the DHS to block access to the files from Victoria Police? Maybe your secretary or Dr Brook could answer that.

The CHAIR — Minister, you are free to answer these things, but really we are meant to be talking about the budget —

Mr WELLS — We are trying to get to the bottom of this because it is a matter of accountability.

Ms PIKE — I do actually fail to see how it relates to the budget papers, Chair.

The CHAIR — You might want to rephrase it and see if you can relate more specifically to the estimates, otherwise I will have to rule it out of order.

Mr WELLS — The issue is very clear — that we put aside a certain amount of money for the HIV, and we want to ensure that that money is being well spent. We want to ensure that we are getting results for the money that is being spent. so I think it is a very straightforward question. We want to know when were the Premier's office, the Attorney-General and the minister for police's office contacted when the police had raided the DHS, and when did those three offices become aware that the DHS was briefing lawyers to block the files being handed over?

Ms PIKE — Just by way of introduction, the whole output group relates to the broad functions of the public health branch, of which HIV and sexually transmitted diseases are a small component. The whole work of that particular area is around the provision of in-home care and support for people living with HIV and AIDS and preventive work within the community by way of community education. The area that you are speaking about relates to a very, very small group of people — we are talking about within the teams — who are monitored from time to time by the Department of Human Services because they are engaged in risky behaviours.

Mr WELLS — I understand all that, but when was the Premier's office contacted?

The CHAIR — I do not think that is — —

Ms PIKE — Dr Brook is happy to give a bit more information.

The CHAIR — Sure, but you need to relate it to the estimates and the — —

Mr WELLS — I think it is the value for money regarding the HIV. There was \$2 million that has been allocated.

Ms PIKE — No.

Mr WELLS — We just want to make sure in regard to that, that the money is being well and truly spent.

Ms PIKE — The \$2 million that is additional funding — remember the \$2.7 million last year all rolled out to community support and prevention programs.

Mr WELLS — Maybe Dr Brook could answer the question.

Ms PIKE — The \$2 million that you are referring to in the budget papers this time does not relate to the area of monitoring of the handful of risky HIV cases; it relates to broader prevention and support programs. Nevertheless, I am sure Dr Brook can — —

The CHAIR — Dr Brook, if you wish to talk about the \$2 million program — —

Dr BROOK — Thank you, there is no cost applied to the \$2 million, nor to any of the other figures, which the minister has described. It is perhaps worth reinforcing a couple of points. The first is that we deal with courts and with warrants all the time across this large department. It happens in all sorts of areas — in child protection; occasionally in public health; in a range of areas. We have an internal legal unit, which provides advice on these matters. This was advice taken from that unit, and the cost of it was within the budget and indeed within the resources of that unit. Effectively the cost was miniscule.

There was no attempt to stop the police from keeping, or no attempt made to return, the files, even though they did not relate to the person whom the police were interested in. What was sought to be returned was case notes from partner notification officers, case notes which, from time to time, mention the names of third parties who are not people who are engaged in any kind of illicit activity but who have given information in confidence. Without that confidence they will not come forward, and we expect that there would be a decline in the presentation of such people. It was that which was to be — —

Mr WELLS — Can we assume that your department actually did not contact the Premier's office? Can we assume by the way you have danced around the question, the same as the minister, that you have not contacted the Premier's office in this regard?

Dr BROOK — I cannot make any categorical statement of that sort. This is internal business of the department. I cannot see any particular reason — —

Mr WELLS — It is a pretty straightforward question. Did you or did you not contact the Premier's office?

Dr BROOK — I did not.

The CHAIR — Deputy Chair, we are happy to talk about the protocols, happy to talk about the programs and happy to talk about the estimates in the budget.

Ms MUNT — Minister, could I refer you to budget paper 3, page 87, and in particular the heading ‘Health advancement’ that details a range of health promotion programs, in particular the program ‘Workplaces and pubs and clubs complying with smoke-free environment laws’. As a re-educated smoker myself I am just wondering what progress is being made on tobacco reform in Victoria.

Ms PIKE — Thank you very much. In fact, it was just on Sunday that we released the advertisements that will be appearing in the print, radio and television media letting the community know that as of 1 July they will not be able to light up in a pub or a club. This really is one in a long road of initiatives that have been designed to decrease smoking prevalence here in Victoria. The latest figures — in fact they are not the latest figures — , the latest recorded figures are that 16.6 per cent of Victorian adults smoke. That is down from 20.7 just in 1999, so that is over a four-year period. Of course it has come down much further than that if you look further back. But what is most pleasing to me is that we now have the lowest take-up of young people, 12 to 15 years of age, smoking in the time that we have been recording this information.

We have rolled out bans on smoking in restaurants, bans on smoking in gaming venues, in workplaces — in enclosed workplaces — at under-age music dance events, in covered areas such as train stations, bus shelters et cetera. We have prohibited the display and sale of tobacco products at under-age events. We have strengthened the laws regarding sales to minors. We have prohibited buzz marketing, which is, you know, where people get dressed up in the livery of the particular packet that they are trying to promote; and non-branded tobacco advertising. And, as I said, from 1 July we will be banning smoking in pubs and clubs.

As part of the Australian Better Health Initiative, we have allocated \$2.5 million over four years also to the cancer council to enhance the Quitline service and a further \$1.87 million to support the development of a social marketing campaign. This is really important work because more than 4000 Victorians still die every year from tobacco-related illnesses. It still causes a lot of additional expenditure within our health system and is responsible for a lot of chronic illness, as well as death.

We have been very pleased at the way the Victorian public has responded to the changes in legislation around tobacco. Latest surveys show that around 80 per cent of Victorians are pleased with these initiatives and are supportive of the government rolling out these initiatives in our community.

I think that there has sometimes been some concern in the community that business might be affected et cetera. Every single international study has debunked that. In fact more recent research from the cancer council showed that in fact people would be more likely to attend a pub or a club if there were no smoking. So a proportion of people will come back into that form of entertainment who have not been coming before because they have been dissuaded by second-hand tobacco smoke. These are very, very important public health initiatives, and we of course are continuing to roll them out. The public health branch, which has been of such interest to members today is working on a next raft of reforms in the tobacco area so that we can bring that percentage of smokers down even further.

Mr BARBER — My question is also about the HIV prevention funding. Just by way of intro — and if any of these facts are incorrect, please correct them in your answer — there was \$2.7 million extra last year for HIV prevention intended to be spent by 30 June 2008. The department has funded 10 projects costing 1.4 million, mostly around young people. You knocked back all the funding proposals that you received for gay men with HIV. The two major agencies in Victoria that put together those programs asked for feedback; they say they got no explanation as to why they were not funded. Last Tuesday 2 million more was announced for HIV, which is gratifying.

My question then is: what will that money be spent on, how quickly, and also why is there nothing in the forward estimates beyond 30 June 2008? Obviously it is not because we think we will have the problem solved by then, but from the point of view of organisations looking at funding, obviously they will not get funding after that time under these applications.

Ms PIKE — Thank you very much. The public health area already has \$14.7 million in its base funding for this area, and that of course is ongoing. We also provide \$10 million to Bayside Health for HIV/AIDS. The \$2.7 million over two years, as you rightly described, will be rolled out, and this funding will support a range of work, including a project in clinics that have a high case load of people living with HIV/AIDS; a comprehensive multilevel gay community HIV/STI health promotion campaign; a safe-sex campaign aimed at young people; a

whole-of-school sexuality education project; a pilot project for the delivery of needle and syringes out of hours; and a Chlamydia testing program. That is funding that we have internally reallocated, so they are on top of the additional funding.

Then you have correctly identified \$1.4 million of funding that has been rolled out to those groups that you identified, and you are right — they are mainly in the youth area, because we think that that is where primary education ought to be identified. We have \$2 million of additional funding that is identified in this budget. We have recently established an additional task force within the department. We already, of course, have sexually transmitted illnesses and other groups and we have a gay and lesbian health overall group within the department, but we have set up an additional group within our department that will advise on the expenditure of that additional \$2 million.

They particularly will advise on what is the most appropriate program targeted particularly at gay men. The Victorian Aids Council and People Living With HIV/AIDS are on the task force, and we will of course appreciate information from them. In fact it is not correct to say that they do not have feedback; they are on the task force, they are in constant contact with us and we will be working with them for the rollout of that, which of course is the major campaign. That will target the group who have been identified through all of the research. You will be aware of the national research that has been undertaken which identifies that it is men who have sex with men who are the group at highest risk of being infected, and therefore the targeting of that particular project has to be for them.

Mr BARBER — And post 2008? Just why don't you — —

Ms PIKE — We have found additional funding and we will continue to come to each budget process with additional resources. We think that, given the changing nature and the rise in HIV infection, we need to actually be very careful about how we target this money. We want to make sure that our strategies are working well. That is why not only have we engaged this task force, we have also engaged a national and an international expert to give us further advice on best practice.

The other thing is that I have had extensive communication and conversation with Tony Abbott, who is at one with me on the need to make sure that we have good and strong national guidelines around best practice in the area of preventing the spread of HIV/AIDS. So there is a lot happening, and we are shaping up our future responses as well as continuing to provide the services that are embedded in the budget.

Mr PAKULA — Minister, acute health services are reported in budget paper 3 on pages 71 to 74. In regard to cancer reform, I am interested in what have been the key achievements and how you see it progressing over the next financial year?

Ms PIKE — In fact we did identify in the 2002 election — when we came to government then — that cancer service development would be a very high priority of the government, and we are continuing to roll out those kinds of reforms.

We have now established integrated cancer services — three metropolitan and five regional around the state. Those integrated cancer services are really designed to make sure that, wherever you live, you have access to every aspect of your care — from, in a sense, your initial diagnosis, your initial contact with the primary health system, right through your journey through the acute health system if that is required, through your radiation, maybe chemotherapy, maybe long-term experience, integrated with social, family and community supports and then back to the primary system as a way of maintaining the kind of care that you require. So the integrated cancer services are designed to serve particular population groupings, making sure that all the cancer services are aligned to serve those population groupings effectively.

The other part of the strategy has been the establishment of local collaborating tumour groups. Basically what we have done is we have pulled together the people who have specialties in all the different tumours — from breast cancer and lung cancer to other kinds of tumours — and those are also multidisciplinary groups. So not only can we ensure continuity of care but we can also ensure standardised care.

If you happen to have a brain tumour or breast cancer, you can be assured that the quality of the service that you receive will be the same, wherever you live, because it has been informed by best practice around the particular care in that particular discipline. Those multidisciplinary clinical groups are also together.

We have also developed a quality framework in clinical excellence in cancer care. As I said, \$9.1 million will be allocated to the ICS, as we call them — the integrated cancer services — in 2007–08. That will support their governance, their accountability and the further rollout of that multidisciplinary framework.

On top of that, you know that Victoria leads many parts of the world in our research efforts in cancer. We are establishing the Victorian cancer agency, which is an independent body to coordinate and promote the rapid translation of cancer research into improved clinical care, because what the researchers tell us and what the clinicians tell us is that actually getting things from the bench to the bedside — the translational aspects of work in this area — still require a lot of resource and coordination. We want to facilitate that for Victoria. We also want to facilitate the commercialisation of our research efforts, so that when people do work that has international applicability it can be rolled out effectively.

We also have provided extensive capital funding in cancer care, so that now if you live in Traralgon, Geelong, Bendigo, Ballarat or the suburbs in Moorabbin, you can have access to radiotherapy treatment, to high-quality cancer care, because we believe that it is best to move services, where we can, close to where people live. Certainly this budget builds on our ongoing work.

I also want to take the opportunity to commend the cancer task force that Professor Richard Smallwood, who was the previous commonwealth chief health officer, led. They have really helped us in the research effort, the clinical effort and also, of course, in our initiatives to roll out data management and IT solutions.

I will conclude with the fact that our work in giving people access to diagnostic services and treatment services right around the state will certainly continue.

Dr SYKES — My question relates to country health services — which probably comes as an absolute surprise to you. There are two parts, if I may. One relates to bush nursing hospitals and the second relates to the Victorian patient transport assistance scheme. In relation to bush nursing hospitals, page 84 of budget paper 3 indicates that the support for bush nursing hospitals goes \$1.7 million, \$1.7 million, \$1.8 million, \$1.8 million over the four-year period. Is that additional money or is that a continuation of that level of funding that has been in existence through the last budget period?

Ms PIKE — Regarding bush nursing hospitals, bush nursing hospitals are private or community hospitals that are not under the jurisdiction of the state government. They are licensed by the commonwealth and they provide services within their local communities. Nevertheless, even though we do not have jurisdiction over those hospitals, we know that they are very important, particularly in small local communities. So over the last period of government we have provided funding in a program for bush nursing hospitals. Bush nursing hospitals could apply for that funding and they could get upgrades to their facilities, those sorts of things, and that was very well received.

The money that you are referring to is new money. We are continuing with this program. In this budget we announced \$7.1 million of extra funding for bush nursing hospitals and small rural health services, so that they can continue with the kind of minor upgrades and things like that that are quite difficult for very small facilities. We know bush nursing hospitals are really important, and that is why we have decided that we will continue to fund them even though actually we do not have any jurisdictional responsibility for them.

Dr SYKES — If I could clarify, I agree with you that you may not have a jurisdictional responsibility, but bush nursing hospitals, as you said, were set up by communities to meet a need.

Ms PIKE — That is right.

Dr SYKES — And in fact unless they get funded, the community that has shown initiative is being penalised for helping itself in delivering health services. Can I just clarify, the 7.1 million over four years — I have an email from a person involved in bush nursing hospitals that talks about 7 million over four years, which was in the previous budget, so are we talking —

Ms PIKE — This is additional.

Dr SYKES — So there is now \$14 million coming in over the —

Ms PIKE — This is new. The 7.1 has been expended — the capital. This is not recurrent money. These are private hospitals where people use their private health insurance.

Dr SYKES — So the total allocation to bush nursing hospitals in the next four years will be around about \$7 million?

Ms PIKE — That is capital.

Dr SYKES — Capital. Is that the total money going in — —

Ms PIKE — Yes. We do not provide recurrent funding. They are funded by the commonwealth or private health insurance.

Dr SYKES — Fine. I will just read to you a comment made to me by the person involved with the bush nursing hospitals, who is keen that you remember bush nursing hospitals in this budget, and says:

... up until now DHS had a grants program running over four years for —

bush nursing hospitals. The total pool was about \$7 million over four years — —

Ms PIKE — That is right.

Dr SYKES — That coincides with what you are saying. The email goes on:

... about what is budgeted for in bike paths in Melbourne per annum, as I understand.

Mr BARBER — Is it that small?

Dr SYKES — That is bush nursing hospitals. I guess I express on behalf of the communities, particularly in Euroa and Nagambie, our disappointment at the level of funding. Can we move to — —

Ms PIKE — Can I just make a comment there? The Bracks government has actually funded these hospitals with capital grants. It is a new thing. Many bush nursing hospitals in the past either closed down or were amalgamated with public sector hospitals because they were not given any support. So I am very proud that our government has chosen to provide a capital grants program to a part of the health sector that we do not actually have jurisdiction over. I am pleased to and want to support them, but I think it is a bit disingenuous to try to make a disparaging comment about the government that has actually funded them. I think the disparaging comment should really go to the government that did not fund them.

Dr SYKES — I am passing on to you, Minister, a comment made to me by a person intimately involved in bush nursing hospitals.

If we could move from that to the Victorian patient transport assistance scheme, my understanding of this scheme, which helps patients who have to travel some distance to receive health treatment, is that the per kilometre rate of assistance is 14 cents per kilometre, and that was set a number of years ago, certainly a long time before the massive hike in fuel prices. I have had the need to raise concerns on behalf of constituents on several occasions about the inadequacy of that in relation to the costs they incur in travelling to health services. Has anything been done in the budget you have handed down to address that inadequacy of cost reimbursement?

Ms PIKE — There is an additional \$1 million in the budget this year for the transport assistance scheme. We reimburse about \$5.8 million a year for Vic/Tas travel and accommodation claims. There are 28 000 claimants. Just to let you know, the expenditure has increased by 50 per cent since 2001–02. There is a huge demand for this reimbursement by a huge and growing number of people. We are certainly adding extra funding to that, and we are proposing to increase the rate this year.

The original scheme in fact was commonwealth scheme. The commonwealth funded this transport, and of course, as it has done in dental care, it pulled out. So the state government has picked up the responsibility, and we have a significant allocation to it. We are increasing that allocation and we are looking at the rate as well. So we have a strong — —

Dr SYKES — Are you able to indicate what the new rate will be?

Ms PIKE — No. We are doing that work at the moment.

Mr SCOTT — My question refers to budget paper 3 at page 285 and the reference to bowel cancer screening. Minister, what is the government doing to manage demand for colonoscopy services as a result of the National Bowel Cancer Screening Program?

Ms PIKE — Thank you very much. The National Bowel Cancer Screening Program is an initiative of the commonwealth. Phase 1 of the program runs until June 2008 and involves the screening of a particular cohort of people turning 55 and 65 between May 2006 and June 2008. The part of the program that the commonwealth is funding is the sending of kits and information to eligible participants, and the Australian government will make a payment of \$6.60 to health services upon notification of eligible procedures to the register in a prescribed form. No other funding is being provided.

The commonwealth has made a decision that it will roll out bowel cancer screening to people right across the Australian community eventually. We would have thought that this would have been a very good opportunity for there to be a partnership between the commonwealth and the states about the rollout of that program. Instead, they have rolled out the program, and now we have to provide the additional resources to absorb these people who will get a message in the mail saying, 'The sample that you sent has come back positive'.

The reality is that there will be a very high number of false positives, but nevertheless these people will need to come into the state-funded system for a colonoscopy. So \$3 million has been allocated in this budget to meet the demands of that program for the additional people who will be coming into our system, but obviously it is quite a concern that you have the commonwealth making the decision to roll out this program and giving us a half-baked solution to it — no adjustment within the Australian health care agreement, no additional funding to actually test these people once they have sent their sample off in the mail to the agency that will actually test the samples. But we have provided additional funding, and we will work with the Cancer Council as well, and the general practitioners' division, to actually help them to support their individual clients who will, obviously, be quite confused when they receive these letters and are not quite sure what to do as well.

The CHAIR — Minister, perhaps there will be some further support in the federal budget tonight.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the computer-aided dispatch system for Rural Ambulance Victoria. Over the last three years there has been funding provided totalling \$14.6 million. Last year you stated that the system would not be delivered by the end of 2006.

Can you please tell the committee when the system will be operational and how those funds of 14.6 million have been acquitted, and in relation to the line item in the budget 'Rural Ambulance response times', which was part of an election commitment, can you indicate how that relates to the computer-aided dispatch system and whether the fact that it has not been fully funded in the budget versus the promise will impact upon the delivery of that system?

Ms PIKE — I will answer the issue about the computer-aided dispatch system first, and I will seek a bit more clarification, I think, on the second part of your question. Last year I indicated that the rollout of the computer-aided dispatch system was contingent on the upgrading of the overall architecture of the telephone emergency service and that Rural Ambulance Victoria had in fact just signed a contract with Telstra. That provided the architecture for them to build upon — and that was the upgrading of the mobile radio communications. That was the \$11.8 million.

RAV has actually commenced a pilot program in the Bendigo operations centre in November 2006 to test the functionality of the interim CAD (computed-aided dispatch) system. It is our intention to progressively roll out the CAD system over this year and as I have said we have contracted with Telstra to provide RAV with what is called mission-critical voice and data communications through the state mobile radio network. The transition — we have to move from the old to the new system — is being piloted for 12 weeks at a time, at which time then Telstra will make ready the remainder of the system across the new network. So the full program we expect to be completed by March 2008.

Mr RICH-PHILLIPS — The other part of the question related to the funding in this budget — page 262, if you want the reference, BP 3 'Rural ambulance response times'. Does that funding there relate to provision of the CAD system?

Ms PIKE — No. The funding relates to the upgrading of services which are to assist in response times. If you remember in my introduction I talked about the new ambulance services in Torquay, Ocean Grove, Lorne,

Bright, Romsey, Mooroopna — no, these are the ones that are being developed — Ballan, Paynesville and Irymple; and this year there are a range of additional services that are being funded. Some of the funding goes to making services 24 hour, which gives greater coverage, and some of the funding goes to additional capital or new services. That is what is in the budget this year — growth in paramedics, basically. The more paramedics, the more vehicles, the more stations you have the more you can meet response times.

The CHAIR — There is also a footnote there in (d), Mr Rich-Phillips.

Ms GRALEY — Minister, I know from my experience of serving on a health board how important radiotherapy services are to improve quality health care for patients. I just wonder if you could explain to the committee how the government's spending on radiotherapy has benefited Victorian cancer patients particularly those in regional Victoria and how this will be maintained in 2007-08.

Ms PIKE — Thank you. There is a big agenda and particularly in radiotherapy. So we have certainly, as I have said, been improving and expanding cancer services, radiotherapy services. We have funded replacement machines at the Austin, the Alfred and the Peter Mac. We have doubled the size of Moorabbin's radiotherapy to four bunkers and provided an additional, a third, machine as well for this service. In regional Victoria if you go to Geelong, you will see the Andrew Love cancer centre under way, expanding the service to four bunkers, and we provided \$11 million to funding in Gippsland, in Traralgon, and \$2.4 million for a second linear accelerator in Bendigo.

There have also been expansions in Ballarat, Bendigo and Gippsland for single radiotherapy services. We will be providing additional funding in this budget for particularly the professional services, to meet those needs for training and professional support and redevelopment, and also some funding for staff, so relocation for radiation therapists, because the workforce is obviously a big issue.

We are also providing funding here in this budget for expanded Bendigo radiotherapy services, a replacement of the second linac at the Austin. On top of that I spoke about the huge hospital equipment grant that will be provided this year, and on a case-by-case basis services will be able to apply to the government for hospital equipment, and much of the cancer equipment is also funded through that means, so more will roll out in that program.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 262. If you have it there, you might see in particular the difference between Labor's financial costings for election promises and the funding approved in this year's budget and the forward estimates.

I make the first comment, that I think you have missed out on the gravy train there, because when you compare against all the other departments, clearly the financial statement costings for Labor in those areas — and I would ask you to have a look at those in your own time — as opposed to the funding approved appears pretty much on par, except when you go to health, where Labor's financial costings were quite substantial, yet the funding approved was comparatively less.

Given that you made election pledges to treat extra emergency patients, to provide additional outpatient appointments and improve ambulance response times — and you see those four areas there under 'Health services' — there is an allocation, and I will give you one example where 'Meet growing demand — expand hospital and outpatient capacity' for example, in the first year, 07-08, funding approved was 58.5. But then you go to the next year, 111.5 and the funding approved was only 57; then in 09-10, 112, the funding approved in that year is only 58, and for 10-11 it is 112 million and only provided is in fact 60 million.

If you look at increased emergency capacity, you have the same issues where there is comparatively less amount of funding approved, and in terms of 'Ambulance response times' in both rural and local — Melbourne, that is — you will see that the funding is also less. My understanding is that there is a shortfall in the allocations of some \$375 million to fund such health promises. I understand that a spokesperson for you, Minister, on 3 May in the *Herald Sun* claimed that these promises would be funded by 'growth funding' being added over the years. My first question, to be blunt, is: where is the growth funding in the budget papers that meets that shortfall?

The CHAIR — Minister, I also note that there is a footnote to this, namely (c), which I am sure you have seen — it is the first-year funding of a two-year program.

Ms PIKE — To be quite frank I am actually surprised that this question would be asked by people on this committee, because the way that health funding is being funded in this budget is the same that it has been funded not just under this government but under every previous government as well. I think there is a big misunderstanding of Labor's financial statement (LFS) 3 and the budget process by people who might suggest that the commitment has not been met, and I think you have been rather ill-advised, I would have to say — —

Mr DALLA-RIVA — But every other department, Minister — and that is why I referenced it in my preamble — every other department has the costings funding approved which matches like for like.

Ms PIKE — But there is something different about health that you do not quite understand.

Mr DALLA-RIVA — Like, you are unique?

Ms PIKE — You obviously do not understand it.

Mr DALLA-RIVA — I am trying to get some explanation. A personal attack is not answering the question.

The CHAIR — Fair enough. We have the question; let us have the answer, please.

Mr DALLA-RIVA — Let's get the answer. Don't tell me I don't understand it.

Ms PIKE — We commit to two years of compounding growth funding and, in fact, in some of the areas we go beyond what our commitment is. So the 2007 state budget has fully delivered on our 07–08 commitments, and the 2008 state budget will fully deliver on the 08–09 commitment. Why health funding is different from other areas of government expenditure is that we get more people coming in through the door every single year. We have growth funding and it is compounding funding.

This year we are providing funding for the 72 000 additional outpatient services. That then stays in the base, and the following year we get our funding for the 72 000 plus the additional 72 000; and the following year we get funding for the 72 000 in the base, the 72 000 we had the year before, and the additional 72 000 we have in the year to come from that.

Health funding is different. It has always been treated differently. It has always been treated this way in the budget process. We will fully fund all of the commitments in LFS 3 exactly in the same way as we fully funded all of the commitments in LFS 2. In LFS 3 as in LFS 2 we put a figure against HDM in the commitment. That is fully funded, and into the future we will be evaluating the demand growth and will probably do what we did last time, and put in even more because of the great increase in demand.

It is a misunderstanding of the way that the health budget is compiled. I am very happy for the members of the department who have been doing this work for years and years to further explain it to you, if that is what is required. But it is a very fundamental error, and I was quite surprised to see that someone would put out a press release with such a fundamental error in it, because it really just indicates a lack of understanding of how the health budget is put together.

The CHAIR — Do you want further clarification?

Ms PIKE — No, we don't need any further clarification.

The CHAIR — Thank you for that, Minister. I want to ask you about maternity services. I know I am taking Dr Sykes' thunder here, but some of my constituents have family in the bush. I want to know exactly what is happening and what is going to happen in the future in terms of supporting rural maternity services.

Ms PIKE — Thank you very much, Chair. Since we launched Future Directions for Victoria's Maternity Services in 2004, which was a major strategic framework for the delivery of maternity services, we have achieved a lot in really expanding the choices that are available to women.

As health minister I particularly want to make sure that we offer women a low intervention service if that is their choice. We need to reconfigure our services to do that so that women can have a known and named midwife who

can follow them throughout their pregnancy, their birthing experience and beyond the birth. The whole framework was geared around the provision of a range of choices for women.

The other dimension of maternity services is managing risk, and even though 60 per cent of births are risk free, the truth is we do need to have backup that is available should there be some kind of emergency. We are making sure when we deal with the provision of services that we are able to meet those twin objectives: on the one hand, choice — low intervention if that is what women require, and that is what I would want to educate and encourage women to have; and on the other hand, the services that are in place should an emergency arise.

There has been a huge — and unanticipated, I would have to say — increase in demand for maternity services. I know Peter Costello would like to own it; but I do not know whether that is the case or not. In fact, particularly in Melbourne's western suburbs we have responded by funding additional maternity case loads to those affected services. We have provided comprehensive pregnancy care and emergency training programs.

We have rolled out the Victorian maternity record, which is a single record that follows women everywhere through, and in 2005 we funded what is called PERS (perinatal emergency referral service) which is there as a 24-hour phone service to provide clinicians with advice around complex pregnancies or the support that they might possibly need.

We have provided extra funding to 25 rural maternity services to increase the continuity of midwifery care. As I said, we have made a number of changes to the way that those services follow through guidelines and provide care to women who are there, particularly much greater collaboration between GPs, obstetricians and midwives. This budget will see further rollout of that funding to maternity services so that we can make sure that women continue to have the kind of choice that they need. On top of that there is the additional funding for the GP obstetrician training and the training for specialists that is part of the workforce package as well.

The CHAIR — Thank you, Minister.

Mr WELLS — Thank you. Minister, I refer you to budget paper 3 page 72 regarding specialist outpatient clinics. I notice that you have commented a number of times about the 72 000 additional appointments as highlighted on page 6 of the budget overview, and I want you to compare the 72 000 additional appointments with your election promise, which reads 'Policy for the 2006 Victorian election — when it matters' and to:

Speed up access to an initial consultation with a specialist by funding an additional 200 000 outpatient appointments.

I also refer you to the figures provided in 2005-06, weighted or unweighted, with new targets for 07-08 that add 8000 unweighted or 13 000 weighted for additional specialist outpatient appointments. I wonder if you can reconcile the two figures for me — the election promise and the 72 000 additional appointments that you are focusing on.

Ms PIKE — I think I explained that in the previous answer. It is 200 000 additional appointments over four years, 72 000 in the first year — 72 plus 72 — these are compounding figures over four years, and they will be fully funded. We will be able to easily meet our election commitment, and in fact we will probably go further as the growth increases.

I have just been reminded that the 200 000, as I said, is over four years. As the four years progress, the super-clinics will continue to come on line and then ramp up to increase volume. Therefore over the period the full 200 000 will be easily met.

Mr WELLS — You tell me that it is fully funded in the last two years — —

Mr DALLA-RIVA — No, it is not fully funded — —

Ms PIKE — I will ask Lance Wallace to explain it a bit further.

Mr WELLS — It's just that we have an amount and then we have funding approved, so could you just —

Mr WALLACE — The LFS 3 commitment that the government made explicitly did not include as much for outpatients in the first year; it included a larger amount in the second year. If you are looking at the increase in

the number of outpatients in the 2007–08 year and you are trying to indicate over four years whether that will meet the target, it will not because the LFS3 statement explicitly — if you look at the statement — shows a lower growth in outpatients in the first year and a higher growth in outpatients in the second year. So the budget is on track. The funding will be delivered provided that the LFS3 commitment for the following financial year is met, and it would be normal budget process for that to be considered in that year.

As the minister indicated, one of the reasons that the number was lower in the first year is that the number does not include additional outpatients who are being treated through the newly opened super-clinics. So the super-clinic outpatients are in addition to and on top of that particular commitment, and because they were coming on-stream — two new super-clinics were coming on-stream in February — there is already an extra capacity coming through those super-clinics.

Mr WELLS — Thanks.

Ms MUNT — Minister, could you please explain what the Victorian government is doing to make our blood supplies safer?

Ms PIKE — We are rolling out a number of initiatives, and I am very happy to talk about those. Our blood supply in Victoria is managed by the National Blood Authority (NBA), and we are signatories to agreements with the commonwealth and other states and territories to ensure the security of our blood supply.

That authority has the responsibility to provide adequate, safe, secure and affordable supplies of blood right around Australia — not just blood, but blood-related products and services — and to make sure it is managed in the most-effective way. The Red Cross has a deed of agreement to actually collect, as we know, and process and distribute blood and blood products. We have a very important system, and we are represented and we are fully compliant with all of our obligations under that system.

We have agreed to meet our share of the national costs and are also moving to 100 per cent pre-release bacterial testing of platelets. This has been an issue that has needed to be resolved, and we have certainly done that. Although it is not required under the code of good manufacturing practice, which is audited by the TGA (Therapeutic Goods Administration), 100 per cent pre-release of testing of platelets is regarded as best practice, and that is why we are doing that. We are also making sure that we are working with the Red Cross and the NBA to roll this out effectively by April 2008.

The other dimension that would be worth talking about is our submission to the national process around the fair trade agreement. People will recall that under the agreement with the United States there had been some evaluation of the competitive environment around the supply of blood products. Victoria was very concerned that if CSL was no longer the sole provider of blood products here in Australia, we could have no guarantee of the future quality of blood products and, in fact, the potential altruistic dimension of the blood collection service would be seriously undermined.

We are very pleased that the commonwealth has accepted Victoria's position and recently announced that it would not be subject to the fair trade provisions, as other areas are, which is good news for Victoria, because it protects jobs and a very important business, industry and research sector here in Victoria and also protects the character of our blood provision and area and also the altruistic dimension of that. Dr Brook may have further to add.

Dr BROOK — The only other thing that perhaps needs to be added is the question of leucodepletion of blood. Leucodepletion means removal of the white cells from the blood before the blood is transfused into a patient. That has been agreed nationally to be achieved over a period of years, a few years, three years to 100 per cent levels. This year we will be meeting 45 per cent of all transfusions by leucodepletion. Again, while there is often a difference of opinion about what is the right level, we are going to make sure that we move to 100 per cent leucodepletion of red cells, which will mean that in the future people will have less reactions to blood than is the case today and lesser risk of acquiring infection of any sort through the transmission of a biological product from one person to another, which must also always carry some risk.

The CHAIR — I am sure you would have been very interested in that one, Dr Sykes.

Dr SYKES — To continue with my theme of country health services, Minister, I am interested in particular in the issue of time to appropriate treatment. There are two parts to the question: one relates to rescue

ambulance services and the second relates to obstetrics. In relation to the rescue ambulance service the question is: what is holding back the provision of a rescue ambulance helicopter for south-west Victoria in order to put it on the same footing as the rescue ambulance helicopters which are available elsewhere in the state, particularly Gippsland and Bendigo?

The CHAIR — And your second question?

Dr SYKES — The second question relates to obstetrics.

Ms PIKE — Maybe I will take the first question.

Dr SYKES — I am happy with that.

Ms PIKE — Are you happy with that, Chair?

The CHAIR — That's fine.

Ms PIKE — The government has shown in many, many ways that we are happy to provide and have provided additional emergency services right across the state. We want to do that in the most efficient and effective way. We can only support proposals that are financially, technically and operationally viable over both the short and the long term. There is always a lot of debate about air services and road services, but we are advised from Rural Ambulance Victoria that they do not support a helicopter based in Warrnambool. It does not meet the service efficiency, technical or operational issues that are benchmarks by them for best performance.

The region is effectively serviced by the police helicopter, the air ambulance fixed-wing aircraft and road ambulance. It is not always the best solution to put someone into a helicopter. It is actually quite a traumatic move. It can be the best solution, but it is not always the best solution. I am advised by people who manage the ambulance system that this is not their preferred option.

We are waiting on a business case from WestVic, the body that is putting this proposal together. If it wants to put a proposal together and it thinks that it has further statistics that are going to be helpful in this regard, I would be most happy to receive this. But all of the advice I have is that the CFA, DSE and the police are well served by existing resources in this area and that MAS, which covers the air ambulance and the fixed-wing ambulance, are quite comfortable with Essendon, Bendigo and Morwell and that they are able to cover the response times; and that this is the best option for that community. But we are open; if they want to put a proposal to us, of course we will be very happy to have a look at it.

The CHAIR — And the timing provision of obstetric services?

Dr SYKES — I should declare a vested interest in this. As a veterinarian, I do quite a large number of caesareans on cattle.

The CHAIR — Try to keep it brief — —

Dr SYKES — There is a relevance to it, because a critical thing is the time to intervention. Whilst the minister is correct in saying that about 60 per cent of births are risk-free, what she means is they proceed without a muck-up rather than being risk-free. The risk is always there. The issue is whether it occurs or not.

Ms PIKE — That is right.

Dr SYKES — You can identify high-risk cases sometimes ahead of the event; other times it comes completely from left field.

The CHAIR — Please come to the question.

Dr SYKES — I am coming to the question. I am very aware that at times it is minutes that separate a live birth from either a stillbirth or a birth of a child with long-term hypoxic problems or other problems. The question from a rural point of view, and understanding the balancing act of expertise amongst your obstetrical services, is: what is a reasonable time in your opinion for people to travel to obstetric services or specialists to travel?

Ms PIKE — I am not a clinician; there is no way I would answer a question like that.

Mr PAKULA — Minister, on page 286 of budget paper 3 there is an item headed ‘Family choice program’, which from reading it appears to be about children and young people with complex medical needs being helped to return home from hospital. Can you tell me how the budget addresses that particular issue?

Ms PIKE — Thank you very much. The Royal Children’s Hospital in particular but Monash to a lesser extent run programs for children who have very complex health issues. Those children are currently in the hospitals. When those children are ready to come home they require a very expensive package of support around them, which involves the provision of equipment, the provision of nursing, the provision of a whole range of ongoing support.

Nevertheless, obviously families are very keen to get those children home, because the disruption to family life and the challenges if you have got a baby or a child who has been in hospital for a long time are quite difficult. The demand for this program is increasing dramatically. The reason it is increasing dramatically is, quite frankly, because doctors are just so much better at keeping people alive, and medical technology is advancing, so these kinds of severe conditions now have a much greater life expectancy than they ever did in the past. There are a lot more options now for families and for children. As I said, the program has really grown, so we are providing funding in this budget to help alleviate the waiting pressures.

For the hospital obviously it is a complex issue. We have already provided some funding — they capture it in their global budgets — but we believe it is a very important area, and it is effective to get the children home rather than have them in a hospital environment. The program currently supports 124 children with these very complex care needs. We certainly want to provide, and are providing, the existing funding, which then goes straight to the hospital so they can eliminate the waiting list and get these kids home as quickly as possible.

Mr BARBER — Community health centres and capital spending, Minister: there are about 100 of them in Victoria, often looking after people on low incomes, with very little capital investment in them in the life of your government. In 2004 DHS conducted a survey of the facilities, showing expanding service sector and often in unsuitable premises.

In the case of North Richmond that was a bunch of portable buildings from the time of Gough stuck together on a piece of land owned by the City of Yarra, which is my interest. You have now funded North Richmond and MonashLink but that is from last year. I cannot find anything in the budget for this year — correct me if I am wrong — but my main problem is that this is drip-feed funding instead of a capital program, the same way we have for schools, roads, whatever.

Ms PIKE — Thank you. In fact, there has been quite a substantial increase in capital funding to community health centres under this government, because we really do see that they are a critical part of our health system. We have spent \$62 million, in fact, to expand and strengthen community health centres.

Just to give you a perspective on what has happened historically, we have now completed capital works for Banyule; for Doutta Galla; for Niddrie; for Wyndham; for Sunbury; as you said, for Richmond; for MonashLink; for Peninsula; and now in this particular budget, for Stawell, Murtoa and the Kensington site in Doutta Galla. All have planning under way.

Recognising that there is a huge demand in this area — and MonashLink, by the way, is three sites — we have seen fit to invest. This year the capital funding for health will take our contribution in capital funding for health to \$4.1 billion in the life of this government. Just to put that in perspective, you will have seen on my slides — and I have got the figure here, which I will give you — that in terms of capital funding, \$4.1 billion and this year \$554 million, which is a huge capital effort. Over the life of the previous government — and I will stand to be corrected — it was around about \$800 million in total in the previous government’s seven years, compared with \$4.1 billion in this last seven years.

We have really seen an absolute transformation of the capital within our health system. I absolutely concur that there is more that needs to be done. I have a particular interest in and passion for community health centres, and, as I said, we have had a program of upgrading or completely rebuilding — with some of these we are talking about complete rebuilds. North Richmond community health centre, let me say, was a \$20 million redevelopment of a very important service to a very vulnerable group of people, and I am very pleased that it has happened under our watch — and there will be more.

Mr BARBER — After the roof fell in.

The CHAIR — Thank you, Minister. I am equally passionate about community health services as well.

Mr SCOTT — I want to ask what the government has done to extend water fluoridisation, making a reference to budget paper 3, page 86.

Ms PIKE — I think everybody knows that the evidence is enormous when it comes to the benefits of fluoride in the water system. Research shows that people in fluoridated areas experience 36 per cent less tooth decay than people in non-fluoridated areas. We believe that this is a very important initiative, and we have been rolling out fluoridation over the last four years in the towns of Horsham, Moe, Morwell, Warragul, Sale, Traralgon and Robinvale. Wangaratta and Wodonga will have fluoridated water by 2007, and this budget commits another \$1.5 million to keep expanding this program.

This has to be done in partnership with the water suppliers. Some have to make major adjustments and some have to make minor adjustments to their machinery — their capital — to actually be able to provide this in the water system. The other thing that we have been doing is providing information to the community about the fluoridation process.

Certainly we have very strong support from dentists, from doctors, from the AMA, from the dental association of Victoria; we believe it is a very important program. It builds on the huge rollout of additional funding that we provided in 2004–05 to expand the public dental services in Victoria. There are a lot of challenges in dental care. I am very hopeful that we might see some movement for the first time since 1996 by the commonwealth government in the budget tonight, but in the meantime we have been investing, and it has been bearing fruit.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the commitment that was made during the election for an extra million dollars for safety measures around nurses arising from the Victorian task force on violence in nursing. I have not been able to find it in the budget, not to say it is not there; I am just wondering: has that million dollars been allocated consistent with the commitment last November, and if so, where is it?

Ms PIKE — It is part of the big hospital demand management program, and the breakdown is for nurse and patient safety, \$1 million over 4 years in LFS, and I will need to take some advice about where it sits within our breakdown of the global budget.

Mr WALLACE — It is part of the 152 HDM.

Ms PIKE — It is part of the 152. That is what I thought it was. It was part of HDM.

Mr RICH-PHILLIPS — So the \$4 million is within that aggregate figure?

Ms PIKE — No, it is one million over four years, isn't it?

Mr RICH-PHILLIPS — How is it allocated across the four years? Is it available this year or is it —

Ms PIKE — It is part of the 152 of hospital futures, which of course is not broken down in the budget papers. That 152 covers all the varying dimensions of demand that I have been talking about — like dialysis, chemo, inpatient services et cetera.

We, as you know, did have the task force, and there is a work plan that will be funded in those resources. That will include a whole-of-workforce approach to addressing violence and bullying in the workplace, strengthening occupational health and safety infrastructure, and there will be a public communication campaign as part of that as well.

We certainly were happy to accept the final report of the task force into violence against nurses. There were 29 separate recommendations in that task force, and we are providing funding to begin the rollout of our response to those recommendations.

The CHAIR — Thank you, Minister. You might be able to provide a bit more detail on notice.

Ms PIKE — I am happy to provide more detail.

Ms GRALEY — What is the progress for the establishment of the Victorian paediatric rehabilitation service?

Ms PIKE — There had not been a paediatric rehabilitation service specifically in Victoria, so we want to make sure that that is available in a dedicated way so that it can help children in a very multidisciplinary way recover from serious injuries, from surgery and other impairments.

In 2006–07 we committed \$3.25 million, which included \$2 million of growth, and that was to fund and expand the service at the Royal Children's Hospital and provide a dedicated facility. We also provided funding to Southern Health for the first time, and we will also be providing now funding to Eastern Health, Bendigo Health Care Group as part of a regional hub. We are going to build on that with an additional \$1.6 million in this budget to further meet expanded need, and we think that that will be able to provide an additional 1000 bed days. That will double what we have been able to provide in terms of bed days in 05–06. It is a very important service and we are very pleased that we have been able to roll it out as a new initiative over the last few years and build on it.

The CHAIR — Thank you, Minister. We have time for one more quick question.

Mr DALLA-RIVA — It must be the end of the day — the answers are getting shorter as well.

Ms PIKE — I just want to give you another go.

Mr DALLA-RIVA — I refer the minister to the government response to the PAEC report no. 70 for the previous year, and to page 19, the response to recommendation 30. You probably do not have that with you?

Ms PIKE — I do have the response, I'm just trying to find it.

Mr DALLA-RIVA — The government's or the department's response was to reject it.

Ms PIKE — What page was it on?

Mr DALLA-RIVA — Page 19 and page 205 was recommendation 30. I have a copy of it. I refer to page 19 of your response and the concern expressed by the government about the use of simple bed numbers as an indicator of health system performance. I note the government's response, and the action taken to date refers to three areas, which I will read out:

account for same-day-only treatment and recovery facilities separately from traditional bed number measures;

account for neonatal cot usage;

clarify the counting rules to set out clearly how each of these is counted in terms of a 'bed' available for same-day surgery.

My question is: Minister, can you provide an explanation of these measures and status of this agreement that was reached; and in terms of an additional or supplementary question, where are these measures provided or are they allocated in the budget papers and, if not, why not?

Ms PIKE — I just need further clarification on the last part of your question, sorry.

Mr DALLA-RIVA — I guess the first part is: can the minister provide an explanation of these measures and the status of the agreement that had been reached, and if there are any of these measures —

Ms PIKE — Agreement with who, I'm sorry?

Mr DALLA-RIVA — The Victorian government is leading a working party of the Statistical Information Management Committee (SIMC) and agreement has been reached.

Ms PIKE — That is part of the Australian health care agreement. This is about standardised data collection around bed usage et cetera as part of the Australian health care agreement, because we want to make sure that we have nationally consistent measures so you can actually compare apples with apples, if you like, around the usage of beds and the definition of beds. For example, Hospital in the Home is a fully funded acute service but was not picked up by the Australian Institute of Health and Welfare as a provision of a bed service, systematically across Australia. There has been a real need to actually provide better definition of 'bed utilisation and characterisation' than has been available in the past.

Mr DALLA-RIVA — Just to get clarification, I understand the explanation, there is an agreement in place and those — —

Ms PIKE — It is being developed.

Mr WALLACE — I think we would be best to provide you a written response.

Ms PIKE — It is a working party.

Mr DALLA-RIVA — With the recommendation, you have rejected it and agreed to action it to date.

Ms PIKE — That is right.

Mr DALLA-RIVA — I guess what the committee is trying to find out is: where is that and how is that applied?

Ms PIKE — We will provide you with a written response.

Mr DALLA-RIVA — Thank you, Minister.

The CHAIR — I would also like the minister to take on notice what resources, funding and staffing does your portfolio department expect to apply to servicing this committee, based on experience over the past few years?

That concludes consideration of the budget estimates for the portfolio of health. I thank the minister, witnesses and departmental officers for their attendance today. It has been a very comprehensive session. 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, and they will form part of a future report of this committee to Parliament.

Committee adjourned.

Transcript of Evidence

4.12 Housing portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

4.13 Mental Health portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 5: DEPARTMENT OF INFRASTRUCTURE

Transcript of Evidence

5.9 Major Projects portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr T. Theophanous, Minister for Major Projects,
Mr S. Sweeney, executive director, Major Projects Victoria,
Mr R. McDonald, executive director, corporate resources,
Ms P. Sanderson, chief executive officer, VicUrban, and
Mr A. Smith, deputy secretary, capital, Department of Infrastructure.

The CHAIR — I now welcome Mr Sean Sweeney, executive director, Major Projects Victoria; Mr Bob McDonald, executive director, corporate resources; Ms Pru Sanderson, chief executive officer, VicUrban; and Mr Alf Smith, deputy secretary — capital, of the Department of Infrastructure. Departmental officers are also welcomed. An hour has been allocated for this portfolio. I call on the minister to give a brief presentation on the more complex financial and performance information relating to the portfolio.

Overheads shown.

Mr THEOPHANOUS — I will try to be as brief as I can. I think everyone around the table would understand how important our major projects are. They inject a lot of economic activity into the state. We do so through both the major projects division that is within DOI and also through the work of VicUrban, so I will try to cover both of those areas. VicUrban helps to shape our city in a variety of ways right throughout Victoria. Of course, the major projects that MPV deals with are also very important.

I just want to briefly talk about some examples of major projects that are under way at the moment. Some are within the VicUrban ambit and others are within MPV. As you can see, Docklands is one of the most important projects that we have. It is a \$10 billion development bringing Melbourne on to the water. It is Melbourne's new waterway. It has already generated more than \$4 billion of investment. I will expand on this a bit later on as well. The private-to-public investment ratio in the Docklands is already 40 to 1, so for every dollar we invest in public funds, \$40 is being invested privately.

The Melbourne Convention Centre is a \$1 billion project. It will further develop Melbourne's waterfront city image. It will stimulate the Victorian economy by \$197 million estimated each year for 25 years in its operation. There are 2500 jobs over that period and 1000 jobs during construction as well.

It will achieve a 6-green-star environmental rating, which is a pretty phenomenal outcome, and it will include an Australian first — large public facilities with rainwater harvesting and a privately operated blackwater treatment plant as well. So from an environmental perspective it is a very important building. The project is on budget and is due to be open for business in 2009, so it is on time as well.

Mr WELLS — We will mark that one down.

Mr THEOPHANOUS — Mark it down.

Mr WELLS — We will mark that one down — it is on time and on budget.

Mr THEOPHANOUS — It will rival the world's best. The Melbourne rectangular stadium is \$256 million, and I will talk about this again later. We have revised the seating capacity over time on this in negotiation with the other players, and we are now in the process of finalising the final specifications in relation to that project.

Next I have some examples of major projects under way. The Melbourne Recital Centre and MTC theatre is a really exciting project. This particular project is currently running ahead of program, so we are very pleased with the performance on this program. Practical completion for both venues is due in December 2008 and we hope to see first performances in mid-2009, so that will be a pretty exciting time as well. It is a great new addition to Melbourne's infrastructure along the lines of the Melbourne Museum, the state library, the national gallery and the ACMI centre as well.

The Dandenong transit city is a very exciting project. It is 290 million, but it is forecast to attract 1.3 billion in other investments; 1 billion in private sector investment as well. Key benefits include 5000 jobs, 4000 new households, improved pedestrian amenity and reduced traffic congestion. This really is going to revitalise the centre of Dandenong. This is the one transit city which I am responsible for both as client and as delivering agent, so it is an important one for me.

In major projects, the milestones are shown on the next slide. The Royal Melbourne Showgrounds has been completed. The Australian Synchrotron has been delivered on time and on budget to world-class quality. MPV is still the operating agent for this for a little while yet until it settles in, but we are very proud of that one. The Melbourne Convention Centre — the last three are really milestones — we have done the bulk excavation there. With the rectangular stadium we have announced Grocon as the preferred tenderer, and we are in negotiation now

in the final stages. The Parkville Gardens conversion from the games village mode is complete, and it is now a housing project.

Moving on to the next slide, you can see how VicUrban is creating sustainable communities right around Victoria and right around Melbourne. There is not only Dandenong city and Docklands, which are two big projects, but there is also the Aurora project. VicUrban has 24 projects delivering a total of more than 30 000 dwellings, and 8000 of those are at Aurora. We are doing things in an environmentally sustainable way as well. There is now a sustainability charter which VicUrban works under. We are doing 6-star energy efficient homes, third-pipe recycled wastewater is going into our new developments — and a range of other such things.

Next is a chart which simply outlines Melbourne Docklands at a glance — the number of annual visitors, the residents and so forth. It just shows how that is going, and I am not going to go into it in great detail. I think we can probably move on to the next chart.

The key financials — the state budget delivered 3.3 billion to be invested in infrastructure projects across Victoria bringing to more than 13 billion the total investment in infrastructure. Over the past seven years the government has a record 16 billion in capital works averaging over 2.3 billion a year. We have more than doubled investment in infrastructure compared to the previous government.

The CHAIR — Thank you, Minister. I now turn to questions.

Mr SCOTT — In his speech the Treasurer outlined infrastructure spending of 13 billion over the next four years. On page 2 of budget paper 2 it stated that one of the Bracks government's financial objectives is to:

Deliver world-class infrastructure to maximise economic, social and environmental benefits.

Minister, you mentioned in your presentation that the Australian Synchrotron will boost the Victorian economy, and you also mentioned that it is still a responsibility of major projects now under this budget. Could you explain to the committee further, some of the benefits to Victoria that funding this facility will provide?

Mr THEOPHANOUS — Thank you, Mr Scott. This synchrotron project is of course a fantastic new project for Victoria. The government committed 157 million to provide the building in the first place and the partners have committed 50 million for an initial suite of nine beam lines. The commonwealth is providing \$14 million beam line funding through the National Collaborative Research Infrastructure Strategy.

I was interested to see an article by Michelle Grattan in the *Age* today suggesting that the federal government would give 50 million to the synchrotron over the next four years for half of the operating expenses of the synchrotron. I do really hope that the federal government does come in and assist in the ongoing operation of the synchrotron.

Some of you who know the history of the synchrotron would know that we did seek federal government support, capital support, in the original construction of the synchrotron, but we were not successful in that so this became a Victorian government project. But now that it has been completed, we have applied to the federal government to assist us in the ongoing operations of that facility, and it is important for us that the federal government comes to the party on that. We have been in protracted negotiations with them on the issue and we are still waiting to see a final decision from them.

In the meantime, as I mentioned earlier, the agency that is responsible for the operation, until handover of the synchrotron, is still MPV, which is doing that job very well. The synchrotron is now in its final stages. First experiments began in April 2007 and it will be open to general users in July. I am able to report that five state governments, 25 Australian universities, Australia's medical research institutes, CSIRO, ANSTO and New Zealand have come together to fund this unique research platform that will underpin Australia's and Victoria's innovation competitiveness and grow the businesses and jobs of the future.

The facility is expected to create 2500 direct and indirect jobs when it is in full operation, so it is a very important facility and it will link us internationally as well. Bear in mind that it is the only synchrotron in the Southern Hemisphere, so it will put our scientists ahead of the game in a whole range of technologies because of the capacity to use this facility for leading-edge research.

Mr BARBER — My first question will be regarding VicUrban and specifically the transition of Docklands to Melbourne City Council. The minister would be familiar because he signed off on the agreement

between VicUrban and Melbourne City Council. But my question is about developer contributions that have been made to VicUrban — they may have transferred in cash or they may just be contingent assets. How do I find out from VicUrban's accounts how much there is? How do Melbourne City Council and local residents get a say in how that money, or in kind, is actually spent?

The reason it is an important question is that normally a local council is responsible for developer contributions and for spending them, and that is highly regulated as to how that happens in the local government and planning acts. I understand it is not regulated, and that these are basically agreements between VicUrban now and the developers.

The CHAIR — We could try and focus that question on the estimates, but if the minister is happy to answer that, I will leave it to him.

Mr THEOPHANOUS — Perhaps I will answer in a general sense. Our relationship with Melbourne City Council is extremely important, both from the point of view of VicUrban and also from the point of view of Major Projects Victoria. The convention centre, for example, envisages a significant payment by Melbourne City Council towards that facility in enhancement of that facility as part of the project, so we are in cooperation with the Melbourne City Council on a range of those sorts of issues. There is a handover which is due to happen at the end of June, as I believe — 1 July I think is the handover date — when I no longer am, if you like, technically the local authority for the Docklands. I cease having that function through VicUrban.

Mr Barber, you might know I have never been a councillor and I have never been involved in local government as such, so being the local government authority is about the closest I think I will ever come to being a local councillor, but it is a huge — —

Mr RICH-PHILLIPS — It does not reflect your views of councils, does it?

The CHAIR — It is an independent perspective.

Mr THEOPHANOUS — Yes. That handover occurs on 1 July. There are technical issues associated with that handover, and I might ask whether Pru Sanderson wants to provide any additional details in relation to that.

Ms SANDERSON — The handover includes the handover of \$200 million-worth of assets at Docklands, so it is a very considerable asset base that is being transferred as part of it. I think the important thing is the partnership now between VicUrban and the city in terms of the running of Docklands and the community outcomes that we achieve for the precinct.

Mr BARBER — You call them assets, but when I am a councillor I know those assets are actually liabilities and are pretty expensive to maintain. What I am asking about is these real assets that your authority has got, which is agreements with developers for developer contributions. If they are not visible in your accounts, how do we find out about them?

Ms SANDERSON — Those agreements are obviously commercial in confidence to a large degree, but there are certainly requirements in all of those agreements to have community outcomes for the precinct, and that will continue to be rolled out as the precinct is developed.

Ms GRALEY — My question is about the Dandenong transit city, a project close to me and very important for the south-east. As you mentioned before, and as noted on page 130 — as note ^(as) — of budget paper 3, the project is referred to as the sole transit city that will be the responsibility of the Department of Infrastructure and therefore the Minister for Major Projects. Can you please advise the committee about the progress of the project, including any future plans and project funding?

Mr THEOPHANOUS — Yes, this is one of my very large projects. It is a very important project. It is different to almost every other major project I have got. It is different in the sense that it involves literally the revitalisation of an entire city. We are spending \$290 million on this. I did go down about a week or so ago when we launched the plan — the consultation plan; the draft master plan for the area — and it is a very exciting draft master plan. It is not the final story — I have to tell you that — but it is there for consultation with the community and with the local council and other important players.

If you have ever been down to Dandenong and had a look at it, there is a sort of section of the city to the left of the main highway which is quite developed and quite good and is working reasonably well. Then to the right there is

this older area which has become very dilapidated — it is not working, and the whole city is kind of split into two now. It has a significant number of issues associated with trying to bring this together into a major and vibrant city.

What we did was we took advantage of the fact that they are building EastLink, which will take a lot of the traffic that currently goes through Dandenong off the Dandenong route, which will allow us then to change the nature of the main road and reduce the traffic flow through there — make it more like an esplanade. Then we had to think about how we could have more pedestrian access from the railway station back up to the centre of the town. We need to build a new road as well, and I think there is a bridge involved as well — I am just trying to remember all the aspects of it. It is a very exciting master plan for the city.

But in order to do something like this, you cannot do it by just saying, ‘Well, let’s plan this out’ and ‘Let’s go and do it’. There are a number of other actions that you have to take. We have to acquire the properties, which is a major issue for us. VicUrban has been given the task of acquiring those properties. We are in the process of trying to acquire them all. Not all of them can be or will be acquired, if you like, voluntarily. There are some issues surrounding that, and we may require some compulsory acquisition as well, if we are going to implement the entire plan. There are also people who may be leasing properties at the moment, where even if we purchase the property we have to be mindful of the fact that there is a leasing agreement or arrangement in place. As you can see, even though we are prepared to put 290 million on the table in order to get this done, there are a significant number of issues that have to be managed through. But the final outcome is going to be really exciting for the city of Dandenong. I am very pleased at the amount of local and public support that has been provided to us in the program.

I can talk about the numbers. Just to mention some of them, we expect the 290 million to generate a further \$1 billion of investment from the private sector in a whole variety of things. I mean, the council itself wants to build new offices down there, and there are a number of other companies that have expressed interest in this as well. I cannot remember. There are at least 5000 jobs involved during the construction of this in a variety of different ways — quite apart from all the people you attract down there when you do something of this size. We are building at least 3000 new homes, so part of it is that, if you want to build vitality into a city, you actually have to bring people into it. It is no good just having commercial centres without having people around them, so part of it is actually building homes.

Again, under the charter that VicUrban has, it must do those homes in an environmentally appropriate way, it must allow for a certain amount of social housing and so forth. So this is a very exciting program for us down in Dandenong, and I think for the people of Dandenong. It will set Dandenong up as really being the second major city in the Melbourne area.

Mr DALLA-RIVA — Minister, your slide before showed examples of major projects under way. I understand that currently under way is the Melbourne Convention Centre development, which you have outlined in your overhead. I have in my possession a set of submitted plans that I understand to be the latest design of the convention centre. I am happy to provide those to you and to give a copy to the committee.

Minister, they show a significant modification from the outline put forward in the tender documents, and given that it is related to your portfolio — in particular the area that I have highlighted shows that the ‘Stage 01 - Level 05-19’ plan, which has some writing on it, if you examine that plan, it should have — —

Mr THEOPHANOUS — Are you talking about this one?

Mr DALLA-RIVA — The other side; that one there. The plan shows five additional storeys that the government appears to have allowed, which will each have 28 rooms or suites, meaning a total of 140 additional rooms. Can you confirm that this is intended to proceed, firstly, and will this generate a significant windfall to the hotel chain? The second component to that is that my understanding is that there has been a proposal put forward by Austexx Plenary in relation to the residential component proposed for the convention centre to be converted to a commercial activity. I want to know if the government has acceded to this request, and if so, what process was undertaken in terms of your role as the minister responsible. Also, if these modifications have been allowed, as I have produced to the committee, did they come after the tender process had been completed and had probity checks been finished?

Mr THEOPHANOUS — Thank you for providing me with some plans of a project we have plans of.

Mr DALLA-RIVA — We don't have them. Welcome to opposition, Minister.

Mr THEOPHANOUS — I have been there before, Mr Dalla-Riva. Thank you for your question. I guess the first thing, in relation to the extra five storeys on the hotel, this is a matter of public record, it is not anything new. It has been certainly discussed publicly, and I have certainly mentioned it publicly as well. The issue that I would indicate here is the following: this extra five storeys is a planning question. There are some planning issues. The developers have put in a planning application, and I guess, subject to the planning minister allowing it, then they will be able to build it, because it is the commercial part of the construction, it is not the actual convention centre.

But I make this point to you — well, I want to make two points. The first one is the very obvious one, that an extra five storeys and the additional rooms that you have talked about actually enhance the facility. Why does it enhance the facility? Well, you know what? When people want to come to a 5000-seat convention centre and go to a convention, they would like to be situated near the convention centre, and adding extra storeys onto the Hilton Hotel will simply mean that we will be able to provide accommodation — close accommodation — to the convention centre for additional people. That might help us to logistically plan for these very large conventions that we are hoping to get into Melbourne. So from a convention centre point of view this is a benefit; it does not take away from that facility.

The second point is that, as I have indicated to you before and certainly in the house, when these commercial arrangements were put together we required a payment from the developer in relation to the commercial use of the area around the convention centre. So the agreement that was reached was that they had to build the convention centre. We provided them with the funds to build the convention centre. The management of the convention centre will be by DIIRD, and we have got already contracts in the order of \$100 million worth of contractual arrangements that have been put in place going forward for conventions that we have already signed up for. So there is already work for the convention centre when it opens, and we are paying for the convention centre in terms of an agreement with the Plenary Group for the construction of that centre.

I might also say to you that the agreement with the Plenary Group is a kind of non-negotiable agreement. They have to provide the convention centre according to specifications for the contractual amount that is specified, and they have to do it within that contractual budget, so they take that risk.

But in addition to that I indicated to the house the very important point that they also gave us a payment for the use of the commercial area around the convention centre. That payment amounted to \$93.2 million. That \$93.2 million is the largest single amount that any government has ever extracted from a private sector for this kind of commercial undertaking. It is a very significant amount of money to the government for the right to be able to build the convention centre and then develop the commercial areas around it. So we do not walk away at all from the benefits that the convention centre has to offer.

In relation to the other matter you mentioned, which was about the change from — —

Mr DALLA-RIVA — Residential.

Mr THEOPHANOUS — Yes, from residential to commercial. I think the best way to put this is that no formal application has been made to me in relation to that matter, and consequently if and when such a formal application were made under the contractual arrangements that we have, any change has to meet certain contractual obligations and we would judge it against those contractual obligations. And as I understand it, no formal application has even been made to the planning department.

Mr DALLA-RIVA — There is letter, which I do not have multiple copies of — —

Mr THEOPHANOUS — Sorry, from whom?

Mr DALLA-RIVA — From Austexx to Mr John Phillips — DSE. And it is date-stamped from the Department of Infrastructure on 2 April, requesting the alter to the design. You may wish to look at that and perhaps take a second crack at the question.

Mr THEOPHANOUS — I will ask Sean Sweeney to answer that.

Mr DALLA-RIVA — Just on clarity, on that particular issue, was the modification to the plans to add the five storeys, was that before or after the \$93.2 million the government got?

Mr THEOPHANOUS — It was after.

The CHAIR — Are you going to comment on this?

Mr SWEENEY — Yes. This letter we have never received. It was wrongly addressed to John Phillips, who is in the Department of Sustainability and Environment, but for some reason the street address was Nauru House, where DOI is. We have an automatic letter-opening facility so it was opened, automatically stamped, and then when they went to sort it realised there was no John Phillips in the building and then forwarded it on to DSE, so we have not received that. I spoke to John Phillips a couple of days ago about this letter, and he was emphatic to say that they have not yet received any formal application from Austexx. He felt that this letter misrepresented where they were at, and we certainly — —

Mr DALLA-RIVA — I am not alleging that.

Mr SWEENEY — No, no.

Mr DALLA-RIVA — It's just the statement was made.

Mr SWEENEY — This letter follows a chain of events that are not explained here, and he was very clear to me that at this point in time they do not even have a proposal in front of them. I am not meaning to take his words here, but he felt this misrepresented where they were at and we certainly have not received any proposals to review.

Mr DALLA-RIVA — Can we get one of those electronic letter-openers in our electorate offices? We could avoid any responsibility. I think it is a great idea.

The CHAIR — I am sure it is to make sure that nothing comes through the mail we do not wish to — it is for security reasons.

Minister, as a passionate football fan and paid-up member of Melbourne Victory — —

Ms GRALEY — Soccer fan!

The CHAIR — It is football, actually. I refer to page 342 of budget paper 3 where it talks about the rectangular sports stadium which will accommodate a variety of sports including football, rugby league and rugby union. Could you please explain to us the \$7 million funding that is there. You started to tell us a bit and you promised to tell us a bit more.

Mr THEOPHANOUS — Yes. Thank you, Chair. The Premier seems to give me these easy jobs to do, like bringing Tiger into Melbourne or building a rectangular stadium and getting that across the line. This is a project which is going to be a spectacular new facility for Victoria. We have never had a rectangular stadium facility of any real size in this state. Football, as you know — or soccer, as some other people prefer to call it — is becoming increasingly popular. In fact, amongst schoolchildren I think it is the preferred sport. I think a lot of parents, particularly mothers, prefer their children to play soccer because it does not result in as many injuries as AFL does.

Mr PAKULA — You would not know it from the way they roll around.

Mr THEOPHANOUS — There are all sorts of different opinions and I am trying to tread very carefully on this as a Bulldogs supporter.

The CHAIR — Just tell us about the stadium, Minister.

Mr THEOPHANOUS — Yes, I will tell you about the stadium. The extra \$57 million — perhaps I would explain it this way. The government approved a budget of \$189 million initially in order to build the stadium, which was meant to be a 20 000-seat stadium. That budget has progressively increased and is now \$256 million in order to build a much larger stadium — that is, to build a stadium of 27 750 capacity.

You will remember that the Premier has also indicated to Melbourne Victory that should it finally make the decision to actually play in the new stadium — which would be good, given that it is a soccer stadium; it is a combined soccer and rugby stadium — then we would consider increasing the size or that amount of 27 750 to a higher number. I should explain that if we do that we will incur additional costs associated with that as well. So just in case my opposition colleagues come rushing in at some point in the future and say, ‘Well, you said it would only cost 57 million but it might cost more’, that would depend on whether Melbourne Victory decides to sign up and play in the new stadium, and therefore we might increase the size of that stadium.

Can I indicate, Chair, that we are very keen to try to get a landing on this and we are in close discussion. There are a number of parties involved in this. There is Melbourne Victory; there is the MOPT, which will be responsible for running the stadium — that is, the Melbourne and Olympic Parks Trust; there is also the FFA, Football Federation Australia; and it also impacts on the operation of the Docklands stadium as well. So there are a number of parties who are involved in these discussions. They are very complex, difficult discussions, but I am hopeful that we will be able to make an announcement soon.

The CHAIR — Thank you, Minister. I am sure the supporters I know are very interested in this as well.

Mr WELLS — Minister, just on a procedural point, I would ask that the letter that was sent from Austexx to John Phillips be tabled, and can we have that incorporated into the *Hansard* transcript?

The CHAIR — I do not have a problem with that.

Mr THEOPHANOUS — That is a matter for the committee.

Mr WELLS — That is fine, so we will move that that be incorporated into the Hansard transcript.

Leave granted; see page 13.

Mr THEOPHANOUS — Could I also indicate, Chair, just on that that I will be happy to provide to the committee a further written response. I have not seen this letter before, so I will be happy to provide to the committee a response as to how it was trucked through.

The CHAIR — Thank you.

Mr WELLS — My question is also in regard to the Docklands Authority. I would be interested to understand what community infrastructure has been provided for Docklands in the 2007–08 budget. Will the minister point to new growth or new funding for schools, libraries, fire stations, ambulance stations, health services or centres, or other essential community infrastructure provided for Docklands in the 07–08 budget or forward estimates, please?

Mr THEOPHANOUS — Thank you, Mr Wells, for the question. Docklands is a very large and comprehensive project. It is a \$10 billion development. VicUrban is the agency that has overall responsibility for that, and I have certainly indicated that there are a number of aspects to it that VicUrban is working with at the moment in terms of the development. But it also has responsibility for the overall planning, including the sort of facilities that you have identified as well. I might mention one and then pass it on. There is in the budget papers, as you may be aware, funds for the Kangan Batman TAFE. The next stage of the automotive centre of excellence is in the budget papers, to build stage 2 of that facility — stage 1 is already there. That will be a really fantastic facility as an educational institution assisting the automotive industry in a whole range of skills development, research and so forth. We are very pleased to have been able to get that facility there.

But there are a number of parks and there are other facilities as well. I might just ask Prue to outline very briefly some of those other areas that we are involved in at the Docklands.

Ms SANDERSON — Certainly. The other components are not the stuff of separate allocations by government, because the VicUrban operating budget does allow for a very considerable amount of development of proposals on the community front. We have an action plan in train at this stage, and so it is not the stuff of requesting a government spend separately over this year.

Mr WELLS — How is that going to work? I mean, if there is a need for a school down there then whose decision is it to build a school?

Ms SANDERSON — Like all schools, it is chicken and egg, the need of a population base. That need might come at some stage but certainly not in the next 12 months.

Mr WELLS — So is that the same as for other community infrastructure such as fire stations, ambulance stations and health services? Are there no plans for any of those community infrastructure projects?

Ms SANDERSON — Certainly as the precinct is rolled out those will all be on the radar. The precinct is one-third of the way finished at the moment, so the population base is growing fast. There are 15 000 if you include the residents and the workers, but 15 000 people is not, I think you would appreciate, enough to necessarily at this stage support that kind of infrastructure, but when the development is rolled out over the next 10 to 15 years with the next two-thirds, then you start to get a critical mass for the site.

Mr WELLS — I just need to confirm that there are no plans at this point, and no funding attached to any of those community infrastructure projects that I have just mentioned?

Mr THEOPHANOUS — Just let me explain. With every development that takes place around the state that VicUrban is involved in, and indeed that major projects is involved in, there are always two elements to this. Some of the community facilities are negotiated as part of the development proposals, so they are provided by the developers themselves in a variety of circumstances, and that is normally the case for things like parks and other such facilities that you would want built into those sorts of developments. In VicUrban's case, if you take the Aurora complex for instance, it is requiring a whole range of things of those developers, which include third-pipe facilities, all of the roads and footpaths and a whole range of other things.

In addition to those facilities negotiated with the developer during the development stage, there are also government responsibilities for providing facilities to the community as they expand. The provision of schools, for instance, whether it be at Docklands or in any other growth area of the state, is something which is the responsibility of the education department and would be included when the education department in that instance decided to make a decision that a school was needed in that area and should be built. Then the education department would construct that school and be responsible for it.

Mr PAKULA — Minister, BP3 page 274 — I have a particular interest in the Footscray transit city. Page 274 outlines the additional funding to the Footscray transit city over the next four years. Could you explain, for the benefit of the committee, the funding of benefits for Footscray?

Mr THEOPHANOUS — I should explain in the first instance that I do not have the same kind of responsibility for Footscray as I do for Dandenong. I am not the client minister in this instance. In this instance the client minister is the planning minister. However, through VicUrban I am responsible for delivering the projects, or some of the projects at least, for the Footscray transit city to my client — in this instance my client is the planning minister.

What the government has committed to for the Footscray transit city is \$52.1 million over four years, and that was announced in the budget. The funding will provide for the revitalisation of central Footscray. It is not on the same scale as Dandenong, but, as you would appreciate, Dandenong is a much bigger city and also very much more run down as well. It will provide for a modern pedestrian bridge at the station, an upgrade of main streets in the town centre, including an extension of the Nicholson Street mall. I actually went to the commencement of that a couple of weeks ago. It involves the facilitation of development of strategic sites in the station precinct; a new one-stop planning shop for the marketing and development of central Footscray.

The benefits of Footscray transit city will include the first step in the revitalisation of central Footscray, which will attract private investment and development as well; greater employment in and around that area; a greater range of housing choices in central Footscray; improved retail and business facilities to cater for the needs of residents and workers; and better and safer public transport from those changes that we are making through an integrated centre. It will create a new community heart for Footscray. It is another one of the exciting programs under the transit city proposals.

Mr BARBER — Minister, I have something to read to you from VicUrban's website — in fact it is from the Aurora estate section, where they describe the features of the estate. It says:

All homes approximately 400 metres from a bus stop, and the majority of residents within 800 metres of retail centres and train station.

That was on its website all last year, up to, during and after the election. But during last year you announced *Meeting Our Transport Challenges* — or your government did — and it was made absolutely clear in that document that the spur line from Epping to Aurora was off, because it is not on the program out to 2030 under *Meeting Our Transport Challenges*. That statement has now disappeared from VicUrban's website. I saved a copy of the original page.

I suppose I could ask a few questions about this, but I think I will just ask: at the current moment what is VicUrban prepared to guarantee in terms of public transport provision for future residents of that estate?

Mr THEOPHANOUS — Perhaps I should first of all in answering your question say to you that this Aurora estate is part of us providing an appropriate level of affordable and available housing in and around Melbourne to keep the price of housing relatively low for Victorians. If we did not do this kind of thing, let me tell you the price of housing would absolutely skyrocket. Houses in the Aurora estate are very affordable. In fact you can get a house and land package in the Aurora estate for as low as, I think, \$260 000, which brings it within the range of working-class people.

Mr BARBER — Plus the three cars they now have to run.

Mr THEOPHANOUS — I might indicate to you that, first of all, the estate is very well positioned from a private transport point of view. We are not as frightened of private transport as you are, Mr Barber, we are happy to say that there is a really good freeway you can get onto just where the Aurora estate is, and you can be in the city within 20 minutes if you want to use private transport. However, there is also a bus service to the estate, even though the estate was actually only launched seven months ago, so already there is a bus service there into that estate as well.

But bear in mind that what we are trying to construct there is what you might call a major new suburb — it is 25 000 residents. At that size I think it is probably about the same size as probably Warrnambool. I think Warrnambool is 30 000 residents.

Mr BARBER — With a train line.

Mr THEOPHANOUS — They have got a train line, but no thanks to the previous government.

Mr BARBER — I give you credit, you brought it back to Warrnambool.

Mr THEOPHANOUS — Thank you. We did. I am not responsible for public transport, and certainly not for the train services that go right throughout our state or around Melbourne, but obviously what I am responsible for is building homes through VicUrban, making them available, making them affordable, making them 6-star — which I would have thought you would be pretty happy with —

Mr BARBER — It should be the law.

Mr THEOPHANOUS — Putting a grey-water pipe into each of them, and so on. We are developing these projects. Public transport is one of the issues that we confront. As I said, there is a bus service available already, and I expect that the public transport will expand as the area expands.

Mr SCOTT — Minister, my question relates to the integration of the South Wharf sheds into the new Melbourne Convention Centre. Budget paper 3, page 305, states that the government is contributing 15.5 million for that purpose. Could you please explain to the committee what this means to the overall project and the government's contribution to it and what the green credentials of the project are?

Mr THEOPHANOUS — Let me first of all say I know we have been criticised for changing the convention centre project, but the original design of the project — I am not sure whether Mr Dalla-Riva's plans were the original ones or not, I did not have enough time to look closely at them — but —

Mr DALLA-RIVA — I am sure you will.

Mr THEOPHANOUS — The original plan of the convention centre did not include the South Wharf sheds, which was a bit of a shame because if you know the area, the South Wharf sheds are the ones right on the river and of course they currently are being you as convention centres and so forth. It became clear in the

development of the project that the South Wharf sheds would not be viable in their operation as they were, but beyond that that the convention centre planning and the commercial area around the convention centre was such that it would mean that the orientation of the convention centre and especially the commercial area around the convention centre would be inwards, away from the river, because that is where the commercial developer was developing the area. So a decision was made to try to change that and refocus the whole development back onto the water. The way we did that was to seek to acquire the sheds from the existing owners and from the existing operators there.

It is never an easy process. Once you enter into compulsory acquisition processes, they are never easy processes, but you do it on the basis of broader objectives. On this occasion we have been doing this through the Land Compensation and Acquisition Act. The state valuer, the Valuer-General, has completed the valuations. This information has been sent to the Government Land Monitor to approve the initial offers that were made. It is trying to ensure a fair and transparent process. Initial offers have been made to most tenants with the Government Land Monitor approvals. The tenants have currently not accepted the offers that have been put but have requested payment of the initial offer as an interim payment.

The government has decided to process the initial payments while accepting that the offers have not been accepted at this stage. However, there is ongoing discussion taking place, and we are confident that we will be able to reach a decision or a landing with the various actors in this regard and we will be able to bring that into the project, incorporate the sheds within the project so that you will be able to walk along that area from the convention centre through the sheds with restaurants that will be sitting on the water itself. It will be pretty exciting project, but we do have to get through this difficult phase.

Mr RICH-PHILLIPS — Minister, I would like to ask about the role of Major Projects Victoria, or lack thereof, in water infrastructure. The Treasurer was here this morning and spoke about a number of water infrastructure projects. It just seems that there would be a lot of synergy between those projects and a role for Major Projects, given the agency's project management experience. I was just wondering if you could tell the committee why Major Projects Victoria is not involved in a lot of the water projects that are under way now and also if there is envisaged a role for Major Projects in the water projects that are currently under consideration by the government?

Mr THEOPHANOUS — Major Projects Victoria is in fact providing a resource to DSE, and I will ask Mr Sweeney to comment further on that. Might I say also, though, that there are processes which I am sure the Treasurer and the water minister have talked to you about or will talk to you about in relation to studies that are taking place about the kinds of things we might do in the future in relation to water development. It will always be open to the Premier and the government at some stage in the future, if the Premier decides, to provide a brief to Major Projects Victoria for any one of those new water projects that might be on the horizon. That is really a matter for the future, but in terms of the actual support being provided at the moment I might just ask Mr Sweeney to make a brief comment.

Mr SWEENEY — Your comments about the expertise that we could provide were virtually identical to what I said to the secretary of DSE. They are still, as I understand it, bringing together and mobilising their water projects office and we are currently providing three very experienced people into that office, and we are looking to, as the business cases they are doing and that work out, hopefully have a larger involvement once some of those business cases crystallise into actual projects, because we believe we have a lot of expertise across that range.

Mr RICH-PHILLIPS — Do you have any role currently with the various projects that are being handled by the water authorities? Are you providing any advice?

Mr SWEENEY — We are providing work to DSE, while they are, I think, managing the business cases. All I can say is I know a number of the water authorities are feeding into that or doing some of those business cases. We are providing project management and planning across the whole program at the moment.

Mr THEOPHANOUS — I think the complication also on this is that a lot of these projects are actually being done by the water authorities themselves, so they are not actually DSE projects as such. It is only when a project became a DSE project that then the Premier and the government would decide whether that project should be handled by DSE or should be done by Major Projects Victoria. We are in there, as we always are, bidding for those new projects.

Mr RICH-PHILLIPS — Just on that questions then, would it be normal for major projects to get involved with a project being done by a water authority, being a non-government sector agency, or would you only handle projects that are through the government sector, so you actually would not touch those in the ordinary course of business?

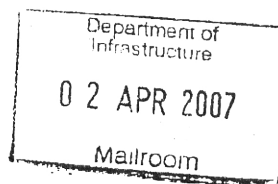
Mr THEOPHANOUS — As you know, Major Projects Victoria handles many projects which are done with the private sector — the Plenary Group is an example of that. So it would not be out of the question that a major project which — —

Mr RICH-PHILLIPS — But you are doing that on behalf of government rather than on behalf of the statutory body?

Mr THEOPHANOUS — Yes, we would.

The CHAIR — I note that I have put a question on notice before regarding your two portfolio departments in regard to application of resources and servicing this particular committee. That concludes the consideration of the budget estimates for the portfolios of small business, industry and state development and major projects. I thank the minister and the departmental officers for their attendance today. It has been a very good session. The committee will follow up in writing any questions taken on notice and request that written responses be provided to the secretariat within 30 days, and they will be put in one of our reports. I thank everyone from their attendance today.

Committee adjourned.



28 March 2007

Mr John Phillips
Department of Sustainability & Environment
Level 18
Nauru House
80 Collins Street
MELBOURNE VIC 3000

Dear John

Re: Melbourne Convention Centre Development

I refer to our telephone conversation today.

I confirm that after detailed consideration we have decided to proceed with an alternative design to that discussed with you last week.

We now wish to alter our design to include the following:

1. within the current approved tower, conversion of the residential use to office use;
2. reorientation of the tower building (being a better design solution eg to take advantage of views); and
3. the addition of a level of offices to the northern retail podium between the retail and townhouse uses. Related car parking spaces will be relocated behind the townhouses.

We understand that this design will be generally in accordance with the currently approved plans.

We also acknowledge your view that our development of the heritage sheds will be generally in accordance with the current planning controls and plans.

Therefore, we believe there is no need to request a planning scheme amendment.

We hope to be able to provide you with plans as soon as possible.

Yours faithfully

Amanda Johns
Special Counsel

Austexx Plenary Melbourne Pty Ltd
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Transcript of Evidence

5.10 Public Transport portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 9 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms. L. Kosky, Minister for Public Transport;
Mr H. Ronaldson, secretary;
Dr A. Smith, deputy secretary, capital;
Mr J. Betts, director, public transport; and
Mr B. McDonald, executive director, corporate resources, Department of Infrastructure.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the budget estimates for the portfolio of public transport. I welcome the Honourable Lynne Kosky, Minister for Public Transport; Mr Howard Ronaldson, secretary, Department of Infrastructure; Dr Alf Smith, deputy secretary, capital; Mr Jim Betts, director of public transport; Mr Bob McDonald, executive director, corporate resources; 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 hearings. 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 meeting. 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. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript and the committee requests that verification be forwarded to the committee within two working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations will be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions related to the budget estimates, although the Parliamentary Secretary for Transport will not be asking questions about public transport. Generally the procedure followed will be that relating to questions asked in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the public transport portfolio. Thank you, Minister.

Overheads shown.

Ms KOSKY — Thank you very much, Chair, and thank you to the members of PAEC. I do not think I need to tell anyone around the table that Meeting our Transport Challenges has been the biggest single investment in our transport system ever undertaken by a Victorian government. It has been a major commitment made by the government, and of course it was announced last year.

The 2006–07 budget marked the beginning of the works for projects outlined in what is a \$10.5 billion action plan to transform the state's transport network over the next 10 years, of which 7.5 billion, or about two thirds, has been allocated for public transport. This budget that was brought down last week continues the commitment of Meeting our Transport Challenges.

I refer to some issues in relation to the public transport network and some of the vital factors affecting it. If we want to have a world-class transport system, we need to reverse the decades of underinvestment as well as build onto the investment we have made as a government. But we have had changing work styles, changing business, and changing travel demands of Victorians. As well, the population growth that has been occurring right across Victoria, including Melbourne, together with the economic growth, has had a substantial impact on the public transport system, and indeed right across our transport systems, and is having a major influence on the demand for transport in Victoria.

As some of you will be aware, we have had an unexpected increase in the metropolitan rail network patronage of 18.4 per cent in 2004–05 and 2005–06. Just to put that into a clearer picture, in the last calendar year we had a 12 per cent growth in patronage on the train network. I will discuss patronage in more detail shortly.

We know we have significant congestion across transport systems. In fact the Victorian Competition and Efficiency Commission estimated that the cost of congestion is between \$1.3 billion and \$2.6 billion per year. It has also estimated that that will double over the next 15 years unless the causes of congestion are addressed. We need to have an efficient and well-patronised public transport system to address the issues of congestion right across the transport system. That is why this government is looking at a whole range of solutions and investments to ensure that we not only make improvements on our public transport system but in doing so we will actually have a major impact on the road system and the congestion on the road system as well. I know that my colleague Minister Pallas

will actually present tomorrow in relation to roads and ports, and no doubt he will cover some of the issues to do with congestion on the road system.

One of the contributing factors, therefore, to framing the 07–08 budget has been the significant increase in public transport patronage particularly in metropolitan rail. The graph now being shown actually shows that whilst we have had steady growth in metropolitan rail patronage over the 10 years to 2004, it has increased markedly since that period. We expect that the figures for 06–07 will show continued patronage growth. As I said, I mentioned that metropolitan rail patronage has been at 18 per cent over the last two years. The forecast is that it will grow by an average of 3.6 per cent to 2012 and is expected to grow by 4.9 per cent in 07–08 due to the removal or the abolition of zone 3 fares. That is expected to result in about an additional 1.8 million train trips.

We have seen significant growth in the metro rail system, but we have also seen extraordinary growth in regional rail patronage. That has really been a result of the revitalised rail network in regional Victoria — the new trains, the new timetables, and the additional services coupled with the 20 per cent reduction in fare prices. In about the last eight months from June, I believe, last year up to about March this year, we have seen a 30 per cent growth in patronage on the V/Line system. So it is quite extraordinary. It is obviously having an impact on the system. As a result, to address that growth, we have placed an order for 14 V/Locity carriages to make three-car sets, which will be delivered progressively from mid-2008. We have also currently got an order in for two additional sets which will hopefully be online by the end of this year, which will make a difference.

Some of the works under way include: the construction work for the North Melbourne station — a \$34.9 million upgrade that is scheduled for completion in 2010; and five new timetabled services during morning peak and shoulder peak periods on the Broadmeadows, Sydenham, Werribee and Dandenong lines. We also have additional services on the Sydenham line during the afternoon peak and the Dandenong line during the afternoon shoulder peak. I should say that the additional rail services have the capacity to carry 4000 passengers in the city each morning during that peak period. That is the equivalent of two extra lanes of freeway traffic, so it will make a significant difference.

There will also be \$135 million over four years to replace the existing metro train radio system, and the metro train control system manages the movement of trains across the inner suburbs area of the metro rail network. Westinghouse has been awarded that contract.

With buses, we have seen the most significant upgrade of bus services in a generation. About half the bus routes in Melbourne will have half-hourly frequencies, or better, with selected major or high patronage routes being upgraded to a minimum half-hourly service during peak periods and on weekdays. Also in terms of park-and-ride areas, we have construction under way of quite a number of park-and-ride areas which are obviously linked to stations so that people can park and then ride on the public transport system. There is a significant program of works to extend the high frequency across town, the SmartBus network, to form orbital routes around Melbourne. On the Blackburn and Springvale roads, patronage increases of more than 30 per cent have actually been seen on that pilot, so it has been very successful.

As to the 2007–08 budget initiatives, what I want to do first is turn to the key financials in the papers. The operating budget for 07–08 for public transport is approximately \$2.8 billion, which represents an increase of \$208 million or 8 per cent over the 06–07 outturn. This is mainly as a result of the initiatives, including a fair go for public transport users and regional bus service improvements; \$74 million relating to prior-year budget decisions; \$53 million for CPI adjustments; and also as a result of additional investment by the government on capital rail projects we have seen a further 52 million from the re-estimation of VicTrack's capital charge for rail infrastructure.

On the key matters in the budget: this budget has again seen a significant boost to asset investment, and a total of \$710 million of new projects were announced in this state budget, with 103 million to be spent in 07–08. This includes the metropolitan train services, \$340 million; Mildura rail corridor upgrade, 53 million; Clifton Hill rail track duplication from Clifton Hill to Westgarth, 48 million; a new station at Coolaroo, 36 million; Caulfield–Dandenong rail corridor stage 1 upgrade as part of the Dandenong triplication, 35 million, and stations and modal interchanges upgrade program of 20.5 million.

Just very briefly, and we can deal with it in detail if there are any questions, I know some of you are aware of the changes that are happening with Clifton hill, but it is the duplication of 750 metres of existing single track between Clifton Hill and Westgarth stations, which will reduce a major bottleneck in the system. There is up to 20 trains per

hour that use that single track at the junction during peak times, and that has flow-on effects in terms of unreliability and overcrowding on peak services. That is a major part of a broader program to address constraints on the Epping and Hurstbridge lines, and a key step towards progressively extending the Epping rail line to South Morang.

The Dandenong rail corridor: we have identified the Cranbourne improvements as stage 1 as a multistage process in relation to Dandenong triplification. This project is \$35.1 million, and it will provide housing for six trains and upgrading Cranbourne station with improved security, and this is including, of course, for people with disabilities. This work will have a major impact, will make a significant improvement on the Dandenong rail corridor by reducing the impact of the bottleneck that occurs at Cranbourne, and it will improve reliability by allowing trains to be stabled at the end of the line. Coolaroo station will be completed by 2010.

New trains in this budget, which is an acceleration of what was identified through Meeting Our Transport Challenges: there will be 10 new trains, and also the associated maintenance costs, stabling, and staffing of course are in the operating budget. As mentioned, we have had 18.4 per cent growth in the metro rail patronage in the past two years, so these 10 trains, or 60 carriages, will provide more services on the busiest lines during the peak period, and they will carry about 8000 people during that peak period, which is the equivalent of about 6700 cars.

Mildura: \$53 million for the rail line upgrade, which will improve the quality of the rail freight service on the Mildura line. We have an application in at the moment for \$20 million in AusLink funding from the federal government. It was not announced last night, but we still live in hope.

Station and modal interchanges: we have had the design and construction of disability compliant pedestrian subway stations and entry ramps, weather protection, canopies and other amenities at Frankston station, and we are continuing the development work at Broadmeadows, Preston and Coburg stations. We have got upgrades of a further three metropolitan stations to premium status, which means that they will be staffed from first to last trains.

We have an additional 200 car parks at the Hallam railway station to assist residents in that growth corridor. As to regional buses, we have a total of 25 bus improvement projects, including at Portland, Colac, Lakes Entrance, Geelong, Ballarat and Bendigo. This will benefit more than 500 000 regional Victorians and will provide both new and extended routes as well as improved or more frequent services.

Fair Go: this budget brings to book the commitments we made at the election and what we have already put in place in terms of the abolition of zone 3 and the 20 per cent average reduction in V/Line passenger fares to Melbourne, and also the fares on the Bellarine and Mornington peninsulas have been realigned. Also in this budget is the upgrade of security systems to replace the ageing analogue CCTV recording systems with digital recording. I am not sure how I am going in terms of time.

The CHAIR — You need to be a bit quicker.

Ms KOSKY — The three other areas that are not necessarily in this budget but are mentioned in the budget papers which are critical for public transport this year are obviously the new ticketing system, the myki ticketing system. One of the milestones we are aiming to achieve is a pilot test in the second half of this year to commence in regional Victoria with the operational rollout next year. We have also obviously got the Pacific National buyback which is brought to book in this budget. We will renegotiating bus contracts across the system, and also the current public transport rail contracts with Connex and with Yarra Trams, due to expire in November 2008, so a decision has to be taken by government. It is a budget that builds both on Meeting Our Transport Challenges and our election commitments, and also with the bringing forward of the 10 trains to deal with the incredible patronage growth we have had. I am happy to take questions.

The CHAIR — Thank you very much, Minister, for that presentation. I want to talk a bit about productivity and the contribution good infrastructure in public transport makes to it. I have already given my views earlier that perhaps we need to invest more, both statewide and particularly federally, into the infrastructure. What do you anticipate will be the impact on productivity of the spend in your portfolio, particularly talking about new initiatives as well?

Ms KOSKY — Just in relation to the budget savings, because they go to issues of productivity, as you will be aware, there are a number of efficiency measures that are mentioned as part of the budget savings — buying smarter, buying less, our purchasing framework which will apply to all purchases of operating supplies and

consumables from 1 July 2007. As well we have shared services functions, incorporating corporate services, finance and payroll, and ICT, of which DOI has played a major role, particularly in relation to ICT; a reduction in advertising and consultancies expenditure; and increased operational efficiencies via the best practice grant administration — that does not impact so much on DOI, but we are looking at how we might be able to be part of that process; and the reduction in fleet management costs through better use of technology.

I do believe in relation to these efficiencies that they will actually be beneficial to us rather than having a negative impact on us, and many of these initiatives have already been put in place within DOI or we have commenced the work. Obviously the major spend we are making in terms of public transport has a dramatic effect on productivity.

In terms of the workforce, if we can actually move people much more quickly from home to work and work to home it obviously increases productivity. Also with the rail freight network and the buyback of PN, that will make a major impact, both in terms of the viability and sustainability of the country rail freight network, but also the links with the port which are so critical for our productivity. I know that Minister Pallas will talk in more detail about that tomorrow. Much of what we do around public transport is having a direct impact on productivity in terms of the economy, but I also think in terms of family life that in reducing congestion on the roads and investing in public transport we obviously contribute to productivity in terms of family life and the time that people can spend with their families.

If you look at productivity in relation to the environment and improvements that we can make in the environment then, of course, public transport goes a significant way to actually having a major impact in terms of improvements for the environment or reductions in emissions, and that certainly assists with broader capacity in terms of productivity across the state.

Mr WELLS — I refer you to budget paper 3, page 301, and the buyback of Pacific National. I note that on page 301 there is a line item of \$25 million in the year 06–07 for maintenance on the network. That seems to contradict your media release of 1 May 2007 which refers to \$25 million for further regional rail upgrades. Yet there is nothing in the forward estimates to support that. Is this the same \$25 million that was announced last November? If it is not the same \$25 million then what has it actually been spent on from the announcement in November 2006 through to the end of this financial year? Contrary to that, if it is a new announcement what will the \$25 million be spent on?

Ms KOSKY — Each year as I understand — and I will get the secretary to respond — government has provided for maintenance on the network. So yes, the Premier made an announcement of 25 million in November last year. I am not sure that is in addition to what was in the budget 06–07. I will get that information. But we know that, and going forward, we are assuming and will be incorporating amounts for the maintenance of the network. The process that we have put in place in relation to identification of the maintenance is V/Line. We have actually taken control of the track. That occurred last Friday, so the official handover was last Friday. And V/Line will be identifying those areas of absolute urgency and priority in terms of the maintenance and then we have a separate system for actually identifying where we do need to make major upgrades, and I will be putting in place a committee to do that. Howard, can you comment on whether that relates to the Premier's announcement or whether it is in addition to it?

Mr RONALDSON — Sorry, I have not got all the documents you referred to in front of me, but —

Mr WELLS — The first one — you have got page 301?

Mr RONALDSON — I have got that.

Mr WELLS — Yes, down the bottom, maintenance of the rail freight network, \$25 million spent in 2006–07.

Mr RONALDSON — Yes, I have got that one.

Mr WELLS — So the question is: has that money already been expanded?

Mr RONALDSON — No, not all of it, no.

Mr WELLS — So how much of it has been expanded?

Mr RONALDSON — I would have to check that.

Mr WELLS — Then I refer to your minister's press release — —

Mr RONALDSON — If I can comment, that 25 million we agreed with PN, has been an initial sum of money to go into the track to upgrade it in certain places to effectively keep the track running. It is in pretty poor shape. With respect to future maintenance arrangements, that will be a matter between PN, ourselves and the regulator and is yet to be fully determined for them.

If you turn to track upgrades, if you turn over the page to page 302, certainly the major upgrade that the country track is going to go through is, if you look down to the third line, 'Mildura rail corridor upgrade', 53 million. That is certainly the major upgrade works on the country track for freight — it is on the Mildura line — to bring it up to a suitable standard essentially to bring grain down from the Wimmera–Mallee. There are other upgrade works occurring on the country track all the time, but that is certainly the major upgrade program that will occur.

Mr WELLS — So can I just clarify what you are saying then? The \$25 million that was in the 06–07 budget, you are not sure just how much of that has been expended?

Mr RONALDSON — As I am sitting here today, as of mid-May, no.

Mr WELLS — What was the minister referring to in her press release where the last item on the press release says the budget also provides — we are talking of this budget here — \$134 million for the buyback of the regional and rail network leased from Pacific National and \$25 million for further regional rail upgrades? Is that a duplication of what was announced in November, or is this new money? If this is new money, can you point to where it is please?

Ms KOSKY — It is a bit unfair to actually ask Howard — —

Mr WELLS — I actually directed him to the question — —

Ms KOSKY — You have changed the question.

Mr WELLS — No, it is exactly the same question. I changed tack.

Ms KOSKY — Can I just — —

The CHAIR — All right. Minister.

Ms KOSKY — You asked the secretary to explain what I have said. I think that is probably a bit difficult for the secretary. We will get back exactly — there is 25 million that has been allocated for maintenance. We will get back to you. I know that some was expended when PN still owned the rail line because we did not want to wait until we actually took control of the track. So between the period of November and us taking control of the track some of that money was expended through PN, and then adjustments were made for what was left over. I will provide that information for the committee. There was 25 million identified in 06–07 — —

Mr WELLS — Yes.

Ms KOSKY — And whether in fact that is the 25 million the Premier was referring to just prior to the election, which I do not believe is the case, but we will get back to you.

Mr WELLS — So my understanding is that there has been a duplication. This announcement has been made twice: once by the Premier in November, and part of that has been expended, and there has been another announcement for the same \$25 million — —

Ms KOSKY — No, it is not a duplication.

Mr WELLS — That is what it says in your press release.

Ms KOSKY — No, it is not a duplication. There was 25 million — —

Mr WELLS — Hang on, it is no good shaking your head. If you had the answer you would have told me.

Ms KOSKY — Is it okay to finish sentences? Otherwise it is just too hard.

The CHAIR — Let the minister answer please.

Ms KOSKY — There was 25 million which was announced by the Premier. The 25 million that is identified in the press release released by me refers to that 25 million, and indeed on many occasions I indicated that the \$25 million was there as announced by the Premier prior to the election.

The CHAIR — Minister, we would like you to clarify that, but, of course, promises made before the election by anybody do not actually refer to financial papers.

Mr SCOTT — My question refers to specialist transport services, which are referred to in budget paper 3, pages 121 to 123. I would be grateful if the minister could outline progress in the context of the current budget and current proposals, of course, in meeting the commonwealth Disability Discrimination Act's requirements for accessible public transport.

Ms KOSKY — Thank you for the question, and I think everyone around the table is aware of the requirements through the commonwealth Disability Discrimination Act, or DDA requirements as they have been commonly known since the act has been put into place. Through Meeting Our Transport Challenges we have allocated \$250 million over a period of 10 years, and the budget 2006–07 begins that commitment allocating \$129 million over four years to make significant progress.

The first milestone for DDA compliance is that 25 per cent of public transport is accessible by 31 December this year. The second milestone is that 55 per cent is accessible by 31 December 2012. I will just identify some of the compliance that had been met as at the end of March 2007 — that is the first milestone of 25 per cent — and I will do it according to different modes of transport because we have actually achieved different levels of compliance. With metropolitan trains 96 per cent of that 25 per cent requirement has been met to date; with V/Line trains 89 per cent has been met; with trams 23 per cent has been met, so the milestone is almost met; metropolitan bus is 50 per cent, so that milestone has been met; regional bus is 40 per cent, so it has been met; stations are just less than 25 per cent at this stage, so they are on target; tram stops are 9 per cent and they are behind schedule; and bus stops are close to target at this stage.

We are progressing well. Some different modes have, I suppose, been easier than some other modes. Compliance is about on par in relation to low-floor buses ahead of trains and behind on trams. Trams are a problem that is obviously unique to Victoria. Whilst we have been progressing with the DDA-compliant tram stops, we obviously need the low-floor trams as well. We have got 95 low-floor trams that are now operating in Melbourne, and we have 1800 tram stops in total. So we have got 141 wheelchair-accessible, fully DDA-compliant tram stops at those 1800. One of the difficulties too that we have had with achieving the DDA-compliant tram stops is a lot of the negotiations with shopkeepers and some of the negotiations obviously with road users because trams, unlike trains, do use the road system and take up a section of the road system. So there has been a lot of negotiation there.

With taxis, we have 367 wheelchair-accessible taxis now operating in Victoria. That is rolling stock. In relation to the infrastructure, our railway stations are being improved, and compliance with the 2007 and 2012 milestones will be achieved. So we have got compliant bus stop signage introduced by Metlink across metropolitan Melbourne, and we expect that lifts will be fitted to new low-floor trams in the next order of new trams, which is expected from 2010 to 2011. As I have said, that is the most difficult aspect of compliance for us, because of the sharing of the roads with both other traffic and also local traders. With taxis, we have been making major efforts as well to ensure that in country Victoria we have wheelchair-accessible taxis, and there is a regime for providing a subsidy there for owners or operators so that wheelchair-accessible taxis can be put in place.

We have been working and the Victorian Taxi Directorate have been working with a whole range of operators to ensure that we are able to do that, particularly, as I said, in country Victoria, where the numbers who use the wheelchair-accessible taxis are lower than is the case in metropolitan Melbourne, and therefore it becomes more costly per passenger to implement that.

Other initiatives that are being considered include limiting the number of wheelchair-accessible taxis at Melbourne Airport and at major city ranks and also looking at disciplinary action against drivers who refuse to accept wheelchair jobs.

We have been making significant progress. My understanding is we are probably doing much better than other states at this stage. We take those milestones seriously, and obviously Meeting Our Transport Challenges puts funding in to ensure that over the 10 years we can meet the different milestones.

Mr SCOTT — Chair, can I just seek clarification on one matter?

The CHAIR — Yes.

Mr SCOTT — You mentioned lifts on trams. Could you provide a little more information on what you mean by that to the committee?

Ms KOSKY — One of the difficulties that we have had is that we can have the DDA-compliant stops, but, of course, then there is a step up to the trams. So the lifts, as I understand it, actually get raised down, the wheelchair can move onto them, and then they raise up. I do not know whether you have seen some of the buses that actually do that; they drop down and then can lift up. The issue is whether you actually implement that with existing rolling stock, or whether, given that we are going to put in place new rolling stock, it is implemented as part of that process, which is what we are doing.

Dr SYKES — Minister, my interest is in public transport beyond the tram tracks! I should say that there have been some good initiatives, including in recent times, I believe, improved integration of school buses, taxis and community transport arrangements, as you have mentioned, and I commend you for your recent decision to remove the need for country taxi operators to demonstrate financial hardship to qualify for the wheelchair-accessible taxi grant. That was a very significant and positive move, and I thank you for that. But there is still a significant issue in relation to train travel in country Victoria. I am very aware, and I imagine you are from extensive correspondence, that the issues include the frequency of trains, the scheduling, the timeliness and the condition of the rolling stock in particular things like air conditioning.

If we seek to use an example, there is a lady called Mary Shaddix, who I think has written to you on a number of occasions, and Ross Wilkinson is another. One of the examples they raise is the rescheduling of the trains to northern Victoria. Basically, as I understand it, you have dropped out a train departing Melbourne in the middle of the afternoon and the later train has been dropped back an hour. That later train, in addition to leaving an hour later, also stops at a number of stops. The net result is that people who wanted to go to and from Melbourne in one day end up having their day extended considerably, particularly if they wanted to take advantage of the off-peak fare.

By way of example, if you start off in Bright and you connect through the taxi or a V/Line bus down to the train, you can leave Bright before sunlight, at 5.00 a.m. or 6.00 a.m., and not get back until 11 p.m., which is a pretty long day, particular if you are an aged person. They are the issues, and I could give you plenty of correspondence to flesh those out. What are you doing to address those, because there are serious issues there? A lot of it is the result of recent changes in terms of scheduling.

Ms KOSKY — Thank you for that question. I am well aware of the issue. I am sure that the correspondence you have received I have received as well. Certainly I have had a number of presentations by a number of members along the line. When the changes were made to the timetable, the changes were made following the 401 additional services that we put in right across rural Victoria. So there was a significant increase in the number of services that were provided. As a result there was a new timetable that was provided for that.

In addition, with the reduction in the V/Line fares by an average of 20 per cent, as you would know, if you are coming from Bright the reduction is closer to 50 per cent, but you get a better reduction if it is in an off-peak period. I have discussed this issue at length with V/Line and with others. The difficulty is in providing both the extra services and therefore the frequency and also providing extra stops in trying to get people who are closer to Melbourne to work, if they are working in the city, so they can fit in with their working times. Obviously there are people who are further along who are not coming for work because the travel times are too significant, but they are coming for a whole range of different appointments and different activities.

Dr SYKES — Some of them do actually commute several days a week to work.

Ms KOSKY — I have met someone the other day who does that. He prefers it to driving the distance.

Dr SYKES — Because north-east Victoria is a great place to live, work and raise a family.

Ms KOSKY — That is right.

Mr DALLA-RIVA — Don't fall for their spin!

Ms KOSKY — I am aware of the concern. Certainly when the schedule was put in place it was so that people a further distance from metro Melbourne could actually get the benefit of the off-peak fares. So the scheduling was structured in such a way that they were off-peak and therefore people gained the benefit of that. Most of the complaints that I have had are about when people get home at night and then often they get a connecting bus service so they have further distance to travel.

V/Line is reviewing that line. As part of that review, obviously, we will be talking with the range of customers who use it. I will probably be calling on the assistance of some of the MPs, because it is getting the balance between those who are commuting for work and who are closer to Melbourne and giving them the time that they need to actually be able to live in rural Victoria and gain work where they can, if that is in metropolitan Melbourne, as well as those who are travelling from further distances. That timetable will be reviewed and we will be having discussions. I cannot say that everyone will be pleased, because I think it is actually difficult to address all of the concerns, but certainly in those discussions at least some of the concerns will be fleshed out. Certainly Rob Barnett from V/Line has indicated he will do what he can to satisfy the majority and to address some of those issues, and whether it is possible to have, just on one or two days, some different services that operate at different times and are not doing that on each of the days.

Dr SYKES — Can I just clarify for the benefit of Melbourne people it is my understanding that there has been no increase in the frequency or number of services beyond Seymour. There is an increase in frequency to Seymour, but the people beyond Seymour had a decrease in frequency and some changes and dropping back of times.

Ms KOSKY — I am not sure about the decrease in frequency but I know that the times have changed and certainly at the end of the day it has been extended — —

Dr SYKES — So the people of Nagambie, Murchison, Echuca, Shepparton and all up the line — Benalla, Wangaratta, Bright and Wodonga — the new system is disadvantaging them.

Mr DALLA-RIVA — I can answer that — there are no Labor members beyond Seymour.

The CHAIR — I think that is a bit irrelevant. Go on to the next one, please; Ms Graley.

Ms KOSKY — Can I just respond in saying that I think you are probably a little bit wrong in the tone of your response there, because I did work with Bill recently, as he indicated, to address the issue of the wheelchair-accessible taxis in country Victoria. Certainly the places that are going to get the benefit are those that are quite a long distance from Melbourne.

Mr DALLA-RIVA — Sorry, Minister, I will be more mindful of your sensitivities.

Ms GRALEY — *Meeting Our Transport Challenges* is a pretty important and impressive document. I am wondering if, Minister, you could report on the progress made to date on delivering the \$10.5 billion of commitments in *Meeting Our Transport Challenges*, and your future plans.

Ms KOSKY — *Meeting Our Transport Challenges*, indeed, has been a huge investment by government — a plan for 25 years but *Meeting Our Transport Challenges* really identified the 10 years of expenditure. One of the major reasons that was done was understanding that we did need to make major investments in public transport — \$7.5 billion of that 10.5 billion that has been set aside is going into public transport. But also many of the projects go over quite a number of financial years and do require a long lead time, which is often difficult for people to understand. I can understand and relate to that, but to actually be able to identify over a longer period of time, the plan was obviously really critical. It was a major commitment that was made by the government.

The results to date include increased coverage of services. Thirty-one bus routes have had their hours of operation extended to 9.00 p.m. on weekdays and weekends. We have extended the operating hours for train and tram services on Friday and Saturday nights; that commenced in September and I know that that has been very welcome. There is a new timetable and 10 additional services that have been introduced on the Werribee line, Sydenham line,

Dandenong and Broadmeadows rail lines. That was nine months ahead of schedule to meet the higher demand. And rail services between Box Hill and Blackburn resumed earlier this year following the grade separation of the rail line at Middleborough Road, which was done in a much more condensed time than was originally anticipated. There has also been the commencement of the new limited stops SmartBus service on the Wellington Road route.

In terms of access, obviously we have lifted the concession restrictions for seniors on peak period V/Line travel. There is free Sunday train, tram and bus travel now available for Seniors Sunday Pass holders, and more than 350 000 passes have been issued to date. There are two free off-peak travel vouchers that have been provided to Victorian Seniors Card holders, the elimination obviously of zone 3 fares in the metropolitan area and the introduction of the seniors travel package. Certainly the abolition of zone 3, whilst we know it has meant probably some more overcrowding and increased patronage, it certainly has made a huge difference in terms of the cost and therefore the decisions that people living further out from the city can make.

We also have got upgraded facilities. We have had the refurbishment of 19 metropolitan train stations to date; upgrade of 18 level crossings with a further 12 that are planned for completion by the end of this financial year; upgrade of 450 metropolitan and regional bus stops to achieve the compliance with the DDA; the upgrade of more than 140 tram stops, as I mentioned before, as part of complying with the DDA; implementation of real-time schedule displays at 42 locations on the Warrigal Road route and all stops on the Wellington Road service.

We have also had major works that have commenced. There is the additional parking under the park-and-ride program at Holmesglen and Tottenham railway stations, and we have got the design development under way for a number of other stations. We have also had the development and the implementation of the orbital bus routes, which will result in those high-quality cross-city links following an improvement in the bus services.

We have the duplication of the Clifton Hill to Westgarth track, which I mentioned; the new second station at Ballarat, which incorporates 200 additional car spaces, and we are just at the tail end of a naming competition for that; and the North Melbourne station upgrade, which will make a significant difference both for those who use that station but also for changing connections, which I do. Also the design activities for a third track between Sunshine and West Footscray are under way. Also the design activities for the third track between Caulfield and Springvale on the Dandenong rail corridor have commenced, and the Cranbourne project, as I mentioned. We have also released expressions of interest for the new rail communications system, and we have had the successful completion of the tender process for the new metropolitan control system — the Metrol system — that will provide significantly improved train communication on the rail network and allow for much better coordination.

Each individual project, of itself, is quite a large project, but it starts to give you a sense of the breadth of the works that we are doing right across Victoria in terms of all the modes of transport, in terms of increasing their stretch and also increasing the services and improving the services that are provided in terms of the infrastructure but also service delivery.

Mr BARBER — Minister, one of the Greens staffers came into work yesterday on the Williamstown line, and she got to North Melbourne at 8.15 and had to change for a loop train. She could not get on the next four trains in a row due to overcrowding, and then she got on the fifth one because she made a bit of a manoeuvre you would more often see on the rugby field. What I would like to know is: who is measuring where people are getting left behind; how is it being measured; where is it being measured across the network? Is it part of these companies' contracts that they have to actually pick people up, or are they just getting paid for running a service according to a timetable? Are there any penalties if they are leaving people behind? And maybe also, what are your growth figures or any possible figures you have looked at for growth that tell us about how much more incidence of people getting left behind we are going to have?

Ms KOSKY — There are quite a number of aspects of that and I have got that information all over the place, so I will start with the first. As I have mentioned, the overcrowding is obviously an issue as a result of the incredible patronage growth that we have seen over the last two years, which was greater than what was anticipated. About 3 to 4 per cent growth each year has been anticipated, and then over the last two years we saw significant patronage growth largely as a result — not only as a result — of the spike in petrol prices. But what we saw this time, rather than what happened last time, was there was not a dramatic drop-off in public transport usage once the petrol prices dropped, so that has meant that we have had greater patronage growth than anticipated.

The large part of that is actually during the peak periods, particularly in the mornings. The morning peak periods are much more overcrowded than the evening ones, because it tends to be spread out further. I am just going to check on overcrowding. The busiest time of the day for Connex is during that 7.30 to 9.00 a.m. period during the weekdays, and, as I mentioned, whilst it occurs in the evening it tends to be less severe because it is spread out over a period of several hours.

Under the franchise agreement, a railway line is considered overcrowded if, during a given hour, the average number of passengers per train exceeds 798. This is known as a load breach. Crowding levels are measured at the stations on the fringes of the CBD — that is, when trains are at their most crowded heading into or out of town. It is done to really get a sense of the overcrowding.

The department does conduct surveys of crowding levels on trains once a year, and that is conducted in May. If a load breach is recorded, Connex is required to submit a plan to the department showing what it intends to do to eliminate the breach. If the breach cannot be eliminated without significant capital expenditure, Connex is required as a minimum to demonstrate it is doing everything it reasonably can to provide extra services. The May 2006 load survey revealed load breaches on the Pakenham, Cranbourne, Frankston, Broadmeadows, Epping, Sydenham and Werribee lines, and the worst overcrowding was concentrated on the Sydenham, Cranbourne and Pakenham lines. As a result of that the 2006 timetable change targeted extra services onto those lines.

Services are changed, obviously looking at issues of capacity, where trains can be moved and services can be changed, and one of the reasons we have provided the 10 extra trains in this budget, or the initiation of the purchase of those trains, is as a response, because it is significant capital expenditure. The overcrowding is measured. There are requirements of Connex, when it is within its power to actually deal with those, but obviously because of the significant patronage growth that we have had, particularly over the last 12 months, we are bringing forward the purchase of those 10 extra trains, as well, I should say, as keeping the 6 Hitachi trains in service, which have gone some way to alleviating the issue of overcrowding.

We are looking at other issues. Obviously the Dandenong triplication project is very important in terms of providing extra capacity within the system. There are also the works at Sunshine and the works that are occurring at Clifton Hill. With North Melbourne station, one of the reasons that is being redeveloped is so that where people are changing services it can actually be a more pleasant area to change in. We are aware and Connex are aware of those issues. I should say the load breaching does not mean that there are safety breaches. It is just based on what is judged as comfortable in terms of the overcrowding on the trains.

Mr BARBER — So you are saying that is measured once a year, in May, on one day or one week on each line?

Ms KOSKY — I might ask Jim; Jim knows all the detail.

Mr BETTS — Yes, it is measured every May, and it is measured on all lines and it is measured at all times of day, but obviously we particularly concentrate on the morning peak, because that is when the crowding is greatest. We have seen such significant growth in patronage in recent times that we have reached the conclusion we need to do more frequent monitoring and more intensive monitoring, and the minister has directed us to do that, so with the 2007 surveys imminent, we are significantly expanding them so we can get more information about whether people are being left behind and, if so, where and where people have to stand if the seating capacity is no longer available. Then that flows into timetabling decisions going forward.

The CHAIR — We will ask for that at some stage.

Mr RICH-PHILLIPS — Minister, I would like to ask you about maintenance for the rail freight network that you have just taken over. Obviously there is the \$25 million that Mr Wells spoke about earlier. You said in your previous answer that the department is doing an assessment, I think, of outstanding maintenance requirements. I understand the Essential Services Commission has estimated the annual maintenance cost for that network in the order of \$39 million, so I was wondering if there is any provision in the budget for maintenance of the network going forward over the four-year estimates period and, if so, how much? And in terms of Pacific National's access, how much is going to be recouped from them against that maintenance expense in access fees?

Ms KOSKY — Just in terms of the buyback and the maintenance, as I mentioned, there is the 25 million that has been identified for this 12-month period. V/Line is doing work at the moment to actually assess the

condition of the track. Whilst there was a due diligence that was undertaken during the buyback, that needs to be done again when we have complete access to the track and obviously looking at the areas of greatest priority. We have also, as you would be aware, made major commitments to the Mildura upgrade. That is in addition, obviously, to the 25 million that is provided there. As well we have money set aside for the Wodonga bypass, and that again is in addition to that money. There are a number of projects for which, when they are important to the state and where they cost a significant amount over and above what is maintenance, we are providing that money. Having said that, if you look at the Mildura project, it involves a lot of maintenance and upgrade works, but because it is of such significance and is such a substantial amount of work, it has been put aside as a separate project. So we have that process in place.

As well at the moment I am in the final stages of putting together a group that will assess the whole condition and priorities for some of the larger spending projects: what is the condition of the track, what is the usage of the track, how do we actually get the best out of the track, where do we need to make those major improvements because the 25 million is not going to make all the improvements. The track, as we know, has in many areas been left in a very poor state of disrepair as a result of what really was a failed privatisation or 45-year lease that did not allow us proper access to the tracks to identify what improvements were needed and work with Freight Australia, then with PN to make those improvements. That work will be done. It will be a group of experts.

As well I am looking at how we can make sure we have the connection with the stakeholders so that we get that detailed information, and then there will be a forward plan determined. But we do understand it will be significant amounts of money, and I think the government will have to, along with stakeholders, identify the priorities of where we want to make those investments. Obviously the issues of access to the track and access payments need to be ensured so that they are not higher than what is affordable to have a sustainable track and service.

The Essential Services Commission has done work around the access agreements. In relation to PN, there are, as part of the agreement, access arrangements, but I do not have the details in front of me at this stage. I will ask Howard or we might have to come back to the committee with the details of those. They were obviously part of all the arrangements in terms of the buyback. We also need to make sure that there is consistency in terms of other competition in the system and access payments that are made by other competitors.

Mr RICH-PHILLIPS — On the budget figures, at this stage there is no provision pending that V/Line assessment? That will be built into subsequent — beyond the 25?

Ms KOSKY — The 25 million that is there. V/Line does pay access fees as well to use the track, but no, at this stage I do not believe there is. V/Line access is part of the normal payments that V/Line makes, but I do not think that is what you are asking. You are asking for future — —

Mr RICH-PHILLIPS — No, I am asking about — —

Ms KOSKY — No, that is not there at the moment.

The CHAIR — Particularly in regard to maintenance; is that right?

Mr RICH-PHILLIPS — You do not know how much?

Ms KOSKY — In part because we seriously do have to make that assessment of the condition of the track.

The CHAIR — Thank you, Minister. I want to ask you about the new ticketing system. I notice on page 126 of BP 3, in terms of major outputs and deliverables there is the development of an integrated public transport ticketing solution, which includes customer education and commencement of the metropolitan installation. Could you tell us a bit more about that, please, Minister.

Ms KOSKY — Yes. As you will note, the new ticketing system is called myki, which is a play on words — either a person or your own personal key. The name is based on one's own personal key. It will be a statewide ticketing system that will go across all modes of transport and across metropolitan, regional and V/Line services. It will cover buses, trains, trams and will go right across Victoria. Certainly, having spoken to people in regional Victoria, not having to buy a ticket once they get to the metro system will make a huge difference.

But I think what the myki ticketing system will also do is that once it is loaded with credit, through a variety of means — so it can be done via the internet, it can be done at stations and selected retail outlets, and the ticketing authority is refining which ones they will be, and on board buses — people will scan on at the beginning of their trip and then scan off at the end. What it will do is give the best possible price for the trip. It will also allow people to change their mind in terms of their travel decisions on the day and then not have to go and pay another amount for another trip. The card itself will actually determine, at the end of the day or the end of the week, the cheapest rate for the person using the ticket.

There will be disposable tickets and periodical tickets that can be loaded onto the myki smart card as well, and concession entitlements will be able to be programmed into the smart card with fares automatically deducted at the concession rate. There are still some decisions to be made around the concession issues, but if people register, obviously their ID is included in the smart card and it is then deducted at the concession rate.

Some of the improvements that have also been made are the purchasing of tickets on board trams using notes as well as coins, so I know that will be a major improvement. I know that has been a real source of frustration for passengers in the past. We will be able to have discounted fares, so passengers will automatically get a discount for using the myki card. We are still to determine how that will work. Obviously we want to look at encouragements to encourage people to use the card to start off with, and we are looking at a range of ways in which that encouragement can occur. There is also the option to register the myki card so that if it is stolen or lost people can still maintain the balance on their card.

The CHAIR — Kids will lose it all the time.

Ms GRALEY — Absolutely.

Ms KOSKY — You will not have to insert your ticket into the validator anymore — it is simply a scan on and scan off. I have actually tried it with the card in the handbag, and that works as well. The view is that that will mean that it will actually help with moving numbers of people more quickly onto systems and off systems as well, and so assist in some of the issues of punctuality.

There is also the opportunity for passengers to check their account and transaction details at vending machines, and there will be stand-alone inquiry machines, or you can do it over the internet or through a call centre. So you can at any time find out how much you still have left on your ticket. You can also find out, I think it is, the last three trips that you have travelled on and how much is coming out to really allay those concerns; people are concerned sometimes that maybe the machine is not giving them the best fare. People will be able to check that; that is in-built into the system.

It is a very large project; it has a total of \$449.5 million in new funding. A number of other countries, a number of other cities, do have this in place, so we are not the first to put it in place. But we are probably the first to do it in the shorter time frame that is being proposed.

We are in the initial phases at the moment of both the marketing and education campaigns; they commenced with the launch of the myki ticket. There is a roving stand and there is a permanent one down at the Southern Cross so that people can go and get a sense of what it looks like, what the card looks like and what the machines look like. Also all the different facilities are starting to be installed because the installation is obviously incredibly complicated.

There is also the training of all of the staff. Staff are progressively being trained to understand the system. But also what we are wanting to do is to look at ways in which we can actually assist the customer to understand what the new system is all about. So we have to get the technical aspects and also the cultural aspects right, so it is an overall approach to ensure that it can be implemented as smoothly as possible.

We will be piloting the system later this year, and we will be starting very small on a bus in the Geelong area, just to get feedback from people. Then gradually we will introduce it. We will be testing the system, because it is one thing testing it when it is a small number of people or when it is being used once or twice, but obviously the system has to be tested to ensure that it works every time and for every person. Then it will be progressively rolled out. There will not be the big bang of us switching over immediately. It really will be that progressive rolling out and also we will keep the ticketing system going alongside the new myki system for some time until people feel comfortable with the new system.

It is a very complicated process, but I believe it has been going in the best way so that we can take people along with us. Because people use smart cards now for quite a number of different activities, I do not think this will be quite the culture shock that, say, using an ATM was for people using a bank.

The CHAIR — We all remember the last ticketing system introduction.

Mr RICH-PHILLIPS — Is it intuitive?

The CHAIR — So I guess this is pretty important. You mentioned other cities overseas that have got it. I mean Hong Kong is, I presume — —

Ms KOSKY — Hong Kong has and Paris has.

The CHAIR — What issues have come up there which you are anticipating? Are there any problems?

Ms KOSKY — Obviously I guess what has happened in other cities has been taken into account. Perth is being taken into account at the moment. It has not had the successes, but certainly I was speaking with some people the other day who used the Hong Kong system who said it was so easy to use. Viv Miners, who is the CEO of TTA, has had a lot of experience overseas as obviously has Kamco which is delivering. So we have the best around the world, and they are using the experiences from the application of this technology in quite a number of other cities. There is Paris, there is — —

Mr BETTS — London.

Ms KOSKY — There is London. Also we are taking into account some of the techniques that they use to actually help people understand the cards and look at what will work for us best here. You asked whether it was — —

Mr RICH-PHILLIPS — I asked whether it was intuitive to use the interface and whether as a visitor to the city, you will be able to walk up and it will be obvious how to use the system.

Ms KOSKY — Yes, there will be. They will be able to purchase different types of cards so that they are more disposable types of cards. Obviously to get the smart card that will last over a long period of time there will be a cost to it, and that is to be determined. But that will last over a much longer period of time than if you are just using it for, say, a day or so.

Mr RICH-PHILLIPS — So it is the same as the Hong Kong Octopus system?

Mr BETTS — It is pretty similar.

Mr DALLA-RIVA — Minister, I refer you to page 302 of budget paper 3 in respect of the line item ‘Metropolitan train services’. I particularly ask whether the figure includes the purchase of the Hitachi, or the scrapheap, train buyback. If not, can you point me to the budget papers where the purchase and upgrade are detailed? On reviewing that and relating it to the forward estimates, how much is it going to cost to upgrade the trains? What upgrades are to take place? Given their time out of service, what testing and costs will occur? When do you anticipate them to be on the tracks? Given their time out in the paddock, will there be a cost to fumigate for spiders?

Dr SYKES — Red-backs or white-tailed spiders?

Mr DALLA-RIVA — Both, it will be covering all bases here.

Ms GRALEY — Tarantulas!

The CHAIR — I am sure they will be properly cleaned. I have no doubt about that.

Ms KOSKY — I think I will skip the spiders issue. I need to refer to Bob to see where that is incorporated in the cost.

Mr BETTS — It is a very small amount of money to acquire the vehicles themselves. Absolutely trivial.

Mr DALLA-RIVA — We know that.

Mr BETTS — No. Those numbers are not included in the figures quoted in the budget papers.

Mr DALLA-RIVA — I understand the cost to buy them is a minimal compared to the budget, but obviously there are expenses associated, Minister, in terms of getting them back on line.

The CHAIR — You are asking whether there is a general output cost or whether it is a new output cost?

Mr DALLA-RIVA — Yes

Ms KOSKY — It is part of the funding that is already there, so it is not there as a new item in terms of the budget, it is part of the maintenance — part of base funding. It is not there as a new item.

Mr DALLA-RIVA — Have you done a calculation — are there any calculations anticipated by the department or yourself in terms of estimating how much it was going to cost, how many do you expect to bring back on line? Obviously there is the asset purchase, I understand that.

Ms KOSKY — There are the six trains — the six Hitachi trains — that are going to be kept in service, and the additional purchases are in order to maintain those six trains in service, so one full six-carriage set is to be used so that when the six trains are being maintained, you actually have another one to go back into service, so you keep six in service. The three carriages are being used as part of the spare parts to actually maintain the system or the Hitachi fleet. As well, we are providing additional funding, and it is estimated — I think I have the right figure here — at approximately \$2 million for the fleet. No, sorry, that is the wrong figure. I can get a figure for you.

Mr DALLA-RIVA — I guess what I am trying to work out is how many do you anticipate purchasing, which will then be forming part of the asset base, and as part of that how much do you anticipate, given the number, whatever it may be — 10, 15, 5, I do not know — how much do you expect it will cost in terms of forward estimates in repairing them and getting them ready.

Ms KOSKY — No, the maintenance is the responsibility of Connex, so they have to do that as part of maintaining the fleet that they have. It is the six trains only that are being kept in service. As I said, the purchase of the six-carriage set and also the three carriages are in order to keep those six trains in operation. We are not talking about more in addition to that, we are just talking about the six trains that will be operating.

Mr DALLA-RIVA — Spiders are the responsibility of the passenger, I guess.

Ms KOSKY — Anything to do with cleanliness of the trains is actually the responsibility of Connex. They have to do that, and that is part of the requirements of the franchise agreement.

The CHAIR — I am sure you will be right when you sit down.

Ms KOSKY — That does include any chewing gum that might be left by MPs on the trains as well.

Mr SCOTT — My question, Minister, relates to budget paper 3 on page 28 under the heading 'Making public transport 'Fare' for all Victorians'. There is information about the current budget and changes to transport fares. Could the minister please explain to the committee the recent changes to fares and ticketing and how they have benefited Victorians?

Ms KOSKY — There have been quite a lot changes that have been made to fares and ticketing over probably the last 12 months. It is probably worth mentioning again that the CPI fare adjustment has been delayed until 3 June 2007 partly to compensate for the inconvenience experienced as a result of the network performance as a result of the Siemens trains' braking problems. We have also got the seniors travel package, which I know has been incredibly well received. There are three major benefits in that package.

The first is free travel on metropolitan public transport services as well as within Ballarat, Bendigo and Geelong on Sundays, so you will see a lot of not-so-old people, but over 60s, travelling on Sundays on the public transport system.

There are two free off-peak travel vouchers also each year that are provided to seniors, and there are concession fares on V/Line rail and coach services at all times. In order to travel free, seniors need to apply for the Seniors Sunday Pass. To date we have had 350 000 Seniors Sunday passes that have been issued, so it has been taken up quite significantly and, because it is on a Sunday, it sits outside those peak periods as well.

Also the V/Line and zone 2 interface fares have been changed. There are nine V/Line stations — Little River, Lara, Bacchus Marsh, Clarkefield, Riddells Creek, Donnybrook, Wallan, Heathcote Junction and Wandong that will be included in zone 2 when myki is implemented. In the interim what we have done is that fare levels for travel to Melbourne from these stations have been aligned with the zone 1 and 2 fares. This means that fare levels from most of the nine stations to Melbourne have decreased by more than one-third for most customers over the last two years. Although the fares from these nine stations have been aligned with zone 1 and 2 fares, passengers cannot be issued with Metcard tickets due to the ticketing equipment, which we are about to change over, as those nine stations obviously have equipment that is not compatible with the metropolitan ticketing equipment. However, the tickets issued to passengers have the same entitlements as a Metcard, and, of course, the new equipment will be provided to those stations when myki is implemented.

We have also had the abolition of zone 3 and the 20 per cent average V/line fare reduction. It is worth mentioning with the 20 per cent average V/Line fare reduction, as I mentioned before, in some parts of Victoria it equates to a 50 per cent reduction, so it has had a major impact on the cost of travel. I have had people stopping me to say just how fantastic it has been for them, and they say it has made it much easier for them to live in rural communities and to travel down to Melbourne when they need to — some for work — and they will do it every day and it is cheaper than driving down in a car and paying for car parking, so it has made a huge difference with those changes.

All of that has made a significant difference in terms of the cost and it has also made a real difference for those who live further away from Melbourne in terms of the cost of public transport. Certainly it has had an impact on patronage, as we have seen, but I think that is a good problem to have, and obviously in meeting our transport challenges we will be addressing that.

Mr WELLS — I refer to budget paper 4 on page 76, and the line that refers to fines. How much of the fine revenue goes back to each of the franchise operators as an administration fee; and, since the introduction of the administration fee, could you provide details of the increments granted and what is the administration fee today?

Ms KOSKY — The increments granted?

Mr WELLS — In regard to the administration fee, what did it start off being and what has it increased to today?

Ms KOSKY — I will have to seek some advice on what it started off as. When fines are issued, or when an event is recorded by staff, they then report it through DOI and, if the fine is paid, as I understand it, there is a \$30 payment that is made to the operators because they are actually doing the work on behalf of the state. If it is challenged and goes to court, that administration fee does not apply. Whether in fact the case is won or lost, that administration does not apply, so it is different depending on the situation. The fines go into the consolidated fund.

Ms GRALEY — I have four train stations that service my electorate, and I have been very surprised to see that the number of people catching public transport has increased obviously in the last 12 months. Therefore the triplication of the Dandenong rail corridor project is a big issue. I am wondering if you could talk about that project and what it will give to the travelling public, especially people in Narre Warren South.

Ms KOSKY — The Dandenong rail triplication is a huge project; 15 per cent of the travelling metropolitan population actually use that line, so it services an area of more than half a million people. It is an incredibly important line not only because it actually services people on the Dandenong line but it actually services a number of other lines that connect to it. Improving that service is a priority because to actually improve — just providing three trains during the peak hour will be the equivalent of a whole lane on the Monash Freeway for 1 hour. It will make quite a significant improvement. In the 05–06 budget, \$25 million was allocated for the development of the project; and in the 07–08 budget, the first stage was provided for the Cranbourne station upgrade. That is \$37.1 million.

The advice from the department is that we really should break the project down because obviously they will be quite a lot of disruption during the works and we want it to continue to be a working line. So in order to minimise

the disruption, breaking it down into different stages to do the work appeared to make the most sense. Otherwise you are actually going to block off a whole line for quite a significant amount of time.

Cranbourne was chosen as the first part of the project because it will make a really significant difference to the operation of the line, to the capacity and reliability improvements for the whole of the corridor ahead of the completion of the third track. It means that with Cranbourne, trains will be able to stable there, so they can actually take off first thing in the morning and they do not have to actually come from another part of the system in order to commence at Cranbourne.

The triplication is incredibly important because it will allow for express trains as well. That is a really critical element, having both the trains that are stopping at all stations but also the express trains. Certainly trains on the Traralgon line, which links in, will not have to stop as often but also you will be able to have other passing trains.

I know there has been some debate in recent times about whether the triplication is needed. Certainly we need the changes in timetable, and we are putting quite a number of timetable changes in place in order to improve services, but that alone is not going to deal with the growth that we are going to experience over the next 10 to 15 years. So the Dandenong project is very much about now, but it is about the future growth in that area and ensuring that we have a line that operates for many years to come.

The work at Cranbourne, as I mentioned, includes stabling six trains, a new DDA-compliant station, also an improved bus interchange and the kiss-and-ride facility so you can drop someone off, and you can give them a kiss if you want to. It will also be integrated with additional station parking.

Just to give you a sense of the impacts of the track, there will be land acquisition that is involved for the full triplication project, and we do not know exactly what those requirements are at this stage. Obviously we will be working very closely with key stakeholders, with local government and the communities.

We are also yet to assess the impact to level crossings on the corridors, because there is the capacity to actually reduce some of the number of level crossings, so grade separations are being considered as one mitigation measure, but it is yet to be determined whether they are included or not, and how many.

In the 2006 morning peak, just to give a sense of the size, in 1 hour, 8900 passengers arrived at the CBD on 12 trains. Future patronage that is expected is growth of 3.5 per cent per year to 2012. So in 2012 in a morning peak on this line, it will mean that 10 600 passengers are predicted to arrive in the CBD in 1 hour. In 2021 it is predicted that there will be 13 000 passengers in 1 hour. So that gives you a sense of why the triplication is so necessary for people who live further out, so they do not have to take an incredibly long time stopping at every station. But it also means that if you are living closer in the trains can stop at all stations. It also means that if you live closer in you are more likely to get a spot on a train, but not if it has come from a long distance out. So we will be working very closely with the community throughout the whole project, Cranbourne being the first stage of it. We are looking at putting timetable changes in, so that will also improve the frequency of the services.

The CHAIR — Thank you, Minister. I think I saw a press release on the Cranbourne one today.

Dr SYKES — Just continuing with level crossings, they are quite significant to me given the main Melbourne–Sydney railway line passes through my electorate, amongst others, and also the line to Shepparton. I am not sure how many level crossings there are, but there would be in excess of 50 or more. The issues we have with our level crossings are not rocket science. There are basic maintenance issues of the maintenance of the road surface, maintenance or control of the weeds on the railway reserves so that there is clear visibility for people looking, and appropriate warning signs and lights. When we attempt to address these issues we run into issues of who owns which parcel of railway line, and the local government responsibility ends, I think, it is 3 metres or 6 metres from the track, and it goes on and on. I guess there are two questions. Firstly, is there a commitment of dollars to ensure that these level crossings are maintained in a reasonable condition, and secondly, can we do something about simplifying the management so that when a problem arises it can be resolved quickly?

Ms KOSKY — There is money through Meeting Our Transport Challenges of \$208 million over the 10 years, and that is for the upgrade of level crossings. But really what you are asking is just about the maintenance, which is the responsibility of VicTrack. It was the responsibility of PN — —

Dr SYKES — There are three; PN, ARTC and local government, depending on how close you are.

Ms KOSKY — The interstate lines Howard is saying ARTC, so you are right. There are actually a number of different players, which probably explains some of the difficulties of clearing up. I know about the work which VicTrack has been doing — and I launched a project with it recently about the works it was doing along the sides of the railway lines, and partly to look at native grasses as well; so looking at it from an environmental perspective as well as a clean-up perspective, and that VicTrack works in closely with local government to look at maintenance.

I might ask Howard to comment in more detail about who actually responds in relation to each of those issues. I certainly understand the difficulties, and was with VicTrack the other day when some of those issues were raised about a clean up. In this case it had responsibility for the land and agreed to do the clean up and work with local government. I think local government was also looking at how it could use that land. But it depends where we are talking about as to how easy it is.

Mr RONALDSON — Most of the intrastate lines will now be resumed to the state. PN sold back those occupation rights, which will allow us to — consistent with the previous question — have a look at maintenance regimes that are really required up and down these tracks, together with a study that the minister mentioned before, into the future of all transport facilities up and down such railway tracks.

Hopefully, we anticipate that the responsibility for costs of state and local governments will be clearer, as to who will maintain interstate tracks, intrastate tracks and associated facilities. I suspect there will be a sorting out of some of these facilities. Some of these facilities the local councils will want to take over. I know there is great interest in the Gippsland areas, for instance, up and down the railway tracks for intermodal purposes. I suspect up and down the interstate line, the Melbourne–Sydney line, there will be a number of councils there that will have a great interest, and commercial operators might have a renewed interest in taking over occupation and maintenance of various lands up and down railways, probably for intermodal purposes. So I think resumption of the track does provide an opportunity to make those lines of responsibility clearer.

Dr SYKES — What you are saying is that there is a commitment in principle to the improved maintenance and simplified maintenance, and, secondly, if we can get a one go-to person so that we can work with that go-to person.

Ms KOSKY — I have just been informed that the actual track, as opposed to the land — VicTrack has responsibility for the land — with V/Line now taking over control, it will obviously have responsibility for the actual track and maintenance of that, which may make some of those issues easier.

Dr SYKES — I hope so, but, I think, as the discussion — —

Ms KOSKY — Your sentiments have been heard.

Dr SYKES — As the discussion continues the complexity of the management becomes greater, and in the interests of the line of questioning that you pursued, Chair — that is, productivity and efficiency — I am making a plea to the minister.

The CHAIR — I am sure the minister is listening.

Minister, I just want to take a bit further this issue of patronage on trains. I notice there are lots of references to what we are doing on the trains, whether it is on the public transport users on page 299, and on page 300 the various issues there, same with the new ones on page 302, in terms of new budget initiatives, and, of course, the many other aspects in the budget. What I would really like is for you to talk a bit more about the patronage changes and a little bit more information on what you are going to do to ease the overcrowding, which is clearly a serious problem.

Ms KOSKY — Thank you for that question. There are short-term measures and longer term measures, obviously. I have talked about some of the interim measures that we have put in place and the longer term measures. We have done quite a number of things, and Connex has put in place a number of different changes in relation to what it can do in the shorter term to alleviate some of the pressures. They have looked at its maintenance practices, which have been improved in order to release four extra trains for services during the busiest parts of the day. They have also looked at a new and expanded timetable, and I mentioned some of that before, for some of the extra services that are being provided.

Also, when we have the electrification of Craigieburn, for the first time there will be a new timetable there, which will provide extra services during the busiest parts of the day on the busiest lines, which will include Cranbourne, Pakenham and Werribee. Extra services are also planned for the shoulder peak, giving passengers the option to change their departure times. Further announcements on the full extent of those changes to the 2007 timetable will be made shortly. That is really about increasing the train service levels where possible and where they are most urgently needed. But I do know that one of the major frustrations for passengers is punctuality, and overcrowding is another. Also, there is the lack of reliable information when a disruption occurs. It can be quite stressful when people actually do not know either when the next train is going to arrive or, indeed if a train stops at some point, when it is going to take off again and when they are going to reach their destination.

In order to provide accurate real-time information to frontline staff, we are looking at the replacement of both the Metrol train control system and also the radio system. The Metrol system is about managing all of the different train movements on the metropolitan line, and the radio system is actually the connections between the trains and the staff, obviously, and updating that so that it can take data information as well. At the moment it only takes voice information. Obviously, given the complexity of that, that is going to take several years, and I think we need to take in the shorter term some more immediate steps. I asked Connex to come in last week and expressed some of the frustration on behalf of passengers and commuters about frustrations.

The CHAIR — We have got a few emails ourselves.

Ms KOSKY — I understand the frustrations that are being experienced. I talked about that with Connex and indicated that the government expected them to look at improvements that could be made immediately which might make a difference, which might ease some of the pressure and also, even if the pressure cannot be properly alleviated, go some way to actually giving them a sense of knowing what is going to happen in terms of the information of when they are going to reach their destination.

They undertook, went away and have come back with a package of improvements in just under a week. We talked about it quite a lot. I talked with them at that time about some of the changes that were made as a result of the Commonwealth Games and how there really was an uplift in the service delivery. I know there was extra funding provided for that period of time as well, but some of the changes that were made really made a difference to how people felt.

Connex has come back after I had asked them to look at those immediate measures that are needed, and they have agreed to implement a package of improvements, which includes training customer service staff who would be placed in the Metrol train control centre, so that when disruptions occur they can ensure the information is relayed directly to the front-line staff across the network. So it is additional staff at Metrol, and their job really will be to pass that information on so that that information can then be passed on to the travelling public, whether it is people on the trains, whether it is people waiting at the stations, but it is providing much more up-to-date information.

Also, customer information displays will be progressively upgraded at some of the key interchanges. There is a \$4.3 million upgrade at Flinders Street station which will be completed in July. If you get a chance to actually go down and have a look at some of that, it is fantastic.

The department and Connex have been directed by me to review and upgrade the screens and display boards at a number of other key locations. That includes Southern Cross, Richmond, North Melbourne and all the city loop stations so that up-to-date information can be provided. That will mean upgrading those fairly urgently; also, developing a targeted program to improve the quality and the frequency of announcements at stations and on trains, because that makes a difference to how people feel. Additional staff will be placed on platforms at key interchanges such as Dandenong, North Melbourne and Richmond to assist passengers who are changing trains.

Just getting some of that personal support, I know it does not mean it will help with punctuality, but it does help with passengers feeling that the system actually cares about them and provides them with the information and the support. Also, the maintenance of the public address systems on the trains will be tightened to ensure that they operate effectively, because that has been one of the difficulties — you can have the systems but if they are not operating effectively, then that is a major frustration for commuters. Connex have also undertaken to investigate the feasibility of providing frontline and roving staff with portable radios to improve their ability to send and receive information in real time.

Some of these measures are there whilst the Metrol and the radio systems are being upgraded, but I did ask them to think about some very practical ways in which they can make a difference at the moment. I did indicate to them that not only was government wanting some immediate indications of some change but certainly commuters were asking for that, and it was certainly in Connex's interest to demonstrate that they could make some of these immediate changes whilst we are waiting for some of the longer term solutions to be put in place.

I think they are very practical and hopefully will make a significant — well, some difference towards commuters whilst we are waiting for some of those other changes to be rolled out. I am expecting a timetable to be put forward from Connex in the next couple of weeks so we will start to see these put in place very soon.

The CHAIR — Thanks for that.

Mr BARBER — Minister, the 2003 runaway train from Broadmeadows, the famous story, and the Australian Transport Safety Bureau inquiry that came out of that. Could you provide the committee with, in relation to the 22 recommendations, a sort of progress report? I am guessing such a document might already exist as part of a reporting-back mechanism, but could you, in particular, talk about what I think was the biggest issue in that incident, apart from the handbrake, which was the ability of the controllers to be able to directly see the location of the train as it went on its journey from Broadmeadows? Recommendation 16 was that:

The ATSB recommends that Bayside Trains —

as it was then —

assess the viability of expanding the visual indications afforded to Metrol control officers from its current boundary in the Kensington precinct to Broadmeadows station.

What I am asking is: has it been assessed and has it been expanded up the line? Also, on what other lines is this an issue?

The CHAIR — Try and relate this to what we are doing in the future, in the estimates.

Ms KOSKY — That is okay. Obviously Metrol I have talked about — the upgrading of the Metrol system is incredibly important because it does not extend — can you hear me?

Mr BARBER — Not very well, bit deaf in one ear.

Ms KOSKY — Sorry. The Metrol system, which is quite old — and there were efforts by the previous government to upgrade the Metrol system; that was a bit of a disaster and did not work.

I am just trying to find the amount that was actually invested in Metrol — 88 million in upgrading the Metrol system, which will mean that it is much more up to date. It will replace the hardware and the software. One of the difficulties with Metrol is it works well for the system that it covers at the moment, but if you are wanting to put additional information or additional services in, or whatever, the age of it means that it is reluctant to always accept that properly, so it can take some time. There are backups. The system is working okay, but it actually needs to be upgraded significantly. So we have put that funding in to upgrade Metrol, and Westinghouse has just been awarded the contract for that, but that will take several years. At the moment, as you mentioned, Metrol only covers 60 per cent of the metropolitan network and the outer metropolitan area is under the control of local signal boxes. The upgrade will change that, but the current system just does not have the capacity to expand.

I will get Jim to comment in more detail about the issue with the Broadmeadows train, but there were a lot of changes that were put in place. We do not call it the dead-man system — we put in place \$6.4 million to trial and commence the implementation of what is called a vigilance control and event recording system. It means that if something happens to the train driver, what previously happened was — Jim will jump in if I am incorrect on this — they could just push one button, but they worked out that if a person fell on it and it stayed down, then —

Mr BARBER — It would not work.

Ms KOSKY — Yes. It gave the sense that the train was still being operated by the driver when in fact, it was not. So now there is a system which means that a driver has to have a continuous action throughout, which is either pressing a lever or a foot pedal. That has been put in place in order to detect the alertness of drivers. I might just get Jim or Howard — one or the other — to respond in detail.

Mr BETTS — The key recommendation from the inquiry into the Broadmeadows incident was that handbrakes should automatically be applied the moment the driver withdraws the keys from the train's equivalent of the ignition, and that project has been completed. There were supplementary comments about the need to expand the capacity of the Metrol system, and the minister has explained that that system will be upgraded. The next stage beyond what is funded at the moment will be the progressive elimination of those areas of the network which are not visible to Metrol, but at the moment they are controlled locally.

Mr BARBER — But at the current time — and four years after this report came out — we have not expanded from Kensington to Broadmeadows the capacity to have a visual indication of where the train is; but in terms of the recommendation that it be assessed, it sounds like you have assessed it, but you are saying at the moment that it has not been done?

Mr BETTS — It is a progressive update. In order to achieve what you have described you first need to replace the core system at the heart of Metrol, and that is what we are going to be doing over the next two to three years. The principal issue with Metrol's inability to monitor 40 per cent of the network is not primarily a safety issue — the network is safe; it is primarily about the reliability and the ability to get information disseminated around the system, and the inquiry into the Broadmeadows incident picked that up as being something the government should consider for the long term.

Mr RICH-PHILLIPS — Minister, my question also goes to the Metrol replacement. The budget papers indicate at page 126 of BP3 that the target for the core places design work that Mr Betts spoke about was now — fourth quarter 06–07 — and you have now got a new target that delays it 12 months to the fourth quarter 07–08. I am wondering what the reason is for that delay in that target date for the design work — you have mentioned the Westinghouse contract — and what the implication of that delay is for the commissioning of the project?

Ms KOSKY — I will refer to Jim, but my understanding is that the date was initially set after and following discussions with, I think, Westinghouse. They did not believe that they would be able to do it in the time frame established, so in order to do it properly — and given the previous experience of trying to change the system, I think it was a project that went on for 4 years and delivered nothing; that was under the previous government — the view was that we had to take the advice of Westinghouse, who believed that it would take, I think, 12 months more. Jim, did you want to add — —

Mr BETTS — This system is the absolute nerve centre of the train system, so when we invited tenders we made it clear to the people bidding to us that above all things they should manage this in a way which kept trains running. Therefore we did not want to set an arbitrary deadline for replacement in the tender process which might subsequently lead to a repetition of the problems we had seen earlier in the decade. There is a time frame at the front end of the project for detailed design work — that was always contemplated in the tender process — so we are placed to replace the system by 2010, but the next 12 months is about detailed design, and that was always our intention.

Mr RICH-PHILLIPS — Just to clarify, according to the budget papers that was envisaged to be completed now?

Mr BETTS — No. It was never envisaged to be completed now. We have awarded the contract now, and we now go into the detailed design phase.

Mr RICH-PHILLIPS — You might like to have a look at the budget paper, page 126 — 'Metrol replacement: design completed for core Metrol systems'. The target was fourth quarter 06–07, which is now, March to June of this year.

Ms KOSKY — Which one are you looking at?

The CHAIR — It is page 126, budget paper 3. It is 'Metrol replacement: design completed for core Metrol systems'. There is a footnote there which — —

Ms KOSKY — You are looking at the target that was set in 06–07, but I think quarter 4 refers to the quarter 4 that is mentioned in 07–08 for target, but I will check.

Mr BETTS — I would assume.

Mr RICH-PHILLIPS — It is all 4 to 12 months apart, the next one being fourth quarter of this year — which is now — and the next one being fourth quarter, March to June of 07–08?

The CHAIR — The minister has already answered that, and the footnote refers to the revised milestone based on the latest tender negotiations.

Mr RICH-PHILLIPS — As you well know, the minister did not provide any explanation at all.

The CHAIR — We will get further information in regard to that footnote.

Ms KOSKY — The information, which probably just repeats what Jim has said — that the reason for the variation at the time of the 06–07 state budget the contract for the design installation of the train control system was not awarded. The contract was awarded in March 2007. In addition, the extended project completion to date is the result of an independent effort by the contractor in the effort required to design, develop, install and test the new system while taking into account the need to avoid any disruption to the train services.

Mr RICH-PHILLIPS — It is just simply clarifying that there is a change in the date shown?

Mr BETTS — I think it is more about the terminology. I think the target related to our ability to award a contract based on the detailed preparatory work that needed to be done, including design work. The next stage is to take that design over the next 12 months to a much more sophisticated level where equipment can be ordered et cetera, so that may have been the source of the confusion.

Ms KOSKY — It is worth mentioning that the current software and hardware actually date back to the 1970s, so it is an amazing place to go and look. The systems are not commercially supported any more, so in replacing it, it has to be done well. I was down there the other day, and I was talking with some of the staff who operate the system. What appears to be good at this stage about the way that the changes are working is that staff are very closely involved.

They said that last time the proposal was to move to, I think, a single-operator system. Staff were very unhappy about it. They are very supportive of this — which is obviously a critical part of it — because they have to be trained and multiskilled in order to operate the new system. It currently operates at Transport House — they were relocated there in anticipation of the new heralded system under the previous government, and they are still at Transport House but they do not have a new system, but they will have it soon.

The CHAIR — The footnotes probably need to be a bit better in the future.

Ms KOSKY — We can confirm that too. We can provide extra information to the committee.

The CHAIR — If you can, give some further information. That pretty much concludes the hearing regarding the public transport portfolio. Minister, I would like you to take on notice, as I have mentioned in other hearings: what resources and staffing costs does the department anticipate applying to servicing the Public Accounts and Estimates Committee activities in the 2007–08 financial years, based on experience over the past few years? I thank the witnesses for their attendance.

Witnesses withdrew.

Transcript of Evidence

5.11 Roads and Ports portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 10 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr T. Pallas, Minister for Roads and Ports;
Mr H. Ronaldson, secretary;
Dr A. Smith, deputy secretary, capital;
Mr T. Garwood, executive director, freight logistics and marine;
Mr R. McDonald, executive director, corporate resources; and
Mr G. Liddle, chief executive officer, VicRoads, Department of Infrastructure.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the budget estimates for 2007-08 for the portfolio of roads and ports. On behalf of the committee I welcome Mr Tim Pallas, Minister for Roads and Ports; Mr Howard Ronaldson, the Secretary of the Department of Infrastructure; Dr Alf Smith, deputy secretary, capital; Mr Terry Garwood, executive director, freight logistics and marine; Mr Gary Liddle, chief executive officer of VicRoads; and Mr Bob McDonald, executive director, corporate resources, departmental officers, members of the public and also 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 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. 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 presentation of no more than 10 minutes on the more complex financial and performance information for the portfolio of roads and ports. Thank you, Minister.

Mr PALLAS — Thank you, Chair, and thank you members for the opportunity to address you briefly on issues of significance in the roads and ports portfolio.

Overheads shown.

Mr PALLAS — Since 1999 the Bracks government has invested over \$4 billion in building better roads across Victoria, including \$2 billion on regional roads. We have committed \$10.5 billion over 10 years in Meeting Our Transport Challenges to improve transport infrastructure and services in an integrated way. The 2007-08 budget continues to address issues in the roads and ports portfolio. This financial year we have seen an acceleration of road projects, and we will invest a further 236 million in the 2007-08 budget. We will target congestion with a \$30 million congestion improvement plan, and we will spend 194 million on key urban and regional arterial roads.

I will elaborate on the key 2007-08 budget initiatives shortly, but let me first turn to the key financials in the 07-08 state budget papers. Favourable weather conditions have enabled us to achieve record levels of project expenditure in 2006-07 in both operating and capital expenditure. We are ahead of schedule in many of our major road projects, including the Calder Highway upgrade and EastLink, and of course there is the Tullamarine-Calder freeway interchange and the Albury-Wodonga bypass.

Higher investment in the 07-08 financial year reflects a continuation of the government's road building program, Meeting Our Transport Challenges projects and new commitments announced in the 07-08 state budget. The 2007-08 new projects total 236 million for road improvement and were approved, and the estimated spend on these commitments in the 07-08 budget is \$68 million. As you can see, by comparing the actual expenditure in the financial year 05-06 with the revised budget in 06-07, we intend to more than double the capital expenditure from \$416 million to \$850 million. The 07-08 capital expenditure is planned to be a massive \$935 million.

Let me turn to the operating expenditure issues. We have maintained operating expenditure on our road system at a steady rate over the budget period. As a result of our record capital expend in 2006-07 there has been an impact upon our operating expenditure. These impacts are largely as a consequence of higher depreciation at about \$22 million, higher land expenses associated with completed projects at around about \$55 million, and increased expenditure on a number of road safety projects.

In addition, the 07–08 budget includes 3 million to investigate and develop detailed requirements for a new registration and licensing system and 5.3 million for walking and cycling programs, and allowing for CPI.

We face some significant challenges to both our roads and our public transport networks, and there is a growing consensus that congestion is the single biggest issue in transport. Strong population growth together with economic growth is the most significant influence on demand for transport in Victoria, and often congestion is a by-product of a thriving city and a thriving economy.

This map and the next one, which I will take you to shortly, highlights the congestion points on our road network in 2004 and then projected forward to 2021 in the morning peaks. They assume no further action by the state government other than projects already under way or committed to. The government is currently providing major transport infrastructure through EastLink and the upgrading of the Monash West Gate corridor, and there is a current assessment under way in terms of east–west travel needs for Melbourne.

This is a package of projects designed to reduce congestion and improve traffic flows at critical locations on the metropolitan arterial road and freeway network. The package builds on commitments to fight congestion made under the Meeting Our Transport Challenges package, which provides 10.5 billion over 10 years to improve transport infrastructure and services and as such is the biggest single investment in our transport system ever undertaken by a Victorian state government.

In the 2007–08 budget the government has allocated 30 million over the next three years for a congestion improvements package. As a UK transport report identified in December 2006, congestion pinch points can have an enormous improvement on the efficient operation of the road system, but infrastructure alone cannot alleviate congestion. Changes in the way people use the transport network are critical to attacking the problem in the long term. Some of the ways that these changes are being addressed are through increased funding for walking and cycling programs. Yesterday my colleague the Minister for Public Transport outlined initiatives designed to ensure that public transport can play its role in easing congestion. Today I will detail the road projects under way and being added on through this year's budget.

The map shows some outer metropolitan roads projects since 1999. There have been 19 projects completed, 22 that are in progress and 4 that were announced in the 07–08 financial year. The 41 projects that have been committed before the 07–08 financial year are valued at \$576 million, and the four current announcements are valued at \$109.5 million.

Some of the outer metropolitan roads projects currently under way include the Taylors Road rail grade separation at 54 million, the Somerton Road duplication project at 33.7 million, and the Plenty Road duplication project at 24.5 million.

In this year's budget the Bracks government is delivering on commitments made in Labor's financial statement for 2006, the third term of government, to deliver a safer, more efficient and less congested road network. The upgrades include the Thompsons Road duplication in Carrum Downs and Cranbourne at \$52.5 million — two separate areas of road, Ferntree Gully Road at \$32 million, and Vineyard Road at \$25 million.

But the commitment to rebuilding and improving our road network does not stop at Melbourne. As you can see on the map on the screen, the Bracks government has a proven track record of investing in regional roads and bridges. Since 1999 there have been 147 bridge improvement projects, valued at \$82 million. This investment has enabled 99 per cent of all Victoria's bridges on arterial roads to be accredited to higher-mass levels, allowing access by B-doubles to most of regional Victoria. This is a substantially higher proportion of the network available to these vehicles than in other jurisdictions, as a result of this government's investment. These higher productivity vehicles have provided a substantial benefit to freight operators in Victoria.

The new roads announced in the 07–08 budget in country and regional Victoria include the Geelong ring-road at stage 4 at 62.5 million; and the Glenelg Highway at 3 million, to construct both east and westbound overtaking lanes on the highway between Scarsdale and Linton.

Victoria's regional road network provides important freight links to the rest of the country. It is well known that Victoria gets less than its fair share of funding for land transport from the federal government. We received about 16.5 per cent of the AusLink national projects funding for the 04–05 through to 08–09 financial years. That is against Victoria representing about 25 per cent of population, gross national product or travel by heavy vehicles. If

the commonwealth comes good with a fair share of funding for AusLink 2, Victoria will be able to undertake more projects from 2009–10 onwards. On Tuesday I was pleased to see the Deputy Prime Minister promise to give Victoria its fair share of the 22.3 billion for AusLink 2. We expect him to honour that, because Victorian industries, councils and communities will expect no less. We also believe that Victoria must get its fair share of the \$250 million funding for the strategic regional roads that have been allocated in 2007.

Moving to road safety, based on current trends, Victoria is on track to achieve the Victorian road safety strategy Arrive Alive target of 20 per cent reduction in road fatalities in 2007. In 2006 Victoria recorded 6.6 deaths per 100 000 per population, compared with 8.2 deaths per 100 000 for the rest of Australia. At the recent Australian Transport Council meeting, the actions taken by Victoria to reduce its road toll, particularly those to address speeding and implement road-based safety treatments, were strongly supported. Indeed Victoria was identified as a model jurisdiction in addressing road safety initiatives. Recent trends are positive, with the 2007 country road toll as at April standing at 12 fewer, compared to the same period in 2006. An estimated 46 fatalities on country roads have been prevented to the end of 2006, since the introduction of Arrive Alive in 2002.

As part of the government's *Meeting Our Transport Challenges*, the government has committed an additional \$597 million to road safety over 10 years. This will allow us to further improve road infrastructure across the state. We will continue to utilise planning and research to develop a new road safety strategy to build on Arrive Alive and to provide the direction to help reduce the road toll further.

Briefly on to ports, Victoria's four commercial trading ports — Melbourne, Geelong, Portland and Hastings — each year handle in excess of \$80 billion of trade, the majority of which is international import and export trade. These ports play an important role in our economy and are a vital asset to our freight and logistics sector, the third-largest sector in the state, which involves some 16 000 businesses and provides employment to more than 200 000 Victorians. As a government we remain committed to the channel deepening project, subject to it obtaining state and commonwealth approvals. This project is essential to maintaining the port's efficiency and effectiveness and will deliver \$2.2 billion in benefits over 30 years.

We are also progressing the Dynon port rail link, as shown on the screen, which will support the government's target of increasing the proportion of port-related freight moved on rail. Scheduled for completion in 2009, this project will markedly improve rail access to and from the port. We are also planning for the future needs of our commercial ports: Geelong, the second-largest port, which handles about 25 per cent of Victoria's exports; Hastings, which has been identified as a future container port to complement the port of Melbourne; and Portland, which provides international access to markets in western Victoria and south-eastern Australia.

In summary, the government is tackling head on the significant challenges to the health of our roads and ports infrastructure. We will work to ensure our ports can prosper and grow, and to fight congestion on our roads, in our transport networks more generally, in order to achieve our economic, social and environmental goals. We will continue our work to maintain the lowest per capita road toll in Australia. Through an integrated program of infrastructure provision, far-sighted land use planning and encouragement of travel behaviour change, the Bracks government will create better transport choices for all Victorians and ensure the proper planning and delivery of sustainable transport infrastructure for the benefit of current and future generations.

The CHAIR — Thank you, Minister. An hour and 20 minutes has been allocated for questions on the roads and ports portfolio. I might start that off by asking what impact do you expect the portfolio spend to have on productivity in the 2007–08 year, particularly in terms of new initiatives?

Mr PALLAS — I suppose as a basic observation I would say that investing in roads not only saves lives, it cuts travel times and it delivers economic benefits through improvements to the freight access system. Transport, fundamentally, is about moving freight and moving people. Urban passenger transport is essential to making sure that we have got adequate access to our commercial activities, our workforce commuting, that we make sure that business and travel and customer access to goods and services is handled efficiently, and also that those accesses are the fundamental underpinnings of our economy. We need an integrated approach as a government. I do not see my job as the minister for roads to essentially advocate for a particular form of transport. I see my job as minister for roads to make sure that the road system functions efficiently. Of course we cannot forget the basic observation that about 88 per cent of all public transport journeys are made on our road system. Obviously the road system has a substantial contribution to productivity both in terms of access to work and the movement of freight. Of course as we do provide legitimate choices for people to determine what their mode of transport is we do free up our road

system for other forms of economically desirable activities. The bottom line in terms of my assessment is that an investment in roads is an investment in a holistic approach towards transport and the economic needs of the community.

In terms of the direct investments that the state has made, of course the \$30 million we have introduced through the congestion improvement plan to tackle some of Melbourne's biggest congestion hotspots. As I have indicated, it does not actually require government to make substantial investments in terms of major capital upgrades. Quite often a lot of the improvements in our congestion areas and therefore the economic efficiency of our road system, putting aside the livability issues, can be addressed through effectively providing a well-structured investment around those congestion hotspots. Also, we have put \$110 million into outer metropolitan roads. These arterial roads are essentially the building blocks of our transport system, particularly in outer metropolitan areas where there is a higher dependency upon road-based public transport than there is access to the rail-based system. The commitment of \$62.5 million to begin the first stage of stage 4 of the Geelong ring-road is a further commitment to the future of south-west Victoria and will reduce travel times and improve the reliability of freight and people movement; 7.3 million, improving our walking and cycling options not only will improve productivity by reducing congestion in respect of certain parts of the network but will also provide for healthier lifestyles in terms of the community more generally.

Some of the more substantial investments are ongoing of course: the 39-kilometre EastLink project, which it is anticipated will generate something in the vicinity of \$15 billion worth of economic activity to the state when it opens.

Similarly, the Monash West Gate corridor — \$1 billion worth of spending or thereabouts on activity, and that investment in itself will deal with one of our busiest corridors, hopefully addressing congestion.

If I could perhaps hand up to you a document that I found quite illuminating. This was in a well-respected journal — I am sure, Bill, you would confirm this on inspection — the *Bairnsdale Advertiser*. It identifies Victoria's hot spots. It is actually taken off a website by a real estate property adviser. In respect of this we have got a property researcher, Terry Ryder, who essentially gives advice on property hot spots — areas that are good to invest in — and essentially what he said in the *Bairnsdale Advertiser* of 9 March 2007 was a ringing endorsement of the government's policies in respect of road infrastructure. He said:

It is Victoria's new road infrastructure that is really fuelling the emergence of these new hot spots.

He was talking about national hot spots, not Victorian hot spots.

History shows that major new roads have big impacts on property values, and Victoria is currently in the middle of a huge transport infrastructure upgrade.

He goes on to say:

This new transport infrastructure represents billions of dollars of investment that will not only generate economic activity but also lift real estate values in select areas due to reduced travelling times, improved services and flow-on economic activity.

I thought his concluding comments were probably the most ringing endorsement:

The state economy is solid, the population is growing and the real estate market is sound, which has laid a strong foundation for future capital growth ...

While other states are grappling with infrastructure and transport problems, Victoria is busy building new roads, revitalising suburban areas and facilitating major new infrastructure and industrial projects.

Dr SYKES — What does the Warrnambool *Standard* say?

Mr PALLAS — I am sure that it would be a bipartisan view in terms of the wonderful investments we have made. But could I just say that the reason I wanted to draw that to your attention is that as a government we recognise that there is a lot that still needs to be done in terms of infrastructure spend. The one thing that Victoria has going for it is essentially a long-standing commitment by governments to making investments in terms of our infrastructure, our roads and our transport-related infrastructure, and the reason that has been so important for Victoria is we are the freight logistics hub of the nation.

Our port carries about 40 per cent of all the container trade across the nation, and our rail and our road accesses into the port are critically important in terms of the improvement and demonstration of the value of the port and its facilities. But this is something that we cannot simply take for granted just because we are the freight logistics hub of the nation, and it is one of the attributes that sets this state apart. It is one of the few great economic assets — certainly we do not have the natural resource attributes of other states; so continuing to invest in our road and our transport infrastructure more generally is critical.

The CHAIR — Thank you, Minister. I certainly am a strong believer that well-built infrastructure can have a major input into productivity, and I am reassured that we are supposed to be getting a fair share of the federal funds. I did say yesterday I was a bit concerned about the need for federal investment in infrastructure here in Victoria, so I hope that what you say is correct. My calculation may have put it closer to 20 per cent rather than 25 per cent.

Mr PALLAS — Mine is a hope, not an assurance, Chair.

Mr WELLS — Minister, I guess if it is in the *Bairnsdale Advertiser*, it must be true, but I am fascinated to know that there is nothing there that relates to East Gippsland.

The CHAIR — There is Gippsland Lakes.

Mr PALLAS — I think it actually does go on — —

Mr WELLS — It talks about EastLink and the Pakenham bypass, which is nowhere near it. But anyway, moving along.

Mr PALLAS — The important point was it is about access to the city as well, which provides an economic opportunity in this area.

Mr WELLS — Okay. I am glad it was in the *Bairnsdale Advertiser*. I am just wondering, Chair, if I can seek clarification on the minister's preamble before I ask my question; is that okay?

The CHAIR — That is okay, as long as it is not too long, because a lot of people want to ask questions.

Mr WELLS — You mentioned that bay dredging was going to have a benefit to the Victorian economy of 2.2 billion over 30 years. Is that right?

Mr PALLAS — That was the figure that I quoted, yes.

Mr WELLS — So that is a benefit to Victoria of 70 million a year?

Mr PALLAS — I think the Treasurer may have addressed you on this when he was here. There have been a series of economic assessments done that deal with the net economic benefit of channel deepening, and the Treasurer has gone to great pains to say that both the port and the state government have sought to get as conservative models as possible so that they can be unimpeachable.

Mr WELLS — If you are saying the figure — —

The CHAIR — Moving on to the question.

Mr WELLS — I am just surprised that its 70 million.

Mr PALLAS — I should clarify that what the Treasurer made clear at the time he unveiled these costings was that it is important to realise that this has not been an attempt to quantify the economic benefit to the state as a whole but rather as to direct users of port facilities.

The CHAIR — I think there were a number of externalities left out, including national impact.

Mr WELLS — My question relates to bridge strengthening and replacement projects. When was the last independent — independent — safety audit and report carried out on the West Gate Bridge structure; who carried out that audit; what structural defects were identified; what recommendations were made; and have all the recommendations and remedial work being carried out?

The CHAIR — How does that relate to the estimates?

Mr WELLS — I refer to budget paper 3, page 128, which is directly ‘Bridge strengthening and replacement projects completed: metropolitan and regional’.

Mr PALLAS — I can certainly say there is no doubt that the investment as part of the Monash West Gate upgrade that the government is proposing should occur will have a very substantial benefit in terms of being able to assure the community of the increased load that the Monash West Gate will be required to hold as a consequence of the improvements in terms of uplift capacity proposed through the Monash West Gate upgrade. It is about \$1 billion, as I have indicated, in terms of collective contribution.

The \$166 million that I think is directly earmarked in respect of the bridge strengthening aspect of this project is essentially a contribution aimed at recognising that not only are we having a more efficient and therefore a higher uplift capacity on the bridge as a consequence of this project, but equally importantly when the bridge was built the volume of traffic or the average size of traffic in terms of maximum carrying capacity that was anticipated in terms of trucks was about 25 tonnes. It now has trucks as heavy as about 68 or 69 tonnes travelling on the bridge. It is approaching its middle years and so will require constant attention.

In respect of issues relating to the frequency and the recent nature of inspections on the bridge I will have to defer to my departmental advice.

Mr LIDDLE — Just to talk briefly about that, there have been a number of reviews carried out on the bridge over a period of time, and those reviews were completed in 2006. As a result of those reviews we are now implementing a project to upgrade and strengthen the bridge to, as the minister said, take the traffic loads that are expected of a bridge of that sort these days.

Mr WELLS — Can I just clarify then, so that was an independent safety audit in 2006?

Mr LIDDLE — There have been independent structural reviews, yes.

Mr WELLS — Have all the recommendations in the report been carried out? Have all the structural defects identified been addressed?

Mr LIDDLE — As I indicated, a project is being developed to carry out the recommendations that will ensure the bridge will continue to carry the loads it is required to carry.

Mr WELLS — All right. Who carried out that report? Who wrote the report?

Mr LIDDLE — The independent reviews are informing the project that VicRoads is developing to ensure the bridge can continue to carry its loads as required.

Mr WELLS — Yes, but the point being: who did the independent safety audit?

Mr LIDDLE — There have been a number done over the period of time. I cannot detail them all.

Mr WELLS — So they were all external to VicRoads?

Mr LIDDLE — There have been some internal, some external.

Mr WELLS — But the one in 2006 was external?

Mr LIDDLE — As I said, there have been a number of reports, the last of which was completed in 2006.

Mr WELLS — That was external?

Mr LIDDLE — I cannot recall which ones were internal and external.

Mr WELLS — Can we take that on notice?

The CHAIR — We will take that one on notice.

Mr SCOTT — Minister, I refer to budget paper 3, page 127, which refers to a range of measures relating to the road network in regional Victoria. Could you please advise the committee of what the government is doing to address the needs of country road users?

Mr PALLAS — Yes. I thank the member for his question. Last week, when we delivered the budget, we, as a government, were intending and desire to continue improving country roads and keeping Victorian drivers safe. Since coming to office, as I have indicated, we have invested over \$4 billion in the road network, and \$2 billion on rural and regional roads. In this year's budget more than \$90 million will be spent solely on regional roads. Also we will be spending \$687 million from the 10.5 billion Meeting our Transport Challenges plan, which was announced last year and is designated specifically for the rural arterial improvement investment program.

So since coming to office the government has worked hard to strenuously improve regional roads. We said at the election that there is more to be done. To illustrate that, since 2000 we have invested more than \$250 million on average in terms of capital upgrades to our country roads; in 2006–07, last year, we invested over \$341 million in country roads for safety projects, upgrades and maintenance; and in the upcoming financial year we will again be investing more than \$300 million in country roads. This includes projects such as shoulder sealing on the Midland Highway, the installation of safety barriers on Deans Marsh Road, and road realignment on the South Gippsland Highway from Loch to Bena, just to name a few. On top of this, we have got \$92.8 million that we have contributed towards projects which include the continuing duplication of the Calder Highway, the Geelong ring-road, the Albury-Wodonga bypass and the Goulburn Valley Highway, Arcadia section.

As previously indicated, since Arrive Alive we have reduced the fatality rates across Victoria by 467 deaths, or 18 per cent. I have also indicated that we have had about a 46 reduction in deaths across country Victoria over the same period.

Country trends, however, do indicate that fatalities and serious injuries for run-off road and intersection crashes in country Victoria do persist. And we recognise that the problems are many fold. They include driver behaviour. Quite often and unfortunately we see that three consistent factors appear — speed, alcohol and fatigue. The government has made some substantial efforts both in terms of addressing not only the physical layout of our roads in country Victoria but also recognising that we do have an obligation in terms of educating young drivers in country Victoria, expanding our pre-licence arrangements through the Keys Please program for learner drivers and parents or carers, and also the Looking After Our Mates and community programs.

In addition to that, we are introducing essentially a graduated licensing system to put in place a series of measures to make sure that young drivers are adequately prepared for driving on our roads more generally.

Dr SYKES — Minister, I am from the country and I sometimes have a bit of trouble with numbers. I am just going to work these numbers back to you to see that I have got it correct.

The CHAIR — I do not know anyone from the country being a bit shy on numbers.

Dr SYKES — My understanding of the road death figures is that back in about 2001 country road deaths constituted 37 per cent of the total road deaths. Since that time there has been a substantial reduction in the road deaths in the city — down I think to about 144 per annum. But country road deaths have actually increased from about 187 per annum to 193 in the last year, resulting in country road deaths accounting for 57 per cent of all road deaths now.

It is interesting when you present the figures to the committee that you choose to quote state average figures, which are favourable, but you do not pick up on the disproportionately high percentage of country road deaths, other than to mention that country road deaths are 12 less at this time of the year than last year. If this is indicative of an ongoing trend, it is highly desirable, but as you would well know it may be a blip, and it has got to of course have gone a couple of more years for that outcome to be there. So, is my understanding of the figures correct?

Mr PALLAS — Your understanding is correct in terms of the absolute figures. Certainly the number of fatalities on country roads is reducing. They are just not reducing at the same rate, essentially.

Dr SYKES — Sorry, 187 in 2001 to 193 last year was either steady or rising, and it is only this year — and the year is not yet complete — that we have had what appears to be a reduction of 12. I don't call that reducing. I would say at this stage it is encouraging, but it is not an indication of a reducing pattern.

Mr PALLAS — I suppose it depends on what period you want to look at. For example, if you look at the — —

Dr SYKES — I am giving you the period 2001 through — or thereabouts — to now, a six-year period.

Mr PALLAS — For the Arrive Alive period we actually take two years. I think they are the two years immediately preceding the creation of that period for a baseline.

Dr SYKES — I am asking for the period 2001 through. That is the period that I am quoting.

Mr PALLAS — Going back to the documentation I produced, which I think you can accept unless you want to take some exception to it, it is unimpeachable in terms of the figures related to both Melbourne fatalities and country fatalities. We can see that in January 02 there were about 200 country fatalities and a little bit over 220 in Melbourne. Those figures in the country trended to about 220 by about May 2003, and the current figures demonstrate that in terms of country fatalities, using the last three months — well for the last six months, since that time the numbers have been consistently below 200.

Dr SYKES — 200 in 2002. I think it would be more accurate, rather than have monthly trending, it is better to look over the annual figures for the six-year period. With due respect, my figures I think originate from the RACV, and I think they are a creditable authority.

Mr PALLAS — I think so are the Victoria Police and VicRoads. After all, they are the people who collate the figures, so whatever RACV is doing, it is essentially manipulating the data.

Dr SYKES — Okay. I will stand by my figures. That being the case, the RACV also recommends there be an allocation. Recognising, as you have said, that there are a number of factors contributing to road fatalities — and I agree with those observations — but all of that said, the RACV recommends \$200 million a year extra going into country roads for 10 years to overcome these issues.

Mr PALLAS — Is that what the RACV say, Bill?

Dr SYKES — That is my understanding.

Mr PALLAS — My understanding is that they put out a press release which talks about 200 million being spent consistently on country roads. My understanding also is that The Nationals put out a similar press release. Quite frankly, if it does nothing more it just demonstrates how little The Nationals realise that this government is increasing expenditure on country roads since it came to government.

Dr SYKES — So are you suggesting that the Labor government is already meeting that target?

Mr PALLAS — I am suggesting that we are spending more than \$200 million on country roads.

Dr SYKES — Let's clarify what the definition of country is. Is the Geelong ring-road country?

Mr PALLAS — Anything outside of metropolitan Melbourne constitutes part of the total in terms of country roads. Of course, the figures you are relying on for the veracity of the country road toll included Geelong, so if we are going to have a point of conjecture here, let's at least be consistent.

The point that I make to you is this. We know that if you do invest in country roads, road design has a substantial improvement in terms of the capacity to reduce the loss of life, and this government is doing a substantial amount of work in terms of that investment — for example, as I have indicated, \$341 million last year, over \$300 million again this year. This is an enormous expenditure in terms of our commitment to country roads.

I do not know what level of expenditure you would see as being acceptable, but I can make this point to you: that if you believe it is the entire community's responsibility or government's responsibility to do something about country roads, why is it that The Nationals and the Liberal Party have been absolutely silent when this government has been running out a campaign essentially requiring the federal government to do the right thing by Victorian roads and to give us a fair cop, a fair shake when it comes to funding roads? To give you a clear illustration about how this could be used to improve the wellbeing and add to the involvement that this state is putting in, if you look

at \$127 million that the federal government has up until now put into regional strategic roads, only 14 per cent of that funding — 14 per cent — has actually been allocated to Victorian roads; some 16 projects.

Now quite frankly, I can understand your desire to represent your constituency and to see that the government is doing all it can reasonably to protect country people. But what I cannot understand is why it is there are people on your side of the Parliament who do not recognise that this is an issue that has to be above politics — this is about people's lives. When this government goes out and says, 'We believe Victoria deserves a fair share', it is not because we want to build monumental infrastructure edifices. It is because we actually believe if we build these roads, we will save people's lives. We actually agree with you on that, but we need your help to reinforce the message. If you are saying this government is making inadequate contribution to infrastructure, I will take exception to it. If you say that if we had more money that we could invest in infrastructure, it would save lives, I will agree with you. But that means all shoulders to the wheel, Bill.

Dr SYKES — Can I just finish with a specific question — —

The CHAIR — I think you need to finish quickly.

Dr SYKES — With respect, in relation to the funding program, there was some mention I think that you had spent more this year because of the dry conditions and were ahead of schedule. It is my understanding — —

The CHAIR — I think that is a separate question, Dr Sykes. Can you ask that next?

Ms GRALEY — To move outside of Melbourne again to the Geelong ring-road, I refer to budget paper 3, page 30. Can you please advise the committee what the government is doing to ensure that appropriate funding is made available to ensure this vital road link will be completed in the most effective configuration for local residents and through traffic?

Mr PALLAS — I suppose this government's commitment to building the first part of stage 1 of stage 4 of the ring-road, the Anglesea overpass — we have allocated 62.5 million in this year's budget for that project. We have also been asking the federal government for some time to share the costs of stage 4 with us. In August last year, the Prime Minister assured the Premier that this funding would be considered in the context of future AusLink funding deliberations. This is an issue of concern to us, because in this week's federal budget the federal government has backed away from that commitment and effectively told us that it will not be considering funding for stage 4 because it is not on the AusLink corridor.

I have got to say I think this idea of the federal government, which seems to be increasingly taking a doctrinaire view about what constitutes a corridor, is going to do this nation a great deal of damage, because we know economic activity is not exclusively restricted down a corridor. We know, for example, if you create congestion around a corridor, it has an effect upon the efficiency of that corridor itself. The mere fact that the federal government is saying the Anglesea overpass because it crosses over the Princes Highway is outside the corridor, strikes us as a somewhat confusing and a dangerous position to be adopting.

I am disappointed that we have not been able to take the Prime Minister at his word on this issue. I am not sure why they do not consider it part of the AusLink corridor anymore, as I know we have not moved the road since the Prime Minister indicated they were prepared to consider it as part of the corridor. In fact just weeks after the Council of Australian Governments and the Australian Transport Council recognised the importance of state governments investing in and around AusLink corridors, we get the federal government writing to this government indicating that it refuses to consider something that is off-corridor for the purposes of funding. So it has effectively reduced the capacity for us to approach this in a cooperative way.

I do want to say that I am increasingly concerned about what this means for the integrity of the AusLink process. If you look, for example, at the Goodna bypass, which is sometimes described as the Ipswich Highway, we have seen a \$2.3 billion road essentially being committed to by the federal government against the preferred wishes of not only the state Premier, the state opposition leader, who happens to be in the same political party as the Prime Minister — sorry, the state Liberal leader, and also the mayor of Brisbane. What concerns me about this is essentially we have \$2.3 billion worth of investment — —

The CHAIR — Perhaps we should be on Victoria, I think.

Mr PALLAS — This is directly apposite to Victoria, or maybe it is opposite to Victoria. I am not sure which, and I will get to that in a second. But the Goodna bypass essentially is a \$2.3 billion investment in a road. Now the traffic modelling on that road shows that there will be about 85 000 users of that road come 2012. The traffic modelling on and around Geelong and the Geelong ring-road shows that it will have about 78 000 users. We cannot get even one-thirty-fourth of the contribution to a road that the community wants essentially because the federal government does not want us to ring-road Geelong — —

Mr WELLS — I mean, it put aside half a billion dollars for the Scoresby freeway.

Mr PALLAS — So we are going to go onto the \$232 million we are still missing, are we, Kim?

Mr WELLS — So half a billion dollars to the Scoresby freeway! You lied to the people of Victoria, and you gave up half a billion dollars.

Mr PALLAS — You will take some comfort from the knowledge in knowing, Kim, that the federal government allocated \$400 million out of this AusLink funding for the Goodna bypass. We are \$232 million short, so you know where that money went and where it came from, don't you? And quite frankly, if people think that that is in the interests of this community to make cheap political points at the expense of Victorians and Victorian road interests — —

Mr WELLS — Cheap political points!

Mr DALLA-RIVA — He is doing it now.

Mr RICH-PHILLIPS — What do you see as a fair go or a fair share? Is it per capita funding? It is based on the size of the road network? Is it based on — —

Mr PALLAS — It is a very good question. I think the key to that answer is to essentially rely on what the Liberal Party believes is a fair go. If only I could find my handout that I was previously seeking to put up. I think this is particularly useful in the sense that we have consistently said that a fair go is 25 per cent.

Mr RICH-PHILLIPS — Based on population?

Mr PALLAS — It is based on three principal factors. It is based on GDP, our share of all freight activity and also our share of fuel excise levy. This is a press release from the second Kennett ministry. It is a press release from Geoff Craige who was then the Minister for Roads and Ports, a very august portfolio — —

Mr WELLS — This is 10 years old, come on!

Mr DALLA-RIVA — We are talking about the current budget. Move on mate.

Mr PALLAS — No, no — —

The CHAIR — Can we hear the minister please?

Mr WELLS — Where is the relevance? It is 10 years old.

Mr PALLAS — I understand principle might be irrelevant to you, Kim — —

Mr DALLA-RIVA — You are living in the past Minister. Move on!

Mr WELLS — You have got to be kidding!

Mr DALLA-RIVA — This is last century, Minister.

Mr PALLAS — Yes, well of course in the last century the Liberal Party had a few principles.

Mr BARBER — On a point of order, Chair.

The CHAIR — Can we hurry up?

Mr PALLAS — Can I take you directly to the issue and to the question that I was asked?

Mr BARBER — On a point of order, Chair.

The CHAIR — I will just hear the minister for another minute.

Mr PALLAS — The question that was asked was: what do I see is an appropriate basis under which the share is determined? Essentially Mr Craige said that he believed that an appropriate share in terms of Victoria's indication should be in line with — —

Mr DALLA-RIVA — Do we need to listen to this Chair? It is not relevant.

Mr PALLAS — Yes, I know you do not like this — —

Mr DALLA-RIVA — This is 10 years ago. Minister, move on! What are you doing in the next 10 years? Don't worry about what happened 10 years ago.

Mr PALLAS — Federal funding should be in line — —

The CHAIR — Can we listen to the Minister, please.

Mr PALLAS — You will have to hear me out, because I will continue.

Mr WELLS — How many public servants have you tied up looking for this?

The CHAIR — Deputy Chair, can you just let the minister finish? The question was asked. It was out of order, I must admit, in terms of what share, which actually followed on from what Ms Graley said. The minister produced this and says it is 25 per cent. I think we will move on to the next question, Minister.

Mr PALLAS — If I could Chair, because this is important and this is about an issue — —

The CHAIR — Very quickly, please.

Mr PALLAS — The issue of principle is this: what do we see is a fair share?

We say 25 per cent of economic activity. The reason we say it is 25 per cent of activity — we are not doing it for short-term political objectives. This is consistent with the way this government has acted, regardless of its political persuasion, over a decade. Essentially we intend to retain that consistent approach.

Mr BARBER — From budget paper 3 — in fact on page 364 is the Growing Victoria Together target of 20 per cent by 2020.

Mr PALLAS — On public transport?

Mr BARBER — Yes. It goes up to 2005–06 on this chart. I am wondering why we do not have an estimate for 2006–07 or a forward estimate. Earlier in the budget papers we certainly have a forward estimate for how much public transport usage we expect this year, which is the numerator. What has happened to the denominator, or is this a discontinued output? Is Growing Victoria Together a discontinued output?

Mr PALLAS — I would have thought that probably the — —

The CHAIR — So your question is: what is the figure for the current financial year?

Mr BARBER — The estimate for the year that we are in, and the forward year as a percentage.

The CHAIR — It is actually about public transport as a proportion of trips, but you are meant to be talking about roads and ports, Minister. If you like — —

Mr BARBER — Eighty per cent of the public transport trips occur on roads.

The CHAIR — I understand that. I am asking the minister — —

Mr BARBER — He is the minister for roads, which is the denominator — car use. I have got the numerator; I want the denominator.

Mr PALLAS — That is very good. I was actually going to open up with an observation that I am not the Minister for Public Transport despite the fact that I have an abiding interest in public transport, because obviously it does impact quite substantially upon my portfolio responsibilities. Then I was going to use the figure of 88 per cent of all public transport trips actually occurring on roads.

Mr BARBER — You used that figure; I heard it.

Mr PALLAS — I just wanted to use it again. But could I say that it is more appropriate that this issue be taken up with the public transport minister. She was here yesterday. I am surprised that you did not take that opportunity — —

Mr BARBER — But I have got the data from the Minister for Public Transport. I now need the data from the minister for roads, which is the rest of the motorised car trips — this is the percentage of motorised trips.

Mr PALLAS — The percentage of motorised trips; I think I can actually help you a little bit with that.

Mr BARBER — It is PT trips as a percentage of motorised trips.

Mr PALLAS — Hadn't you found this table yesterday, Greg?

Mr BARBER — I actually had another question, and then I realised that we were not going to get through the questions, so I went to this question.

Mr PALLAS — I suppose if you like we can — —

Mr BARBER — Can we confirm that I can get that figure?

Mr RONALDSON — Yes. We can do research on it. I can chance my arm, but my feeling is that there is very little change, although patronage has gone up substantially on public transport. The plain truth is that a strong economy is chugging along a lot more trips in total, of which the majority are still on the road. So if you are measuring them as a proportion, although there has been a big increase in public transport patronage, I would have thought there would be not much change, to be honest.

The CHAIR — All right. You will take that one — —

Mr BARBER — The Growing Victoria Together measure is not any old output.

Mr RONALDSON — I know that.

Mr BARBER — You are saying you do not know how many people travel on the roads — —

The CHAIR — They do up until the end of last year.

Mr RONALDSON — I am happy to go away and do the sums. We would have the data; we can do the sums.

The CHAIR — Minister, I just want to refer you to budget paper 3, page 108, which refers to developing improvements infrastructure. In your presentation you talked about reducing congestion. One of the key bottlenecks has been on the Monash West Gate, and I know there is one just near the end of my electorate down at Warrigal Road — at the interchange there. There are other bottlenecks along this particular corridor. So I am just wondering if you can give more specific detail about what is happening and what is going to happen in terms of improving the traffic flows on this corridor.

Mr PALLAS — In terms of the Monash West Gate corridor?

The CHAIR — Correct.

Mr PALLAS — I suppose the first observation I would make is: as a government the most substantial contribution we can make to these issues is around the upgrade and improvement of roads more generally and a recognition that the improvements that we are making will have a dramatic impact upon the wellbeing of vehicle travel.

The Monash West Gate project, of course, is a very substantial project that the government is currently undertaking. It is a project that for its part seeks to contribute about a billion dollars into improving traffic flows. To give you an appreciation of how substantial that project is, we believe that there are about 160 000 vehicles that actually use Monash West Gate corridor every day. There are about 20 000 trucks that go down that corridor every day and about 15 per cent of that corridor is actually taken up by freight, which is a very substantial proportion. It is an important corridor and it is clearly under pressure. It is important not only because of its capacity to service our suburbs, but it is also important because of its linkages to the port. I do not know if we have got copies of this. Have we got copies of this?

Mr RONALDSON — Yes.

Mr PALLAS — This will give you a graphical description. If I could table this document which will give you an understanding of the Monash West Gate improvement program that the government has got in store, and I will take you through, in due course, the upgrade that is proposed.

In terms of the government's plan: a direct government investment of \$737 million to upgrade the Monash West Gate; 166 million from CityLink to essentially revamp their capacity; and 120 million to strengthen and reinforce the West Gate Bridge — I might have said earlier it was 166 million for the strengthening of the West Gate Bridge so I will have to correct that as I speak now; it is 120 million.

So the upgrades will include things like reversible lane flow management; over and underpasses to separate weaving movements; plus additional traffic lanes between the West Gate Bridge and CityLink tunnels; additional traffic lanes on the Monash Freeway and Glenferrie Road to Heatherton Road; and a freeway management system to regulate traffic entering the freeway over the 75-kilometre stretch, effectively from Werribee all the way through to Narre Warren.

The CHAIR — They are those lights which allow a couple through every time.

Mr PALLAS — It will be a system that is integrated, in terms of the capacity to manage it centrally, but part of that will, of course, be ramp metering, allowing greater capacity for cars to move smoothly into traffic flows. So peak-hour travel times will be reduced, road capacity increased and road safety further improved under the plan, which, as I say, constitutes essentially a billion-dollar plan. The project will increase capacity, it will increase safety and deliver more reliable road movements for freight on this important part of the network. These works, as I say, will stretch about 75 kilometres in length, and are likely to save the community something like \$14.5 billion through more efficient usage and productive travel time. Pre-construction activities, including survey geotechnical investigations, initiation of land acquisition and preliminary design have commenced on all sections of the project, with construction itself due to begin in late 2007. So the current status of each section — probably it is better to hand over to Alf or Gary.

Mr LIDDLE — I can talk to it.

Mr PALLAS — Just to take you through the technical aspects of the work.

Mr LIDDLE — Just referring to the plan that we have given out, there are really five components of the work that are being done. Working from the left of the page is the easiest way. Part of the project is about contra-flow on the West Gate Bridge, and that is still very much in the planning stage. The next section between the West Gate Bridge and the tunnels, the CityLink tunnels, is going to be delivered by an alliance contract, and in fact the alliance partners for that project have been selected. So those partners are actively working at developing the design and the cost estimate for those works. The tunnels themselves do not change and the project is about maximising the use of the tunnels, so there is no additional works to be done on the tunnels.

The widening of the southern link from the tunnels out to basically Toorak Road is actually the work that is being undertaken by CityLink. They are also delivering those works under an alliance contract and again they have selected the alliance partners and that work is actively being designed ready to start construction later this year.

The next section out from Toorak Road to Warrigal Road is a section also being delivered by VicRoads. That work is also being delivered as an alliance contract and at the present time we are in the process of selecting alliance partners for that particular section.

The section from Warrigal Road through to Heatherton Road is being delivered as a design and construct contract. The tenders from the first of those design and construct contracts. The tenders for those have been received and are currently being evaluated.

I guess sitting over the top of all that, the description at the top of the plan is really about the freeway management system which, as the minister said, is really an electronic management system to ensure we maximise the throughput on the freeway itself. So that is a quick overview of what is being proposed in the program and where it is at.

The CHAIR — Thanks very much; it is very, very useful. It is a big project, particularly in terms of the productivity gain.

Mr RICH-PHILLIPS — Minister, I might take you back to the Geelong bypass stage 4 works. There is, as you said, \$62.5 million in the budget and at this point no federal funding. The Premier said last year that if federal funding was not forthcoming the state would complete the project itself. Is it still the government's position that it will complete the project from state resources? If so, over what time frame and what is the current estimated total cost of the project?

Mr PALLAS — There are a few questions there, but I suppose the first question — I believe a question somewhat similar has been asked previously of the Treasurer about where the funding would be. Let me be clear that this government is committed and will conclude the Anglesea overpass stage and we will also put the funding in, \$3 million, for planning related to what is described as 4c, the Surf Coast connection. That is not funded this year in terms of capital expend. There is only 62.5 million. We had expected and we do continue to agitate for the federal government to do the right thing in terms of contribution towards the Anglesea overpass, but we as a government have made it clear that if the federal government will not pay for this important piece of work, something that actually meets the expectations of community, then we will.

If the question goes to where will the funding come from, I think the Treasurer has already spoken to you and given assurances that there is sufficient unallocated capital available for the purposes of funding —

Mr RICH-PHILLIPS — More unallocated capital?

Mr PALLAS — The government does not see any change in terms of the delivery timetable for this project. So if I could take you through, we do not see any change to the time frames. I will take you through each of these stages.

Section 1, Princes Freeway to the Midland Highway, started in February 06 and is planned to be completed by March 08. Section 2, Midland Highway to the Hamilton Highway, September 06 through to October 08. The Hamilton Highway through to the Princes Highway, September 07 commencement and completion by December 09. What is essentially the Anglesea overpass, Princes Highway to Hams Road, is mid-08 and due for completion in mid-2010.

We do not see any change in the timetable. As I say, if the federal government does not intend contributing to it then that is unfortunate. It essentially means that the government will have to make that contribution. But I do want to make this point and I think it is one that essentially has to be made for the purposes of being clear about why the government sees it is important that what is up until the Anglesea overpass, I think about a \$380 million project, is being dealt with hand in hand with the federal government, dollar for dollar, and why we think it is important that they continue that process.

When we changed the name of this road from a bypass to a ring-road we did it quite advisedly. We did it because we actually saw that that met the expectations of the community. Certainly what the community is saying is that it is not about getting away from Geelong; it is being able to get around and give people options in terms of mobility.

The federal government's principal argument is they do not like the route that we chose. Let us be clear: this was chosen by an independent panel. Why did the panel choose the route and not one that the federal member for Corangamite might prefer? It was essentially because there were something like 8000 vehicles that would otherwise not be available to use that road and therefore find themselves traversing through 29 sets of lights down Latrobe Terrace. Essentially this is what the community wanted, and that is why the government basically got behind it.

Now I can understand if the federal government's view is that essentially it believes that what we have done has been capricious and not reflective of the community's views, but we essentially had a very long process that has involved the community, that has involved an independent panel process. It would be an environmental disaster if we were to build a road over the Waurn Ponds valley — a \$100 million extra cost to that. It would essentially require about a two-year delay, both in terms of specification and planning. So essentially as a government we are committed not only to completing the Anglesea overpass; we are committed to completing the conclusion of that ring-road all the way through to the Surf Coast Highway, therefore opening up opportunities not only to the people of Geelong but to the people of the south-west of Victoria and the Surf Coast.

Mr RICH-PHILLIPS — The other part of the question was the current estimated cost of stage 4.

Mr PALLAS — As we have described it, it is 62.5 by 2, so what is that — 123?

Mr RICH-PHILLIPS — It is 125.

The CHAIR — Maybe there will be some more expenditure coming forward towards the end of the year, but probably for Corangamite!

Mr PALLAS — If we get our fair share we can at least expect that.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, on page 363. It is in relation to the freight transported by rail to and from Victoria's commercial ports — Melbourne, Geelong and Portland. It details a rapid decline in freight volumes transported by rail over the past seven years.

The heading of the page says:

The proportion of freight transported to and from ports by rail will increase from 10 per cent to 30 per cent by 2010.

Given that is the case, and also given the fact of my understanding that the only rail shuttle service goods train between the port of Melbourne and Altona was closed in February this year, can the minister explain how he is going to achieve the 30 per cent by 2010, and does he still stand by the statement as outlined in the budget papers?

Mr PALLAS — Yes. Obviously as a government we have taken a view that it is critically important that we identify a target, and that is certainly what the proportion of freight transport to and from the ports by rail is. We are seeking to increase it from essentially 10 per cent to 30 per cent by 2010. It is clear that around about 2005–06 the rail freight share was around about 16 per cent, largely as a consequence of what we would see as being largely driven by drought and other economic conditions. Essentially a lot of the material that has been transported by our rail freight system has also been reduced in terms of volume, and the freight task is largely being carried out by rail.

Mr DALLA-RIVA — Just on that point, Minister, the budget paper says:

The proportion of freight transported to and from ...

So you are saying that the drought, in terms of, I gather, grain and other transport, proportionally — I am trying to put it in the context of the statement in the budget papers. I am asking how can you say it is just the rail transport when this is about a proportion? I guess it is similar to Mr Barber's, a similar context. It is a proportion of freight, I guess, comparing rail to other transport means. I understand what you are saying. I gather you are saying there has been a reduction therefore in transport by road of grain because of the drought and other things.

Mr PALLAS — In terms of absolute volume —

Mr DALLA-RIVA — I know you have the overhead there in respect of the ports overview — that one there. Is there any reason why you have closed the rail shuttle at the moment?

Mr PALLAS — I will take you through those issues. I should make the point that in terms of the broad rail freight network the responsibility is with the public transport minister, but I am happy to deal with the question because it does relate to ports activity and, of course, our relationship with our intermodal hubs, particularly in metropolitan areas in Geelong, and I have responsibility for those matters.

Can I say, yes, if you have a substantial deterioration in terms of the volume, it does not follow axiomatically that there is necessarily only a reduction in rail freight. The fact is that there is a higher proportion of freight moved by

rail that essentially is moved as agricultural product than on our roads. There is a higher proportion of that by volume, so it has a disproportionately higher effect upon the meeting of the target.

In a broader sense, the government has taken a view that we are committed to working towards achieving this target. Yes, it is an ambitious target, but, quite frankly, this is an ambitious government. Our objectives are served most effectively, I think, when you look at the sort of infrastructure spend that the government is putting in place and working in cooperation with others in terms of achieving it. Our view about the most efficient way of achieving the rail freight target is not to simply say that economic conditions and drought have brought down the proportion of rail freight but to recognise we can make an investment in a very substantial sense in terms of upgrading the rail freight network, and that is what we are doing. The Dynon port rail link — \$138 million being incorporated into that activity. That will essentially ensure that there will be more access to the port and make rail freight that much more attractive. One of the great difficulties for rail freight is, of course, certainty of access into the port in terms of timeliness, being able to secure efficient access, not only into the port but in the decommissioning of freight once it is achieved in the port. So there are a number of structural things that government can do.

Mr DALLA-RIVA — When is the time on that? You may have already mentioned it, Minister, I just cannot recall. The Dynon port link, the one that is on that overhead.

Mr GARWOOD — Mid-2009.

Mr DALLA-RIVA — Thank you.

Mr SCOTT — I refer to budget paper 3, page 109, which refers to managing marine safety policy, regulation and investigation. Could you please advise how the government is improving access to recreational boating and ensuring our waterways remain safe?

Mr PALLAS — The Bracks government is committed to maintaining safe waterways and improving infrastructure for our boating users, and we have worked pretty hard to ensure that safety is a primary concern on our waterways. In 2005–06 we were in a situation where we recorded the lowest number of recreational boating fatalities in 15 years. We are also on track to delivering another record low figure for 2006–07. Our changes to personal floatation devices regulations, which were implemented in late 2005, have seen a dramatic change in recreational boating behaviour. Our initial observations indicate that there is a high level of take-up and compliance with these lifejacket-wearing requirements, and perhaps the most pleasing aspect of that is that there seems to be high compliance particularly when it comes to children wearing lifejackets on Victorian waterways. These changes have led to reduced boating fatalities, as I have indicated, across the state and they also demonstrate that life jackets do save lives.

We also recognise that there is a need for flexibility for some waterway users, and exemptions have been provided for canoes, kayaks and rowing boats during formal training and competition. I think that willingness to actually deal as a government with those issues as they are identified by competitors is critically important. It is critically important that we maintain our elite competitive reach and also the capacity to grow those skills at the younger ages.

In March I also announced that an independent review of marine pilotage would be conducted, following a number of incidents in the last year or so. That review will help ensure that Victoria has modern and effective vessel management practices and the highest standards of safety. Currently tenders for the review have been received and are under evaluation. The results of the review should be known later this year.

It is worthwhile to note that as a government we have also committed \$26 million in previous years to a boating safety facilities program, which is about improving recreational boating infrastructure and facilities. That has made for more accessible boating, by 133 projects being funded right across Victoria, in communities like Lakes Entrance, Murray River, Port Welshpool, Lake Eppalock, Tooradin et cetera.

Education and training funding has been provided across the state to a variety of clubs and schools. We have successfully been able in this budget to honour our commitment in Labor's financial statement 3, which yields another \$20 million towards boat funding grants. So, as you will see at page 265 in budget paper 3, we have included the provision of every cent of the commitment over the next four financial years. Our commitment has been warmly recognised by recreational boaters around the state who have seen that boating infrastructure improvements have been made, but, of course, more needs to be done.

Mr WELLS — Minister, in relation to the recent Burnley Tunnel accident and the state coroner's-initiated alterations to the traffic flow and lowering approach speeds, did you have discussions with Transurban in relation to the lowering of the speed limits in the tunnel, and did those discussions cover the issue of potential or actual material damages payable to Transurban should the speed limit in the tunnel be lowered?

The CHAIR — If you relate this to the estimates.

Mr WELLS — I will relate this to the estimates: budget paper 3, page 128, 'Road projects completed within agreed scope and standards'.

The CHAIR — I am not sure that it is a road project, this particular one. Minister, try to relate it to the budget papers, please.

Mr PALLAS — I will try valiantly, Chair.

The CHAIR — It is not the purpose of this particular hearing to deal with —

Mr WELLS — I guess if there is a payment to Transurban then there would be an impact on the budget.

Mr PALLAS — Can I say that certainly there have been discussions with Transurban — there have been discussions with ConnectEast as well — around the appropriate measures to put in place, but they have been pre-empted perhaps on one condition and one condition only: that is, what is the optimal safety system that we should put in place? I have not sought to move one iota from the advice that I have received from VicRoads and Victoria Police. They have worked in cooperation on this. At no stage did Transurban ever seek to raise a material adverse effects claim in terms of any issue that the government might seek to put in place. I want to make that point very clear: they at no stage sought to argue with the government about what they saw as a material disadvantage.

There is no doubt in my mind that they have effectively taken the view that they wanted to be assured that what we were putting in place was an optimal system that not only provided for safer tunnel usage but also provided a surety to the community that the tunnel usage was safe. I suppose it would go without saying — it is incumbent upon me to make the point that we have had over 100 million journeys through the Burnley Tunnel since it was built and it remains one of the safest stretches of road that we have in this state.

Indeed, the accident record of that tunnel, while of course the events of the triple fatality are quite unfortunate and debilitating for the community at large, the advice I have is that the casualty crashes per kilometre in the tunnel are at least three times safer than the adjoining sections of the West Gate and Monash freeways. The severity of the crashes in the tunnel are low compared to the urban freeway network as a whole. That has never in any way impacted upon the state government's desire to make sure that this tunnel is optimally safe.

Might I say, just by way of correction, the state coroner did not require these changes. Indeed, long before any indication that the state coroner foreshadowed that he would welcome the state government making changes, I did foreshadow on the Sunday after the accident that the government would be implementing changes, after discussions between VicRoads and Victoria Police, and we would not necessarily be taking a position that would ensure that we would be delayed as a consequence of the coronial inquiry. We see that as being critically important — that we have not sat back and waited for the outcome. We were clearly aware and understood the predisposition of the coroner in terms of him wanting to make sure that his inquiries did not delay any appropriate changes that the safety authorities thought were appropriate.

I want to be clear and unambiguous about this: the changes that we put in place were the changes that we saw as being most appropriate in terms of providing safe and efficient usage of the tunnel. Of course, that was on advice I had received. There was no change from that advice. Yes, there was discussion with Transurban. Yes, there was discussion with ConnectEast. At each and every step of that process the discussions that we had were about making sure that we got an optimal outcome. At no occasion was there ever a suggestion of litigation or cost to the state as a consequence of contractual arrangements.

The changes that we have put in place — banning lane changes in tunnels, installing emergency barriers at tunnel entrances to stop drivers entering after a serious incident, lowering the speed limit on the approach to the Burnley Tunnel from 100 kilometres down to 80 kilometres on the West Gate Bridge side, extending the use of the variable

speed limit signs, redrafting the learners permit, an awareness campaign on the new changes to traffic conditions and laws relevant to the tunnel, and a major tunnel safety campaign, which of course both ConnectEast and Transurban have indicated a willingness to make a financial contribution to. So in fact quite the opposite in many respects. What these companies are saying — they have not turned on the government and said, ‘We actually expect to get dollars out of this in terms of any changes to the way that our roads may otherwise be used’. They have said and I have asked them to make a contribution as a demonstration to the safe and efficient use of their tunnels, and they have been more than willing, without argument I might add, to make a contribution.

Ms GRALEY — Minister, I am very glad to see some of these little red lines turning into little green spots a few pages later, especially in my electorate. My question is around improvements to infrastructure and services to deal with congestion and bottlenecks. I am just wondering if you can provide the committee with some advice on the progress of EastLink’s construction in those sorts of terms.

Mr PALLAS — Of course EastLink is a fantastic project and it is certainly going ahead extremely well. So far as the government is concerned, it is a \$2.5 billion investment that is being made. From the government’s point of view it is an investment that is demonstrating a very substantial contribution and upgrade. As an area of road it is about 39 kilometres in length. It is quite enormous. We have had something like \$100 million being invested in terms of the capital contribution from ConnectEast into the construction. That is six out of the last nine months we have had \$100 million of capital contribution. The economic benefits of course are quite profound.

I took you through the almost \$15 billion worth of gross state product benefit that EastLink would yield. The direct benefits are around about \$10 billion. As I say, the gross state product forecast affected is about \$15 billion. About 7500 extra jobs will be created during the construction and about 6550 jobs during the operation, including more than 2000 extra jobs in the Scoresby corridor itself. Quite frankly, if you have been along that road, it is just phenomenal the amount of industry and activity that is building around it. I think in many respects it demonstrates the sort of activity that happened around the northern and western suburbs of Melbourne as the Western Ring Road opened up.

Since its construction started Thiess John Holland has spent about \$1.6 billion on construction, which is quite an outstanding achievement. In just two years more than 1000 Victorian companies have been awarded contracts totalling \$1.6 billion for EastLink construction. More than 20 000 people toured the facility on Sunday during an open day with the Acting Premier.

To give you an understanding of the major construction that has occurred since March 2005 and the progress that the workforce — which now exceeds 2800 — has made, almost 95 per cent of the earthworks are completed; the tunnel excavation is completed, with the installation of about 30 per cent of the permanent tunnel concrete lining and about 40 per cent of the tunnel floor; and equipment, including axel fans, is being installed in the ventilation buildings at each portal. Of the 89 bridges, 55 of them are complete, 33 are under way, and there is one sole one that remains unstarted at the moment, representing the largest bridge-building program in Victoria’s history. Nearly 50 per cent of the 600 000 tonnes of asphalt has been placed, 65 per cent of the noise walls are in place, and 30 per cent of shared-use paths have been completed.

Given the rate of progress, EastLink has the potential to be delivered ahead of the planned completion date of November 2008. After waiting more than 40 years, the delivery of this road will be a massive boon to both the eastern and the south-eastern suburbs of Melbourne.

Dr SYKES — I have a reasonably specific question in relation to grey spot funding. I understand that about \$15 million has been allocated as part of the government’s safer roads infrastructure program and that it is principally designed to address rural intersections that are not black spots but where there may be some identifiable operational design aspects of community concern. My questions are: how many projects in country Victoria does the government anticipate this program will fund? What are the criteria for determining eligible projects? How do communities go about having a road of concern included for funding consideration?

Mr PALLAS — Thanks, Bill. The grey spot funding was announced last year by the Premier and, as you would know, we have seen the first of those projects being delivered in terms of the Donald intersection. In 2006 we recognised that we had delivered our second lowest road toll since comprehensive records began, and we have recorded our four lowest road tolls over the last four years, but we accept that we cannot rest on our laurels, and

therefore \$15 million has been allocated to a grey spot program, which is about targeting proactively outer metropolitan and rural intersections.

The TAC has recently approved the guidelines, which are now publicly available. They are available at all local government offices and VicRoads regional offices. The intersections that have been identified as a road safety concern by the public and/or road authorities are eligible for consideration under the program. Site selection will be based on a risk assessment, taking into consideration geometric layout, speed limits, traffic volumes, crash history and estimated cost of treatment. We would obviously be able to deliver a much better outcome if, for example, substantially more funding were provided by the federal government in terms of addressing accident black spots.

We now know that there is \$250 million out there as well from the federal government. By all means we encourage people to go through the process of coming to the state government, but in fact there is \$250 million that the federal government is trying to ship out the door before the end of this financial year in respect of road projects, and every local council that I am meeting with I am rapidly encouraging to put in a bid for it. Quite frankly, in the interests of all Victorians I hope we get a better deal — better than the essentially 14 per cent we get currently out of the strategic roads program.

The CHAIR — We will try to get two very quick questions to finish off. Minister, I refer you to page 299, BP 3, and the walking and cycling infrastructure program, which is of very much interest to me. Where are we at on that one, what are you going to spend the money on, and what are your priorities there? I presume this is part of a very large program that we announced some time ago.

Mr PALLAS — We are committed to recognising the social and environmental benefits of cycling and walking. That is why under Meeting Our Transport Challenges we have indicated a long-term commitment of \$70 million over 10 years in these programs, and that is in addition to the \$4.2 million that we have been currently employing and expending over the last few years. It is the biggest injection in terms of cycling and walking in Victoria's history. We have included 2 million in terms of 06–07 and 5.3 million in terms of the 07–08 state budget. The investment recognises the importance of cycling and walking as travel modes, especially for shorter trips, and their potential to grow substantially.

One of the facts that I think brought home to me the importance of encouraging cycling in particular is a recognition of how much our motorised vehicle trips are actually open for review by individuals. My very strong view is that these have to be choice-based decisions by commuters, but the government has to put in place the necessary wherewithal to ensure it happens. We know that about 40 per cent of trips in metropolitan Melbourne are less than 2 kilometres in length — that is, trips by car. About two-thirds are less than 5 kilometres in length. So anything the government can do to actually encourage that — I will just be quick, and I will give you a physical representation of the congestion problem here and the physical layout.

I will not keep this myself, but it is a graphical description of what can happen if you can get cars off our roads. It might sound sort of counterintuitive as the roads minister that I want to encourage people to look at alternative road options, but this is a physical demonstration of what happens if you take the number of cars, in terms of the physical space they occupy, off the road. You will see the cars pretty much block up the better part of the block, but the same number of passengers are being commuted. Then you will see essentially a group of pedestrians in one group immediately in front of the cars. Maybe they are drivers getting out of the cars. In the next picture you have a bus, which does not take up much space, and finally you have cyclists, who do not take up much space.

Clearly it is in not only the community's interest in terms of encouraging people off the roads for the purposes of greater improvement in terms of the facility of our roads and a lack of congestion on our roads, but it is also in people's interest because it is a legitimate and valuable alternative option in terms of cycling. The government has put in place a number of TravelSmart initiatives including the CycleSmart program and the establishment of green travel plans for businesses and schools. We are also, through Bicycle Victoria's annual Ride to Work Day, putting in government support. Our long-term view in this is that people should be entitled to have substantial options in terms of the way forward. The sorts of investments that we are looking at are about improving and embellishing the principal bike network and also recognising that greater encouragement needs to be had in terms of giving people legitimate choices in terms of their transport options and recognising that cycling is a legitimate transport option.

The CHAIR — Thank you, Minister; I look forward to the Gardiners Creek one. Mr Barber, the last question.

Mr BARBER — In relation to the road safety part of the budget and specifically that part of the budget where you will be funding any 40-kilometre-an-hour speed limits and new zones, my understanding is that a number of councils, including the cities of Port Phillip and Moreland, have been lobbying for many years for additional 40-kilometre speed limit zones. Is any of the infrastructure and those zones funded in this year's budget? The story that the councils are getting is, 'Well, 40-kilometre speed limit zones are a trial and until the trial is complete we won't do any new ones'. What does the trial consist of? What is it measuring? Is it measuring deaths or people who do not die? Is it measuring vehicle speeds? What is the controlled experiment that is happening here?

Mr PALLAS — I will open it up and throw to one of our departmental people to give you a more concluded and considered view. But certainly the state government is running a trial in respect of a number of sites across the state, and principally metropolitan Melbourne, to ascertain the efficiency and the value of a reduced speed limit in various areas and therefore whether it has valuable application beyond that. One of the interesting factors that I came across just recently was via the UK department of health, I think it was. It looked at the fatality rates of pedestrians hit by vehicles that were travelling at 20 miles per hour — they use miles per hour in the UK. They found that the fatality rates there were about 5 per cent at that speed. They found that the fatality rates for pedestrians hit by vehicles travelling at 40 miles per hour was 85 per cent.

Mr BARBER — Correct.

Mr PALLAS — So there is no doubt that slowing down actually saves lives. It is a consistent message.

Mr BARBER — Particularly at that part of the curve, between those two numbers.

Mr PALLAS — As far as the government is concerned we want to be assured that the systems that we put in place do not cause confusion in terms of their uptake. Invariably speed zones are an issue of concern to the community more generally. We want to be assured that therefore the confusion does not adversely affect any otherwise perceived net benefit. Perhaps if I hand over to Gary Liddle to augment my points.

Mr LIDDLE — It is correct to say there is a trial going at 19 sites of strip shopping centres. The intention is that that trial will draw to a conclusion towards the end of this year or early 2008. The trial, in terms of the question that was directly asked about what it is looking at, is looking at the reduction in casualty crashes and speed environment in those shopping centres to make an assessment of whether the trial has been worthwhile.

Mr BARBER — So there is data on that — —

Mr LIDDLE — Being collected.

Mr BARBER — And at the end of the year we will be able to see something from that data?

Mr LIDDLE — Correct.

The CHAIR — Thank you very much. That concludes consideration of the roads and ports portfolio. I thank the minister and the officers present. It was very useful. Where questions have been taken on notice the committee will follow up with you in writing at a later date. The committee requests written responses to be provided within 30 days, and that will form the basis of our consideration for a future report. Thank you very much, Minister.

Committee adjourned.

CHAPTER 6: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Transcript of Evidence

6.9 Industrial Relations portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

6.10 Industry and State Development portfolio

Please note the Industry and State Development transcript and the Small Business transcript are combined into one transcript.

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr T. Theophanous, Minister for Small Business and Minister for Industry and State Development,
Mr W. Hodgson, Secretary,
Mr I. Munro, deputy secretary, business support,
Mr B. Foskett, chief executive officer, Invest Victoria,
Mr L. Bruce, acting deputy secretary, business development, and
Mr D. Hanna, deputy secretary, economic policy and planning, and chief executive officer,
Innovation Economy Advisory Board, Department of Innovation, Industry and Regional
Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings for the 2007–08 budget estimates for the portfolios of small business, industry and state development, and major projects. On behalf of committee members I welcome the Honourable Theo Theophanous, Minister for Small Business, Minister for Industry and State Development and Minister for Major Projects; Mr Warren Hodgson, Secretary of the Department of Innovation, Industry and Regional Development; Mr Ian Munro, deputy secretary, business support; Mr Ben Fosskett, chief executive officer, Invest Victoria; Mr Lachlan Bruce, acting deputy secretary, business development; departmental officers, members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and protected from judicial review. There is no need for evidence to be sworn; however, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded, and witnesses will be provided with proof versions of the transcript by email for their verification. The committee requests that verifications be returned within two working days of receiving the proof. Transcripts and PowerPoint presentations 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.

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 the 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. I ask that all mobile telephones be turned off.

I now call on the minister to give a presentation of around 10 minutes on the more complex financial and performance information that relates to the budget estimates for small business as well as for the Industry and State Development portfolio. Thank you, Minister.

Mr THEOPHANOUS — Thank you, Chair. It is a pleasure for me to be here before the Public Accounts and Estimates Committee, as a former chair of a similar committee. I do not think it was called public accounts then — I think it was called economic and something development — but I am very pleased to be here.

Overheads shown.

Mr THEOPHANOUS — I want to try to take the committee through what we are doing in the portfolio and the rationale behind the portfolio as well. The first thing to say is that there have been some significant changes to DIIRD following the 2006 election. We have now moved responsibility for skills, the ICT sector, film and TV and major events to be part of the DIIRD portfolio. I think members would be able to understand the rationale for that, in particular the skills element. We are very mindful of matching skills to what is required in industry.

There are some new ministerial portfolio line-ups as well. The Premier changed the old manufacturing and export and financial services portfolio to call it the Industry and State Development portfolio, of which I am the minister, and it also has separate areas for skills and ICT. Of course there are continuing functions, which include innovation, regional and rural development, tourism, and industrial relations as well.

What does it mean? DIIRD I think clearly has responsibility for the entire broad economic portfolio, which includes skills, investment attraction and facilitation, export facilitation and support, regional development, small business, innovation, manufacturing services industries, ICT, international promotion, and industrial relations. So you can see it is a very broad group of responsibilities.

This will facilitate more effective integration of the various arms of the economic development agenda — for example, skills, with manufacturing and investment attraction. It is important to understand that creation of the Industry and State Development portfolio reflects the growing integration of the economy and the focus that the government is bringing to this. Manufacturing services, financial services and infrastructure, included through my other portfolio of Major Projects, are increasingly interlinked as pillars of the economy and in driving our economy forward. The Premier was I think very deliberate in deciding on the portfolios that he gave to me.

Moving on to the next overhead dealing with the priorities in the Industry and State Development portfolio, we want to continue the strong performance in investment attraction and facilitation. We need to grow our exports, we

need to deliver the Victorian manufacturing statement — which I am hoping to do later in the year — implement the defence industry road map, and, of course, build on our international connections. I will speak more broadly, perhaps in answer to questions, Chair, about some of these priorities and why there are these new challenges for this portfolio in working in an increasingly globalised economy and also where there are some significant new challenges, such as global warming, that we have to deal with as well.

In the small business portfolio, a very large part of our businesses are in fact small businesses — 96 per cent are small businesses. We want to be able to provide world-class service, we need to reduce the regulatory burden, and, of course, skills is emerging as a major issue for small business and we have taken some initiatives in that regard.

In terms of achievements, we have achieved strong business investment. Business in Victoria continues to be strong, reflecting the strength of the economy. Business investment remained at near-record levels in 2006 and in 2006–07 business investment will be almost double the level in 2000–01, as the graph shows.

The next overhead shows strong export outcomes. As you can see, total exports in 2006–07 reached 29.1 billion, and annual growth for 2006–07 is in double figures as well.

In relation to this one, ‘Achievements 2006–07’, under ‘strong employment growth’ and 68 900 people over the past year, that is a lot of new jobs. We have historically very low unemployment levels of 4.9 per cent and solid population growth, up 1.4 per cent above Australia as a whole, so we are attracting a very large number of people coming here but we are also providing jobs for them.

‘Investment attraction and facilitation’, as you can see there, is another strongly performing area. Two billion of investment is expected to be facilitated in 06–07, which exceeds the target which we set of 1.6 billion, so we are ahead of that target. And 5000 jobs are estimated to be associated with these investments.

Under ‘New initiatives’, for industry and state development there is 9.9 million for *Opening Doors to Export*. You can see they are listed there, and I am happy to answer questions on them. In the small business area we will be investing 9.3 million, as the budget papers show, in order for the small business commissioner to continue his work. I will be happy to talk about the small business commissioner later.

As you can see from ‘New initiatives’, new initiatives are important to the DIIRD portfolio, but they are not the whole story. As I think I have indicated with the previous slides, DIIRD has a very broad set of objectives, and it achieves them on an ongoing basis. I have to say, Chair, even though we sometimes say the no 1 priority is in education for this government, and it certainly is, we also know that in order to achieve that no. 1 priority we need to have a strong, robust economy, and that is what I see as my job and the job of DIIRD to achieve. I think they have been very successful in that over the last few years. I think that is it.

The CHAIR — Thank you very much, Minister. I think we have about an hour and 20 minutes for questions. I would like to follow on from where you left off and ask you to tell us a bit more about this \$9.3 million for the small business commissioner. As a strong supporter of small business, I want to know how is that going in terms of business approaching the small business commissioner and what is this \$9.3 million for?

Mr THEOPHANOUS — Thank you for the question, Chair. As I said in my introduction, small business is an important driver of the economy. Ninety six per cent of our businesses are in fact small businesses. I think there are in excess of 300 000 businesses in total, so we are talking about a lot of people and a lot of employment in the small business sector, but one of the things that happens in small businesses, of course, is that there are disputes, and sometimes those disputes are retail tenancy disputes, sometimes they are disputes on other issues.

In May 2003 the Bracks government established the Office of the Victorian Small Business Commissioner, which was at that time the first of its kind in Australia. The key functions of the office are therefore: dispute resolution, investigations, monitoring government practices, and information and education. Under the Retail Leases Act 2003 and the Small Business Commissioner Act, the VSBC (Victorian Small Business Commissioner) also has the power to mediate small business complaints. Since December 2006 it has had the power under the Owner Drivers and Forestry Contractors Act to mediate disputes between hirers and contractors as well. So it has a significant ambit of responsibility. Since its inception it has dealt with 3100 matters which have been referred to it.

It has resolved disputes valued at approximately \$130 million, and it does so at relatively low cost. Bear in mind that for each party the cost is \$95 to have a dispute mediated. The VSBC has maintained a success rate of

approximately 80 per cent as part of its record. There was no ongoing funding in the budget for the commissioner, so one of my first tasks was to identify how important it was. I had in fact received the KPMG report and examined that report. I looked at what the role of the commissioner was and so forth, and the outcome is that we are continuing to fund the commissioner in the future. It is a very important part of providing a service to small business.

Mr WELLS — Minister, I would like to talk to you about water restrictions and their impact on industry. As you are aware, the water storages have fallen below 30 per cent. Can the minister explain to the committee what industry-specific water savings and management plans he has in place to minimise the impact of the drought on individual industry groups, and will he provide the committee with a list of industry-specific plans to be put in place and copies of those plans?

Mr THEOPHANOUS — Thank you, Mr Wells. Of course water is an important issue and it is an important issue for all of us, and certainly in my portfolio the issues are important because of the effect on industry — and really on all industry because we have some very substantial users of water in the industry sector — sitting alongside the residential demand. However, it should be put into some perspective. Melbourne's demand for water accounts for only 10 per cent of Victoria's total demand for water, and Melbourne's non-residential demand makes up only 2.8 per cent of the state's total water demand. So it needs to be put into that kind of context.

We have put in place a number of programs to help industry to reduce water use. These include the Water for Industry program, a \$10 million program; the Industrial, Commercial and Institutional Fund, a \$1 million program; the Stormwater and Urban Water Conservation Fund, which is \$10 million; Enhancing Sustainability in New Investment, \$1 million; the Smart Water Fund, \$5 million. All of these have been put in place.

The Water (Governance) Bill of 2006 requires water authorities to note their top 200 water users in their annual reports from 2006–07 so the community will know which particular users within industry are using water the most. At least they will know the top 200. But bear in mind, again, the top 200 are significant users, but they account for 0.8 per cent of statewide demand, so it needs to be put into that perspective.

I think that we have also gone to work with these top 200 to develop industry plans. In fact 180 of the top 200 water users have completed water management plans, with the remainder due for completion by 30 June this year, as part of the Pathways to Sustainability program. Pathways to Sustainability will be extended beyond the top 200 to include an additional 1300 water users, saving another 13 gigalitres by 2015.

So as you can see, Mr Wells, we have been very active in this area in seeking to reduce the amount of water, identifying who the top 200 are and ensuring that they all have water plans. Now we are moving to extending those water plans to a further 1300 water users in order to ensure that industry does its bit to reduce the amount of water that is being consumed.

Mr WELLS — Can I just clarify a point? You have identified the 200; then they have to provide a water plan to you?

Mr THEOPHANOUS — Sorry?

Mr WELLS — Is that my understanding of it? You have identified the 200 largest water users. Then is it their role to provide a water plan to you, as minister, as an industry plan? I am just getting clarification on that point.

Mr THEOPHANOUS — I think they provide that plan to the actual water suppliers, as I am informed.

Mr HANNA — It is certainly not to the minister here. If it is to a minister, it will be to the minister for water. I will have to check that.

The CHAIR — You will find on page 332 in budget paper 3 an explanation of that particular program, the Top 1500 Industry Program.

Mr THEOPHANOUS — What I can tell the committee is that they are not reported to me as minister or to him.

Mr WELLS — So the industry plan is from the minister for water?

Mr THEOPHANOUS — The minister for water has responsibility for that plan. My department works with the top 200 to ensure that they meet their obligations under the plan, as we work with all industries to ensure that they meet a whole range of obligations, including ones that are related to trying to reduce electricity consumption and all sorts of other obligations that we try to encourage industry to meet.

Mr PAKULA — Minister, in budget paper 3 on page 139 there is a whole range of small business supports. The government spends a significant amount on programs and services for small business. I am wondering how we know that the needs of small business are actually being met and that the services represent value for money.

Mr THEOPHANOUS — Thank you, Mr Pakula. Of course, this is an important aspect of what we do, because there is not much point in having a series of programs and spending a significant amount of money on these programs if you then have no idea about how successful the programs are. So it is important for us to identify, as far as we can, the extent to which they represent value for money for the government.

The way in which we do this is through a number of sources, but a very important way is through client satisfaction surveys. These surveys have indicated that the Victorian government small business programs are very well regarded. Of the 3973 participants at 317 workshops and seminars on Under New Management, which was one of the programs, 90 per cent rated the workshops and seminars as either excellent or good. Another program, Women's Access to Finance, held 63 seminars involving more than 739 participants — again, more than 90 per cent rated the seminars as either excellent or good. In relation to the small business mentoring and counselling program the satisfaction rating was 74 per cent, and overall with Grow Your Business, which was another program, 91 per cent rated that saying they were very or quite satisfied.

There are a number of others. I might just mention the Energise Enterprise 06, which was very good — 95 per cent reported that the event they attended was good or very good. As you can see, we not only try to help people with these programs, we also, in doing that, survey their satisfaction levels so that we can assure ourselves that what we are actually doing is thought by our customers to be value for money and useful to them.

Dr SYKES — I am interested for you to perhaps expand on opportunities you see in relation to reducing the regulatory burden on small business. I put it in the context that as I sit in the Parliament many, if not most, pieces of legislation that pass through the house have an impact on small business in country Victoria. For example, the working-with-children legislation had an impact on newsagents that historically employed young children to be paperboys and papergirls. In essence, following the letter of the law with newsagencies, it was very difficult for young boys and girls to continue to be paperboys and papergirls and therefore they lost that opportunity to earn pocket money and to learn a work ethic.

Similarly, the penalty rates that have been introduced for working on Sundays have resulted in businesses initially upping the price of their product on a Sunday — for example, Bouwmeester's Bakery at Benalla upped the price of their cappuccino by a dollar. They found there was market resistance, so their solution was to put off the salaried employees and work harder themselves in an attempt to keep going.

Another one is the issue of the working-with-children legislation whereby a volunteer is required to have a police check, and that is undertaken at the cost of the taxpayer, not the individual. But if that same volunteer with a police check clearance wants to work with children in an employed situation, they have to go and have another police check for which they have to pay — I think it is \$70. So those are three examples where I have seen a negative impact. Can you flesh out where you can see opportunities to reduce the impact of regulatory burden, perhaps looking at those three in particular?

Mr THEOPHANOUS — Thank you, Dr Sykes. Perhaps in answering your question I should say that a big part of your question related to industrial relations, and I am not the Minister for Industrial Relations, so I am not sure that I am the right person to ask that particular question of. But there is a system of awards. There are community standards in relation to when and how old children need to be in relation to protecting children at work, and those community standards you are aware of. But I am not the responsible minister in relation to those in any case.

What I can tell you in relation to the broader question you put to me, which was about reducing the regulatory burden on small business, is I think the important thing to say here is that we actually have a target for this; the government has a target. It is a three-pronged approach to reducing the burden through a commitment to cut the existing administrative burden of regulation by 15 per cent over three years and 25 per cent over the next five years. We also have a self-imposed initiative for all ministers such that where there is a new regulation to be enacted a compensating one must be removed. So in that sense we have capped the number that can go forward, and then put a target on ourselves in relation to reducing the amount of regulation that small business might face. We are also continuing to promote non-legislative initiatives to reduce the regulatory burden by trying to make it easier for businesses to navigate their way through information on a range of regulations that are administered by the agencies.

Some initiatives include services such as the Victorian Business Line, Victorian business centres, the Business Victoria website and the world-class service initiative, which provide a kind of integrated service to businesses seeking advice and information on regulatory requirements across all levels of government. So businesses can access those services and can find out what they need to do in terms of regulatory requirements right across government. There is a new small business regulatory impact assessment manual, which is a new manual to assist regulators in calculating the cost to business of new regulatory proposals — that is a recent initiative that we brought out — and a new business consultation database as well, which is due to commence in May 2007. Both of these initiatives I launched.

They will allow businesses to have direct input into the regulatory process as we develop new regulations. There will be a database which must be consulted called the business consultation database. There is an interstate business transfer service currently under development which will also reduce the regulatory burden on business seeking to relocate to Victoria or open a Victorian branch. This is something for which we are also undertaking a program of reviews to identify the necessary actions to reduce compliance burdens combined with incentive payments similar to those under national competition policy.

Reducing red tape is one of our major priorities for small business. I suppose with small business, and to some extent with business generally, when you speak to business they talk to you about regulatory burden, they talk to you about inputs. These are the things that they want governments to address. I am sure I will be asked questions later about inputs, but we are certainly in the business of reducing the costs to business, and I think they have been significantly reduced over time.

I will not respond to that in answer to your question, but the second part of that is reducing this regulatory burden. It is something we need to be vigilant on, and I believe the government has gone a long way and has a very significant program going forward to reduce that regulatory burden.

Mr SCOTT — Minister, in a table located on page 139 of budget paper 3 a reference is made to ‘World Class Service initiative’. Could you please advise the committee what progress has been made with this initiative?

Mr THEOPHANOUS — Thank you, Mr Scott. As I said just before, regulation and its associated compliance burden continue to be a concern for small businesses given that they often time poor and have limited resources to be able to address the regulatory burden.

The Victorian small business master key, the VBMK — it is not all that catchy, but it is a good initiative — was announced in Victoria *Leading the Way* in April 2004. We provided \$6 million over three years to that program. The second phase of the VBMK was announced in the new program announced for small business in *Time to Thrive*, the small business statement, in August 2006 under the title ‘World Class Service’. This committed an additional \$18 million through to 2010.

There is a significant amount of money being invested in this Victorian business master key program, and the services developed by that service make it easier for businesses to deal with government through integrated and customer-centric service delivery, both online and over the phone. It is a key element of the government’s commitment to reducing regulatory burden on business. The first release of services occurred in December 2005. These services allow businesses to find and manage government information and conduct their licensing and registration transactions.

Businesses can search all government websites in one go as a result, access step-by-step online learning guides, find the right contact, ask questions across a wide range of government matters, and use the first stage of an

integrated online account to manage their business licences, permits and registrations. For those who do not know it, it can be accessed through www.business.vic.gov.au.

The CHAIR — It's good we are on the internet.

Mr BARBER — Tiger Airways — your very successful coup there — can you detail for us — —

Mr THEOPHANOUS — A coup?

Mr BARBER — I know you are proud of it so you will want to talk about it. Can you detail what incentives you offered to get them to locate here — just to give you some prompts — under the headings of tax expenditures, subsidies or other kinds of spendings or any other kind of regulatory breaks?

Mr THEOPHANOUS — Thank you for your question, Mr Barber. As I indicated in the house yesterday, this is a very important investment for the state. It will create a significant number of jobs — we estimate about 1000 jobs.

It will generate, according to what the company has said, something in the order of 2 million additional airline trips in the first year of operation. That is a lot of people being able to access cheap fares. It will make Melbourne the cheap fare capital of Australia. It will mean that more than 60 per cent of airfares out of Melbourne will be what you might call at the cheaper end of the scale or the low-cost end of the scale. Melburnians and Victorians will be able to benefit from this by very substantially reduced airfares. As we have seen already, even the fact that Tiger is being mentioned has generated quite a significant amount of activity already and people are benefiting from it from their competitor announcing \$3 airfares — if you buy one, you get another one for \$3. This will be great news for the state.

The other thing I will add is if you think that the 2 million extra trips are actually going to be taking trips from existing carriers, you will be sadly mistaken, because what has been the case in other markets where this has occurred is that it has created additional flights. We expect the majority of the 2 million extra trips will not be taking flights away from existing carriers but will be adding new people wanting to go to places because it is cheaper now to travel right throughout Australia.

It has been shown that the Tiger model, where it was used in Asia but also in other parts of the world, has led to a stimulation of travel in all the markets that it has been in rather than simply just taking market share. I know that you want me to answer your question in relation to financial assistance that may or may not have been given — —

Mr BARBER — And other sorts of breaks. If you do not want to tell us the amount, tell us the types of assistance that the package consisted of.

Mr THEOPHANOUS — I know that there has been a bit of criticism in the newspapers but I think it is important for members of this committee in particular to clearly understand this. There is a reason why the government does not reveal the level of assistance packages. It has been a longstanding practice. It has been tested on a number of occasions, but let me explain what I think are the reasons. Firstly, facilitation packages are commercially sensitive for the recipient, not just the government. They demand commercial-in-confidence type arrangements with us. These arrangements, for them, are sensitive in relation to their competitors knowing what level of assistance may or may not have been given. There is an issue about that.

Mr WELLS — Minister, your views have changed from when you were in opposition, because I remember quite clearly that when you were in opposition when it came to commercial in confidence you never accepted it. What has been the change?

Dr SYKES — The Tiger changes its stripes!

Mr THEOPHANOUS — Whenever you want to talk about my views in opposition I think you would need to actually quote somewhere where I said something rather than use more generalised things like that. I think when I was in opposition I was certainly mindful that there are some commercial-in-confidence arrangements, as I think you have been over the years, Mr Wells. You know very well that not everything can be simply put out publicly.

And there are some other reasons for this. From the government's point of view the last thing we would want in a kind of cutthroat situation, in the highly contestable situations that we face in this department, is for all of our competitors to know how we think, to know how we structure packages, to know how we might talk to businesses that want to come and invest in this state, because it would be just like giving away the one competitive advantage that we might have.

What I can tell you is this: in putting the package together it was very clear to me that we were not on the top of the list in relation to Tiger Airways at the beginning of this process. We were not up the top; other states were in fact ahead of us. Not only that, I can also tell you that other states in the end were prepared to facilitate to a larger extent than Victoria was.

What got us over the line was being able to sell what we have to offer here in Victoria — and that part of it is the most important part, because no matter what you give as a facilitation package, if the business case does not work, if the infrastructure is not available to the business, if they do not actually start making money after a period of time, if the industrial relations climate is not in place — if all of these things are not there, I can tell you what happens: they come in for a little while and then they disappear. So when we did this, we were talking to this company for a long period of time.

I found it absurd, in the *Age* today, David Davis quoting me and saying we had pulled something out of the bag, that I knew we had to pull something out of the bag, suggesting somehow that we then finished up paying a lot more money or something of that nature. In fact, do you know what I was referring to? If he had been there when I mentioned this to the press, what I said was 'Yes, Victoria ultimately pulled something out of the bag'. What I pulled out of the bag was a Richmond Tigers footy jumper, and I gave it to Tiger and said, 'Come down to Melbourne, because not only do we have all these other things for you, we have also got a football team that has your name' — —

Dr SYKES — And they are losers!

Mr BARBER — Minister, if we got it for the price of a footy jumper, I would be thrilled. Can you go back to my question?

Ms GRALEY — He is a Bulldogs supporter, too.

Mr THEOPHANOUS — To completely twist what I had said in relation to a football jumper into somehow suggesting that the government — —

Mr BARBER — Fill the vacuum, Minister, and just explain to me if tax expenditures were involved, if subsidies of other types or regulatory breaks were involved. If you do not want to tell us the amount, at least tell us the categories under which it fell.

Mr THEOPHANOUS — I think, as the Premier has said, we did provide assistance for training for the company. We were very keen to make sure that they are able to train up their staff — the on-ground staff and the staff that will be used on the aircraft itself — so we have provided a bit of assistance to help them in skilling up the new workforce that they have got.

We have also provided some assistance in relation to what we call cooperative marketing. When we say 'cooperative marketing', remember that that cooperative marketing does not just market the Tiger brand but it markets Melbourne. It has to market Victoria and Melbourne, and in that sense it is kind of a joint approach. It benefits Victoria because it is targeted towards bringing people into Victoria. It might be funds that we might use anyway ordinarily in trying to market our state from a tourism point of view.

They are two of the elements that were in the package. I think, though, as I said before, the decisions that were made by Tiger were made on very good grounds. I can tell you, having been involved in this process, that the other states do not hold back any punches. To give you one example, the other states were trying to find reasons around industrial relations as to why they should not come into this state — because of the poor industrial relations situation.

We had to counter that — and we did. Not only did we counter it by showing how some of the statistics that might have been given to Tiger were not really reflective of what the state's position is, we actually managed to get Tiger

in touch with the major union that they would be involved with, to get some assurances from them about how they would operate in this state.

I venture to say that the fact that we have been prepared to go to the point of doing that kind of contact with this company in order to get this deal over the line shows you the extent and the depth of effort that it took. That is why when we launched it I was very pleased to thank everyone at DIIRD for the enormous amount of effort that it took to get this company here. We should be proud of this. This is going to result in cheap airfares, it is going to result in greater tourism into the state and it is going to be a win in terms of a huge number of Victorians being employed as well.

Ms GRALEY — You recently visited my electorate, and I know you know how important business is to my constituents and, of course, to all Victorians. I was wondering if I can refer you to page 139 of BP3, entitled ‘Small business support’. Could you indicate what progress has been made towards implementing the initiatives referred to in the table there?

Mr THEOPHANOUS — Thank you for the question. I am aware of the page you are referring to. Small business support, of course, is of significance to us. We have done this under the title ‘Time to Thrive’, which is subtitled ‘Supporting the changing face of small business’. It is a practical and far-reaching action plan to ensure Victoria continues to lead the way in supporting small business growth.

Time to Thrive has a number of different programs underneath that major title, but the package is a package of \$98 million. So if you think about this, this is a significant amount of money that is going to be expended in order to help small businesses to thrive in this state. It is targeted at reducing red tape. It is targeted at providing a fairer deal for small business, and it is targeted at skilling small business for growth.

I will just mention some of the programs that are under this \$98 million program. There is My Business, My People business skills for the future. I launched this program not long ago. It is a \$10.7 million initiative to help small business address what they tell us is one of their major issues — it is skilling their people and then keeping the skilled people within their organisation. It is a double problem for them. They first of all have to find them, they have to skill them up and then they have to keep them if they are going to remain competitive. What is becoming increasingly clear to those small businesses is that the fundamental aspect of their business that makes their business work is not what they are selling, it is not what they producing, it is actually their people. Once they understand that and how important their people’s commitment to the business and the skills of their people are to them being successful, they are able to go from smaller businesses to larger businesses. This program is \$10.7 million. It is accessible to all small businesses that want to try and access it and improve the skills of their workers.

More than 300 Under New Management seminars have been done throughout 2007. We have free health and safety consultants for small business, delivered through the Victorian WorkCover Authority. More than 600 small businesses have benefited from this service. This is where you get the Victorian WorkCover Authority to come in with a health and safety consultant and tell you how you can construct your business so that you do not finish up having a WorkCover claim. There is a small business procurement hotline providing advice and assistance on how to win government business as well. So there is a range of such businesses, but I might finish in answering your question with a quote from Tim Piper, the Victorian director of AIG, the Australian Industry Group. He said:

The Australian Industry Group is pleased the state government recognises the need to assist to small businesses to develop and welcomes Time to Thrive. Planning for and access to skilled workers for small manufacturers is vital for the development of the Victorian economy and the \$11 million provided to address this is welcomed by industry and especially manufacturers.

That is a pretty good endorsement.

Mr RICH-PHILLIPS — Minister, I would like to go back to the small business commissioner you mentioned earlier and the KPMG report. Can you run through the recommendations of that report that presumably you have picked up in getting ongoing funding. Has that report being released and, if not, will you make it available to the committee?

Mr THEOPHANOUS — The answer to your question is that the report has not been released, but in further answer to your question I do intend to release the report. As I think it is appropriate, I examined the report myself. I use the report to make decisions about the future of the small business commissioner. We have made those decisions now. We have decided to continue to fund the small business commissioner and for the office to

continue its operations. That report was generally favourable in relation to the operation of the small business commissioner, but it did have some recommendations that the small business commissioner needed to take up and use. We were happy to pass them on.

In a general sense the report indicated that the small business commissioner is 'very effective and reasonably efficient' — that was the final conclusion — 'in achieving their policy objectives'. It found that the key stakeholders see substantial value in what that small business commissioner does, particularly its role as a low-cost, successful mediation service for business and business-to-government disputes. It found that the commissioner's dispute resolution and mediation activities had been effective in allowing greater numbers of businesses to access this low-cost dispute process and it made 17 recommendations to improve effectiveness and efficiency of this sector. They have been considered by management and are being used to inform strategic and operational planning for the 2006–08 and beyond. So we were reasonably happy with this. I am happy to make it available to the committee as well as launch it publicly.

Mr RICH-PHILLIPS — Is it likely to be soon — the public launch?

Mr THEOPHANOUS — We have not set a date, but I will try and ensure it is done relatively quickly.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 138, on export promotion. In particular I draw reference to last year's PAEC hearing where it was referred to the then minister that there needed to be a substantial increase in the number of exports grown to meet the government's Opening Doors to Export strategy in 2004. In particular I refer to the report on the 2006 budget estimates, page 286, where it speaks specifically about those issues and the fact — you will not have this minister, but I will quote:

The committee noted that to achieve the target number of exporters (24 500 companies by 2010), there would have to be an increase of over 130 per cent between 2004-05 and 2009-10.

I draw your attention to the current budget paper I referred to earlier in respect of quality and that is the client satisfaction with export assistance offered. I note the target had been set at 90 per cent and in fact the expected outcome for the current financial year is 73.

Would that be an indication that the Office of International Business and Export, in fact the area of export promotion, has in fact been anything but, and could you explain how you are intending to reverse this decline in client satisfaction so that we can actually see an increase in export outputs?

Mr THEOPHANOUS — Thank you. What I might do is answer in a general sense, but I might pass on to Ian Munro to give a bit more detailed responses as well. In a more general sense, exports is one of the things we are very interested in focusing on now. In fact the review that we are doing on the VGBOs is partly in order to refocus our emphasis more on exports than what you might call investment facilitation. If you think about the Australian funds market there is a lot of money in Australia at the moment — a lot of funds ready to be invested. In fact we now have the fourth-largest amount of money under funds management in the world, at more than \$1 trillion under funds management, so there are plenty of funds in Australia that are available for investment in Australian businesses.

What we need to do, and what I am keen to focus on — and that is one of the reasons why the Premier decided to look at the VGBOs — is to put a greater amount of emphasis on our export facilitation and increasing our export drive. The reason we did this — I must say to you that in fact we have done a lot of this already. Sometimes you have heard me speak about the automotive industry where we have increased the amount of exports in a way that has virtually saved the industry, because if it was reliant only on the domestic market the automotive industry probably would have collapsed by now. It now exports 45 per cent, or thereabouts, of the cars that are produced outside of Australia. It is that which is holding, but if you go back a few years that figure was significantly lower than that. Manufactured exports have been increasing out of Victoria. It has been a very important part of us being able to have a strong economy. Can you add something further, Ian?

Mr MUNRO — I could, I think, specifically about the point you raised in terms of that client satisfaction, the 73 per cent. I have to say that we have scratched our heads as to where that came from. My answer would be that it is an early indication, a measurement that was taken early on, and that we would have confidence that it would get up to the 90 per cent. As you will note in the target for the next years — 2007, 2008 — we have changed

the system, four out of five, so that is why it becomes 80 instead of 90. I am not sure where that figure came from. We have had a look to see the basis of that, but we are confident that it will get up to the 90 per cent.

The CHAIR — When you do find out perhaps you could tell us.

Mr MUNRO — Certainly.

The CHAIR — Minister, I want to refer you to investment facilitation and attraction at page 137. We have had some discussion on this before, but looking at the various units of measures and expected outcomes et cetera, I know have we discussed Tiger, but can you tell us a bit more what you are expecting to achieve or what has been achieved under the various headings in a little bit more detail rather than simply Tiger?

Mr THEOPHANOUS — Yes, I certainly can. I am sure people on this committee understand — I am not sure perhaps some others who may not be as involved in the economic side of government, but I am sure people on this committee understand just how significant and important investment facilitation is and in some respects how sensitive it is too.

We are involved in trying to facilitate investment in a range of areas, and we do so by a number of different processes. There is an amount of money which is identified in the budget papers which is put in as our investment facilitation budget, if you like. But as well as that budget you will almost invariably find that when we report on the output in later years the output is significantly higher than the amount that we had budgeted for, and that is because obviously we use a Treasurer's Advance, quite often in order to facilitate investment — I guess of the Tiger variety. That is why the output always comes in as a lot higher than what was budgeted for. In fact I was asked the question again by David Davis, who seems to mix these things up. He asked me another question in Parliament in which he tried to suggest that we had reduced the amount, because he compared the output with the budgeted figure rather than comparing the actual numbers.

But in respect of your question — investment attraction. The amount that was attracted and facilitated by DIIRD — let me just put this to you because there is a small amount, a relatively small amount in the budget, but let me just put to you what we actually achieved. We achieved a record \$2.48 billion of investment resulting in the creation of an associated 6091 jobs. That was the total estimated amount of money that got invested into this state as a result of investment facilitation by DIIRD. Just imagine what the state would be like if we did not get that \$2.5 billion of additional investment arising out of this facilitation-type activity.

Let me just point out for regional Victoria how important this is. In regional Victoria we were well above the figures for 2004-05, with a record \$1.125 billion of investment attracted and facilitated in 2005-06, with an expected result of 1598 jobs. That is 1600 extra jobs in regional Victoria; and in regional towns, you know, 20 jobs makes a huge difference, sometimes 10. So we are talking about 1600 jobs being facilitated just by this program alone.

The majority of investment attracted and facilitated was concentrated in the following areas: in forest products, \$593.4 million; in the automotive sector, \$551.8 million; in food, 351.4 million; in tourism, 253 million; and retail services, 221 million. So in the IT and T — information technology and telecommunications — sector, investments in that sector, we generated the greatest amount of employment, with 1078 jobs expected to result from investments attracted and facilitated. The food industry gave us 935 jobs, the retail sector, 827, the automotive sector, 709, and on it went.

So if you think about these investments, they are very significant investments. Just to cite one of the investments we have facilitated, the Ford Motor Company investment of \$1.8 billion over 10 years to implement its new Falcon project and create a global design centre for SUVs and light commercial vehicles in Victoria. I do not think people really understand just how important these industries are to us, but if you were to go and visit the Ford centre in Broadmeadows, not the part where they actually make the cars but across the road where they have all their engineers and designers — I mean I was astonished when I went down there. I thought there would be maybe a hundred or a couple of hundred people at most that would be working down there on designs and engineering of cars.

It turns out it has expanded this and it has 1000 people working on this. Designers and engineers are producing designs and engineering for cars that are not even being made in Australia. This is the sort of future that we have to try and promote in our industries if we are going to keep ahead of the game and keep our people employed. I am

very proud of what we do in this sector of facilitation. I think it is something that should be supported across parties.

The CHAIR — Thank you very much, Minister. I have seen the one at Toyota, for example. It is similarly very good.

Mr THEOPHANOUS — Yes, Toyota is the other one

Mr WELLS — Victoria's annual share of national exports has slumped to a historic low of 12.1 per cent from 20 per cent in 1999. Since 2001 the value of Victoria's goods exports has fallen a further \$3 billion, or 13 per cent, to \$20 billion annually. This is very similar to what Richard Dalla-Riva was saying. Under trade development export promotion in the budget, the value of exports facilitated and imports replacement has also declined over recent years. I note that on page 138 of budget paper 3, the budget target for exports facilitated and imports replacement for 2007–08 is \$689 million. That is the same target for the expected outcome as what you had last year. So this is down from a high point of \$2121 million in 1998.

I also note, Minister, on page 8 of the *2007–08 Victorian Budget Overview* that total Victorian goods exports grew by 5.1 per cent, but given this can you explain why the outlook exports facilitated and imports replacement is not greater than the \$689 million target especially, as I said before, as that figure of 1998–99 was up as high as \$2121 million?

Mr THEOPHANOUS — Again I might talk to you first of all about our long-term target on exports. The government has set itself a long-term target to increase goods and service export revenue to \$30 billion and to double the number of exporters by 2010. We set that target in 2002. To help achieve these goals, the government committed \$11 million over three years in the Opening Doors to Export plan to introduce five new programs, expand overseas offices and fund major participation in the Aichi World Expo.

In the 2006 election we reinforced that commitment to exports by announcing funding of \$4.8 million, to continue this Opening Doors to Export program, and funding of \$4.8 million to establish the Victorian Export Network. Total exports in Victoria grew by 4.6 per cent, \$1.3 billion in 2005–06, to reach a total of \$29 billion. Goods exports were valued at more than \$18.9 billion and services exports at \$10.1 billion. If the current growth rate continues, the export target of \$35 billion by 2015, which is our new target, will in fact be achieved. But we are not taking anything for granted in this very competitive environment.

These figures jump around a bit, but, for example, goods export figures for the February quarter increased by 5.9 per cent compared to February 2006. These increases were driven by a boost in the export of aluminium, meat and pharmaceutical products. So it is a market which kind of moves around a bit. It included increases of 55 per cent of non-ferrous metals to \$581 million, and there was a 19 per cent increase in meat to \$362 million. Whilst the government has exceeded investment targets in the past, there is no certainty that this situation will continue. To account for the long lead times associated with some projects and the volatility of the investment attraction and facilitation market, the government maintains a rolling target over a four-year period for the amount of new investments facilitated and the number of jobs delivered for new investments facilitated.

In 2005–06 this four-year rolling target was \$6.4 billion in new investments facilitated, and an associated 20 000 new jobs. This equates to the annual average target of \$1.6 billion in new investments facilitated and 5000 new jobs.

At the end of the day this is partly about job creation, and we are creating jobs at a rate of 1000 per week in the state. We are creating more jobs than virtually any of the other states, except for the resource-rich ones, in particular, Queensland. We are creating a lot of jobs and we are creating a lot of investment, and the economy is continuing to grow, as the budget papers show. Did you want to add anything to that?

Mr MUNRO — Perhaps only to indicate where the 689 came from — that would be helpful. It is the same figure; it is there from a previous year. This is something that the department, in looking at the contributions towards exports, looked at to obtain about \$100 million out of the trade fairs and missions program, around \$90 million out of the industry capability network, so that is ensuring we use local participation, and around \$500 million, adding up to the 689, coming out of the investments. These are exports relating to the investments that the department or the government is facilitating. That is where that figure comes from.

Mr WELLS — It is just that when you look at the figures it looks like you are going backwards. In 2005–06 the actual is 864; then you are sliding backwards to 689.

Mr MUNRO — What the figure is going to be in the end, we would confident that in 06–07 it will be greater than 689, and obviously in 07–08 we will go further again to increase that. So I can assure you that exports within the department are a major, major priority in terms of investments. Everyone understands how important it is.

Mr PAKULA — Minister, on pages 34 and 35 of budget paper 3, I want to go to the issue of the reduction in stamp duty on new motor vehicles. In your capacity as industry minister, can you outline the benefits that the reduction will have for locally manufactured vehicles, which you were discussing recently.

Mr THEOPHANOUS — Thank you, Mr Pakula, and I am pleased to see that Mr Barber has come in for the answer to this question in relation to stamp duty on new cars.

Mr BARBER — I drank too much of that water. Thank you for asking, though, Minister.

Mr THEOPHANOUS — The first thing to understand is the size of the tax cut. It is a very significant tax cut. It is worth \$177 million over the five years, and it took effect from 1 May. We think this is about cutting taxes to families. It is targeted very squarely at your average working family and the sorts of cars they might buy. It will deliver \$600 worth of savings, which represents a 40 per cent cut to stamp duty on cars valued between 35 000 and 45 000. Some of those cars would be the Toyota Camry Grande, the Holden Commodore, the Ford Falcon and the Ford Territory. So there is a capacity for those cars to get a significant reduction in stamp duty. Of course it also means that some other cars can also get reductions even higher than that.

When this was thought about — I know that some people would have preferred that we just targeted this entirely on small cars, and I know that Mr Barber has made that point that we should be targeting this entirely on small cars or on cars like the Prius in order to reduce emissions.

However, can I just make this point: people are going to buy cars. What we have in this state is a very old — in fact, one of the oldest car fleets in the developed world. Many of our cars are more than 10 years old. If we can get people to buy new cars, there is actually an environmental benefit in that.

If they trade in their old six-cylinder Commodore and buy a new six-cylinder Commodore, the new six-cylinder Commodore is better for the environment. It has more environmental controls on it, it uses less petrol compared to the older one and it is, of course, most importantly, a much safer car as well. So from whatever side you want to look at it, it is a good thing.

When we did this we also had to balance one other thing: whether we like it or not, the majority of cars produced in this state and in this country are six-cylinder cars or bigger family cars. Even the four-cylinder Camry is still a relatively large car. We do not produce the very small-type cars that are on the market at around \$15 000 or thereabouts. We do not produce those cars here. We would never be able to produce them competitively, because they are produced on an absolutely huge, massive scale in countries abroad that we just cannot compete with. So one of the issues for us is always to bear in mind the question of jobs when we do these things as well. This is a boon for the average family, and most working families — —

Mr BARBER — A payroll tax cut — 177 million; the same thing?

Mr THEOPHANOUS — It is not the same thing because this will stimulate an important sector of our economy which happens to be centred here in Melbourne. The automotive industry is in Victoria. The vast majority of it is in Victoria, it is not in other states, and we wanted to stimulate that industry on the one hand and we wanted to get Victorians into newer cars. They have got options — if they want to go and get a smaller car, that is fine too, but the majority of them still do want to buy family cars. We were going to help those families to buy these new cars, get into a safer car and create Victorian jobs. It is a win-win-win situation for everyone, and I am surprised that people cannot bring themselves to support what is a really important program for our industry and for helping Victorians.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the VGBOs. I have had concerns for some time about the effectiveness of some of the offices, and Shanghai is an example. I know it pre-dated you as

minister, but its set-up was a debacle. It took the best part of two years to get up and running with chains of executive directors. Questions on notice that you answered earlier this year suggested that in terms of its investment performance it was fairly mediocre.

You ordered the review by David Buckingham of all VGBOs. Can you outline for me what the process is in terms of time lines — when you expect to receive that information and the actual process in terms of whether there is a submission process that he is undertaking as part of that review and when we can expect to see the results of that?

Mr THEOPHANOUS — I should start by saying that in fact the review was ordered by the Premier. It is an important, government-wide review. We actually do not just have VGBOs; as you probably know we also have tourism offices and a number of other offices as well in various parts of the world, so David Buckingham was given the job, in a very short period of time, of reviewing the overall emphasis and effectiveness of those offices.

As I said in answer to an earlier question, we have been targeting those offices at attracting investment into Victoria. That was the major emphasis that we had asked them to do. We are now putting more emphasis on exports as a way of internationalising the Victorian economy. We want them to do a bit more in that area.

The other thing is that we needed to have a look at how effective the locations were and how they worked together and so on. It is actually quite an important job, this. It is a very important review. We had offices located in London, Frankfurt, San Francisco, Chicago, New York, Hong Kong, Shanghai, Nanjing, Dubai, Tokyo and Bangalore as VGBOs. That is a pretty good spread around the world, but it might not be the ideal spread. It might not be the best places to have them in. We have limited resources, but we want to use these as effectively as we can.

The operating costs, in fact, are in excess of \$7 million, so we are talking about a significant amount of money and —

Mr RICH-PHILLIPS — Shame, they call it, Shanghai sat empty for so long.

Mr THEOPHANOUS — As you said, I was not the minister when Shanghai was commissioned, and I think there were some initial problems — I recognise that — in the Shanghai office.

I have not formally received the report as yet, so I am not in a position to say what the report says and I do not want to pre-empt it, but I think that one of the things the report would be looking at very closely is how to get better cooperation between those offices, how to get better cooperation between the offices and the tourism offices — perhaps how to use some other things that have not been done in the past — maybe some more people like out-people who might go out from the offices to some other city in a similar region, that kind of thing, or maybe even focus on particular industries. These are the sort of things that are up in the air in the mix, if you like, for consideration by David Buckingham. It is a complicated issue. I think it is nearing completion. I expect to see the report come to us soon.

I would simply say about this that what is important to me on this particular issue is that we get cross-party support for these offices. It is important, because we do come under criticism from time to time in the press about the overseas offices and about spending taxpayer money on those overseas offices and keeping a network overseas. But let me tell you, having gone through some of the export figures before in answer to a few other questions, you know they do facilitate an enormous amount of economic activity. That figure of \$2.5 billion of economic activity, well you might say, ‘Well, you know, is it worth spending \$7 million in order to facilitate or help to get \$2.5 billion of activity into Victoria?’. My answer to that is yes. But what happens is that if this became a political football in some way or other, then it just undermines the operation of those offices. I do not mind genuine criticism when it happens, and it is important that we get them working effectively. So that is why we are doing the review, and we want to overcome any problems that may have occurred in the past in relation to any specific office to allow us to make them as effective as we can.

The CHAIR — Minister, I think we have exhausted questions. I have one question which, on behalf of the committee, I would like you to take on notice: what resources in staffing and costs does your portfolio department anticipate applying to serving PAEC hearings and inquiries based on experience over the past few years? I want to thank you and thank the departmental officers.

Witnesses withdrew.

Transcript of Evidence

6.11 Information and Communication Technology portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

6.12 Innovation portfolio

Please note the Innovation transcript and the Regional and Rural Development transcript are combined into one transcript.

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr J. Brumby, Minister for Regional and Rural Development and Minister for Innovation,
Mr W. Hodgson, secretary,
Mr D. Hanna, acting deputy secretary, economic policy and planning, and chief executive officer,
Innovation Economy Advisory Board, and
Mr D. O'Brien, chief executive officer, Regional Development Victoria, Department of Innovation,
Industry and Regional Development.

The CHAIR — The committee welcomes Mr Warren Hodgson, Secretary of the Department of Innovation, Industry and Regional Development, Mr David Hanna, acting deputy secretary, economic policy and planning, and Mr Daniel O'Brien, chief executive officer, Regional Development Victoria. I call on the Treasurer to give a presentation of around 5 minutes— it will probably be a miracle presentation if he can do it in 5 minutes — on the more complex financial and performance information relating to budget estimates for the portfolios of innovation, and regional and rural development.

Overheads shown.

Mr BRUMBY — Thank you, Chair, I will run through this very briefly. Here are some general slides on the economy. I think, as everybody is aware, on public accounts the economy has been performing very strongly in regional Victoria. There has been record building investment, record jobs growth and record population growth. We have also facilitated a very large number of new investment projects.

The government is particularly proud of this graph which shows the population growth, people coming to regional Victoria. Melbourne is now the fastest growing capital city in Australia; it is adding more people each year than any other capital city. But regional Victoria is now growing faster than for Victoria as a whole.

This is a graph of the jobs growth rate. I used that slide before in the Treasury presentation. In unemployment rates, we have seen significant reductions in every region. They, of course, would be much larger were it not for the increasing labour force participation rates. We have also seen with a strong economy in regional Victoria a lot of people who in the 1990s had given up looking for work coming back into the labour force.

Obviously the Australia economy in general has been growing well. The regional Victorian economy has been growing extra well. I think that is what this slide shows. The key part there is this share of national building approvals that have been generated out of regional Victoria — that is the black line. We were running at about 4.5 per cent; we are now running at almost 6.5 per cent of national building approvals. So our economy is increasing its presence and its scale as part of the national economy.

We are particularly proud of the Regional Infrastructure Development Fund. It was the first bit of legislation introduced by the Bracks government, and we have now contributed over \$353 million to 143 projects. Those projects are worth close to \$1 billion, and the beauty of these is, as you can see, that there is nowhere in this state that has not had the opportunity to benefit from this program. It is right across, and you will see all of the examples there again, which I am happy to provide the committee with.

I should just say I was asked a question previously, Chair, and one of the projects I forgot to mention was the Bendigo recycled water pipeline, which, of course, was opened the other day by Minister Thwaites and Minister Turnbull, which provides many gegalitres of recycled water for Bendigo. The thing that made that work was in fact a contribution from RIDF to build the pipeline between Bendigo Mining and the recycling facility. It is a great example of how this project contributes.

I mentioned Water for Industry — it seems to be topical today. Here is another example: \$10 million there is a Water for Industry program. It has been very successful. As I said, there was Leongatha plus Energy Brix and Australian Paper, 6.7 gigs — so big, big water savings. We have also been successful attracting Unilever to Tatura. We are making some progress I think with the biofuels industry, and we have got a number of subprograms operating out of RIDF — the Regional Aviation Fund, Local Roads to Markets and so on.

Our *Moving Forward* statement 2005, 502 million over five years. It is fully funded going forward, and we are moving through the implementation of that.

Some examples of what we have been doing: CRISP, the community regional industry skills program, has been a spectacular success for us. The sponsorship for local events — the Stawell Gift. The Stawell Gift was dying a slow death, I think, in the 1990s. It has now been resuscitated and it has got probably another 100 years left in it. It is now the major male prize and the major female running prize and it is attracting more and more tourists. There are a couple of other examples there as well.

Some more examples of what we are doing. We are also trying to lever here off things like the Wimmera–Mallee pipeline to get additional agribusiness investment. Other RDV achievements — and I want to compliment Regional Development Victoria. They have had a big job in the last year and a lot of pressure, as we all know, in regional

communities. They responded beautifully as the lead government agency, with the bushfire recovery task force, 138, and the drought package. That has brought much-needed assistance to regional areas.

On innovation, I think almost without exception every commentator would describe our status as a leader in this area. Our STI program, biotechnology, what we did last year through Healthy Futures, stem cell research — and of course the upper house vote last night 23–16, so we are now the first state in Australia with the stem cell legislation for somatic cell nuclear transfer — and of course the Australian Synchrotron, which is now past first light. The beam lines are being installed, and it will begin full operations in July with five operating beam lines. It is a magnificent project.

Film and television: this was an industry which literally was on its knees when we won government. We undertook a review headed by Sigrid Thornton. We have doubled funding for Film Victoria and we have also provided support for the new film studios, and the rest has followed. I think if you get the framework right and support right, you build on the creative talents of our people and you get some great results. Victoria last year actually topped national film production, so we came in ahead of New South Wales. It is a long, long time since that has been the case. Last year *Ghost Rider* was also filmed here, and the big one is this, *The Pacific*, Steven Spielberg, the biggest television miniseries in the world — great links to Melbourne back to the war room, the cabinet down at Victoria Barracks, all that old scenery there. People forget that during that period, the Second World War, there were 40 000 Americans here in Melbourne. Australia was under siege. That series, following *Band of Brothers*, will go all around the world. Needless to say there has also been some strong Australian production, and *Romulus, My Father* is being premiered I think at Castlemaine Film Festival in just a few weeks time. That is it.

Ms GRALEY — Can you please provide further details of the on-flow benefits for Victoria from the number of biotechnology partnerships facilitated as outlined at page 140 in budget paper 3?

Mr BRUMBY — The key issue there is that, as you know, we have had two plans. Our first plan, 2001, was a five-year plan, but we achieved all our targets two years ahead of schedule. We announced a new plan in 2003–04, and we are well ahead of schedule on that. One of our targets, as you know, is to be in the top five biotechnology locations in the world by 2010, and again I would say to the committee that, although we are not a country in our own right, we are well on track to achieving what is a very ambitious goal.

Why do I say that? Because in a number of areas we are already in the top five in the world. If you look at stem cells, for example, when you talk about stem cell research in Australia you are essentially talking about Victoria. Most analysts — *Forbes* magazine and others — would describe Australia as a ‘surprising leader’ in stem cell research, and for Australia I think you really read Victoria.

We are also in the top five in the world in the fight against flu, both human and avian influenza. That is led by CSL and Biota in collaboration with GSK. Cervical cancer, a great story there; one of the first products coming on to the market through CSL is Gardasil, and we all know about that. That is a great Australian success story, a great success story for CSL now being distributed worldwide by Merck. Things like dairy innovation where we were also in the top five in the world, so in a whole range of these areas we already rank in the top five.

One of our targets in the biotech plan was that we would have deals and partnerships totalling more than \$1 billion by 2007. I am pleased to say that not only have we met this target ahead of schedule, we have now exceeded the \$2 billion mark. And ditto, things like corporate, biotech, R and D. Our target was over \$500 million per annum of research by 2007, and we are on track here. Last year we had 455 million, that was in 05–06, and we believe we will exceed that \$500 million mark.

Many people would say that biotechnology is the world’s fourth great revolution. We have been through the ag revolution, we have been through the industrial revolution, we are moving through the IT revolution, and biotechnology is really that fourth big revolution, and Victoria is the best positioned of any of the states to take the opportunities from that. The opportunities are really better health, better longevity, better environment and a better economy.

Mr DALLA-RIVA — Just in relation to the Australian synchrotron, I note that it is about to come online. In respect of any projected annual recurrent costs that are going to be associated with it, what percentage of those costs will the Victorian government contribute?

Mr BRUMBY — The Victorian government has contributed \$157 million to the construction of the synchrotron. In addition we now have, I think it is 11 beam line partners — the other states of Australia, New Zealand, the medical research institutes, ANSTO, CSIRO — who are all contributing to the first suite of beam lines, and the aggregate investment is in excess of \$200 million.

It has always been our belief that the commonwealth should fund the operating cost of the synchrotron. The reason we say that is that is the case in every other country around the world. There are 65 synchrotrons around the world, and in every other country around the world the national government takes the lead role in funding what is national scientific infrastructure. In addition, if you look in Australia's case, all of the other national scientific infrastructure is paid for by the commonwealth. The best example is ANSTO, which of course is based in New South Wales, where 100 per cent of the operating costs are met by the commonwealth; CSIRO, which has a budget of half a billion dollars a year plus. So it has always been our view, and I know the view of the states and the other beam lines partners, that it is the commonwealth that should make that contribution.

Notwithstanding that, I understand that the federal government in the budget on Tuesday will confirm that they are prepared to contribute 50 million in operating expenses over the next five years towards the synchrotron; the Prime Minister did inform the Premier of that just recently. While that is not an ideal funding base — our view has always been that the commonwealth should meet the whole cost — it is certainly better than a zero contribution, and that is the view that has been expressed by the Premier to the Prime Minister.

In terms of Victoria's position, there is actually in a sense an operating company — it is not a Victorian facility, it is a national facility; we may have paid for it but it is a national facility, it is an Australian synchrotron. There is an operating company. We went through a tender process for the operator. The operator is ANSTO, in partnership with a private company, Worley Parsons. We will now talk to what we call the founding partners, which are the other states, Monash University, Melbourne University, ANSTO, CSIRO, the medical research institutes and the New Zealand government, about the balance of the funding arrangement, and it would be, I think, inappropriate for me today to pre-empt that discussion.

Those founding partners are not aware of the funding offer from the commonwealth. They will be after today, I guess, and they will be after the budget next week — I think the federal Treasurer alluded to this in the press this morning. So we will now have those discussions and I do not want to pre-empt those discussions, but obviously all of the parties want to make sure that there is full funding going forward, and all of the parties will. But we will have those discussions about how best to meet that gap.

I should say that on 1 July five beam lines will start. Some of them are just fantastic in the research that they are going to do, particularly I think in the medical technology area, and as you know, all the studies that were done on this show that the estimated annual financial benefit of this, direct and indirect, is something like \$65 million a year to the national economy, with much of that benefit of course being Victoria's.

The CHAIR — I refer you, once again, to page 140 in budget paper 3 on science, technology and innovation. You mention there about the value of projects attracted by S and T funding, or facilitated under your science, technology and innovation program. Can you talk about the benefit of this program, the funding that you are providing to Victoria's overall biotechnology industry?

Mr BRUMBY — We have had about two programs, two \$310 million programs, Chair — in total \$620 million through our STI program. I think if you add up all of the innovation initiatives of the government, it is close to \$1.8 billion, so it is a very substantial commitment. We do want to make sure we get value for money; we want to make sure that we are getting the best possible outcome, so we have had two independent assessments done of our STI programs.

The second of those was done in 2005-06 — I think it was Allen Consulting — I need to confirm that but I believe it was Allen Consulting that did that for us. They calculated that the economic benefit of the STI program over that period 2000-14 was that real GSP would be \$3.9 billion higher, real investment in Victoria would be \$1.2 billion higher, real private consumption in Victoria would be \$1.2 billion higher, and there would be an overall increase in employment of about 1700 jobs.

This is a great program; it is a program which is funded through until 30 June 2008, so at some stage in the next year the government will be focused on the nature and shape of a replacement program for that — but that will be a

matter for next year's budget. Work is already starting on that across government, but this has been a bottler, I guess, in terms of the contribution it has made to science in our state.

Mr WELLS — I noted with interest your comments that the federal government should be doing more about helping our farmers with the drought and water shortages. I also note that Rural Finance is Victoria's specialist rural lender and is wholly owned by the Victorian government. Are you aware that the farmers who are on their knees have recently received a letter, which says:

Accordingly effective from 1 May 2007 the interest rate on your working capital facility will increase by 0.2 per cent to 9.85 per cent.

I am wondering whether you would suggest that that is the way the Victorian government is helping these farmers, especially in light of the very first line of the letter which says that the interest rate has actually increased based on media speculation. I am wondering if you could assist those farmers and address the increase in interest that these farmers have received in this letter.

Mr BRUMBY — I do not know who has set you up to that question, but that is not a program that is being run as part of drought programs. Rural Finance operates and competes in the market as a bank.

Mr WELLS — Yes.

Mr BRUMBY — Yes, it is a bank.

Mr WELLS — Wholly owned by the Victorian government.

Mr BRUMBY — I do not set the interest rates, the same as Peter Costello does not set the interest rates for the Reserve Bank; I do not set the interest rates for the Rural Finance Corporation. I would be amazed if you are actually suggesting today that I should. I hope you are not suggesting that.

Mr WELLS — No, I am just wondering — —

Mr BRUMBY — I am missing the point of the question, then.

Mr WELLS — You were saying that the federal government should be doing more to assist farmers, and I am just wondering how the state government sees this 0.2 per cent increase for the struggling farmers who are facing drought and water shortages. Do you support that these farmers should be slugged with the additional increase in the percentage based on media speculation when in fact, Treasurer, wasn't the announcement made just recently that interest rates were going to be put on hold? If that is the case, why would you then want to increase this as of 1 May?

Mr BRUMBY — I cannot believe this is a serious question.

Mr WELLS — I will send you a copy of the letter later.

Mr BRUMBY — Peter Costello does not set the interest rates for the Reserve Bank and John Brumby, or any Treasurer before him, does not set the interest rates for the Rural Finance Corporation. I would be amazed — and I may be amazed, it appears! — if any Victorian politician or political party would ever suggest that the Treasurer of the day should set interest rates for a financial institution which operates in a competitive global banking market. We have been through this debate in Australia in the 1980s, 1990s and again in this decade. Rural Finance operates in the market.

In turn, Kim, farmers do not have to borrow from Rural Finance. They can borrow from Bendigo Bank, Westpac, NAB, ANZ, Commonwealth Bank, Rabobank, Elders or whoever they choose to borrow from. If they do not like the interest rates, they should change banks. I assume that the letter you are referring to was sent to a normal commercial customer where the bank has increased rates following four successive increases in interest rates by the Reserve Bank, but it is operating as a private bank.

In relation to drought assistance there are legislative requirements, and if a farmer qualifies for a drought assisted loan, they get a discount of 80 per cent, a subsidy, in the first year and 50 per cent in the second. I will just say on that, that obviously if you are getting an 80 per cent discount on a loan and you are paying normal commercial rates, in the first year you are actually getting a real rate of interest which is below the rate of inflation. So that is an

agreed position between the commonwealth and the state. But I think that whoever has given you that letter is mixing up the regular commercial practices of the bank. I do not instruct the board; I do not set interest rates; I do not know any Treasurer who ever has; and I do not know any Treasurer who ever would.

Mr WELLS — But you are happy to support the Rural Finance increasing interest rates based on media speculation?

Mr BRUMBY — Are you are happy to support the Reserve Bank increasing interest rates?

Mr WELLS — Are you happy that they base it on media speculation?

Ms MUNT — I would also like to draw your attention to the synchrotron which does begin full operations in July with five beams. It will, I think, aid eventually in the very early detection of breast cancer, so it is going to be wonderful for women. But I would particularly like to ask if you could explain why the client management beam line user groups for the Australian Synchrotron performance measure has been discontinued. This refers to page 139 in budget paper 3, which is headed 'Developing Innovative Industries'.

Mr BRUMBY — Which budget paper was it?

Ms MUNT — Budget paper 3, page 139, under 'Developing Innovative Industries'. Can the minister explain why the client management beam line user groups for the Australian Synchrotron performance measure have been discontinued.

Mr BRUMBY — The reason for that is that the synchrotron is now operational, and will be from 1 July. This was a program we had in place as we moved up towards the investment there in the beam lines; now, of course, the first stage will be opened in July and all of the nine beam lines will be commissioned by the end of next year. The nine beam line user groups have all been assisting in the design and the development of the beam lines.

I will repeat what I said before: we have successfully attracted 10 partners; they have contributed something like \$50 million towards the suite of nine beam lines, and you are going to see some fantastic work coming out of the synchrotron in the future.

Ms MUNT — Particularly for early breast cancer research?

Mr BRUMBY — Particularly, but I haven't got any information on that, I'm sorry.

The CHAIR — We can find somebody who can provide it to the committee.

Dr SYKES — I have a question in relation to bushfire assistance measures — and along with many other people in the fire-affected areas, I do appreciate the large number of assistance measures that have been made available.

On a clarification before I get to my specific question: first of all, the \$138 million that you have nominated as being assistance measures for bushfires, it is correct to say that not all of that is directly relevant to the fire-affected communities. For example, the \$60 million or so going into the CFA and SES, a lot of that is going to support CFA and SES structure that is unrelated to the current fire-affected areas?

Mr BRUMBY — That is correct.

Dr SYKES — Just leading on from that — —

Mr BRUMBY — I have not got it in front of me, but I think there are 18 CFA stations that we announced. We brought forward funding for those. Not all of those are in bushfire areas, but the reason there are fire stations there is because they are in fire-prone areas that may be affected by fires in the future.

Dr SYKES — I think we agree.

Mr BRUMBY — Yes.

Dr SYKES — Just out of interest, what is the value of the volunteer inputs through the CFA and SES? A figure has been put to me in normal times of about \$500 million a year. Given the massive input by the volunteers in combating these megafires, is there a dollar value being placed on that?

Mr BRUMBY — I haven't seen a dollar value. There may be one around, I haven't seen one, but obviously we all value extremely highly the extraordinary contribution that is made. I don't know what the dollar figure is. I heard a figure quoted once — if you add up the total value of volunteering in the Victorian economy, it is worth something like a couple of billion dollars. It is a huge contribution that volunteers make; I am well aware of that. I do not know what the number is, except to say it is very, very substantial.

The challenge, of course, as you are aware, going forward, is to make sure that we maintain that volunteer base. Many of the volunteers started their volunteering younger in life. They are now moving on, and some of them are getting older, as we all are, and the trick is to make sure that amongst the younger generation we continue to get the same uptake of volunteerism.

We have always rejected the view — and I think the volunteer organisations, the CFA and others have too — that we do not want to be in the business where you pay a volunteer, because then they are no longer a volunteer. That removes the whole notion of volunteering. We did, in the bushfire package, provide quite a bit of funding towards supporting volunteers. So there was \$11 million of grants for emergency service volunteer groups; there was \$3 million put aside for new equipment for volunteers, and there was also a valuing volunteers program, which was \$2 million or \$3 million.

If you put all of that with the new equipment — the better trucks, the better fire stations — I think that is the best way of supporting and helping our volunteers to make what they do, in a sense, a bit easier because the quality and support they get in clothing and equipment is better. They do a fantastic job; we all know that. There is no difference amongst politicians on that, and the more we can encourage volunteers going forward, the better we will be prepared to fight bushfires and other emergencies in the future.

Dr SYKES — That didn't get to my question, although it was leading to it. Accepting that fact — and I think we are to a large extent in agreement on that — a large number of the volunteers are in fact property owners in the areas involved in the CFA or SES activities. One of the situations we have had is where wild fire on Crown land came out of Crown land and burnt private property.

There is agreement that when fire containment lines are put in on private property, that containment line is rehabilitated and any damage done to fences when putting containment lines through is paid for. However, you have a situation where, when these fire containment lines are put through, sometimes they elect to back-burn from those containment lines and you then burn out tens of kilometres of fencing and hundreds of hectares of private land. Those back-burns can be done either with or without the agreement of the land-holder.

At this stage the land-holders who have had that situation occurring on their places are being told that they have to bear nearly all of the cost of the tens of thousands of dollars of fence replacement. There is a small amount of money available through a Rural Finance grant, but overall they can be out of pocket 40, 50, or 60 thousand dollars for making a contribution towards the containment of a fire, when other techniques would have cost the government a lot more. Those issues have been raised with me, and in spite of you saying you get many positive letters, I actually get a few negative ones, some of which I send on to you.

Mr BRUMBY — Yes, I see them and I always look at them.

Dr SYKES — Are you prepared to take that one on as a point of principle to ensure that people who make a contribution do not carry the can unnecessarily?

Mr BRUMBY — As you know there are some complex issues in here which have been under consideration by various governments for the last two decades on things like fencing and fencing adjoining Crown land and so on. It is not really my portfolio responsibility but I was chair of the bushfire task force. I am happy to have a look at that. I think you should raise that with both Minister Thwaites and also Minister Cameron when he is here. We do provide a small subsidy, as you know, to make up the gap between insurance and the non-insurance level on a piece of fence, but I know you are asking a more broad question — —

Dr SYKES — I can actually comment on that subsidy, Treasurer, and that is that that is a subsidy of up to \$400 for the excess on insurance.

Mr BRUMBY — Yes, that is correct.

Dr SYKES — I am advised by one person who has incurred a \$55 000 fence repair job that his insurance company imposes no excess, and for a lot of his neighbours that excess subsidy is irrelevant, so it is a nice gesture, but in fact it has no material value.

Mr BRUMBY — As you know, the view of the VFF and others too is that, while they would always like government to be putting in more money for things like fences and so on, they also do not want to discourage farmers from taking out insurance. So it is always a fine balance; but I do look at the letters you send in, and I am happy to look at those, but it is probably more appropriately a matter for Minister Thwaites or Minister Cameron.

Mr PAKULA — Treasurer, DIIRD staff might remember that in my previous job I used to harass them about the extension of natural gas to certain country towns. It has proved to be fairly important for getting some dairy factories operational. On page 409 of budget paper 3, DIIRD has a discontinued performance measure for towns with works commenced to enable connection under the natural gas extension program. My question is in three parts. Firstly, how many towns are to be connected to natural gas and why has this measure been discontinued? Secondly, can you outline the expected time line of the first connection of these towns? And thirdly, can you outline some of the economic benefits to towns that have been connected?

Mr BRUMBY — Thank you for that. The original commitment was that 34 towns were to be connected to gas. I am pleased to say that work has now commenced in all 34 towns, so that, in essence, is the answer to the question.

By the way, that was above the target we set in 06–07. There were 34 to be connected, the target was 30, we have actually commenced work in all 34. Physical works to supply the final four towns of Korumburra, Leongatha, Wonthaggi and Inverloch commenced in April 2007. I have got to say I remember going down to Leongatha to announce the extension there — I think it was about 18 months ago — and I remember the then mayor at the time standing up and saying that for that community the extension of natural gas was just as significant as the extension of electricity supply to that region in 1907 — so nearly 100 years later. This has been extraordinarily well received, as you have noted.

It has also been incredibly important to industry — to the food industry — but also if you go down to places like Port Fairy, GSK with its pharmaceutical manufacture there. That is one of the very few stand-alone plants in the world of that size, and it is there because it is a good location, there is a good workforce and there is natural gas.

Customers are now connected in 20 of the 34 towns. Connections have also occurred in new areas of Koroit and Don Valley as a result of the rollout, and connections in the remaining towns — that is, the complete connection program — will occur over the next two years.

Savings: I think you are aware of the savings, but these are huge savings. You think of all of the ways in which you can put cash into someone's pocket. Swapping from bottled gas to natural gas saves most households \$600 to \$1000 per year — and that is after-tax income. I have had particularly needy families come up to me, perhaps a single parent with one or two kids, and they are \$20 per week better off, money in the pocket, after tax, as a result of shifting to natural gas.

This has not only been great for industry, which I know is your particular interest in this, there have been many companies. As I said, the food industry — Patties Foods, of course, was the big one I forgot; Bairnsdale hospital; Fennings Timber; I mentioned GSK; and there are others. It has made a huge difference. It has been a fantastic program.

Mr BARBER — I would like to ask you about the bay dredging project, if that is okay?

Mr BRUMBY — Our largest single export out of Victoria is processed dairy products, so it is a fair question.

Mr BARBER — And it is about the piece of work that was done for Treasury, the *Port of Melbourne Economic Contribution Study* by PWC. My question is whether the work and the assumptions here still form the

basis of the business case for the project, which I am sure you will be working on in the next year. In particular, the trade and shipping forecasts broken down by containers, grains and crude oil and the analysis that they produce of likely shipping movements. That is one part of what is in the study.

The other is the estimates of the costs, which at the time of this report to you were 568 million, or 465 NPV — about half a billion dollars, whatever you want to call it — and whether those projections for shipping movements are still the ones you are working off, whether you are going to do any more analysis, whether they are likely to change, and whether these estimates of the costs are still the estimates of the costs. I thought we had already had about 300 million of costs accrued so far, so I am not sure why it is still 568.

Mr BRUMBY — The two things — on shipping movements, and to be fair I do not have all of the data in front of me, but on shipping movements, just the background, I guess, the fastest-growing industry in the world is world trade. If you look around the world this year, real GDP around the world will grow by about between 4 and 5 per cent, dragged up obviously by China and India. But growth in trade will grow by about twice that amount. That reflects just the more global economy we are in and the fact that there are fewer trade barriers today than there were. Everyone knows the numbers on China, which in many manufactured goods now —, look at things like clothing, China is producing more than 60 per cent of all the clothing in the world.

So products are moving around the world much more. In turn, if you look at the Asia-Pacific region, which is the fastest growing region, the real GDP rates are closer to 8 or 9 per cent, and again trade is growing at a faster rate than real GDP. So then when you come back to looking at shipping, the numbers going forward in most of the documents predict growth in shipping volumes of between 4 and 7 per cent, or 4 and 7½ per cent per annum.

But to be honest I think they are probably pretty conservative numbers, just because of what is happening elsewhere in the world. Everyone will make their own judgements about that, including lots of different economists, but at the bottom end they are very conservative numbers. What has been happening over the last decade is growth has been much more than that. If you look in Sydney, they have been growing at 7½ per cent, for example, but have got more problems in many ways than we have in Melbourne. They have some particular environmental issues. So you are going to see growth in that. And then of course if you compound forward, if something grows at 7 per cent per annum, after 10 years the volume has doubled — that is the compounding impact. So they are the projections going forward.

In terms of the economic cost benefit, there have been three studies, including the PW study. They all use different models, and the main difference between the studies about whether you get a really big net value or you get a more modest one is whether you translate the efficiency gains in Victoria right across the national economy, which I think you probably should do. But if you do that you get a much, much bigger economic value of the project. The one that we released recently with the port study had a more conservative assessment. I think it was \$2 billion net economic benefit.

In terms of the costs of the project, we will not get a final picture obviously on the costs of the project until it has gone through the final panel process. The supplementary environment effects statement basically gives it an in-principle green light to proceed. As you know, there are processes which involve the panel; they have got to assess that. The public is able to make submissions. They will assess that and the panel will give a report back to government, and subject to that report the project will either proceed or it will not proceed. At that stage, when we get that report, we will be in a better position in the port to identify all of the costs of the project. It will be in excess of half a billion. I do not think it is correct to say that 300 million has been spent already. There have been some significant costs. The government has also contributed, I think, about 14 or 15 million two budgets ago to some of the preliminary work — I think that number is broadly right, but it can be checked anyway.

There is a final point I would make about the project — and I am obviously a very strong supporter of the project. Ships are getting bigger. I could give you all the data on just how big they are getting. In fact, if you do not deepen the channel you will get more ship movements across Australia, because they will not be able to fill the full capacity. So if people worry about the number of movements, you will have fewer movements if you have got bigger ships that are able to fill to full capacity, and I would have thought that was a good environmental outcome. So I am a supporter; my views are well-known, but there is a process to go through, and the final costs will be known when we get the final panel report.

Mr BARBER — With respect to shipping movements, that kind of sounded like a no. You are basically saying even those big compounding numbers are probably conservative.

Mr BRUMBY — They are saying 2000 — —

Mr BARBER — My real question was: are you going to sit with the information that is there as your basic business case for shipping movements, or are you going to carry on any further work to adjust those this year?

Mr BRUMBY — To my knowledge, and I am not the minister for ports, there is no more economic assessments going on. As I said, I think there have been three studies to date. We have released the most recent ones which came as part of the supplementary EES. The growth numbers going forward, as you know, are in here: 2005–10, 6.7 per cent; 2011–20, 5.6 per cent; 2021–35, 4.7. If you are asking me are we going to revise them up; I do not believe we are going to revise them up. If you are asking my opinion — you know, I get around the world; I see the growth that is occurring in places — I think they are probably conservative numbers. So if anything you will see stronger growth from that, which in my view only strengthens the case for the channel deepening project. Otherwise you are going to get more and more ships that cannot fill up to full capacity and they are going to be moving in and out only loaded halfway, and that is not a good thing for the environment.

Mr SCOTT — I refer the minister to the creative industries section on page 141 in budget paper 3. I ask the minister to provide details on what the Victorian government is doing to foster growth of the local film, TV and digital media industries.

Mr BRUMBY — I think the big thing there has been, as I said before, the support we provided for the construction of Melbourne Central City Studios. We needed to do that. Everyone who uses those studios says they are among the very best in the world; in terms of their audio qualities, the soundproofing and so on, they are absolutely the best in the world. We have contributed to that. We have doubled the filming, as I have said, of Film Victoria.

The consequence of that was last year Victoria topped Australia's film production. We have just signed up on *The Pacific*. *The Pacific* will contribute somewhere between \$100 million and \$180 million into the Victorian economy. It is just huge. The modelling that is done on the number of direct and indirect jobs, full and part time, is nearly 4000 jobs, so it is just going to have a huge impact. Most importantly, in the case of *The Pacific* you are going to see streetscapes that are clearly, readily identifiable with Melbourne. They will also do some shooting in country areas.

In this year's budget we added to our support for the film industry. There was 2.8 million for the new generation film, television and digital media strategy. It is 1.6 million over the next two years to establish the Melbourne International Film Festival investment fund; 800 000 for the development of the Melbourne international festival marketplace to take place during the film festival; and 400 000 over two years for the digital media fund to secure X|Media|Labs internationally recognised digital media think tank and production workshops.

I have opened a couple of the media lab conferences we have had here before. We get 600, 700 people here for many of the sessions. They are the best in digital media from all around Australia and around the world. You look at this whole leadership in the creative industries — iTeam, film, digital media, all of the creative arts — this is an enormous economic strength for our state. We have supported it, and it is the right thing to do in terms of where our economy goes in the future.

The CHAIR — We will try to get in three more quick questions.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the regional aviation fund. How is that going to work? I presume you will solicit applications? Will the grants be capped at particular amounts? Will you call for a co-contribution from the operators of facilities? What about eligibility criteria — is it only local government-operated airports that will be eligible? What are the details?

Mr BRUMBY — We promised this in the election campaign, as you are aware. We said we would do that, and we have funded it in this budget. The program will commence from 1 July, in the new financial year. Regional Development Victoria is currently finalising the guidelines. They will then present them to me, I will approve them and they will go out into the market. The 5 million is available.

As you know, we have done, under the Regional Infrastructure Development Fund, some projects in the past — Mildura, Shepparton, Latrobe Valley, Portland, Warrnambool. We have done those. This will put a bit of structure around it. Generally what you find is there are some contributions as well from third parties, particularly local government. We would love to have some contribution from the commonwealth but I am not hopeful of that. I would say we will probably have the guidelines out within the next month, but there is \$5 million available.

Ms GRALEY — Talking about the Regional Infrastructure Development Fund, in budget paper 3 at page 145 DIIRD has some performance measures for the fund. I wonder if you could outline the projects funded in the 2006–07 year and the economic development potential of the projects. And also, if we have got some time, can you explain why DIIRD has exceeded its 2006 target by twice the number of projects?

Mr BRUMBY — The table I had on before, and now have up, gives you an idea of how expansive that is across the state. The most recent one I announced on that, I think, was the Wangaratta performing arts centre. The beauty of the Regional Infrastructure Development Fund is we have used it on water projects, we have used it to attract industry. We are using it in Geelong down there on the waterfront, as you know, the Dennys Lascelles building, which is part of the package for Deakin University to attract more students to secure the medical school and other expenditure.

We have used it on aerodromes and, as you see there, in Wangaratta. It is just a great program. The chairman of the committee in Wangaratta said they had been waiting more than 30 years to find a government to support their performing arts centre, and it was finally funded under our Regional Infrastructure Development Fund. The total value of projects which we have funded is now \$1 billion, and those projects have leveraged, of course, other private sector investment. The funding has been across a number of areas, as you can see there, from water through to industry. Some of those other projects, as you can see there, include the Gippsland Water Factory, which will cost \$140 million, and we are putting \$50 million into that, so that is a very large project indeed.

In answer to the last question, asking if I can explain why we have exceeded the 2006–07 target by twice the number of projects, I cannot. I do not know if the CEO or the secretary can.

The CHAIR — Your goal was 10, and 22 were done.

Mr BRUMBY — It is a very popular program; that would be the only answer I have got. It is a very popular program.

Mr O'BRIEN — There was a lot of impetus as a result of the *Moving Forward* statement, so that sort of accelerated in particular the Small Towns Development Fund projects.

The CHAIR — A final question.

Mr DALLA-RIVA — Just on the same page — page 144.

Mr BRUMBY — Of which paper?

Mr DALLA-RIVA — Budget paper 3. On page 144 I note in the total output costs that the target had been set at \$28.6 million. The expected outcome is only going to be \$22.8 million, which is a reduction of \$5 million.

Mr BRUMBY — Page 144; yes.

Mr DALLA-RIVA — Page 144, total output costs on the regional economic development and investment relating to facilitating employment, investment and economic growth. I note that there is a reduction of \$5 million from the target compared to the expected outcome. Indeed the target for 2007–08 compared to 2006–07 is an 8.7 per cent reduction on what was anticipated. I am just curious why it would be the case that you are reducing those dollars at a time when we actually need some economic prosperity in the regional area and why you would actually made a reduction and not spend that money that was allocated.

Mr BRUMBY — I think there are a couple of things getting mixed up there. If you look at the 2005–06 number in the right-hand column, the number was \$16.9 million.

Mr DALLA-RIVA — Yes. I did not ask about that, though.

Mr BRUMBY — No, but in your summary or the background to your question you said there had been a reduction. It is not correct to say there has been a reduction. In 2005–06 we spent \$16.9 million. The expected outcome in 2006–07 is \$22.8 million, so it is not correct to say there has been a reduction.

Mr DALLA-RIVA — There has, because you anticipated spending \$28.6 million, so you have actually underspent your proposal by \$5 million. I am curious what some of the areas are that you did not commit to.

Mr BRUMBY — I am advised that the answer there is that that number does not account for carryover. I am advised that the carryover is \$6.3 million, so probably if you add \$6.3 million to \$22.8 million, you will get pretty close to \$28.6 million.

Mr DALLA-RIVA — What is the carryover comprised of?

Mr HODGSON — It is unspent moneys from the previous year.

Mr DALLA-RIVA — Yes, I understood that; that is what ‘carryover’ means. But specifically?

Mr O’BRIEN — Can I perhaps clarify a couple of things. There have been considerable additional funds that have come into Regional Development Victoria to deal with drought and to deal with bushfire. That is not picked up in these figures. So there has been a local infrastructure works program, which is probably about a \$14 million program which we have had the money in, and we have worked with our local government partners to put the money at the door, creating 370 new projects. So part of the backlog or the reason some of the money is not out the door is the fact that we have focused our attention elsewhere. These are programs that are slightly delayed but not delayed by a long time.

Another good example would be the Make It Happen in Provincial Victoria campaign. One of our milestones was to get to the second stage of that campaign in November-December, when the bushfires were obviously at their peak. We did not spend the money then, so we delayed that campaign for a couple of months. We are talking the difference between months, not programs that were dropped.

Mr DALLA-RIVA — That is all right.

The CHAIR — We might wrap it up. That concludes consideration of the budget estimates for the portfolios of Treasury, Innovation and Regional and Rural Development. I thank the Treasurer and departmental officers for their attendance today. It has been a very useful session, and where questions were taken on notice the committee will follow up with you in writing at a later stage. The committee requests that written responses to those matters be provided within 30 days, and we will table the responses in Parliament. Thank you very much, Treasurer.

Witnesses withdrew.

Transcript of Evidence

6.13 Regional and Rural Development portfolio

Please note the Regional and Rural Development transcript and the Innovation transcript are combined into one transcript.

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr J. Brumby, Minister for Regional and Rural Development and Minister for Innovation,
Mr W. Hodgson, secretary,
Mr D. Hanna, acting deputy secretary, economic policy and planning, and chief executive officer,
Innovation Economy Advisory Board, and
Mr D. O'Brien, chief executive officer, Regional Development Victoria, Department of Innovation,
Industry and Regional Development.

The CHAIR — The committee welcomes Mr Warren Hodgson, Secretary of the Department of Innovation, Industry and Regional Development, Mr David Hanna, acting deputy secretary, economic policy and planning, and Mr Daniel O'Brien, chief executive officer, Regional Development Victoria. I call on the Treasurer to give a presentation of around 5 minutes— it will probably be a miracle presentation if he can do it in 5 minutes — on the more complex financial and performance information relating to budget estimates for the portfolios of innovation, and regional and rural development.

Overheads shown.

Mr BRUMBY — Thank you, Chair, I will run through this very briefly. Here are some general slides on the economy. I think, as everybody is aware, on public accounts the economy has been performing very strongly in regional Victoria. There has been record building investment, record jobs growth and record population growth. We have also facilitated a very large number of new investment projects.

The government is particularly proud of this graph which shows the population growth, people coming to regional Victoria. Melbourne is now the fastest growing capital city in Australia; it is adding more people each year than any other capital city. But regional Victoria is now growing faster than for Victoria as a whole.

This is a graph of the jobs growth rate. I used that slide before in the Treasury presentation. In unemployment rates, we have seen significant reductions in every region. They, of course, would be much larger were it not for the increasing labour force participation rates. We have also seen with a strong economy in regional Victoria a lot of people who in the 1990s had given up looking for work coming back into the labour force.

Obviously the Australia economy in general has been growing well. The regional Victorian economy has been growing extra well. I think that is what this slide shows. The key part there is this share of national building approvals that have been generated out of regional Victoria — that is the black line. We were running at about 4.5 per cent; we are now running at almost 6.5 per cent of national building approvals. So our economy is increasing its presence and its scale as part of the national economy.

We are particularly proud of the Regional Infrastructure Development Fund. It was the first bit of legislation introduced by the Bracks government, and we have now contributed over \$353 million to 143 projects. Those projects are worth close to \$1 billion, and the beauty of these is, as you can see, that there is nowhere in this state that has not had the opportunity to benefit from this program. It is right across, and you will see all of the examples there again, which I am happy to provide the committee with.

I should just say I was asked a question previously, Chair, and one of the projects I forgot to mention was the Bendigo recycled water pipeline, which, of course, was opened the other day by Minister Thwaites and Minister Turnbull, which provides many gegalitres of recycled water for Bendigo. The thing that made that work was in fact a contribution from RIDF to build the pipeline between Bendigo Mining and the recycling facility. It is a great example of how this project contributes.

I mentioned Water for Industry — it seems to be topical today. Here is another example: \$10 million there is a Water for Industry program. It has been very successful. As I said, there was Leongatha plus Energy Brix and Australian Paper, 6.7 gigs — so big, big water savings. We have also been successful attracting Unilever to Tatura. We are making some progress I think with the biofuels industry, and we have got a number of subprograms operating out of RIDF — the Regional Aviation Fund, Local Roads to Markets and so on.

Our *Moving Forward* statement 2005, 502 million over five years. It is fully funded going forward, and we are moving through the implementation of that.

Some examples of what we have been doing: CRISP, the community regional industry skills program, has been a spectacular success for us. The sponsorship for local events — the Stawell Gift. The Stawell Gift was dying a slow death, I think, in the 1990s. It has now been resuscitated and it has got probably another 100 years left in it. It is now the major male prize and the major female running prize and it is attracting more and more tourists. There are a couple of other examples there as well.

Some more examples of what we are doing. We are also trying to lever here off things like the Wimmera–Mallee pipeline to get additional agribusiness investment. Other RDV achievements — and I want to compliment Regional Development Victoria. They have had a big job in the last year and a lot of pressure, as we all know, in regional

communities. They responded beautifully as the lead government agency, with the bushfire recovery task force, 138, and the drought package. That has brought much-needed assistance to regional areas.

On innovation, I think almost without exception every commentator would describe our status as a leader in this area. Our STI program, biotechnology, what we did last year through Healthy Futures, stem cell research — and of course the upper house vote last night 23–16, so we are now the first state in Australia with the stem cell legislation for somatic cell nuclear transfer — and of course the Australian Synchrotron, which is now past first light. The beam lines are being installed, and it will begin full operations in July with five operating beam lines. It is a magnificent project.

Film and television: this was an industry which literally was on its knees when we won government. We undertook a review headed by Sigrid Thornton. We have doubled funding for Film Victoria and we have also provided support for the new film studios, and the rest has followed. I think if you get the framework right and support right, you build on the creative talents of our people and you get some great results. Victoria last year actually topped national film production, so we came in ahead of New South Wales. It is a long, long time since that has been the case. Last year *Ghost Rider* was also filmed here, and the big one is this, *The Pacific*, Steven Spielberg, the biggest television miniseries in the world — great links to Melbourne back to the war room, the cabinet down at Victoria Barracks, all that old scenery there. People forget that during that period, the Second World War, there were 40 000 Americans here in Melbourne. Australia was under siege. That series, following *Band of Brothers*, will go all around the world. Needless to say there has also been some strong Australian production, and *Romulus, My Father* is being premiered I think at Castlemaine Film Festival in just a few weeks time. That is it.

Ms GRALEY — Can you please provide further details of the on-flow benefits for Victoria from the number of biotechnology partnerships facilitated as outlined at page 140 in budget paper 3?

Mr BRUMBY — The key issue there is that, as you know, we have had two plans. Our first plan, 2001, was a five-year plan, but we achieved all our targets two years ahead of schedule. We announced a new plan in 2003–04, and we are well ahead of schedule on that. One of our targets, as you know, is to be in the top five biotechnology locations in the world by 2010, and again I would say to the committee that, although we are not a country in our own right, we are well on track to achieving what is a very ambitious goal.

Why do I say that? Because in a number of areas we are already in the top five in the world. If you look at stem cells, for example, when you talk about stem cell research in Australia you are essentially talking about Victoria. Most analysts — *Forbes* magazine and others — would describe Australia as a ‘surprising leader’ in stem cell research, and for Australia I think you really read Victoria.

We are also in the top five in the world in the fight against flu, both human and avian influenza. That is led by CSL and Biota in collaboration with GSK. Cervical cancer, a great story there; one of the first products coming on to the market through CSL is Gardasil, and we all know about that. That is a great Australian success story, a great success story for CSL now being distributed worldwide by Merck. Things like dairy innovation where we were also in the top five in the world, so in a whole range of these areas we already rank in the top five.

One of our targets in the biotech plan was that we would have deals and partnerships totalling more than \$1 billion by 2007. I am pleased to say that not only have we met this target ahead of schedule, we have now exceeded the \$2 billion mark. And ditto, things like corporate, biotech, R and D. Our target was over \$500 million per annum of research by 2007, and we are on track here. Last year we had 455 million, that was in 05–06, and we believe we will exceed that \$500 million mark.

Many people would say that biotechnology is the world’s fourth great revolution. We have been through the ag revolution, we have been through the industrial revolution, we are moving through the IT revolution, and biotechnology is really that fourth big revolution, and Victoria is the best positioned of any of the states to take the opportunities from that. The opportunities are really better health, better longevity, better environment and a better economy.

Mr DALLA-RIVA — Just in relation to the Australian synchrotron, I note that it is about to come online. In respect of any projected annual recurrent costs that are going to be associated with it, what percentage of those costs will the Victorian government contribute?

Mr BRUMBY — The Victorian government has contributed \$157 million to the construction of the synchrotron. In addition we now have, I think it is 11 beam line partners — the other states of Australia, New Zealand, the medical research institutes, ANSTO, CSIRO — who are all contributing to the first suite of beam lines, and the aggregate investment is in excess of \$200 million.

It has always been our belief that the commonwealth should fund the operating cost of the synchrotron. The reason we say that is that is the case in every other country around the world. There are 65 synchrotrons around the world, and in every other country around the world the national government takes the lead role in funding what is national scientific infrastructure. In addition, if you look in Australia's case, all of the other national scientific infrastructure is paid for by the commonwealth. The best example is ANSTO, which of course is based in New South Wales, where 100 per cent of the operating costs are met by the commonwealth; CSIRO, which has a budget of half a billion dollars a year plus. So it has always been our view, and I know the view of the states and the other beam lines partners, that it is the commonwealth that should make that contribution.

Notwithstanding that, I understand that the federal government in the budget on Tuesday will confirm that they are prepared to contribute 50 million in operating expenses over the next five years towards the synchrotron; the Prime Minister did inform the Premier of that just recently. While that is not an ideal funding base — our view has always been that the commonwealth should meet the whole cost — it is certainly better than a zero contribution, and that is the view that has been expressed by the Premier to the Prime Minister.

In terms of Victoria's position, there is actually in a sense an operating company — it is not a Victorian facility, it is a national facility; we may have paid for it but it is a national facility, it is an Australian synchrotron. There is an operating company. We went through a tender process for the operator. The operator is ANSTO, in partnership with a private company, Worley Parsons. We will now talk to what we call the founding partners, which are the other states, Monash University, Melbourne University, ANSTO, CSIRO, the medical research institutes and the New Zealand government, about the balance of the funding arrangement, and it would be, I think, inappropriate for me today to pre-empt that discussion.

Those founding partners are not aware of the funding offer from the commonwealth. They will be after today, I guess, and they will be after the budget next week — I think the federal Treasurer alluded to this in the press this morning. So we will now have those discussions and I do not want to pre-empt those discussions, but obviously all of the parties want to make sure that there is full funding going forward, and all of the parties will. But we will have those discussions about how best to meet that gap.

I should say that on 1 July five beam lines will start. Some of them are just fantastic in the research that they are going to do, particularly I think in the medical technology area, and as you know, all the studies that were done on this show that the estimated annual financial benefit of this, direct and indirect, is something like \$65 million a year to the national economy, with much of that benefit of course being Victoria's.

The CHAIR — I refer you, once again, to page 140 in budget paper 3 on science, technology and innovation. You mention there about the value of projects attracted by S and T funding, or facilitated under your science, technology and innovation program. Can you talk about the benefit of this program, the funding that you are providing to Victoria's overall biotechnology industry?

Mr BRUMBY — We have had about two programs, two \$310 million programs, Chair — in total \$620 million through our STI program. I think if you add up all of the innovation initiatives of the government, it is close to \$1.8 billion, so it is a very substantial commitment. We do want to make sure we get value for money; we want to make sure that we are getting the best possible outcome, so we have had two independent assessments done of our STI programs.

The second of those was done in 2005-06 — I think it was Allen Consulting — I need to confirm that but I believe it was Allen Consulting that did that for us. They calculated that the economic benefit of the STI program over that period 2000-14 was that real GSP would be \$3.9 billion higher, real investment in Victoria would be \$1.2 billion higher, real private consumption in Victoria would be \$1.2 billion higher, and there would be an overall increase in employment of about 1700 jobs.

This is a great program; it is a program which is funded through until 30 June 2008, so at some stage in the next year the government will be focused on the nature and shape of a replacement program for that — but that will be a

matter for next year's budget. Work is already starting on that across government, but this has been a bottler, I guess, in terms of the contribution it has made to science in our state.

Mr WELLS — I noted with interest your comments that the federal government should be doing more about helping our farmers with the drought and water shortages. I also note that Rural Finance is Victoria's specialist rural lender and is wholly owned by the Victorian government. Are you aware that the farmers who are on their knees have recently received a letter, which says:

Accordingly effective from 1 May 2007 the interest rate on your working capital facility will increase by 0.2 per cent to 9.85 per cent.

I am wondering whether you would suggest that that is the way the Victorian government is helping these farmers, especially in light of the very first line of the letter which says that the interest rate has actually increased based on media speculation. I am wondering if you could assist those farmers and address the increase in interest that these farmers have received in this letter.

Mr BRUMBY — I do not know who has set you up to that question, but that is not a program that is being run as part of drought programs. Rural Finance operates and competes in the market as a bank.

Mr WELLS — Yes.

Mr BRUMBY — Yes, it is a bank.

Mr WELLS — Wholly owned by the Victorian government.

Mr BRUMBY — I do not set the interest rates, the same as Peter Costello does not set the interest rates for the Reserve Bank; I do not set the interest rates for the Rural Finance Corporation. I would be amazed if you are actually suggesting today that I should. I hope you are not suggesting that.

Mr WELLS — No, I am just wondering — —

Mr BRUMBY — I am missing the point of the question, then.

Mr WELLS — You were saying that the federal government should be doing more to assist farmers, and I am just wondering how the state government sees this 0.2 per cent increase for the struggling farmers who are facing drought and water shortages. Do you support that these farmers should be slugged with the additional increase in the percentage based on media speculation when in fact, Treasurer, wasn't the announcement made just recently that interest rates were going to be put on hold? If that is the case, why would you then want to increase this as of 1 May?

Mr BRUMBY — I cannot believe this is a serious question.

Mr WELLS — I will send you a copy of the letter later.

Mr BRUMBY — Peter Costello does not set the interest rates for the Reserve Bank and John Brumby, or any Treasurer before him, does not set the interest rates for the Rural Finance Corporation. I would be amazed — and I may be amazed, it appears! — if any Victorian politician or political party would ever suggest that the Treasurer of the day should set interest rates for a financial institution which operates in a competitive global banking market. We have been through this debate in Australia in the 1980s, 1990s and again in this decade. Rural Finance operates in the market.

In turn, Kim, farmers do not have to borrow from Rural Finance. They can borrow from Bendigo Bank, Westpac, NAB, ANZ, Commonwealth Bank, Rabobank, Elders or whoever they choose to borrow from. If they do not like the interest rates, they should change banks. I assume that the letter you are referring to was sent to a normal commercial customer where the bank has increased rates following four successive increases in interest rates by the Reserve Bank, but it is operating as a private bank.

In relation to drought assistance there are legislative requirements, and if a farmer qualifies for a drought assisted loan, they get a discount of 80 per cent, a subsidy, in the first year and 50 per cent in the second. I will just say on that, that obviously if you are getting an 80 per cent discount on a loan and you are paying normal commercial rates, in the first year you are actually getting a real rate of interest which is below the rate of inflation. So that is an

agreed position between the commonwealth and the state. But I think that whoever has given you that letter is mixing up the regular commercial practices of the bank. I do not instruct the board; I do not set interest rates; I do not know any Treasurer who ever has; and I do not know any Treasurer who ever would.

Mr WELLS — But you are happy to support the Rural Finance increasing interest rates based on media speculation?

Mr BRUMBY — Are you are happy to support the Reserve Bank increasing interest rates?

Mr WELLS — Are you happy that they base it on media speculation?

Ms MUNT — I would also like to draw your attention to the synchrotron which does begin full operations in July with five beams. It will, I think, aid eventually in the very early detection of breast cancer, so it is going to be wonderful for women. But I would particularly like to ask if you could explain why the client management beam line user groups for the Australian Synchrotron performance measure has been discontinued. This refers to page 139 in budget paper 3, which is headed 'Developing Innovative Industries'.

Mr BRUMBY — Which budget paper was it?

Ms MUNT — Budget paper 3, page 139, under 'Developing Innovative Industries'. Can the minister explain why the client management beam line user groups for the Australian Synchrotron performance measure have been discontinued.

Mr BRUMBY — The reason for that is that the synchrotron is now operational, and will be from 1 July. This was a program we had in place as we moved up towards the investment there in the beam lines; now, of course, the first stage will be opened in July and all of the nine beam lines will be commissioned by the end of next year. The nine beam line user groups have all been assisting in the design and the development of the beam lines.

I will repeat what I said before: we have successfully attracted 10 partners; they have contributed something like \$50 million towards the suite of nine beam lines, and you are going to see some fantastic work coming out of the synchrotron in the future.

Ms MUNT — Particularly for early breast cancer research?

Mr BRUMBY — Particularly, but I haven't got any information on that, I'm sorry.

The CHAIR — We can find somebody who can provide it to the committee.

Dr SYKES — I have a question in relation to bushfire assistance measures — and along with many other people in the fire-affected areas, I do appreciate the large number of assistance measures that have been made available.

On a clarification before I get to my specific question: first of all, the \$138 million that you have nominated as being assistance measures for bushfires, it is correct to say that not all of that is directly relevant to the fire-affected communities. For example, the \$60 million or so going into the CFA and SES, a lot of that is going to support CFA and SES structure that is unrelated to the current fire-affected areas?

Mr BRUMBY — That is correct.

Dr SYKES — Just leading on from that — —

Mr BRUMBY — I have not got it in front of me, but I think there are 18 CFA stations that we announced. We brought forward funding for those. Not all of those are in bushfire areas, but the reason there are fire stations there is because they are in fire-prone areas that may be affected by fires in the future.

Dr SYKES — I think we agree.

Mr BRUMBY — Yes.

Dr SYKES — Just out of interest, what is the value of the volunteer inputs through the CFA and SES? A figure has been put to me in normal times of about \$500 million a year. Given the massive input by the volunteers in combating these megafires, is there a dollar value being placed on that?

Mr BRUMBY — I haven't seen a dollar value. There may be one around, I haven't seen one, but obviously we all value extremely highly the extraordinary contribution that is made. I don't know what the dollar figure is. I heard a figure quoted once — if you add up the total value of volunteering in the Victorian economy, it is worth something like a couple of billion dollars. It is a huge contribution that volunteers make; I am well aware of that. I do not know what the number is, except to say it is very, very substantial.

The challenge, of course, as you are aware, going forward, is to make sure that we maintain that volunteer base. Many of the volunteers started their volunteering younger in life. They are now moving on, and some of them are getting older, as we all are, and the trick is to make sure that amongst the younger generation we continue to get the same uptake of volunteerism.

We have always rejected the view — and I think the volunteer organisations, the CFA and others have too — that we do not want to be in the business where you pay a volunteer, because then they are no longer a volunteer. That removes the whole notion of volunteering. We did, in the bushfire package, provide quite a bit of funding towards supporting volunteers. So there was \$11 million of grants for emergency service volunteer groups; there was \$3 million put aside for new equipment for volunteers, and there was also a valuing volunteers program, which was \$2 million or \$3 million.

If you put all of that with the new equipment — the better trucks, the better fire stations — I think that is the best way of supporting and helping our volunteers to make what they do, in a sense, a bit easier because the quality and support they get in clothing and equipment is better. They do a fantastic job; we all know that. There is no difference amongst politicians on that, and the more we can encourage volunteers going forward, the better we will be prepared to fight bushfires and other emergencies in the future.

Dr SYKES — That didn't get to my question, although it was leading to it. Accepting that fact — and I think we are to a large extent in agreement on that — a large number of the volunteers are in fact property owners in the areas involved in the CFA or SES activities. One of the situations we have had is where wild fire on Crown land came out of Crown land and burnt private property.

There is agreement that when fire containment lines are put in on private property, that containment line is rehabilitated and any damage done to fences when putting containment lines through is paid for. However, you have a situation where, when these fire containment lines are put through, sometimes they elect to back-burn from those containment lines and you then burn out tens of kilometres of fencing and hundreds of hectares of private land. Those back-burns can be done either with or without the agreement of the land-holder.

At this stage the land-holders who have had that situation occurring on their places are being told that they have to bear nearly all of the cost of the tens of thousands of dollars of fence replacement. There is a small amount of money available through a Rural Finance grant, but overall they can be out of pocket 40, 50, or 60 thousand dollars for making a contribution towards the containment of a fire, when other techniques would have cost the government a lot more. Those issues have been raised with me, and in spite of you saying you get many positive letters, I actually get a few negative ones, some of which I send on to you.

Mr BRUMBY — Yes, I see them and I always look at them.

Dr SYKES — Are you prepared to take that one on as a point of principle to ensure that people who make a contribution do not carry the can unnecessarily?

Mr BRUMBY — As you know there are some complex issues in here which have been under consideration by various governments for the last two decades on things like fencing and fencing adjoining Crown land and so on. It is not really my portfolio responsibility but I was chair of the bushfire task force. I am happy to have a look at that. I think you should raise that with both Minister Thwaites and also Minister Cameron when he is here. We do provide a small subsidy, as you know, to make up the gap between insurance and the non-insurance level on a piece of fence, but I know you are asking a more broad question — —

Dr SYKES — I can actually comment on that subsidy, Treasurer, and that is that that is a subsidy of up to \$400 for the excess on insurance.

Mr BRUMBY — Yes, that is correct.

Dr SYKES — I am advised by one person who has incurred a \$55 000 fence repair job that his insurance company imposes no excess, and for a lot of his neighbours that excess subsidy is irrelevant, so it is a nice gesture, but in fact it has no material value.

Mr BRUMBY — As you know, the view of the VFF and others too is that, while they would always like government to be putting in more money for things like fences and so on, they also do not want to discourage farmers from taking out insurance. So it is always a fine balance; but I do look at the letters you send in, and I am happy to look at those, but it is probably more appropriately a matter for Minister Thwaites or Minister Cameron.

Mr PAKULA — Treasurer, DIIRD staff might remember that in my previous job I used to harass them about the extension of natural gas to certain country towns. It has proved to be fairly important for getting some dairy factories operational. On page 409 of budget paper 3, DIIRD has a discontinued performance measure for towns with works commenced to enable connection under the natural gas extension program. My question is in three parts. Firstly, how many towns are to be connected to natural gas and why has this measure been discontinued? Secondly, can you outline the expected time line of the first connection of these towns? And thirdly, can you outline some of the economic benefits to towns that have been connected?

Mr BRUMBY — Thank you for that. The original commitment was that 34 towns were to be connected to gas. I am pleased to say that work has now commenced in all 34 towns, so that, in essence, is the answer to the question.

By the way, that was above the target we set in 06–07. There were 34 to be connected, the target was 30, we have actually commenced work in all 34. Physical works to supply the final four towns of Korumburra, Leongatha, Wonthaggi and Inverloch commenced in April 2007. I have got to say I remember going down to Leongatha to announce the extension there — I think it was about 18 months ago — and I remember the then mayor at the time standing up and saying that for that community the extension of natural gas was just as significant as the extension of electricity supply to that region in 1907 — so nearly 100 years later. This has been extraordinarily well received, as you have noted.

It has also been incredibly important to industry — to the food industry — but also if you go down to places like Port Fairy, GSK with its pharmaceutical manufacture there. That is one of the very few stand-alone plants in the world of that size, and it is there because it is a good location, there is a good workforce and there is natural gas.

Customers are now connected in 20 of the 34 towns. Connections have also occurred in new areas of Koroit and Don Valley as a result of the rollout, and connections in the remaining towns — that is, the complete connection program — will occur over the next two years.

Savings: I think you are aware of the savings, but these are huge savings. You think of all of the ways in which you can put cash into someone's pocket. Swapping from bottled gas to natural gas saves most households \$600 to \$1000 per year — and that is after-tax income. I have had particularly needy families come up to me, perhaps a single parent with one or two kids, and they are \$20 per week better off, money in the pocket, after tax, as a result of shifting to natural gas.

This has not only been great for industry, which I know is your particular interest in this, there have been many companies. As I said, the food industry — Patties Foods, of course, was the big one I forgot; Bairnsdale hospital; Fennings Timber; I mentioned GSK; and there are others. It has made a huge difference. It has been a fantastic program.

Mr BARBER — I would like to ask you about the bay dredging project, if that is okay?

Mr BRUMBY — Our largest single export out of Victoria is processed dairy products, so it is a fair question.

Mr BARBER — And it is about the piece of work that was done for Treasury, the *Port of Melbourne Economic Contribution Study* by PWC. My question is whether the work and the assumptions here still form the

basis of the business case for the project, which I am sure you will be working on in the next year. In particular, the trade and shipping forecasts broken down by containers, grains and crude oil and the analysis that they produce of likely shipping movements. That is one part of what is in the study.

The other is the estimates of the costs, which at the time of this report to you were 568 million, or 465 NPV — about half a billion dollars, whatever you want to call it — and whether those projections for shipping movements are still the ones you are working off, whether you are going to do any more analysis, whether they are likely to change, and whether these estimates of the costs are still the estimates of the costs. I thought we had already had about 300 million of costs accrued so far, so I am not sure why it is still 568.

Mr BRUMBY — The two things — on shipping movements, and to be fair I do not have all of the data in front of me, but on shipping movements, just the background, I guess, the fastest-growing industry in the world is world trade. If you look around the world this year, real GDP around the world will grow by about between 4 and 5 per cent, dragged up obviously by China and India. But growth in trade will grow by about twice that amount. That reflects just the more global economy we are in and the fact that there are fewer trade barriers today than there were. Everyone knows the numbers on China, which in many manufactured goods now —, look at things like clothing, China is producing more than 60 per cent of all the clothing in the world.

So products are moving around the world much more. In turn, if you look at the Asia-Pacific region, which is the fastest growing region, the real GDP rates are closer to 8 or 9 per cent, and again trade is growing at a faster rate than real GDP. So then when you come back to looking at shipping, the numbers going forward in most of the documents predict growth in shipping volumes of between 4 and 7 per cent, or 4 and 7½ per cent per annum.

But to be honest I think they are probably pretty conservative numbers, just because of what is happening elsewhere in the world. Everyone will make their own judgements about that, including lots of different economists, but at the bottom end they are very conservative numbers. What has been happening over the last decade is growth has been much more than that. If you look in Sydney, they have been growing at 7½ per cent, for example, but have got more problems in many ways than we have in Melbourne. They have some particular environmental issues. So you are going to see growth in that, And then of course if you compound forward, if something grows at 7 per cent per annum, after 10 years the volume has doubled — that is the compounding impact. So they are the projections going forward.

In terms of the economic cost benefit, there have been three studies, including the PW study. They all use different models, and the main difference between the studies about whether you get a really big net value or you get a more modest one is whether you translate the efficiency gains in Victoria right across the national economy, which I think you probably should do. But if you do that you get a much, much bigger economic value of the project. The one that we released recently with the port study had a more conservative assessment. I think it was \$2 billion net economic benefit.

In terms of the costs of the project, we will not get a final picture obviously on the costs of the project until it has gone through the final panel process. The supplementary environment effects statement basically gives it an in-principle green light to proceed. As you know, there are processes which involve the panel; they have got to assess that. The public is able to make submissions. They will assess that and the panel will give a report back to government, and subject to that report the project will either proceed or it will not proceed. At that stage, when we get that report, we will be in a better position in the port to identify all of the costs of the project. It will be in excess of half a billion. I do not think it is correct to say that 300 million has been spent already. There have been some significant costs. The government has also contributed, I think, about 14 or 15 million two budgets ago to some of the preliminary work — I think that number is broadly right, but it can be checked anyway.

There is a final point I would make about the project — and I am obviously a very strong supporter of the project. Ships are getting bigger. I could give you all the data on just how big they are getting. In fact, if you do not deepen the channel you will get more ship movements across Australia, because they will not be able to fill the full capacity. So if people worry about the number of movements, you will have fewer movements if you have got bigger ships that are able to fill to full capacity, and I would have thought that was a good environmental outcome. So I am a supporter; my views are well-known, but there is a process to go through, and the final costs will be known when we get the final panel report.

Mr BARBER — With respect to shipping movements, that kind of sounded like a no. You are basically saying even those big compounding numbers are probably conservative.

Mr BRUMBY — They are saying 2000 — —

Mr BARBER — My real question was: are you going to sit with the information that is there as your basic business case for shipping movements, or are you going to carry on any further work to adjust those this year?

Mr BRUMBY — To my knowledge, and I am not the minister for ports, there is no more economic assessments going on. As I said, I think there have been three studies to date. We have released the most recent ones which came as part of the supplementary EES. The growth numbers going forward, as you know, are in here: 2005–10, 6.7 per cent; 2011–20, 5.6 per cent; 2021–35, 4.7. If you are asking me are we going to revise them up; I do not believe we are going to revise them up. If you are asking my opinion — you know, I get around the world; I see the growth that is occurring in places — I think they are probably conservative numbers. So if anything you will see stronger growth from that, which in my view only strengthens the case for the channel deepening project. Otherwise you are going to get more and more ships that cannot fill up to full capacity and they are going to be moving in and out only loaded halfway, and that is not a good thing for the environment.

Mr SCOTT — I refer the minister to the creative industries section on page 141 in budget paper 3. I ask the minister to provide details on what the Victorian government is doing to foster growth of the local film, TV and digital media industries.

Mr BRUMBY — I think the big thing there has been, as I said before, the support we provided for the construction of Melbourne Central City Studios. We needed to do that. Everyone who uses those studios says they are among the very best in the world; in terms of their audio qualities, the soundproofing and so on, they are absolutely the best in the world. We have contributed to that. We have doubled the filming, as I have said, of Film Victoria.

The consequence of that was last year Victoria topped Australia's film production. We have just signed up on *The Pacific*. *The Pacific* will contribute somewhere between \$100 million and \$180 million into the Victorian economy. It is just huge. The modelling that is done on the number of direct and indirect jobs, full and part time, is nearly 4000 jobs, so it is just going to have a huge impact. Most importantly, in the case of *The Pacific* you are going to see streetscapes that are clearly, readily identifiable with Melbourne. They will also do some shooting in country areas.

In this year's budget we added to our support for the film industry. There was 2.8 million for the new generation film, television and digital media strategy. It is 1.6 million over the next two years to establish the Melbourne International Film Festival investment fund; 800 000 for the development of the Melbourne international festival marketplace to take place during the film festival; and 400 000 over two years for the digital media fund to secure X|Media|Labs internationally recognised digital media think tank and production workshops.

I have opened a couple of the media lab conferences we have had here before. We get 600, 700 people here for many of the sessions. They are the best in digital media from all around Australia and around the world. You look at this whole leadership in the creative industries — iTeam, film, digital media, all of the creative arts — this is an enormous economic strength for our state. We have supported it, and it is the right thing to do in terms of where our economy goes in the future.

The CHAIR — We will try to get in three more quick questions.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the regional aviation fund. How is that going to work? I presume you will solicit applications? Will the grants be capped at particular amounts? Will you call for a co-contribution from the operators of facilities? What about eligibility criteria — is it only local government-operated airports that will be eligible? What are the details?

Mr BRUMBY — We promised this in the election campaign, as you are aware. We said we would do that, and we have funded it in this budget. The program will commence from 1 July, in the new financial year. Regional Development Victoria is currently finalising the guidelines. They will then present them to me, I will approve them and they will go out into the market. The 5 million is available.

As you know, we have done, under the Regional Infrastructure Development Fund, some projects in the past — Mildura, Shepparton, Latrobe Valley, Portland, Warrnambool. We have done those. This will put a bit of structure around it. Generally what you find is there are some contributions as well from third parties, particularly local government. We would love to have some contribution from the commonwealth but I am not hopeful of that. I would say we will probably have the guidelines out within the next month, but there is \$5 million available.

Ms GRALEY — Talking about the Regional Infrastructure Development Fund, in budget paper 3 at page 145 DIIRD has some performance measures for the fund. I wonder if you could outline the projects funded in the 2006–07 year and the economic development potential of the projects. And also, if we have got some time, can you explain why DIIRD has exceeded its 2006 target by twice the number of projects?

Mr BRUMBY — The table I had on before, and now have up, gives you an idea of how expansive that is across the state. The most recent one I announced on that, I think, was the Wangaratta performing arts centre. The beauty of the Regional Infrastructure Development Fund is we have used it on water projects, we have used it to attract industry. We are using it in Geelong down there on the waterfront, as you know, the Dennys Lascelles building, which is part of the package for Deakin University to attract more students to secure the medical school and other expenditure.

We have used it on aerodromes and, as you see there, in Wangaratta. It is just a great program. The chairman of the committee in Wangaratta said they had been waiting more than 30 years to find a government to support their performing arts centre, and it was finally funded under our Regional Infrastructure Development Fund. The total value of projects which we have funded is now \$1 billion, and those projects have leveraged, of course, other private sector investment. The funding has been across a number of areas, as you can see there, from water through to industry. Some of those other projects, as you can see there, include the Gippsland Water Factory, which will cost \$140 million, and we are putting \$50 million into that, so that is a very large project indeed.

In answer to the last question, asking if I can explain why we have exceeded the 2006–07 target by twice the number of projects, I cannot. I do not know if the CEO or the secretary can.

The CHAIR — Your goal was 10, and 22 were done.

Mr BRUMBY — It is a very popular program; that would be the only answer I have got. It is a very popular program.

Mr O'BRIEN — There was a lot of impetus as a result of the *Moving Forward* statement, so that sort of accelerated in particular the Small Towns Development Fund projects.

The CHAIR — A final question.

Mr DALLA-RIVA — Just on the same page — page 144.

Mr BRUMBY — Of which paper?

Mr DALLA-RIVA — Budget paper 3. On page 144 I note in the total output costs that the target had been set at \$28.6 million. The expected outcome is only going to be \$22.8 million, which is a reduction of \$5 million.

Mr BRUMBY — Page 144; yes.

Mr DALLA-RIVA — Page 144, total output costs on the regional economic development and investment relating to facilitating employment, investment and economic growth. I note that there is a reduction of \$5 million from the target compared to the expected outcome. Indeed the target for 2007–08 compared to 2006–07 is an 8.7 per cent reduction on what was anticipated. I am just curious why it would be the case that you are reducing those dollars at a time when we actually need some economic prosperity in the regional area and why you would actually made a reduction and not spend that money that was allocated.

Mr BRUMBY — I think there are a couple of things getting mixed up there. If you look at the 2005–06 number in the right-hand column, the number was \$16.9 million.

Mr DALLA-RIVA — Yes. I did not ask about that, though.

Mr BRUMBY — No, but in your summary or the background to your question you said there had been a reduction. It is not correct to say there has been a reduction. In 2005–06 we spent \$16.9 million. The expected outcome in 2006–07 is \$22.8 million, so it is not correct to say there has been a reduction.

Mr DALLA-RIVA — There has, because you anticipated spending \$28.6 million, so you have actually underspent your proposal by \$5 million. I am curious what some of the areas are that you did not commit to.

Mr BRUMBY — I am advised that the answer there is that that number does not account for carryover. I am advised that the carryover is \$6.3 million, so probably if you add \$6.3 million to \$22.8 million, you will get pretty close to \$28.6 million.

Mr DALLA-RIVA — What is the carryover comprised of?

Mr HODGSON — It is unspent moneys from the previous year.

Mr DALLA-RIVA — Yes, I understood that; that is what ‘carryover’ means. But specifically?

Mr O’BRIEN — Can I perhaps clarify a couple of things. There have been considerable additional funds that have come into Regional Development Victoria to deal with drought and to deal with bushfire. That is not picked up in these figures. So there has been a local infrastructure works program, which is probably about a \$14 million program which we have had the money in, and we have worked with our local government partners to put the money at the door, creating 370 new projects. So part of the backlog or the reason some of the money is not out the door is the fact that we have focused our attention elsewhere. These are programs that are slightly delayed but not delayed by a long time.

Another good example would be the Make It Happen in Provincial Victoria campaign. One of our milestones was to get to the second stage of that campaign in November-December, when the bushfires were obviously at their peak. We did not spend the money then, so we delayed that campaign for a couple of months. We are talking the difference between months, not programs that were dropped.

Mr DALLA-RIVA — That is all right.

The CHAIR — We might wrap it up. That concludes consideration of the budget estimates for the portfolios of Treasury, Innovation and Regional and Rural Development. I thank the Treasurer and departmental officers for their attendance today. It has been a very useful session, and where questions were taken on notice the committee will follow up with you in writing at a later stage. The committee requests that written responses to those matters be provided within 30 days, and we will table the responses in Parliament. Thank you very much, Treasurer.

Witnesses withdrew.

Transcript of Evidence

6.14 Skills portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 7 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr R. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms J. Allan, Minister for Skills, Education Services and Employment;
Mr W. Hodgson, acting secretary;
Ms P. Neden, deputy secretary, Office of Training and Tertiary Education; and
Mr C. Ingham, assistant general manager, policy development, Department of Innovation, Industry and Regional Development.

The CHAIR — I now welcome Warren Hodgson, acting secretary, Department of Innovation, Industry and Regional Development; Patricia Neden, deputy secretary, Office of Training and Tertiary Education; Chris Ingham, assistant general manager, policy development, and who else have we got?

Ms ALLAN — I think that is it.

The CHAIR — We did have someone else down, but they are obviously not here.

We have a total of 45 minutes allocated to the skills portfolio. We are running a bit late, but I now call the minister to give a presentation of not more than 5 minutes on the more complex financial and performance information relating to the skills portfolio.

Overheads shown.

Ms ALLAN — We have just handed around our presentation.

As we have just concluded the discussion on education, it is very appropriate that we move on to the skills and training area. Alongside education, the skills area is part of our government's commitment to providing the best possible support to young people, but also in terms of providing our economy with the skilled workers that it needs. The Bracks government has very clearly identified that we need to invest in skills to drive future economic growth, and we certainly do know that making sure that we have the right supply of skilled labour requires an in-depth understanding of our local industry needs.

That is the rationale behind the creation of a dedicated skills portfolio which — as you can see on the overhead and the slides in front of you — has been the result of the move of the Office of Training and Tertiary Education from the Department of Education into the Department of Innovation, Industry and Regional Development. It has also seen the move of the adult community and further education area into the Department for Victorian Communities. Particularly the shift of OTTE into DIIRD will certainly help us better align the administration of our very good training system, which already has very good engagement with industry. It really will help drive that even further and recognise that skills are very much central to Victoria's future prosperity.

Since 1999 we have seen an additional \$1.1 billion invested in the skills and training area and that — as I said before — is alongside the \$6.1 billion in education. You can see the breakdown in front of you, but I will mention that last year we provided \$241 million in the skills statement, and there is a further \$72 million in this year's budget.

If you look at the next slide you will see that that investment is paying off. If you just take one example, Victoria is now training more apprentices and trainees than any other state. This chart shows Victoria's high performance to other states on apprenticeship completions.

For the Chair's information, we are also doing very well on apprenticeship commencements. We have recorded more commencements than the next-highest state. We have the most commencements of any state. The next-highest state is New South Wales, and we have more than 5400 extra people than New South Wales. I think that is just one example of the strength of Victoria's vocational education and training system.

It is not by accident; it has been very much the result of that additional \$1.1 billion worth of investment. It is also about where we have worked in comparison to other jurisdictions, where Victoria's system is more cost effective. As I have said, it has very strong industry engagement and continues to meet the needs of industries and individuals.

Considering the time, I will reference the slide that highlights 'Policy challenges', because that outlines the range of particular issues we have. We know about the ageing of the population and the challenges that we will have. There is also increased global competition. It is also about assisting employers with their needs to continue to invest in skills and training of their employees, and then there is a dual policy challenge around investing in higher-level skills to drive our innovation economy, which Victoria has a very strong priority on, and also upskilling the broader adult population. We have very much looked at identifying adults with lower-level skills and increasing their skill levels.

The final challenge we have is getting the federal government to invest more money, and you can see the differential there.

Dr SYKES — In all fairness!

Ms ALLAN — Yes, that is right. Bill, you and I are going to have some fun in Canberra. Finally — and I probably do not need to go through this considering the time and in the interest of getting you back on time, Chair — you will see a snapshot of budget items, and I am sure we will come to those during the presentation.

The CHAIR — Thank you very much, Minister.

Ms GRALEY — Berwick tech is a great initiative and very warmly welcomed by the members of my electorate. I refer you to page 9 of BP 3, which refers to the government's \$241 million policy statement *Maintaining the Advantage — Skilled Victorians*. Can you please outline what progress has been made towards the establishment of the technical education centres that were announced in that statement?

Ms ALLAN — Certainly. I mentioned this briefly in the previous presentation, because our techs are very much part of the range of different pathways that we are providing in terms of what goes on in our schools — with VCE, VET in Schools and VCAL — and of course the additional resources coming in this year's budget for our trade wings within schools.

The skills statement of last year, out of the \$241 million, provided funding to establish four technical education centres that will be based, as you have identified, in TAFE institutes. They will be purpose-built and provide high tech industry-standard facilities that will very much take advantage of the links that the TAFEs have with local industry and business. At the same time as providing students with access to the high-quality facilities and high-quality teaching and learning, we are also going to be able to provide them with those important links with industry as well.

Despite it only being announced last year, we have already delivered on two of the technical education centres. We have more than 170 students enrolled at Wangaratta and Berwick techs and those two techs started operation this year. The Chisholm TAFE operates the one that you probably know about and — Bill, out your way, Wangaratta way — Goulburn Ovens TAFE is providing the one at Wangaratta. We have also got Ballarat to come on line in mid-2007 and the Heidelberg one to come on line in early 2008.

I emphasise those links with TAFE and local industry and also the numbers of enrolments and how quickly we have been able to get them up and running because it certainly does stand in very stark contrast to the Howard government's Australian technical colleges that have very much suffered from delays, from cost overruns and very much too narrow a focus. I think that ATCs are an unfortunate example of how poor commonwealth-state relations can very much impact on service delivery. Instead of working with us — we would have been very happy to have worked with the federal government in this area and we would have loved to see the additional funding come into our TAFEs, loved to have seen the resources and supports for students in our TAFEs — unfortunately they have gone and set up an alternate system. It has resulted in great inefficiencies, but also, interestingly, it has seen the result that in fact five of the six ATCs we have here in Victoria are actually using our TAFEs to train the students. So really it is an example of where the federal government, in terms of service delivery, should leave it to the states, which have experience in this area — not spend millions and millions of additional taxpayer funding on an inefficient system. As I said, we would very much welcome those funds coming into our TAFEs, but it is not to be. We have our technical education centres that are doing very well and, as I said, sit alongside a whole range of other commitments. And also — importantly too, if I can emphasise again — the youth guarantee, which came on line this year and provides a guaranteed place in an education or training provider for young people up until the age of 20, is also a very much important part of our commitment to lift the numbers of young people completing year 12 or its equivalent.

The CHAIR — Thank you, Minister. Can I come back to your last slide. You mentioned the nursing skills centre of excellence at Box Hill. I am wondering if you could tell us about how this is going to tackle the nursing skills shortage?

Ms ALLAN — Yes, certainly. This is a great initiative. It is a consortium that has been established by Box Hill Institute of TAFE, in partnership with Deakin University, the Epworth Foundation and the Eastern Health network. This budget provides \$4.5 million towards the development of this centre; \$500 000 will be spent in the coming financial year for the engagement of the design work and the consultants on the project, with the further funding to come in the 08–09 year.

Chair, you mentioned addressing the needs of the health industry in terms of additional nurses. Since 1999, as the committee would be aware, the Bracks government has funded an additional 7200 nurses into our hospitals and health systems and we have provided extra supports, such as scholarships, for nurses to undertake postgraduate studies, particularly in those specialty areas such as mental health and critical care, emergency nursing and particularly midwifery, which we know is a critical area as well. We have also assisted more than 2500 nurses to re-enter the workforce by providing funding to help them to return to nursing and to go through the re-registration process.

So this initiative obviously builds on those additional supports of both putting extra nurses into the hospital system but also wanting to see them continue with their training to increase their qualifications, to go into those specialist areas, and also — and this is something I think I mentioned before — keep pace with technology and changes in medical diagnosis, improvements in medical technology as well. It does mean that there needs to be ongoing training for our health workforce and nurses are such a critical part of that. That is why, both in terms of addressing this from a skills shortage point of view but also in terms of assisting with the quality and the levels of skills within the profession itself, the Box Hill nursing skills centre of excellence will certainly be a great asset.

There is one additional area where we could do with some assistance. In 2007 the unmet demand for university places for nursing actually increased. We saw over half of the applicants in the first round who applied for nursing not offered a place, so I guess I would once again just repeat that we would love to see the federal government put some additional funds into university places in Victoria and see them go to those priority areas. Particularly at a time when we know we have got skills shortages, we know we have got a nursing shortage and we know we have got, at the same time, young people wanting to undertake nursing, it is an absolute crime that we are seeing young people miss out on pursuing a career in nursing just because, for some reason, Victoria has the highest level of unmet demand for university places of any Australian state.

Mr WELLS — Thank you, Minister. It is great to see your enthusiasm for tech schools. I thought it was federal Labor that shut down all the technical schools.

Ms ALLAN — Federal Labor?

Mr WELLS — Yes, under the Dawkins plan.

Ms ALLAN — No.

Mr WELLS — It wasn't?

The CHAIR — That is not on estimates.

Ms ALLAN — I think you might be getting confused between state education systems and federal education systems there, Kim. Dawkins was about — —

Mr WELLS — Dawkins was about the shutting of our technical schools.

Ms ALLAN — Dawkins was about technical and further education centres. Was there a question in that?

Mr WELLS — My question is in regard to BP 3, page 304, and also the editorial on page 305, in reference to the apprentice/trainee completion bonus, page 304. I refer you to the editorial that says:

Funding is provided to extend the current completion bonus scheme for one year ...

Does that mean it will be axed after the 2007–08 year?

Ms ALLAN — Thanks, Kim. Certainly this goes back to — as part of the presentation that I mentioned before, we are training more apprentices and trainees than any other state in Australia, with more commencements and more completions. I have got another little chart, with the committee's indulgence, that shows — if you can hand around — —

Mr DALLA-RIVA — You have got a chart for everything, haven't you?

Ms ALLAN — I do, just because I know I am going to get asked the questions about the detail, so it is easier to provide it in a chart. That shows how Victoria's commencements and completions are the best in

Australia. That is just for the committee's information. It is no surprise when you consider that we have got the best year 12 completion rates and the strongest investment in the skills system that we have provided over the last seven years.

In terms of the apprenticeship completion bonus, this was introduced back in the 03–04 budget, which you would probably remember, with a commitment of \$65 million over four years. Since then the Bracks government has introduced further initiatives to build on this area: the \$500 completion bonus for apprentices, which was in last year's budget; additional support through the skills statement for apprentice complete field officers; and the skills statement also provided 4500 additional pre-apprenticeship places with a tranche of these coming online in this year's budget.

In this year's budget we have provided, as you have indicated, \$24.5 million for the bonus to continue for one further year. We have done this quite deliberately to take the opportunity to sit back and consider the most appropriate and effective way we can support apprenticeships and traineeships, and I would hate this to be interpreted by any members of the committee as us stepping away from a commitment to apprentices and trainees.

The chart that I have just handed around shows how well placed Victoria is in this area, how we have been able to see Victoria's economy grow and continue the good economic prosperity that I am sure the Treasurer spoke to this committee about on Friday. But we want to take an opportunity to sit down and have a look, to talk with employer groups and talk with the sector more broadly to see how we can review in a broader context the range of incentives that are provided to industry, to individuals and to providers. It really is having a look to the future and seeing what it is that our workforce of the future needs.

I mentioned before the twin challenges that we face in the skills area: it is driving high levels of skills, it is putting more investment in higher end skills and getting people higher qualifications, and it is also about lifting the adult-level skills as well, particularly adults with low levels of qualifications. It is also another ingredient to put into the mix, and I say this quite seriously.

We have got some negotiations taking place later this year with the commonwealth for the next three-year funding agreement. We are yet to start negotiations, and obviously with the federal election it is going to cause a bit of back and forth as well. That will help us to also inform our future investment, and we want to work cooperatively with the commonwealth in whatever flavour that might be.

Mr WELLS — So there is no guarantee that this program will continue in the future after 2007–08?

Ms ALLAN — We are taking the opportunity to have a look at the program, although as I said it should not be interpreted that we will be stepping away in any shape from providing support to both industry and apprentices for them to continue to increase the number of apprentices and trainees that we have here in Victoria.

Ms MUNT — My electorate takes in Braeside, and in Braeside there are a number of large companies that supply the automotive industry in manufacturing. They are always eager to have a skilled workforce available to them, so I am interested in details on the Kangan Batman Automotive Centre of Excellence in Docklands, which will provide those employees to that industry. Could you please advise me how this initiative will link skills with industries such as in my area?

Ms ALLAN — Certainly, Janice. We have in this year's budget as you have indicated supported stage 2 of the development of the Kangan Batman Automotive Centre of Excellence down at Docklands, and whilst it is at Docklands as you said it is about supporting the automotive industry which is very important across the state whether it is in your electorate or many parts of country Victoria as well where there is industry that relies on the automotive industry here in Victoria.

This budget provides \$30 million, but this is for stage 2. Going back a couple of budgets the Bracks government invested in stage 1, which was \$20.5 million, and stage 1 if anyone has been down at Docklands, you could see it is up, it is operational and it is doing very well. So that brings our commitment to this centre over \$50 million, and it is also part of that broader investment in TAFE capital works of up to \$359 million since 1999. That is almost double the capital investment that was made under the previous government.

I know you are probably going to have a little smile at this, but I do have another chart that shows where we have made the capital investment over the last seven years. I think this is important, because when I said before about the

automotive industry is supported across the state, this chart will also show you where we put our investment right across Victoria, whether it is through our TAFE capital works program, funding more broadly through DIIRD through the Regional Infrastructure Development Fund or the science and technology initiatives that have provided funding to our universities. It is very much about driving investment in our TAFE and university facilities to improve educational outcomes which, as I said before has, a direct link to improving workforce participation and productivity.

Back to the Automotive Centre of Excellence, as you said the automotive industry is a very important industry to Victoria. It has an annual turnover exceeding \$50 billion and employment in excess of 400 000 persons both directly and indirectly. Victoria knows that we have to keep pace with this global industry. It is very competitive, and this centre will certainly help us do this in terms of providing the most modern facilities, the latest technology and the latest research that will help the Victorian workforce develop those skills to compete in this international economy.

Very briefly, I will also acknowledge the work that Kangan Batman has done in this area, because it has certainly got a very good relationship with industry, and certainly developing this central precinct will help drive that even further. There are also very important partnerships with other industry organisations in this initiative.

Dr SYKES — Minister, in view of the low year 12 retention rates or completion rates in country Victoria — 20 per cent below state average — that obviously increases the importance of alternative training options. I should say that I am a great fan of the school-based traineeship program, and Mansfield Secondary College in particular has been a key participator in that with wonderful outcomes for the students. But if we can just focus on apprenticeships — you have given us another chart, for which I am eternally grateful — but can you just give us another chart that gives a split into country and city apprenticeships?

Leading on from that, I understand I think in this budget there was an announcement of \$25 million going towards encouraging apprenticeship uptake. My recall is that in last year's budget there was a \$60 million reduction in support for employers taking on apprentices, and linked with that was payment only on completion — —

Ms ALLAN — Sorry, can you just repeat that last bit again, Bill?

Dr SYKES — It is my understanding in the last budget that there was a \$60 million reduction in incentives for employers to take on apprentices and that the payments were shifted to only payment on completion, not by year. Also, an employer needed a minimum of three apprentices to qualify for those incentives.

My question is: have those issues been addressed, keeping in mind that often in country Victoria the businesses are very small, often employing less than three apprentices, keeping in mind the severe impact of the drought, which is making it extremely difficult to keep the young people on, and knowing that that impact will last for several years yet?

Ms ALLAN — Thanks, Bill. I made comments on this in the previous presentation in terms of the different pathways, and you mentioned pathways at the start of your question, so I do not think we probably need to go back over that, other than to recognise — and you are right; country schools have been great in terms of providing, whether it is the VCAL or the VET in schools, to their students, recognising that that is the pathway that most country kids will take. That is a reality, and it has been very well supported by our schools in country areas.

In the terms of the \$60 million you are saying has been taken out in terms of incentives to employers, I can only assume you might be referring back to the — well, I am not quite sure what you are referring back to, other than the last changes that were made in this area with the 2003–04 budget, when we introduced the apprenticeship and completion bonus that we were just talking about a couple of moments ago.

In terms of what you made mention of, the criteria for three employees or more, I take it you might be referring there to the apprenticeship trade bonus that was introduced in last year's budget, that does have a requirement, I understand, for there to be a minimum of three employees, and that is where a payment is made to apprentices who reach the six-month point. So they get 250 bucks after the first six months and then a further \$250 when they reach the 12-months point. Other than that I am not quite sure what other areas you might be referring to — unless you want to — —

The CHAIR — You can take it on notice.

Dr SYKES — Can you clarify the split, country versus city? I can clarify — —

Ms ALLAN — What was the question about the split?

Dr SYKES — On the chart you have got impressive figures, on a statewide basis, of a 79.6 per hundred thousand commencement rate for apprenticeships and 45 per hundred thousand for completion. What is the country versus city split on that?

Ms ALLAN — Yes, we can certainly do that. We have got loads of different data that we can provide you with in terms of the split.

Dr SYKES — I just give you that on notice.

The CHAIR — That is fair enough.

Dr SYKES — I will get you to clarify the other three queries on notice.

The CHAIR — It seems to be it applies to one program and not to the other.

Ms ALLAN — Sorry, can I just clarify something?

The CHAIR — Yes, you can.

Ms ALLAN — I have just been advised that the criteria of three is actually the criteria for the apprenticeship and traineeship completion bonus, not the apprenticeship trade bonus. Everyone gets the trade bonus, but the criteria of three was for the completion bonus. Sorry about that — it was just to clarify it.

Dr SYKES — Are you doing anything to address that, given — —

Ms ALLAN — That goes back to Kim's question about having a review, taking the opportunity to review the apprenticeship and traineeship completion bonus. We are going to take the opportunity in the context of the commonwealth agreement coming up, the skills statement initiatives coming on board, and other incentives that have been introduced, to have a look at the make-up of that program. Also just on your question around participation in vocational education by country Victorians, 36 per cent in vocational education are from regional Victoria, and when you compare that to the population of 27 per cent, it shows that there are proportionately more country people undertaking vocational education training — again, not surprising, considering that is an option more country people take. I am happy to provide further information.

The CHAIR — I am sure, and on completion rates as well, Minister.

Mr PAKULA — Minister, I am interested in 'Returning to Earning', which is on page 309 of budget paper 3. Can you give us a bit of an outline about that program?

Ms ALLAN — Yes, certainly. The parents-returning-to-earning program is a continuation of the very successful parents-returning-to-work grants, which the Bracks government introduced back in 2003 and were tremendously successful in helping parents who have been out of the workforce for two years or more caring for children to re-enter, either through assisting with their retraining costs or, more directly, with their employment costs. Unsurprisingly, out of the 9000 people who received assistance from the parents-returning-to-work grant, 95 per cent of those were women.

We have continued this program, and we have continued it with \$13.2 million in this year's budget because we know that women caring for children make up the greatest proportion of people outside the workforce who are keen to get back in, and with the right set of assistance to help them, whether it is things like their child-care costs or their training costs, they can go on and participate in the workforce. This is very much something that came through the work we did as part of our *Workforce Participation Task Force report, which I will talk about when I come back as employment minister. It is absolutely essential that in terms of continuing to drive economic growth and productivity in this state we lift participation in the workforce by women, and particularly by women with children.

Predominantly the responsibility for this sits with the federal government particularly around child care and tax concessions. I do not think one-off cash grants in an election year are going to fix the child-care problem; we need more structural improvements than that. However, the Bracks government is doing what it can by providing a targeted report to parents at this key point, and that is what is behind the parents-returning-to-earning grants. It will certainly provide approximately 12 000 grants over the next four years for the program. So when you add that 12 000 to the 9000 who have already been assisted over the past four years, there are some 21 000 people who are going to be helped back into the workforce, predominantly women who make a very good contribution not just to the local industry but also to the broader Victoria economy as well.

The CHAIR — Thank you, Minister.

Mr DALLA-RIVA — I refer you to BP 3, page 311, table A.10. I know you mentioned it briefly before in your discussion and provided us with asset investment initiatives. Do you think it is an admission that you have dropped the ball in respect of moneys that you provided given you have indicated that since 1999, \$359 million has been allocated? This financial year there is \$3.2 million allocated in the budget, which, some could argue, is about 0.8 per cent of what has been allocated. Do you think that is a fairly low average of asset initiatives for TAFEs given what you stated before?

Ms ALLAN — As I said before, the \$359 million is double the TAFE capital investment that was made under the previous government — —

Mr DALLA-RIVA — I am talking about this year.

Ms ALLAN — You have to look at it historically as well. We have made a significant investment in TAFE capital works over the last seven years, and you are seeing that work in the pipeline continue. It is actually \$38 million that we have in this year's budget. You have to remember that these budget papers only show new spending, and I am happy to come back with the funding from previous budgets which shows that we have actually got projects that would have been funded in last year's budget. For Richard's information, and I do not want to read budget papers to him, but if you take the automotive centre of excellence you will see how that is phased over four years. That will not be in next year's budget papers — as I understand it — because it will not be a new initiative.

This is a table that shows new asset initiatives, and in terms of our total capital spend, our total capital spend for this year — and Warren might have to give me a hand with this; it is a bit colourful — —

The CHAIR — It is part of the 28, 28, 28, 16 that we heard about on Friday.

Ms ALLAN — If I can maybe come back over the course of the hearing in terms of the total capital investment that we have made this financial year — if you can just give us a couple of minutes?

The CHAIR — Not too long.

Ms ALLAN — No.

The CHAIR — We can move on to the next question if you like.

Mr DALLA-RIVA — Just to clarify it. It is \$3.2 million — —

Ms ALLAN — The 3.2 is new, and we will get you the figure from the previous — —

The CHAIR — Okay, well why don't we do that.

Ms ALLAN — We will come back on that.

The CHAIR — We will move on to the next question.

Mr SCOTT — My question refers to equipment grants for community education providers which are referred to in BP 3, page 339. I would be grateful if the minister could advise how the government is supporting adult and further community education providers.

Ms ALLAN — Certainly. This is a very important part of Victoria's education and training system when you consider the investments we have made in schools and in TAFEs and the vocational education system more

broadly. We have also provided additional support to the adult and community education sector. Since 1999 we have actually increased funding to this area by 43 per cent, or around \$15 million. When you consider the importance of the adult community education sector, it provides great access to people for education and training. We have, I think, over 340 adult and community education providers in the state. They have a very wide spread, they have a very high presence and profile in country Victoria in particular. They do provide that entry point to further training.

I mentioned before the parents-returning-to-work grants. Many of those grants were used in the ACE sector by women undertaking entry-level courses so that they could get back into the workforce. That is why in this year's budget we have provided an additional \$4 million over two years for equipment grants to ACE providers, to assist those providers with accessing and purchasing the latest and newest technology, and eligible organisations will be able to apply for two types of grants: one of up to 5000 and the other up to 10 000.

There is a range of categories that they will be able to apply for, whether it is for improving communications and computer equipment, assisting equipment for learners with special classroom needs and particular learning needs, things to assist with administration and also providing some equipment in the ACE area that will be the equivalent of the sort of equipment that will be used in the workplace as well. It is really making sure that we can support TAFEs with equipment and put tech things into the schools. It is about providing the ACE sector and those learning environments with the equipment and with the facilities that they need to support a very big group of learners in our community.

We often think of the ACE sector as providing those short courses, but they do provide a very important role in terms of helping young people improve their literacy and numeracy, adult learners in particular with literacy and numeracy, and, as I said, it provides a really important accessible point to education and training for people who can then go on to TAFE or university and further education. That is why we are seeing this investment in equipment grants for the ACE sector.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 59, 'Later years and youth transitions'. On two of the quantities under major outputs/deliverables in performance measures — the first one is the enrolment in VET in School certificate programs. I note in 2005–06 the actual is 47 000, the expected outcome for the current financial year is 45 and the expected target for the next financial year is 45.

The question is: why are the enrolments in those certificate programs dropping? It is akin to the second last on that same page 'VET in Schools students completed a qualification'. In 2005–06, 13 077, expected outcome is a reduction to 12 800, with the target again set at 12 800. Again, why are there less VET in School students completing qualifications? Perhaps you could cover that particular issue?

Ms ALLAN — Certainly. Just to confirm — you are talking about the ones that talk about VET in Schools? That is actually a question that is Minister Lenders' responsibility. If you remember back in the education services presentation I said anything that happens in the post-compulsory area outside of schools is mine and anything that happens inside the schools is John's.

Mr DALLA-RIVA — So both those questions relate — enrolments and the VET — —

Ms ALLAN — Yes, they would be best for John's area. Yes, because it happens in schools. As I said, if it were VET outside of schools — so in TAFEs or in the ACE sector or somewhere else — that would be my responsibility. I know it gets a bit confusing; it is like this with education versus education services from time to time.

Mr DALLA-RIVA — No, that is all right.

Ms ALLAN — That is one I can happily pass on to John for you.

Mr DALLA-RIVA — I am sure and now predict his question will come, I guess.

The CHAIR — Hansard will record it, and I am sure it will be passed to the minister.

Mr DALLA-RIVA — I am sure there will be 43 advisers onto it!

The CHAIR — We might have a short break. I thank the witnesses for their information on the skills portfolio. We will come back in a couple of minutes regarding employment.

Witnesses withdrew.

Transcript of Evidence

6.15 Small Business portfolio

Please note the Small Business transcript and the Industry and State Development transcript are combined into one transcript.

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr T. Theophanous, Minister for Small Business and Minister for Industry and State Development,
Mr W. Hodgson, Secretary,
Mr I. Munro, deputy secretary, business support,
Mr B. Foskett, chief executive officer, Invest Victoria,
Mr L. Bruce, acting deputy secretary, business development, and
Mr D. Hanna, deputy secretary, economic policy and planning, and chief executive officer,
Innovation Economy Advisory Board, Department of Innovation, Industry and Regional
Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings for the 2007–08 budget estimates for the portfolios of small business, industry and state development, and major projects. On behalf of committee members I welcome the Honourable Theo Theophanous, Minister for Small Business, Minister for Industry and State Development and Minister for Major Projects; Mr Warren Hodgson, Secretary of the Department of Innovation, Industry and Regional Development; Mr Ian Munro, deputy secretary, business support; Mr Ben Foskett, chief executive officer, Invest Victoria; Mr Lachlan Bruce, acting deputy secretary, business development; departmental officers, members of the public and the media.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and protected from judicial review. There is no need for evidence to be sworn; however, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded, and witnesses will be provided with proof versions of the transcript by email for their verification. The committee requests that verifications be returned within two working days of receiving the proof. Transcripts and PowerPoint presentations 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.

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 the 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. I ask that all mobile telephones be turned off.

I now call on the minister to give a presentation of around 10 minutes on the more complex financial and performance information that relates to the budget estimates for small business as well as for the Industry and State Development portfolio. Thank you, Minister.

Mr THEOPHANOUS — Thank you, Chair. It is a pleasure for me to be here before the Public Accounts and Estimates Committee, as a former chair of a similar committee. I do not think it was called public accounts then — I think it was called economic and something development — but I am very pleased to be here.

Overheads shown.

Mr THEOPHANOUS — I want to try to take the committee through what we are doing in the portfolio and the rationale behind the portfolio as well. The first thing to say is that there have been some significant changes to DIIRD following the 2006 election. We have now moved responsibility for skills, the ICT sector, film and TV and major events to be part of the DIIRD portfolio. I think members would be able to understand the rationale for that, in particular the skills element. We are very mindful of matching skills to what is required in industry.

There are some new ministerial portfolio line-ups as well. The Premier changed the old manufacturing and export and financial services portfolio to call it the Industry and State Development portfolio, of which I am the minister, and it also has separate areas for skills and ICT. Of course there are continuing functions, which include innovation, regional and rural development, tourism, and industrial relations as well.

What does it mean? DIIRD I think clearly has responsibility for the entire broad economic portfolio, which includes skills, investment attraction and facilitation, export facilitation and support, regional development, small business, innovation, manufacturing services industries, ICT, international promotion, and industrial relations. So you can see it is a very broad group of responsibilities.

This will facilitate more effective integration of the various arms of the economic development agenda — for example, skills, with manufacturing and investment attraction. It is important to understand that creation of the Industry and State Development portfolio reflects the growing integration of the economy and the focus that the government is bringing to this. Manufacturing services, financial services and infrastructure, included through my other portfolio of Major Projects, are increasingly interlinked as pillars of the economy and in driving our economy forward. The Premier was I think very deliberate in deciding on the portfolios that he gave to me.

Moving on to the next overhead dealing with the priorities in the Industry and State Development portfolio, we want to continue the strong performance in investment attraction and facilitation. We need to grow our exports, we

need to deliver the Victorian manufacturing statement — which I am hoping to do later in the year — implement the defence industry road map, and, of course, build on our international connections. I will speak more broadly, perhaps in answer to questions, Chair, about some of these priorities and why there are these new challenges for this portfolio in working in an increasingly globalised economy and also where there are some significant new challenges, such as global warming, that we have to deal with as well.

In the small business portfolio, a very large part of our businesses are in fact small businesses — 96 per cent are small businesses. We want to be able to provide world-class service, we need to reduce the regulatory burden, and, of course, skills is emerging as a major issue for small business and we have taken some initiatives in that regard.

In terms of achievements, we have achieved strong business investment. Business in Victoria continues to be strong, reflecting the strength of the economy. Business investment remained at near-record levels in 2006 and in 2006–07 business investment will be almost double the level in 2000–01, as the graph shows.

The next overhead shows strong export outcomes. As you can see, total exports in 2006–07 reached 29.1 billion, and annual growth for 2006–07 is in double figures as well.

In relation to this one, ‘Achievements 2006–07’, under ‘strong employment growth’ and 68 900 people over the past year, that is a lot of new jobs. We have historically very low unemployment levels of 4.9 per cent and solid population growth, up 1.4 per cent above Australia as a whole, so we are attracting a very large number of people coming here but we are also providing jobs for them.

‘Investment attraction and facilitation’, as you can see there, is another strongly performing area. Two billion of investment is expected to be facilitated in 06–07, which exceeds the target which we set of 1.6 billion, so we are ahead of that target. And 5000 jobs are estimated to be associated with these investments.

Under ‘New initiatives’, for industry and state development there is 9.9 million for *Opening Doors to Export*. You can see they are listed there, and I am happy to answer questions on them. In the small business area we will be investing 9.3 million, as the budget papers show, in order for the small business commissioner to continue his work. I will be happy to talk about the small business commissioner later.

As you can see from ‘New initiatives’, new initiatives are important to the DIIRD portfolio, but they are not the whole story. As I think I have indicated with the previous slides, DIIRD has a very broad set of objectives, and it achieves them on an ongoing basis. I have to say, Chair, even though we sometimes say the no 1 priority is in education for this government, and it certainly is, we also know that in order to achieve that no. 1 priority we need to have a strong, robust economy, and that is what I see as my job and the job of DIIRD to achieve. I think they have been very successful in that over the last few years. I think that is it.

The CHAIR — Thank you very much, Minister. I think we have about an hour and 20 minutes for questions. I would like to follow on from where you left off and ask you to tell us a bit more about this \$9.3 million for the small business commissioner. As a strong supporter of small business, I want to know how is that going in terms of business approaching the small business commissioner and what is this \$9.3 million for?

Mr THEOPHANOUS — Thank you for the question, Chair. As I said in my introduction, small business is an important driver of the economy. Ninety six per cent of our businesses are in fact small businesses. I think there are in excess of 300 000 businesses in total, so we are talking about a lot of people and a lot of employment in the small business sector, but one of the things that happens in small businesses, of course, is that there are disputes, and sometimes those disputes are retail tenancy disputes, sometimes they are disputes on other issues.

In May 2003 the Bracks government established the Office of the Victorian Small Business Commissioner, which was at that time the first of its kind in Australia. The key functions of the office are therefore: dispute resolution, investigations, monitoring government practices, and information and education. Under the Retail Leases Act 2003 and the Small Business Commissioner Act, the VSBC (Victorian Small Business Commissioner) also has the power to mediate small business complaints. Since December 2006 it has had the power under the Owner Drivers and Forestry Contractors Act to mediate disputes between hirers and contractors as well. So it has a significant ambit of responsibility. Since its inception it has dealt with 3100 matters which have been referred to it.

It has resolved disputes valued at approximately \$130 million, and it does so at relatively low cost. Bear in mind that for each party the cost is \$95 to have a dispute mediated. The VSBC has maintained a success rate of

approximately 80 per cent as part of its record. There was no ongoing funding in the budget for the commissioner, so one of my first tasks was to identify how important it was. I had in fact received the KPMG report and examined that report. I looked at what the role of the commissioner was and so forth, and the outcome is that we are continuing to fund the commissioner in the future. It is a very important part of providing a service to small business.

Mr WELLS — Minister, I would like to talk to you about water restrictions and their impact on industry. As you are aware, the water storages have fallen below 30 per cent. Can the minister explain to the committee what industry-specific water savings and management plans he has in place to minimise the impact of the drought on individual industry groups, and will he provide the committee with a list of industry-specific plans to be put in place and copies of those plans?

Mr THEOPHANOUS — Thank you, Mr Wells. Of course water is an important issue and it is an important issue for all of us, and certainly in my portfolio the issues are important because of the effect on industry — and really on all industry because we have some very substantial users of water in the industry sector — sitting alongside the residential demand. However, it should be put into some perspective. Melbourne's demand for water accounts for only 10 per cent of Victoria's total demand for water, and Melbourne's non-residential demand makes up only 2.8 per cent of the state's total water demand. So it needs to be put into that kind of context.

We have put in place a number of programs to help industry to reduce water use. These include the Water for Industry program, a \$10 million program; the Industrial, Commercial and Institutional Fund, a \$1 million program; the Stormwater and Urban Water Conservation Fund, which is \$10 million; Enhancing Sustainability in New Investment, \$1 million; the Smart Water Fund, \$5 million. All of these have been put in place.

The Water (Governance) Bill of 2006 requires water authorities to note their top 200 water users in their annual reports from 2006–07 so the community will know which particular users within industry are using water the most. At least they will know the top 200. But bear in mind, again, the top 200 are significant users, but they account for 0.8 per cent of statewide demand, so it needs to be put into that perspective.

I think that we have also gone to work with these top 200 to develop industry plans. In fact 180 of the top 200 water users have completed water management plans, with the remainder due for completion by 30 June this year, as part of the Pathways to Sustainability program. Pathways to Sustainability will be extended beyond the top 200 to include an additional 1300 water users, saving another 13 gigalitres by 2015.

So as you can see, Mr Wells, we have been very active in this area in seeking to reduce the amount of water, identifying who the top 200 are and ensuring that they all have water plans. Now we are moving to extending those water plans to a further 1300 water users in order to ensure that industry does its bit to reduce the amount of water that is being consumed.

Mr WELLS — Can I just clarify a point? You have identified the 200; then they have to provide a water plan to you?

Mr THEOPHANOUS — Sorry?

Mr WELLS — Is that my understanding of it? You have identified the 200 largest water users. Then is it their role to provide a water plan to you, as minister, as an industry plan? I am just getting clarification on that point.

Mr THEOPHANOUS — I think they provide that plan to the actual water suppliers, as I am informed.

Mr HANNA — It is certainly not to the minister here. If it is to a minister, it will be to the minister for water. I will have to check that.

The CHAIR — You will find on page 332 in budget paper 3 an explanation of that particular program, the Top 1500 Industry Program.

Mr THEOPHANOUS — What I can tell the committee is that they are not reported to me as minister or to him.

Mr WELLS — So the industry plan is from the minister for water?

Mr THEOPHANOUS — The minister for water has responsibility for that plan. My department works with the top 200 to ensure that they meet their obligations under the plan, as we work with all industries to ensure that they meet a whole range of obligations, including ones that are related to trying to reduce electricity consumption and all sorts of other obligations that we try to encourage industry to meet.

Mr PAKULA — Minister, in budget paper 3 on page 139 there is a whole range of small business supports. The government spends a significant amount on programs and services for small business. I am wondering how we know that the needs of small business are actually being met and that the services represent value for money.

Mr THEOPHANOUS — Thank you, Mr Pakula. Of course, this is an important aspect of what we do, because there is not much point in having a series of programs and spending a significant amount of money on these programs if you then have no idea about how successful the programs are. So it is important for us to identify, as far as we can, the extent to which they represent value for money for the government.

The way in which we do this is through a number of sources, but a very important way is through client satisfaction surveys. These surveys have indicated that the Victorian government small business programs are very well regarded. Of the 3973 participants at 317 workshops and seminars on Under New Management, which was one of the programs, 90 per cent rated the workshops and seminars as either excellent or good. Another program, Women's Access to Finance, held 63 seminars involving more than 739 participants — again, more than 90 per cent rated the seminars as either excellent or good. In relation to the small business mentoring and counselling program the satisfaction rating was 74 per cent, and overall with Grow Your Business, which was another program, 91 per cent rated that saying they were very or quite satisfied.

There are a number of others. I might just mention the Energise Enterprise 06, which was very good — 95 per cent reported that the event they attended was good or very good. As you can see, we not only try to help people with these programs, we also, in doing that, survey their satisfaction levels so that we can assure ourselves that what we are actually doing is thought by our customers to be value for money and useful to them.

Dr SYKES — I am interested for you to perhaps expand on opportunities you see in relation to reducing the regulatory burden on small business. I put it in the context that as I sit in the Parliament many, if not most, pieces of legislation that pass through the house have an impact on small business in country Victoria. For example, the working-with-children legislation had an impact on newsagents that historically employed young children to be paperboys and papergirls. In essence, following the letter of the law with newsagencies, it was very difficult for young boys and girls to continue to be paperboys and papergirls and therefore they lost that opportunity to earn pocket money and to learn a work ethic.

Similarly, the penalty rates that have been introduced for working on Sundays have resulted in businesses initially upping the price of their product on a Sunday — for example, Bouwmeester's Bakery at Benalla upped the price of their cappuccino by a dollar. They found there was market resistance, so their solution was to put off the salaried employees and work harder themselves in an attempt to keep going.

Another one is the issue of the working-with-children legislation whereby a volunteer is required to have a police check, and that is undertaken at the cost of the taxpayer, not the individual. But if that same volunteer with a police check clearance wants to work with children in an employed situation, they have to go and have another police check for which they have to pay — I think it is \$70. So those are three examples where I have seen a negative impact. Can you flesh out where you can see opportunities to reduce the impact of regulatory burden, perhaps looking at those three in particular?

Mr THEOPHANOUS — Thank you, Dr Sykes. Perhaps in answering your question I should say that a big part of your question related to industrial relations, and I am not the Minister for Industrial Relations, so I am not sure that I am the right person to ask that particular question of. But there is a system of awards. There are community standards in relation to when and how old children need to be in relation to protecting children at work, and those community standards you are aware of. But I am not the responsible minister in relation to those in any case.

What I can tell you in relation to the broader question you put to me, which was about reducing the regulatory burden on small business, is I think the important thing to say here is that we actually have a target for this; the government has a target. It is a three-pronged approach to reducing the burden through a commitment to cut the existing administrative burden of regulation by 15 per cent over three years and 25 per cent over the next five years. We also have a self-imposed initiative for all ministers such that where there is a new regulation to be enacted a compensating one must be removed. So in that sense we have capped the number that can go forward, and then put a target on ourselves in relation to reducing the amount of regulation that small business might face. We are also continuing to promote non-legislative initiatives to reduce the regulatory burden by trying to make it easier for businesses to navigate their way through information on a range of regulations that are administered by the agencies.

Some initiatives include services such as the Victorian Business Line, Victorian business centres, the Business Victoria website and the world-class service initiative, which provide a kind of integrated service to businesses seeking advice and information on regulatory requirements across all levels of government. So businesses can access those services and can find out what they need to do in terms of regulatory requirements right across government. There is a new small business regulatory impact assessment manual, which is a new manual to assist regulators in calculating the cost to business of new regulatory proposals — that is a recent initiative that we brought out — and a new business consultation database as well, which is due to commence in May 2007. Both of these initiatives I launched.

They will allow businesses to have direct input into the regulatory process as we develop new regulations. There will be a database which must be consulted called the business consultation database. There is an interstate business transfer service currently under development which will also reduce the regulatory burden on business seeking to relocate to Victoria or open a Victorian branch. This is something for which we are also undertaking a program of reviews to identify the necessary actions to reduce compliance burdens combined with incentive payments similar to those under national competition policy.

Reducing red tape is one of our major priorities for small business. I suppose with small business, and to some extent with business generally, when you speak to business they talk to you about regulatory burden, they talk to you about inputs. These are the things that they want governments to address. I am sure I will be asked questions later about inputs, but we are certainly in the business of reducing the costs to business, and I think they have been significantly reduced over time.

I will not respond to that in answer to your question, but the second part of that is reducing this regulatory burden. It is something we need to be vigilant on, and I believe the government has gone a long way and has a very significant program going forward to reduce that regulatory burden.

Mr SCOTT — Minister, in a table located on page 139 of budget paper 3 a reference is made to ‘World Class Service initiative’. Could you please advise the committee what progress has been made with this initiative?

Mr THEOPHANOUS — Thank you, Mr Scott. As I said just before, regulation and its associated compliance burden continue to be a concern for small businesses given that they often time poor and have limited resources to be able to address the regulatory burden.

The Victorian small business master key, the VBMK — it is not all that catchy, but it is a good initiative — was announced in Victoria *Leading the Way* in April 2004. We provided \$6 million over three years to that program. The second phase of the VBMK was announced in the new program announced for small business in *Time to Thrive*, the small business statement, in August 2006 under the title ‘World Class Service’. This committed an additional \$18 million through to 2010.

There is a significant amount of money being invested in this Victorian business master key program, and the services developed by that service make it easier for businesses to deal with government through integrated and customer-centric service delivery, both online and over the phone. It is a key element of the government’s commitment to reducing regulatory burden on business. The first release of services occurred in December 2005. These services allow businesses to find and manage government information and conduct their licensing and registration transactions.

Businesses can search all government websites in one go as a result, access step-by-step online learning guides, find the right contact, ask questions across a wide range of government matters, and use the first stage of an

integrated online account to manage their business licences, permits and registrations. For those who do not know it, it can be accessed through www.business.vic.gov.au.

The CHAIR — It's good we are on the internet.

Mr BARBER — Tiger Airways — your very successful coup there — can you detail for us — —

Mr THEOPHANOUS — A coup?

Mr BARBER — I know you are proud of it so you will want to talk about it. Can you detail what incentives you offered to get them to locate here — just to give you some prompts — under the headings of tax expenditures, subsidies or other kinds of spendings or any other kind of regulatory breaks?

Mr THEOPHANOUS — Thank you for your question, Mr Barber. As I indicated in the house yesterday, this is a very important investment for the state. It will create a significant number of jobs — we estimate about 1000 jobs.

It will generate, according to what the company has said, something in the order of 2 million additional airline trips in the first year of operation. That is a lot of people being able to access cheap fares. It will make Melbourne the cheap fare capital of Australia. It will mean that more than 60 per cent of airfares out of Melbourne will be what you might call at the cheaper end of the scale or the low-cost end of the scale. Melburnians and Victorians will be able to benefit from this by very substantially reduced airfares. As we have seen already, even the fact that Tiger is being mentioned has generated quite a significant amount of activity already and people are benefiting from it from their competitor announcing \$3 airfares — if you buy one, you get another one for \$3. This will be great news for the state.

The other thing I will add is if you think that the 2 million extra trips are actually going to be taking trips from existing carriers, you will be sadly mistaken, because what has been the case in other markets where this has occurred is that it has created additional flights. We expect the majority of the 2 million extra trips will not be taking flights away from existing carriers but will be adding new people wanting to go to places because it is cheaper now to travel right throughout Australia.

It has been shown that the Tiger model, where it was used in Asia but also in other parts of the world, has led to a stimulation of travel in all the markets that it has been in rather than simply just taking market share. I know that you want me to answer your question in relation to financial assistance that may or may not have been given — —

Mr BARBER — And other sorts of breaks. If you do not want to tell us the amount, tell us the types of assistance that the package consisted of.

Mr THEOPHANOUS — I know that there has been a bit of criticism in the newspapers but I think it is important for members of this committee in particular to clearly understand this. There is a reason why the government does not reveal the level of assistance packages. It has been a longstanding practice. It has been tested on a number of occasions, but let me explain what I think are the reasons. Firstly, facilitation packages are commercially sensitive for the recipient, not just the government. They demand commercial-in-confidence type arrangements with us. These arrangements, for them, are sensitive in relation to their competitors knowing what level of assistance may or may not have been given. There is an issue about that.

Mr WELLS — Minister, your views have changed from when you were in opposition, because I remember quite clearly that when you were in opposition when it came to commercial in confidence you never accepted it. What has been the change?

Dr SYKES — The Tiger changes its stripes!

Mr THEOPHANOUS — Whenever you want to talk about my views in opposition I think you would need to actually quote somewhere where I said something rather than use more generalised things like that. I think when I was in opposition I was certainly mindful that there are some commercial-in-confidence arrangements, as I think you have been over the years, Mr Wells. You know very well that not everything can be simply put out publicly.

And there are some other reasons for this. From the government's point of view the last thing we would want in a kind of cutthroat situation, in the highly contestable situations that we face in this department, is for all of our competitors to know how we think, to know how we structure packages, to know how we might talk to businesses that want to come and invest in this state, because it would be just like giving away the one competitive advantage that we might have.

What I can tell you is this: in putting the package together it was very clear to me that we were not on the top of the list in relation to Tiger Airways at the beginning of this process. We were not up the top; other states were in fact ahead of us. Not only that, I can also tell you that other states in the end were prepared to facilitate to a larger extent than Victoria was.

What got us over the line was being able to sell what we have to offer here in Victoria — and that part of it is the most important part, because no matter what you give as a facilitation package, if the business case does not work, if the infrastructure is not available to the business, if they do not actually start making money after a period of time, if the industrial relations climate is not in place — if all of these things are not there, I can tell you what happens: they come in for a little while and then they disappear. So when we did this, we were talking to this company for a long period of time.

I found it absurd, in the *Age* today, David Davis quoting me and saying we had pulled something out of the bag, that I knew we had to pull something out of the bag, suggesting somehow that we then finished up paying a lot more money or something of that nature. In fact, do you know what I was referring to? If he had been there when I mentioned this to the press, what I said was 'Yes, Victoria ultimately pulled something out of the bag'. What I pulled out of the bag was a Richmond Tigers footy jumper, and I gave it to Tiger and said, 'Come down to Melbourne, because not only do we have all these other things for you, we have also got a football team that has your name' — —

Dr SYKES — And they are losers!

Mr BARBER — Minister, if we got it for the price of a footy jumper, I would be thrilled. Can you go back to my question?

Ms GRALEY — He is a Bulldogs supporter, too.

Mr THEOPHANOUS — To completely twist what I had said in relation to a football jumper into somehow suggesting that the government — —

Mr BARBER — Fill the vacuum, Minister, and just explain to me if tax expenditures were involved, if subsidies of other types or regulatory breaks were involved. If you do not want to tell us the amount, at least tell us the categories under which it fell.

Mr THEOPHANOUS — I think, as the Premier has said, we did provide assistance for training for the company. We were very keen to make sure that they are able to train up their staff — the on-ground staff and the staff that will be used on the aircraft itself — so we have provided a bit of assistance to help them in skilling up the new workforce that they have got.

We have also provided some assistance in relation to what we call cooperative marketing. When we say 'cooperative marketing', remember that that cooperative marketing does not just market the Tiger brand but it markets Melbourne. It has to market Victoria and Melbourne, and in that sense it is kind of a joint approach. It benefits Victoria because it is targeted towards bringing people into Victoria. It might be funds that we might use anyway ordinarily in trying to market our state from a tourism point of view.

They are two of the elements that were in the package. I think, though, as I said before, the decisions that were made by Tiger were made on very good grounds. I can tell you, having been involved in this process, that the other states do not hold back any punches. To give you one example, the other states were trying to find reasons around industrial relations as to why they should not come into this state — because of the poor industrial relations situation.

We had to counter that — and we did. Not only did we counter it by showing how some of the statistics that might have been given to Tiger were not really reflective of what the state's position is, we actually managed to get Tiger

in touch with the major union that they would be involved with, to get some assurances from them about how they would operate in this state.

I venture to say that the fact that we have been prepared to go to the point of doing that kind of contact with this company in order to get this deal over the line shows you the extent and the depth of effort that it took. That is why when we launched it I was very pleased to thank everyone at DIIRD for the enormous amount of effort that it took to get this company here. We should be proud of this. This is going to result in cheap airfares, it is going to result in greater tourism into the state and it is going to be a win in terms of a huge number of Victorians being employed as well.

Ms GRALEY — You recently visited my electorate, and I know you know how important business is to my constituents and, of course, to all Victorians. I was wondering if I can refer you to page 139 of BP3, entitled ‘Small business support’. Could you indicate what progress has been made towards implementing the initiatives referred to in the table there?

Mr THEOPHANOUS — Thank you for the question. I am aware of the page you are referring to. Small business support, of course, is of significance to us. We have done this under the title ‘Time to Thrive’, which is subtitled ‘Supporting the changing face of small business’. It is a practical and far-reaching action plan to ensure Victoria continues to lead the way in supporting small business growth.

Time to Thrive has a number of different programs underneath that major title, but the package is a package of \$98 million. So if you think about this, this is a significant amount of money that is going to be expended in order to help small businesses to thrive in this state. It is targeted at reducing red tape. It is targeted at providing a fairer deal for small business, and it is targeted at skilling small business for growth.

I will just mention some of the programs that are under this \$98 million program. There is My Business, My People business skills for the future. I launched this program not long ago. It is a \$10.7 million initiative to help small business address what they tell us is one of their major issues — it is skilling their people and then keeping the skilled people within their organisation. It is a double problem for them. They first of all have to find them, they have to skill them up and then they have to keep them if they are going to remain competitive. What is becoming increasingly clear to those small businesses is that the fundamental aspect of their business that makes their business work is not what they are selling, it is not what they producing, it is actually their people. Once they understand that and how important their people’s commitment to the business and the skills of their people are to them being successful, they are able to go from smaller businesses to larger businesses. This program is \$10.7 million. It is accessible to all small businesses that want to try and access it and improve the skills of their workers.

More than 300 Under New Management seminars have been done throughout 2007. We have free health and safety consultants for small business, delivered through the Victorian WorkCover Authority. More than 600 small businesses have benefited from this service. This is where you get the Victorian WorkCover Authority to come in with a health and safety consultant and tell you how you can construct your business so that you do not finish up having a WorkCover claim. There is a small business procurement hotline providing advice and assistance on how to win government business as well. So there is a range of such businesses, but I might finish in answering your question with a quote from Tim Piper, the Victorian director of AIG, the Australian Industry Group. He said:

The Australian Industry Group is pleased the state government recognises the need to assist to small businesses to develop and welcomes Time to Thrive. Planning for and access to skilled workers for small manufacturers is vital for the development of the Victorian economy and the \$11 million provided to address this is welcomed by industry and especially manufacturers.

That is a pretty good endorsement.

Mr RICH-PHILLIPS — Minister, I would like to go back to the small business commissioner you mentioned earlier and the KPMG report. Can you run through the recommendations of that report that presumably you have picked up in getting ongoing funding. Has that report being released and, if not, will you make it available to the committee?

Mr THEOPHANOUS — The answer to your question is that the report has not been released, but in further answer to your question I do intend to release the report. As I think it is appropriate, I examined the report myself. I use the report to make decisions about the future of the small business commissioner. We have made those decisions now. We have decided to continue to fund the small business commissioner and for the office to

continue its operations. That report was generally favourable in relation to the operation of the small business commissioner, but it did have some recommendations that the small business commissioner needed to take up and use. We were happy to pass them on.

In a general sense the report indicated that the small business commissioner is 'very effective and reasonably efficient' — that was the final conclusion — 'in achieving their policy objectives'. It found that the key stakeholders see substantial value in what that small business commissioner does, particularly its role as a low-cost, successful mediation service for business and business-to-government disputes. It found that the commissioner's dispute resolution and mediation activities had been effective in allowing greater numbers of businesses to access this low-cost dispute process and it made 17 recommendations to improve effectiveness and efficiency of this sector. They have been considered by management and are being used to inform strategic and operational planning for the 2006–08 and beyond. So we were reasonably happy with this. I am happy to make it available to the committee as well as launch it publicly.

Mr RICH-PHILLIPS — Is it likely to be soon — the public launch?

Mr THEOPHANOUS — We have not set a date, but I will try and ensure it is done relatively quickly.

Mr DALLA-RIVA — Minister, I refer you to budget paper 3, page 138, on export promotion. In particular I draw reference to last year's PAEC hearing where it was referred to the then minister that there needed to be a substantial increase in the number of exports grown to meet the government's Opening Doors to Export strategy in 2004. In particular I refer to the report on the 2006 budget estimates, page 286, where it speaks specifically about those issues and the fact — you will not have this minister, but I will quote:

The committee noted that to achieve the target number of exporters (24 500 companies by 2010), there would have to be an increase of over 130 per cent between 2004-05 and 2009-10.

I draw your attention to the current budget paper I referred to earlier in respect of quality and that is the client satisfaction with export assistance offered. I note the target had been set at 90 per cent and in fact the expected outcome for the current financial year is 73.

Would that be an indication that the Office of International Business and Export, in fact the area of export promotion, has in fact been anything but, and could you explain how you are intending to reverse this decline in client satisfaction so that we can actually see an increase in export outputs?

Mr THEOPHANOUS — Thank you. What I might do is answer in a general sense, but I might pass on to Ian Munro to give a bit more detailed responses as well. In a more general sense, exports is one of the things we are very interested in focusing on now. In fact the review that we are doing on the VGBOs is partly in order to refocus our emphasis more on exports than what you might call investment facilitation. If you think about the Australian funds market there is a lot of money in Australia at the moment — a lot of funds ready to be invested. In fact we now have the fourth-largest amount of money under funds management in the world, at more than \$1 trillion under funds management, so there are plenty of funds in Australia that are available for investment in Australian businesses.

What we need to do, and what I am keen to focus on — and that is one of the reasons why the Premier decided to look at the VGBOs — is to put a greater amount of emphasis on our export facilitation and increasing our export drive. The reason we did this — I must say to you that in fact we have done a lot of this already. Sometimes you have heard me speak about the automotive industry where we have increased the amount of exports in a way that has virtually saved the industry, because if it was reliant only on the domestic market the automotive industry probably would have collapsed by now. It now exports 45 per cent, or thereabouts, of the cars that are produced outside of Australia. It is that which is holding, but if you go back a few years that figure was significantly lower than that. Manufactured exports have been increasing out of Victoria. It has been a very important part of us being able to have a strong economy. Can you add something further, Ian?

Mr MUNRO — I could, I think, specifically about the point you raised in terms of that client satisfaction, the 73 per cent. I have to say that we have scratched our heads as to where that came from. My answer would be that it is an early indication, a measurement that was taken early on, and that we would have confidence that it would get up to the 90 per cent. As you will note in the target for the next years — 2007, 2008 — we have changed

the system, four out of five, so that is why it becomes 80 instead of 90. I am not sure where that figure came from. We have had a look to see the basis of that, but we are confident that it will get up to the 90 per cent.

The CHAIR — When you do find out perhaps you could tell us.

Mr MUNRO — Certainly.

The CHAIR — Minister, I want to refer you to investment facilitation and attraction at page 137. We have had some discussion on this before, but looking at the various units of measures and expected outcomes et cetera, I know have we discussed Tiger, but can you tell us a bit more what you are expecting to achieve or what has been achieved under the various headings in a little bit more detail rather than simply Tiger?

Mr THEOPHANOUS — Yes, I certainly can. I am sure people on this committee understand — I am not sure perhaps some others who may not be as involved in the economic side of government, but I am sure people on this committee understand just how significant and important investment facilitation is and in some respects how sensitive it is too.

We are involved in trying to facilitate investment in a range of areas, and we do so by a number of different processes. There is an amount of money which is identified in the budget papers which is put in as our investment facilitation budget, if you like. But as well as that budget you will almost invariably find that when we report on the output in later years the output is significantly higher than the amount that we had budgeted for, and that is because obviously we use a Treasurer's Advance, quite often in order to facilitate investment — I guess of the Tiger variety. That is why the output always comes in as a lot higher than what was budgeted for. In fact I was asked the question again by David Davis, who seems to mix these things up. He asked me another question in Parliament in which he tried to suggest that we had reduced the amount, because he compared the output with the budgeted figure rather than comparing the actual numbers.

But in respect of your question — investment attraction. The amount that was attracted and facilitated by DIIRD — let me just put this to you because there is a small amount, a relatively small amount in the budget, but let me just put to you what we actually achieved. We achieved a record \$2.48 billion of investment resulting in the creation of an associated 6091 jobs. That was the total estimated amount of money that got invested into this state as a result of investment facilitation by DIIRD. Just imagine what the state would be like if we did not get that \$2.5 billion of additional investment arising out of this facilitation-type activity.

Let me just point out for regional Victoria how important this is. In regional Victoria we were well above the figures for 2004-05, with a record \$1.125 billion of investment attracted and facilitated in 2005-06, with an expected result of 1598 jobs. That is 1600 extra jobs in regional Victoria; and in regional towns, you know, 20 jobs makes a huge difference, sometimes 10. So we are talking about 1600 jobs being facilitated just by this program alone.

The majority of investment attracted and facilitated was concentrated in the following areas: in forest products, \$593.4 million; in the automotive sector, \$551.8 million; in food, 351.4 million; in tourism, 253 million; and retail services, 221 million. So in the IT and T — information technology and telecommunications — sector, investments in that sector, we generated the greatest amount of employment, with 1078 jobs expected to result from investments attracted and facilitated. The food industry gave us 935 jobs, the retail sector, 827, the automotive sector, 709, and on it went.

So if you think about these investments, they are very significant investments. Just to cite one of the investments we have facilitated, the Ford Motor Company investment of \$1.8 billion over 10 years to implement its new Falcon project and create a global design centre for SUVs and light commercial vehicles in Victoria. I do not think people really understand just how important these industries are to us, but if you were to go and visit the Ford centre in Broadmeadows, not the part where they actually make the cars but across the road where they have all their engineers and designers — I mean I was astonished when I went down there. I thought there would be maybe a hundred or a couple of hundred people at most that would be working down there on designs and engineering of cars.

It turns out it has expanded this and it has 1000 people working on this. Designers and engineers are producing designs and engineering for cars that are not even being made in Australia. This is the sort of future that we have to try and promote in our industries if we are going to keep ahead of the game and keep our people employed. I am

very proud of what we do in this sector of facilitation. I think it is something that should be supported across parties.

The CHAIR — Thank you very much, Minister. I have seen the one at Toyota, for example. It is similarly very good.

Mr THEOPHANOUS — Yes, Toyota is the other one

Mr WELLS — Victoria's annual share of national exports has slumped to a historic low of 12.1 per cent from 20 per cent in 1999. Since 2001 the value of Victoria's goods exports has fallen a further \$3 billion, or 13 per cent, to \$20 billion annually. This is very similar to what Richard Dalla-Riva was saying. Under trade development export promotion in the budget, the value of exports facilitated and imports replacement has also declined over recent years. I note that on page 138 of budget paper 3, the budget target for exports facilitated and imports replacement for 2007–08 is \$689 million. That is the same target for the expected outcome as what you had last year. So this is down from a high point of \$2121 million in 1998.

I also note, Minister, on page 8 of the *2007–08 Victorian Budget Overview* that total Victorian goods exports grew by 5.1 per cent, but given this can you explain why the outlook exports facilitated and imports replacement is not greater than the \$689 million target especially, as I said before, as that figure of 1998–99 was up as high as \$2121 million?

Mr THEOPHANOUS — Again I might talk to you first of all about our long-term target on exports. The government has set itself a long-term target to increase goods and service export revenue to \$30 billion and to double the number of exporters by 2010. We set that target in 2002. To help achieve these goals, the government committed \$11 million over three years in the Opening Doors to Export plan to introduce five new programs, expand overseas offices and fund major participation in the Aichi World Expo.

In the 2006 election we reinforced that commitment to exports by announcing funding of \$4.8 million, to continue this Opening Doors to Export program, and funding of \$4.8 million to establish the Victorian Export Network. Total exports in Victoria grew by 4.6 per cent, \$1.3 billion in 2005–06, to reach a total of \$29 billion. Goods exports were valued at more than \$18.9 billion and services exports at \$10.1 billion. If the current growth rate continues, the export target of \$35 billion by 2015, which is our new target, will in fact be achieved. But we are not taking anything for granted in this very competitive environment.

These figures jump around a bit, but, for example, goods export figures for the February quarter increased by 5.9 per cent compared to February 2006. These increases were driven by a boost in the export of aluminium, meat and pharmaceutical products. So it is a market which kind of moves around a bit. It included increases of 55 per cent of non-ferrous metals to \$581 million, and there was a 19 per cent increase in meat to \$362 million. Whilst the government has exceeded investment targets in the past, there is no certainty that this situation will continue. To account for the long lead times associated with some projects and the volatility of the investment attraction and facilitation market, the government maintains a rolling target over a four-year period for the amount of new investments facilitated and the number of jobs delivered for new investments facilitated.

In 2005–06 this four-year rolling target was \$6.4 billion in new investments facilitated, and an associated 20 000 new jobs. This equates to the annual average target of \$1.6 billion in new investments facilitated and 5000 new jobs.

At the end of the day this is partly about job creation, and we are creating jobs at a rate of 1000 per week in the state. We are creating more jobs than virtually any of the other states, except for the resource-rich ones, in particular, Queensland. We are creating a lot of jobs and we are creating a lot of investment, and the economy is continuing to grow, as the budget papers show. Did you want to add anything to that?

Mr MUNRO — Perhaps only to indicate where the 689 came from — that would be helpful. It is the same figure; it is there from a previous year. This is something that the department, in looking at the contributions towards exports, looked at to obtain about \$100 million out of the trade fairs and missions program, around \$90 million out of the industry capability network, so that is ensuring we use local participation, and around \$500 million, adding up to the 689, coming out of the investments. These are exports relating to the investments that the department or the government is facilitating. That is where that figure comes from.

Mr WELLS — It is just that when you look at the figures it looks like you are going backwards. In 2005–06 the actual is 864; then you are sliding backwards to 689.

Mr MUNRO — What the figure is going to be in the end, we would confident that in 06–07 it will be greater than 689, and obviously in 07–08 we will go further again to increase that. So I can assure you that exports within the department are a major, major priority in terms of investments. Everyone understands how important it is.

Mr PAKULA — Minister, on pages 34 and 35 of budget paper 3, I want to go to the issue of the reduction in stamp duty on new motor vehicles. In your capacity as industry minister, can you outline the benefits that the reduction will have for locally manufactured vehicles, which you were discussing recently.

Mr THEOPHANOUS — Thank you, Mr Pakula, and I am pleased to see that Mr Barber has come in for the answer to this question in relation to stamp duty on new cars.

Mr BARBER — I drank too much of that water. Thank you for asking, though, Minister.

Mr THEOPHANOUS — The first thing to understand is the size of the tax cut. It is a very significant tax cut. It is worth \$177 million over the five years, and it took effect from 1 May. We think this is about cutting taxes to families. It is targeted very squarely at your average working family and the sorts of cars they might buy. It will deliver \$600 worth of savings, which represents a 40 per cent cut to stamp duty on cars valued between 35 000 and 45 000. Some of those cars would be the Toyota Camry Grande, the Holden Commodore, the Ford Falcon and the Ford Territory. So there is a capacity for those cars to get a significant reduction in stamp duty. Of course it also means that some other cars can also get reductions even higher than that.

When this was thought about — I know that some people would have preferred that we just targeted this entirely on small cars, and I know that Mr Barber has made that point that we should be targeting this entirely on small cars or on cars like the Prius in order to reduce emissions.

However, can I just make this point: people are going to buy cars. What we have in this state is a very old — in fact, one of the oldest car fleets in the developed world. Many of our cars are more than 10 years old. If we can get people to buy new cars, there is actually an environmental benefit in that.

If they trade in their old six-cylinder Commodore and buy a new six-cylinder Commodore, the new six-cylinder Commodore is better for the environment. It has more environmental controls on it, it uses less petrol compared to the older one and it is, of course, most importantly, a much safer car as well. So from whatever side you want to look at it, it is a good thing.

When we did this we also had to balance one other thing: whether we like it or not, the majority of cars produced in this state and in this country are six-cylinder cars or bigger family cars. Even the four-cylinder Camry is still a relatively large car. We do not produce the very small-type cars that are on the market at around \$15 000 or thereabouts. We do not produce those cars here. We would never be able to produce them competitively, because they are produced on an absolutely huge, massive scale in countries abroad that we just cannot compete with. So one of the issues for us is always to bear in mind the question of jobs when we do these things as well. This is a boon for the average family, and most working families — —

Mr BARBER — A payroll tax cut — 177 million; the same thing?

Mr THEOPHANOUS — It is not the same thing because this will stimulate an important sector of our economy which happens to be centred here in Melbourne. The automotive industry is in Victoria. The vast majority of it is in Victoria, it is not in other states, and we wanted to stimulate that industry on the one hand and we wanted to get Victorians into newer cars. They have got options — if they want to go and get a smaller car, that is fine too, but the majority of them still do want to buy family cars. We were going to help those families to buy these new cars, get into a safer car and create Victorian jobs. It is a win-win-win situation for everyone, and I am surprised that people cannot bring themselves to support what is a really important program for our industry and for helping Victorians.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the VGBOs. I have had concerns for some time about the effectiveness of some of the offices, and Shanghai is an example. I know it pre-dated you as

minister, but its set-up was a debacle. It took the best part of two years to get up and running with chains of executive directors. Questions on notice that you answered earlier this year suggested that in terms of its investment performance it was fairly mediocre.

You ordered the review by David Buckingham of all VGBOs. Can you outline for me what the process is in terms of time lines — when you expect to receive that information and the actual process in terms of whether there is a submission process that he is undertaking as part of that review and when we can expect to see the results of that?

Mr THEOPHANOUS — I should start by saying that in fact the review was ordered by the Premier. It is an important, government-wide review. We actually do not just have VGBOs; as you probably know we also have tourism offices and a number of other offices as well in various parts of the world, so David Buckingham was given the job, in a very short period of time, of reviewing the overall emphasis and effectiveness of those offices.

As I said in answer to an earlier question, we have been targeting those offices at attracting investment into Victoria. That was the major emphasis that we had asked them to do. We are now putting more emphasis on exports as a way of internationalising the Victorian economy. We want them to do a bit more in that area.

The other thing is that we needed to have a look at how effective the locations were and how they worked together and so on. It is actually quite an important job, this. It is a very important review. We had offices located in London, Frankfurt, San Francisco, Chicago, New York, Hong Kong, Shanghai, Nanjing, Dubai, Tokyo and Bangalore as VGBOs. That is a pretty good spread around the world, but it might not be the ideal spread. It might not be the best places to have them in. We have limited resources, but we want to use these as effectively as we can.

The operating costs, in fact, are in excess of \$7 million, so we are talking about a significant amount of money and —

Mr RICH-PHILLIPS — Shame, they call it, Shanghai sat empty for so long.

Mr THEOPHANOUS — As you said, I was not the minister when Shanghai was commissioned, and I think there were some initial problems — I recognise that — in the Shanghai office.

I have not formally received the report as yet, so I am not in a position to say what the report says and I do not want to pre-empt it, but I think that one of the things the report would be looking at very closely is how to get better cooperation between those offices, how to get better cooperation between the offices and the tourism offices — perhaps how to use some other things that have not been done in the past — maybe some more people like out-people who might go out from the offices to some other city in a similar region, that kind of thing, or maybe even focus on particular industries. These are the sort of things that are up in the air in the mix, if you like, for consideration by David Buckingham. It is a complicated issue. I think it is nearing completion. I expect to see the report come to us soon.

I would simply say about this that what is important to me on this particular issue is that we get cross-party support for these offices. It is important, because we do come under criticism from time to time in the press about the overseas offices and about spending taxpayer money on those overseas offices and keeping a network overseas. But let me tell you, having gone through some of the export figures before in answer to a few other questions, you know they do facilitate an enormous amount of economic activity. That figure of \$2.5 billion of economic activity, well you might say, ‘Well, you know, is it worth spending \$7 million in order to facilitate or help to get \$2.5 billion of activity into Victoria?’. My answer to that is yes. But what happens is that if this became a political football in some way or other, then it just undermines the operation of those offices. I do not mind genuine criticism when it happens, and it is important that we get them working effectively. So that is why we are doing the review, and we want to overcome any problems that may have occurred in the past in relation to any specific office to allow us to make them as effective as we can.

The CHAIR — Minister, I think we have exhausted questions. I have one question which, on behalf of the committee, I would like you to take on notice: what resources in staffing and costs does your portfolio department anticipate applying to serving PAEC hearings and inquiries based on experience over the past few years? I want to thank you and thank the departmental officers.

Witnesses withdrew.

Transcript of Evidence

6.16 Tourism portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 7: DEPARTMENT OF JUSTICE

Transcript of Evidence

7.9 Attorney-General portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

7.10 Consumer Affairs portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

7.11 Corrections portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 11 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr B. Cameron, Minister for Corrections;

Ms P. Armytage, secretary;

Dr R. Kelleher, executive director, police, emergency services and corrections; and

Mr K. Anderson, commissioner, Corrections Victoria, Department of Justice.

The CHAIR — I now welcome Mr Kelvin Anderson, Commissioner, Corrections Victoria. I call the minister to give a brief presentation — and I mean brief — on the more complex financial and performance information in relation to the 2007-08 budget estimates for the portfolio of corrections.

Mr CAMERON — Thank you very much. Kelvin Anderson, the corrections commissioner, has joined us for this segment. I understand you want to keep this down to 5 minutes, Mr Chairman.

The CHAIR — That is right.

Mr CAMERON — So I will proceed to go through it. We have allowed for that by having less slides as well.

Overheads shown.

Mr CAMERON — Let us just touch briefly on the corrections system. We have here the number of offenders who are in the system at the moment. In addition, there are 1381 on parole and there are 7500 community corrections offenders, which includes parolees. There are 13 prisons in Victoria — that is 11 public and also 2 private prisons — which have to answer to Corrections Victoria. In relation to community corrections, there are 50 locations and there is one transition centre, the Judy Lazarus Transition Centre, which has opened only very recently. The staff, including prisons, community corrections and head office, is 2385.

If you look at the monthly average of prisoners, you will see that it is steady, but that during the course of last year, the latter half of the year, there was a large increase. That essentially came about with restricting the use of suspended sentences for serious offences, sexual assault reforms, major crime and police corruption, domestic violence policing, drug trends, longer sentences being given, a tougher breach of policy in relation to community corrections — so if someone breaches a community-based order, less tolerance towards that — and also a reduction of prisoners in police cells.

I go to my next slide. We see the number of major offenders in prison. I am conscious of the time, but what you will see is an increase in relation to the number of major offenders in prison. Also, some of those are people on remand; they have not been found guilty, but also some people are on remand as a consequence of being alleged terrorists.

In relation to new initiatives, there is \$25 million over five years to expand prison capacity for 300 additional beds. There are programs to help rehabilitate. There is \$6.6 million to continue home detention, and there is \$4.5 million over three years for graffiti prevention and removal. Community corrections plays a key part in relation to that.

Here we have the imprisonment rates, and, as you would know over many years, Victoria has tended to imprison the worst offenders. What you see there are the imprisonment rates with Victoria and all of the other states across Australia as a proportion of 100 000 people in the population.

If we go to the next slide you will see the recidivism rates, and obviously what this is is people who come back into the system within two years. What we have seen in recent years is a downward trend. This is below the national average. That is obviously something we are pleased to see. But that work in terms of bringing down the recidivism rate is obviously important — important in relation to people returning to prison, but also obviously important from a community perspective in relation to crimes that are being committed. If we go to the persons returning to prison within two years of release, — this is a reflection across the nation — you will see that we are second best to Queensland. What we have seen over the past five years is that downward trend.

If we go on to the next slide, and this is the final slide, we do have modern prison infrastructure in Victoria. If you have a look at the changes that have occurred over the years, you have the Bendigo prison closed a year or so ago. That was the last of the old Victorian-era-type prisons that we had in Victoria. Really what that has meant, as a result of the work over the last 25 years essentially, is the modernisation of the prisons, and in relation to a couple of the older prisons — Langi Kal Kal, Dhurringile and Ararat — from the 50s and 60s, they have also been modernised. So what we end up with is very good infrastructure.

Obviously offender management framework and balancing security with reducing reoffending is a key role of community corrections, as well as a sustained downward trend in recidivism. Community Corrections Victoria is the leader in correctional practices, and we have many delegations looking at what we do. As I said, there is

additional funding for additional beds, and Corrections Victoria does ongoing master planning in relation to future development. Thank you.

Mr SCOTT — Minister, in your presentation you touched upon the new Judy Lazarus transition centre. I would like to ask you how community safety, service delivery output and the integrity of the prison system is improved by this program?

Mr CAMERON — The Judy Lazarus Transition Centre is a new transition centre down in West Melbourne.

The CHAIR — By the way, who is Judy Lazarus?

Mr CAMERON — Judy Lazarus was a former CEO of VACRO. She has now retired. She actually lives up in Beechworth, but it was named in her honour given the work that she has done over many, many years in relation to transitioning people from prison into the community. Obviously to the extent that you can transition, that is also important in trying to break reoffending behaviour. If you go back to the old days when people were thrown out of prison with a paper bag, or a plastic bag, full of their stuff, you can obviously understand why people would fall back into a pattern immediately. She has been a great devotee of transition over the years.

This is a 25-bed unit and it aims to take low-risk offenders, putting them there so that they are able to go out on release, but during the night there are strict curfews in place. That was done in collaboration with the community, as well as Crime Victims Support Association. Noel McNamara and a whole group of people were involved in it. The quest is to try and help further bring about a successful transition so that we do not see people reoffending back into the community. For those that are there, community safety, of course, is paramount, and what will happen if there is any breach of any of the rules is that they will end up back in mainstream prisons. So clearly there is an incentive to make sure that their transition works and works very well.

Mr BARBER — I have got some questions about the corrections inspectorate, being an internal unit of the Department of Justice. We are a little unclear on what its deliverables are or have been, unlike in WA where it is a separate inspectorate — particularly it does not publish its findings, reviews or reports in any way that I can find out where they are. What I have got is a detailed question on notice about its budget, staffing and activities, which I will pass over. Could you let me know the sorts of reports and audits it has been doing on prisons, and also investigations regarding individuals in the past and what you think they will be doing this year?

Mr CAMERON — Yes. Penny, do you want to answer? Obviously we cannot go into some of those privacy issues.

Ms ARMYTAGE — Obviously the corrections inspectorate adopts a forward work plan for any particular given year. In addition they do planned reviews that they have mapped out, but they also will do reviews of incidents that occur within the prison system and also in community corrections. They can be asked to undertake a review by the minister or myself as secretary, and we do do that on a regular basis in terms of their work program. They have conducted 21 inquiries in 2006–07 and did 18 reviews. As I said, they have also commenced doing reviews of people subject to community-based orders as well. For the first time they are now starting to do that.

They have examined things like prisoner transport services. There were some issues in terms of prisoners being transported. We became aware of that and they did a review of the conditions, et cetera, that occurred. They looked at prison performance, and they do a regular report about how all the public and private prisons are performing according to the service delivery outcomes that are set, in the case of the public prisons, and that are articulated for private prisons in their contractual obligations. They have reviewed visit bans and how they are imposed in terms of prisons, looked at how our technology is working, reviewed fire incidents and serious assaults and also examined some deaths in custody that have also been the subject of review by the coroner. They provide the report on each of the reviews that they have done, and we provide details in terms of the broad range of activities of the inspectorate in the Department of Justice annual report.

Mr BARBER — If that is in order, Chair, then can you pass that question on notice over?

The CHAIR — Yes. I mean I will put it in my letter to the minister. I just should note that some of the stuff probably should be handled as the usual sort of questions on notice that you ask in the Parliament.

Mr DALLA-RIVA — The inspectorate, are they prison employees?

Mr CAMERON — No, they are department employees.

Mr DALLA-RIVA — And they are seconded from police and other agencies and from wherever?

Ms ARMYTAGE — They are recruited from a wide range of circumstances, so they might be people with previous experience, say, in the ombudsman's-type functions in other jurisdictions, but they are public servants employed under the rules, and we have deliberately structured it separately in terms of their reporting arrangements, because they are reviewing the activities of the corrections program under the auspices — —

The CHAIR — So they are a bit like an internal audit; they just do not report to the line manager. They report directly presumably to the secretary; is that correct?

Ms ARMYTAGE — Yes, they do.

Ms GRALEY — I notice as of last week there were 253 female prisoners in our corrections system, and I refer you to the women's diversion strategy. I would like to ask you, minister: what has been the progress in implementing Better Pathways — An Integrated Response to Women Offending and Re-offending program, which I note in the budget papers continues to receive funding until 2008-09?

Mr CAMERON — Obviously the reducing reoffending strategy — the Better Pathway strategy — is something that the government has been committed to as well as Corrections Victoria. Obviously getting people into the community, if it is done successfully, helps bring about a reduction in recidivism and for the community helps bring about a reduction in reoffending. So the Better Pathways policy, the integrated response to women's offending and reoffending, was launched in November 2005, and that includes 28 discrete projects that are delivered over four years from the 05-06 financial year through to the 08-09 financial year.

The government invested \$25.5 million to strengthen prevention and early intervention diversion, rehabilitation and transitional support as part of that initiative. There was 18.3 million for support programs and \$7.2 million for infrastructure. That also includes capital works, which commenced in early 2006 and which are scheduled for completion in June 2008. Some of those works include work at the Dame Phyllis Frost Centre, the women's prison, and those works are now under way and due to be completed by the middle of next year. I might ask the corrections commissioner to elaborate more on some of the successes or where he sees successes that have worked as a consequence of the program.

Mr ANDERSON — The need for the Better Pathways program came about because of the rapid increase in the number of women prisoners — something like an 85 per cent increase in the number of women prisoners over a five-year period. Clearly our job is to do something about reducing that reoffending rate. We have seen a tapering off in the number of women prisoners just at the moment, so it has capped out and has not continued to grow. The real intent of this program is to look at early intervention, diversion, rehabilitation and transitional support programs. There is no doubt that the capital works that are being done now at the Dame Phyllis Frost Centre were required, so we are working on something like six different building sites within the prison as we speak, but probably the two most important parts, or perhaps three important parts, of that building program are the extension to the health centre and, in particular, a program facility dedicated to the delivery of rehabilitation and support programs.

One issue that does face women prisoners is there is a very high level of mental health need, so there is being constructed a 20-bed intensive support program which we will call Marmmak. That will be delivered in the middle of this year, and in the interim we are delivering the support services in other parts of the facility. We are not just waiting for the building, and indeed we will get that 20-bed relief because this has been a significant issue for us, and that is how we cater for the number of mentally ill women prisoners. The particular beauty of this program is that there is also attached to it a women's integrated support program which brings together a consortia of community agencies which provide both pre and post-release support, particularly with regard to accommodation and employment. It is those transitional arrangements which we believe will play an important part in reducing reoffending. In summary, it is about diversion and reducing reoffending.

Ms GRALEY — Just a follow-up question, Chair. What sort of mental illnesses are they?

Mr ANDERSON — Women prisoners by the time they get to our system, not surprisingly, have been involved in significant episodes of abuse. There are examples of domestic abuse, sexual abuse and indeed their own abuse of alcohol and drugs. We see the full range of mental health issues that present at the prison. There is depression, schizophrenia — those kinds of things. Women who are actively psychotic will be transferred to the Thomas Embling Hospital, but clearly no forensic health facility would take the full range of mental health issues, so prisons are left with some of that to deal with, and that is what Marmmak will cater for.

Mr WELLS — Minister, I refer you to budget paper 3, major budget output, prisoner supervision and support, page 167. I also refer the minister to a report in the *Herald Sun* yesterday which highlights the rampant overuse of prescription drugs in Victoria's prisons, costing the taxpayers about \$2.5 million a year. I also note that there is an estimated 1200 prescriptions for the highly addictive benzodiazepam, the drug closely related to ice. Do you agree there is a rampant overuse of prescription drugs in the prison system and, if you do, what will you do to curb their use?

Mr CAMERON — These are prescription drugs and medications and they have been prescribed by medical practitioners, and what has to happen is because they are prisoners the state meets the cost, where normally in the community when a doctor prescribes a drug the commonwealth picks up a substantial portion of that with the pharmaceutical benefits scheme. But I might ask the corrections commissioner if he wants to make some further comments about the matter.

Mr ANDERSON — I think there are a couple of points to make about that and I guess that it also relates to the comments I made earlier about women prisoners. Generally the research into prisoners' health shows — and it is consistent both nationally and internationally — that prisoners' health status is very low. There are high rates of physical and mental health issues and disorders that are detected, and on top of that you get the social and economic disadvantage. Together with those is the issue of substance abuse. This allegation about medication being used in prisons, and medication being used as a management tool in prisons, we reject. Prisoners are treated in a medical sense as patients, and doctors will prescribe only on the basis of the presenting condition that they see. Indeed that means that the whole range of medication pharmaceuticals are required to be provided in prison, as they are with any other group within the community. Is there overuse of these kinds of drugs? The way we ensure that that does not occur is the Department of Human Services has a prisoner health care unit which looks at and monitors the arrangements for health.

The CHAIR — Minister, this morning I was at my local traders' monthly meeting, and the issue of graffiti came up. I notice in one of your overheads is a new initiative regarding it called a graffiti initiative — \$4.5 million over three years for a graffiti prevention and removal. I assume this means we are going to get some of the people doing community orders or whatever being involved in this, and I am sure my local traders would welcome this, provided they are properly supervised. Can you tell us a bit more about this please?

Mr CAMERON — Yes. What we want to do is continue to ramp this up. What we see with a lot of people that are in the community corrections system is that they are required to do community work, and one of the things that is targeted and will be more so in the future is relating to clean-up — clean-up of graffiti, clean-up of the community. It is only fair that those people that are required to do community work have to go out and do it. So what Corrections Victoria has done is that they have had 8000 offenders to date do 775 000 hours of unpaid community work, and one of those things that they do is graffiti clean-up. To date 72 000 square metres of unsightly vandalism by these graffitiists, who are after all criminals, have been removed under the program. In addition they have removed rubbish and a whole range of other things around community clean-up. But I might ask the corrections commissioner if he wants to elaborate further on how he intends to direct community corrections to go about this business in relation to the program.

Mr ANDERSON — Graffiti clean-up — most people would have seen the handiwork of our community work gangs, but might not be aware that it was done by offenders on community-based orders. Partnerships have been established with a range of departments and municipalities. That includes the Department of Infrastructure, VicRoads, Yarra Trams, Connex, the Royal Children's Hospital, Scouts Vic, municipalities such as Geelong, Ballarat, Darebin, Yarra, Greater Dandenong, Moreland, Maribyrnong, Boroondara, Maroondah, Knox, Hume, Frankston, Greater Bendigo and the City of Melbourne. Each week we have teams out and targeting those hot spots for graffiti.

We are very mindful that the removal of graffiti does not impact on the use of water and the like, and so we have moved from water-based products — that is, to spray the graffiti off — to now moving increasingly to painting it out so that we are not putting a drain on the state's water resources.

The CHAIR — I know there were a number of initiatives announced in the last year or two, including tag databases and even a suggestion that we strengthen the criminal code against graffiti. I do not call them 'artists' — I agree with you that they are criminals.

Ms MUNT — Vandals.

The CHAIR — They are certainly vandals. It is criminal damage.

Ms GRALEY — It is vandalism.

Mr CAMERON — We have had an exposure draft, and we will be responding to that in the middle of the year or so.

The CHAIR — That will be good. I know that will probably be of interest, certainly in my community, in that regard.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the relative cost of housing prisoners in the public and private prisons. You may have seen a table that your predecessor provided to the committee last year, which appeared in the budget estimates report and showed the cost of the daily recurrent cost of housing prisoners by each of the public prisons and then the average daily recurrent cost per prisoner for all the public prisons and all the private prisons, and you may like to provide similar information on notice to the committee. But my question is: can you provide us now with details of what the current estimate is for the annual daily cost of the prison providing for the prisoners by the public and the private prisons respectively and over the estimates period — the four years?

Mr CAMERON — Overall, looking at it globally, from the 2004–05 year to the 2005–06 year the increase in cost for a bed day was 1.6 per cent.

Mr RICH-PHILLIPS — That is for both public and private?

Mr CAMERON — That is the global cost. What you want to know in particular is how that breaks down into the public and private — that 1.6 — which ones are above and below I gather?

Mr RICH-PHILLIPS — Yes.

Mr CAMERON — We are not able to do that. We will have to get you those more detailed figures. But that is the overall figure.

Mr RICH-PHILLIPS — Probably on notice, do you also have estimates for the four-year estimates period of the same figure, for the public and private? Is that something you can provide us?

Mr CAMERON — Yes, we can put something together.

The CHAIR — Have a look at that. It may not be all that easy to predict of course.

Mr CAMERON — It may be a bit rough, but I think we will be able to do something or other.

Ms MUNT — Minister, I was interested in the presentation on the imprisonment rates for Australian states and territories and the difference in the comparisons here. ACT is 86.4 and Victoria is 99.7. I would have thought that the nearest state in comparison might be New South Wales — they are at 185.6. So I thought that was very interesting. The Northern Territory seems to have particular problems of its own. What are the factors that are factoring into, you know, pretty good results for Victoria compared to the other states? Would you be able to elaborate on that?

Mr CAMERON — Victoria traditionally has tended to jail the worst offenders, so that figure of 99.7 — and that is as a proportion of 100 000 people — has actually gone up a couple of percentages in the last few years. It has gone up slightly. But what you see at work there is really a long-term pattern, notwithstanding that small

increase. Obviously across the whole sentencing system, those who come out we have to manage. That includes not only those who are in prison, but also those who are on other orders. Those orders, for example, are intensive correction orders, community-based orders and there are also suspended sentences. But you will remember last year there was a change in relation to suspended sentences for serious offenders, which was already made, and the Sentencing Advisory Council flagged future changes down the track as well. Part of that is reflected in that jump that we saw in the latter part of last year in terms of prison numbers. But I might ask the corrections commissioner if he would like to make some other comments.

Ms MUNT — But regardless of those factors, Minister, it is still a pretty good figure.

Mr CAMERON — Yes.

Ms MUNT — So I was wondering what the influences are on that.

Mr CAMERON — Key drivers.

Mr ANDERSON — In Victoria I think there has always been a tremendous level of confidence in community-based corrections, and so there is a range of options for the courts to choose from, and Victoria has always used imprisonment as a last resort. So the Minister's comments about those people that come into jail being the harder end of the market are absolutely true, and they are reflected not only here in the imprisonment rates, but later if you compare those imprisonment rates to recidivism rates you will see in some jurisdictions that we would think imprisonment a bit too easily, the recidivism rate is also low because they have simply been warehousing lower-level offenders that perhaps could have been dealt with in another way. So it is always a good result for Victoria and we maintain to that level. Indeed it has gone up slightly over time. It has bounced around between sort of 91 per 100 000, 95 and now down to 93.

Mr DALLA-RIVA — Minister, there was a period when I was shadowing your predecessor, two predecessors ago, Mr Haermeyer, and in particular one of the issues that was of particular note for us, and indeed the community, was a thing called the prison design capacity. I know that was an issue and I have had that discussion with the commissioner in relation to that. That essentially means that if a prison has been built with, say, 100-bed capacity and then you put 120 prisoners in there, the desired capacity effectively is 120 per cent because you are 20 above.

Now I understand that there were — and having seen them — relocatables placed around the state and in particular the national measures always have a prison design capacity, unless I am advised otherwise, that measure has since been dumped by your predecessor two ministers ago, and I note on budget paper 3, page 167, the government changed from what they called the prison design capacity, which they used to get whacked on quite regularly, to now a daily prison utilisation rate. And surprise, surprise, that obviously is below or on target to what is expected by the government. Minister, are you able to provide to the committee the prison design capacity as measured nationally? Are you able to provide a list of the relocatables of the portable prisons that are currently still in place? I know some have been decommissioned or placed elsewhere — from memory, Ararat, or one of them that I went to had been decommissioned.

Mr ANDERSON — Decommissioned. We have decommissioned a couple.

Mr DALLA-RIVA — Yes, you have decommissioned a couple. I was just wondering if you can give some indication of what the desired capacity is against the real prison numbers which we have to give some fair representation to, or do you have a view either way on my statements?

Mr CAMERON — This committee actually suggested that the design capacity be done away with.

Mr DALLA-RIVA — Luckily I was not on that committee at that stage.

Mr CAMERON — So the department went off and did that and put in place the utilisation rate as a total of the prison capacity. So let us start there. What does that mean — the prison utilisation rate of a total prison capacity? So that is in any particular one year how many beds we are funding, and this is actually the percentage of prisoners who were taking that up.

Mr DALLA-RIVA — It is like when I went to the prison at Won Wron, for example, when that was decommissioned. I think that is now getting re-commissioned as a Koori-rebuild. The prison design capacity I think

was 127 from memory, yet when I went there you could not believe how many bunk beds and sort of how many beds were crammed into the prison.

Now the utilisation rate would be that it was not crowded, but those who are there would say yes, it was well above its design capacity. I guess it is a bit of a whinge of mine in the sense that you have dumped the measure — the committee previously has dumped the measure, I am advised. The other statement I made: is there a national measure; is that still the national measure? Maybe the commissioner might be able to indicate if it is. Maybe we as a committee should reconsider bringing back — —

Mr CAMERON — We will take it back and we will look at the design. I think part of the complication is prisons are designed to have so many beds, but they generally do not have that many beds in them. So if you go to a lot of cells, they are designed to have a multiple number of offenders, but actually less offenders get in there.

Mr DALLA-RIVA — And that is fine. For me that is fair because you have designed for that number and then there is less prisoners; for me that is a true measure.

Mr CAMERON — And that is what gives you your capacity in the future.

Mr DALLA-RIVA — Yes.

Mr CAMERON — We will go back and have a look at that for you.

Mr DALLA-RIVA — In particular — I just want it on the record — is the national measure prison design capacity?

Mr ANDERSON — That was discussed by the administrators as recently as two weeks ago. Victoria has expressed its view that that is not an appropriate measure. Other jurisdictions will choose for their own purposes to use design capacity as a measure, so it will be patchy around the country.

Mr DALLA-RIVA — So every state uses it? Are you able to provide, again on notice, if other states and what states do still — —

Mr CAMERON — Yes.

Mr DALLA-RIVA — I think it is important given that we have removed it to just review it as part of the assessment.

Mr CAMERON — Okay, we will come back and find that out.

The CHAIR — Get some comparisons.

Mr PAKULA — There was an earlier question, I think, from Mr Scott about the Judy Lazarus Transition Centre. I suppose just to expand on that about the issue of what transitional programs are in place to help prisoners reintegrate into society and not reoffend — just a bit more of an expansion on that.

Mr CAMERON — Not just in relation to women, but more broadly to the male population?

Mr PAKULA — No, more generally.

Mr CAMERON — Okay. I will get the corrections commissioner to take you through some of the key initiatives. Obviously managing people on parole is important. The work that the parole board does in making sure that people have some sort of plan in place before they get given parole, and having pressure on them to do that is important, as well as the funding that we give to a number of organisations.

Mr ANDERSON — Really this is not rocket science. It is clear that if people are transitioned out of an institution back into the community well and settled well, then there is a reduced likelihood of re-offence. We have had a couple of pilot programs that we have evaluated, and we have shown in those small-scale evaluations that there is a reduction in recidivism for people who have settled well into the community. The key elements appear to be around accommodation and employment, and the other element appears to be about the first nine months being a sort of critical period. There should be no surprise in that, it is fairly logical. In fact in the budget papers you will

see there is comment there about prisoners at least suffering disadvantage in a number of areas on reception, but two areas being housing, homelessness, and lack of employment.

To address those issues in the women's system, if we can start with that, we have integrated our system together, and we have pulled a number of programs together under what we have called the women's integrated support program. It is both a pre and post-release support service. It is a case-managed service and, again, provides for issues such as support for drug and alcohol abuse upon release and also accommodation and, in particular, employment. There is another employment program called women for work, and, again, that is to look for job search opportunities for women prisoners and women on community-based orders.

The lessons we have learnt from that program are now being transferred to our men's system, where we did have a fragmented approach to the service delivery, and, as of July, we will bring all those kinds of services together under what we are calling the men's intensive bridging support program. That is currently in the process of being contracted out. At each prison there is a transitional assistance program, where prisoners prior to release will go through a series of information sessions and checklists about what they need to be doing to find their way back safely into the community.

As part of that, the minister mentioned the old ways of doing things, of just releasing them, perhaps on a Friday night, with a plastic bag of belongings and half a dole cheque. We have worked very closely with Centrelink to provide a protocol which allows that first payment to be done in a way whereby people can access their money on release. We have also provided a number of publications like a *Getting Out* booklet, which is also part of our Koori information booklet process. On top of that we also have a series of grants we give under the Pip Wisdom community grants program, where we fund about 13 different initiatives in the community. The one that I would point to for next year which we are particularly keen about is we are also developing an indigenous transitional support program, which we will roll out through 07–08.

The CHAIR — I am sure Minister Jennings will be very interested in cooperating very fully with you, Minister, on that particular program.

Mr SCOTT — The question I would like to ask is about the application of technology in security arrangements. What new technological developments are being implemented in our prisons to strengthen the level of safety in particular?

Mr CAMERON — Security is obviously central to our prisons. One of the things about the modernisation that we have seen in our prisons over the last 25 years is security being much more effective. If you have a look at the medium and maximum-security prisons, it has actually been quite a while since someone was able to breach that. How many years would that be?

Mr ANDERSON — The last escape from a secure facility was in about 2000–01.

Mr CAMERON — It has been a while. That is obviously the envy of other states. But part of security relates not only to getting out but also to things getting in and in particular drugs — measures are put in place around that — as well as any weapons or explosives. To that end there has been a substantial increase in the number of dogs, for example. I might get the corrections commissioner to take you over the key initiatives that we are seeing.

Mr ANDERSON — We have had an injection of something like \$23 million in the past two years to upgrade prison security. That includes not only technology but extra staff resources. The minister talks about winning the battle against drugs and drug abuse. Clearly with the level of people that abuse drugs — the number widely quoted is something about 70 per cent of prison receptions are claiming that drugs played a part in the commission of the offence — it is not surprising that they will try to introduce contraband into prisons. A test of the success of our drug strategy is that we are currently running at about a 2.75 per cent result on our positive random urine analysis program, which is quite remarkable. I can report that all prisons are meeting their service delivery outcome — their benchmark — in that regard or bettering it.

To give you an idea of the level of this kind of activity, between July and December 2006 we in fact intercepted something like 212 items that people were trying to smuggle into our prisons. That included illicit drugs, weapons and the like. We have doubled the use of vehicle searches — that is, if people come to our facilities, we will, and they should expect that we will, search their vehicles. We have conducted more than 1000 searches with our

specially trained passive-alert dogs looking for things like drugs and explosives. On top of that, at the Melbourne Assessment Prison, at Barwon Prison and the remand prison, people entering these facilities go into a high-tech scanning booth which effectively is a drug-sniffing device. It is a bit of a shock for people the first time they do it, I am afraid, but that is obviously looking for drugs, narcotics and explosives. Having exited there they then go into a metal-detecting booth before they then have to front up to the iris scanner before getting access to the prison. All in all, there has been a tremendous increase in the use of technology in all our facilities.

The CHAIR — That is clearly very comprehensive. Thank you, Minister. Just a couple of other items I want you to take on notice. I would like you to provide what resources, both in terms of staffing and costing, the department will be anticipating spending on servicing the Public Accounts and Estimates Committee in 2007–08, based on the experience over the last few years. I thank you also for your response to our questionnaire which we sent out. We focused very much on the estimates this time. But in regard to staffing matters, question 3.1, I notice you did not provide the figures for the CFA, the MFB and — I know it is not your area — the VLA and also the judicial officers. I know it may not necessarily appear on the department's accounts, but the costs for these services do actually appear in the budget, even if only partially, so I wonder if it could be provided in terms of the staffing. We would all like to know how many judges we have got and also how many people are in the metropolitan fire and emergency services.

Mr CAMERON — We cannot with LSB, but we can with our statutory authorities.

The CHAIR — Thank you. I am sure the secretary will take on the other ones in other parts of the justice portfolio. That concludes consideration of budget estimates for the portfolios of police, emergency services and corrections. I thank the minister, the commissioner and departmental officers for their attendance today. It has been very comprehensive. 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 these matters be provided within 30 days, and they will be considered to form part of a further report of this committee to Parliament. Thank you very much.

Mr CAMERON — Thank you, Chair, and thank you to your committee for your courtesy.

Committee adjourned.

Transcript of Evidence

7.12 Gaming portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

7.13 Police and Emergency Services portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 11 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr B. Cameron, Minister for Police and Emergency Services;
Ms P. Armytage, secretary; and
Dr R. Kelleher, executive director, police, emergency services and corrections, Department of Justice;
and
Chief Commissioner C. Nixon, Victoria Police.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2007–08 budget estimates for the portfolios of police and emergency services and corrections. On behalf of the committee I welcome the Honourable Bob Cameron, the Minister for Police and Emergency Services and Minister for Corrections; Ms Penny Armytage, secretary, Department of Justice; Dr Roslyn Kelleher, executive director, police, emergency services and corrections, Department of Justice; and Ms Christine Nixon, Chief Commissioner of 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 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 a proof version 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 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 10 minute presentation of the more complex financial and performance information that relates to the budget estimates for the portfolio of police and emergency services. I understand you have circulated the overheads.

Mr CAMERON — Yes. Thank you, Chair and members of the committee. I have with me the people you have already outlined. As has been my practice on my seven previous appearances before this committee, I will answer the questions and then at times I will ask the relevant officer to also answer or further elaborate on those questions. You have a slide show. I understand you have it in your hands and we also have it on the screen. We will go through that with the 10 minutes that you have allocated.

Overheads shown.

Mr CAMERON — First of all, if we turn to the justice budget, to the whole budget for the department, just so that we can have a look at what that looks like. You will see that the bits that relate to this portfolio come to \$1.85 billion. The emergency services budget includes the government contributions to the CFA and also to the Metropolitan Fire Brigade, and also funding to the Victorian SES. It also includes allocations to the emergency services commissioner, BEST and departmental overheads. It also includes the CSESP, the community safety emergency support program, and also the valuing volunteers program.

When it comes to the police portfolio, that number there, that \$1690 million, includes the budget commitment that goes to Victoria Police as well as the budget commitment to the OPI, to Crime Prevention Victoria and a component to the infringement management system. In the 07–08 budget there is a total of \$272 million in new initiatives over four years, and they include funds which I am sure we will discuss a little bit later on.

The corrections portfolio represents 16 per cent of the budget of DoJ, which comes to \$500 million, and that includes the budget for prisons — both public and private — community corrections, corrections management, the corrections inspectorate and also departmental overheads.

If we go to the next slide, in terms of the police budget, and you will see there the increase that we have seen in recent years with the Bracks government in terms of the commitment of the Bracks government to the police budget.

If we go to the next slide, in terms of police numbers, and here you can see over the past decade what has occurred there at the end of each of those financial years, and you will see the increase in police that has occurred during the course of the Bracks Labor government.

We will go to the next page about the Victorian crime rate, and that is offences per 100 000. When it comes to population, you will see there the increase during the 90s, and what you see is a decrease during the 2000s, I suppose — during the noughties. So since 2000–01 crime has dropped around 22 per cent, and the largest reductions have been in residential burglary, which has fallen by 42 per cent, and motor theft which has fallen by 44 per cent. When it comes to recorded assaults there has been a big jump in the last couple of years related to recorded assaults, and that comes about as a result of the code of practice in dealing with family violence, and no doubt you might want to ask some questions about that later on. There has been a very large increase in the number of charges laid as a result of family violence where police have taken a much stronger line than what has occurred in the past.

If we go to the next slide about more resources for police, you see that we have got the biggest police budget that we have had in history of \$1.64 billion in the upcoming financial year, up 55 per cent, as you saw from the graph, from 1999–2000. There are also funds there to meet our commitments around new police during the course of this term, and also 25 specialist crime fighters. They are people who assist to fight crime, but they might be an accountant or a lawyer — —

Ms MUNT — Superman or Spiderman?

Mr CAMERON — Or someone like that. There are also funds for more forensic investigators and additional equipment, and also funds for eight new police stations; also to upgrade the Sunbury police station. There is another \$8 million not mentioned up there to refurbish St Kilda Road down at the crime department. We also have funds to provide police with improved weapons and equipment; the crime department that I have already mentioned down there at St Kilda Road, where there is a lease until 2012; \$10 million over three years to increase the police fleet by 100; and also funds for facial recognition technology, to roll that out over the course of the next 18 months.

The CHAIR — That's to do with the picture, is it?

Mr CAMERON — Yes, that is to do with the picture; Ken Spry on the left-hand side runs the criminal identification squad — and also some laptops for police.

Just turning briefly to the road toll, and if we have a look there. Over the years I think that has been a success story — pretty much bipartisan throughout; there have been differences at times — where you have seen a very large drop in the number of deaths on the roads, and in the latest report on government services done by the Productivity Commission, Victoria's rate of fatalities per 100 000 was 6.37, and that is actually the lowest of all of the states. Of course, we would all like to see that lower, but that 6.37 compares with the figure of 8.04 for the other Australian states.

We will go to the next slide in relation to the emergency services: ESTA, the telecommunications authority, now handles around 1.5 million calls for help a year; the Metropolitan Fire Brigade, 33 000 fires and rescues; the CFA, a similar number — 33 000 incidents, although of course in the last year we have had a very large incident over summer, as you will all be aware, where they did a fantastic job; and the SES, 10 000 emergencies and calls for help each year, attended to by the 5500 volunteers; and Life Saving Victoria, nearly 1200 water rescues.

We will just have a look at the number of volunteers: it has got the SES at 5500. We have a lot of volunteers across the state: life saving, 19 500; Country Fire Authority, 58 000 volunteers; and the coast guard, 550. Those people do a tremendous job, and Victorians take their hats off to them.

The CSESP program has continued. It has been a very good program. There is also funds for structural firefighters personal protective equipment — that is something we are committed to and we want to see that rolled out. There are funds in the budget for new and upgraded fire stations for both the CFA and the Metropolitan Fire Brigade, and also funds for the Valuing Volunteer Emergency Service Workers program.

I will touch briefly on the SES. It has 88 full-time staff and has been a statutory authority now for 18 months. It has a new CEO, Mary Barry, and it has its own board. As an independent statutory authority it is doing a fantastic job. You would have seen in the budget the large increase to their core budget as well as additional money for equipment and also to build, as well.

We had the bushfires over summer. This is really just a case of where we had fires, and you can see the blackened area out to the east. It is very large — nearly 1.2 million hectares — and one of the four largest bushfires that we have ever seen in Victoria. I will conclude, Chair: what we want to have is a modern, professional police force. We want to continue with the directions in the police force, where we have provided record resources to the chief commissioner, and we are seeing those results on the ground. Clearly, when it comes to emergency services we have good agencies, and we want to make sure that that interoperability continues to grow very strongly. It has been one of the success stories that we have had in Victoria with emergency services, and we are committed to continue it. Thank you.

The CHAIR — Thank you, Minister, for that presentation. As you go back through them, could you stop at the one on police numbers? Probably for the figures for 2000, there seems to be some transposition of the numbers, because it does not line up with the — —

Mr CAMERON — I see — with the graph here?

The CHAIR — Yes, correct.

Mr CAMERON — Okay. What have we got?

The CHAIR — You have got for 99, 9347; and the graph shows them as over 9400.

Mr CAMERON — Yes. It should be about the same. Well spotted!

The CHAIR — That is all right. I thank the deputy chair for that.

Mr RICH-PHILLIPS — Any other errors we should be aware of?

Mr CAMERON — I suppose what we should say is that in the last year we thought there was only one extremely bad year, but it was actually two — as a result of the Kennett government! I thank Mr Wells for pointing that out.

The CHAIR — I would like to begin, as I have begun with many other ministers: what is the impact on productivity in terms of departmental spend, or your portfolio spend, including agencies for which you are responsible in the budget, and including in regard to new initiatives?

Mr CAMERON — I will just make some general comment. It is a broad question, Mr Stensholt, but clearly what we want to see is good value for the spend, which is something that we are committed to. But some of the productivity measures that you will see include additional forensic capability, so we have seen during the term of the government we have seen an additional 46 forensic people, and the government is committed to further increasing that by 25. That is obviously important, because those additional staff will deal with the predicted growth in demand for DNA samples, which is expected to grow to 45 000 by 2010.

What we have done is put investments into forensics, obviously, and what is expected as a result of that, additional equipment that will be acquired that can work quicker, is that the police expect that the processing capability will be at 50 000 samples per annum by that time. We have seen the I-face and the laptops — the initiatives I talked about there — with the facial recognition, so instead of using a whole lot of mug books, the facial recognition will be able to do that a lot quicker. In terms of additional police cars, that is going to be able assist police do their work as well as the capital works program. Again, if we have good facilities, then we see better productivity, but I might ask the chief commissioner in particular if she wants to elaborate on any productivity measures in the coming year.

Chief Comm. NIXON — I guess we are always trying to work through ways, but the extra vehicles, as the minister made the point, obviously make a difference for us in terms of being able to respond and more effectively meet the community's needs.

Police station build is one — people work in good environments. We have seen the difference that makes. It is a far more productive process along the way. I guess with the forensics, just going back to that, there has been a substantial investment in forensic services. We think that is a better way of identification of offenders or potential offenders, so we think those sorts of continuing investments make a difference in the way we deliver services.

The CHAIR — Every time I go to the police station and have a cup of tea with them, and they are always very welcoming, I must say, but there is always the issue of paperwork and the amount of time they spend on it. I assume you have in your plans measures to streamline this and improve it?

Chief Comm. NIXON — We do, and I think we are continuously trying to work through that. It is not in this budget, but the previous budget — I guess it is, but it was announced previously — are issues around LEAP, and the replacement of that system will allow us to be far more effective in the way we do paperwork. We also have a major project within the organisation to look at, I guess, the face of a computer system and simplifying the data. We are looking at ways and means. We are trialling some systems at the moment to have the input of the data done more efficiently. I think what we are seeing, of course, is a need for greater data collection, but it is how you balance that with the members who want to be out to the ground. We have also invented a traffic information system which we have had some problems with, but we are again making that more streamlined so we keep cutting down the paperwork as best we can to make sure people are allowed to be out doing the job we want them to do.

Mr WELLS — Firstly, chief commissioner, congratulations on the outstanding work of the Purana task force. That has been absolutely outstanding.

Minister, I refer you to the total outputs cost of the major budget output policing services on page 155 of budget paper 3. I note over the course of the next budget expenditure on policing services that it is expected to rise \$83.3 million, but I also refer you to the secret deal that you did with the police union where the Premier and your predecessor committed the government to ‘conclude the next EBA negotiations by July 2007’. How much will this secret deal with the police union cost Victorians, what does the cost of the secret deal reflect, or is it reflected over the forward estimates period, and given that it is mid-May and it is supposed to be concluded by July, do you know what pay increase the police force will receive?

The CHAIR — Minister, you need to refer to the forward estimates and anything about presumed events during an election period — —

Mr WELLS — The deal with the police association is directly going to be reflected in the forward estimates, so surely it is a relevant question.

Mr CAMERON — I reject the basis of the question.

The CHAIR — I do not think that part is relevant. Answer to what extent you can in terms of the forward estimates.

Mr CAMERON — I reject the basis of the question. What we have done is given commitments and commitments to negotiate in good faith, and I understand you gave the same commitments, didn’t you?

Mr WELLS — No.

Mr CAMERON — You gave the same commitments during the secret meetings that you had in a mansion — was it in Toorak or Kew? I am not sure.

Mr WELLS — We didn’t sign any dodgy, shabby deal.

Mr CAMERON — Wherever it was, you gave a commitment — —

Mr WELLS — We did not sign any deals.

Mr CAMERON — And we said we would — —

Mr WELLS — Minister, if you could just maybe answer the question. How much is this deal going to cost the budget?

Mr CAMERON — We said that we would negotiate in good faith, and those negotiations are occurring.

Mr WELLS — But you would not sign a deal unless you had a fair idea of much it was going to cost the forward estimates.

The CHAIR — I think the minister is answering the question.

Mr CAMERON — If you say there is a deal, it will say what it is, but there is no deal. We gave commitments, and you cannot point to anything.

Mr WELLS — Okay, in this document it has ‘to conclude the EBA negotiations by July 2007’, which is only two months away, so surely they must be a long way down the track, or how is that process working?

Mr CAMERON — Those negotiations are ongoing and those negotiations between the chief commissioner and the police union are progressing. They are progressing well to date, but they are still not finalised.

Mr WELLS — So you have no idea at this point of how much the costs to the forward estimates will be?

Mr CAMERON — At this stage it is not finalised, and until it is finalised we cannot put any exact figure on it.

The CHAIR — Thank you, Minister.

Ms MUNT — Minister, I refer you to budget paper 3 page 151. It refers to changes to the output structure for 2007–08 and gives some examples there. I was wondering, could you give a little bit more detail, please, about those changes, what they mean and why those changes have been made?

Mr CAMERON — Thank you very much, Ms Munt. In relation to output changes as you are aware, they have occurred at a departmental level and also with the police so I might ask Ms Armytage to make some comments, followed by the chief commissioner.

Ms ARMYTAGE — Thank you very much. The department undertook a major review of our output structure because Treasury had indicated to us that they felt as a portfolio we had too many outputs for the level of our budget and the outputs structure at that time focused on our organisational arrangements rather than the services being provided under the portfolio. They requested that we undertake a major review, which we did. They also said at that time we had the second-highest number of outputs and output groups of all departments, and that our portfolio budget was the fourth highest in terms of the cost to government. They therefore said we had more outputs per million dollars of investments than other portfolios.

We undertook an extensive process of review to try and make sure that we streamlined those arrangements, and we are confident that the new performance measures that have been put in place and the accountability and transparency that goes with them will make sure that they are an effective representation of the work that we undertake on behalf of the community. We will make sure that there are records of actual results from previous performance measures so that we do not lose the perspective over time in terms of the changes that we have made.

The CHAIR — So in your response to the budget estimates questionnaire on page 21, you have got the details there including, but which are not included in the budget paper, the output groups?

Ms ARMYTAGE — Yes.

The CHAIR — I refer members to that particular page.

Dr SYKES — Minister, my question relates to the police checks for volunteers. I note there was a progress report in terms of the number of people tested, and I think it was mentioned in the thousands — the number of people detected with criminal records such as sexual assault was zero; there was an explanation given for that. But my issue relates more to the implementation of the checking procedure and the concerns that have been raised with me by members of the CWA, the RSL and the Red Cross. They are concerned about implementation, and there may be simply confusion on the part of people out there or there may be problems with the system per se. It is sufficiently of importance that I see in the Volunteering Victoria website on the 11 May this year, they make a comment:

The cost of police checks is also of concern for organisations working with vulnerable client groups. For organisations involving large numbers of volunteers in their activities or those with a high turnover of volunteer staff, the total cost of police checks to the organisation can be prohibitive. The lack of transferability of police checks between organisations is also an area of frustration for volunteers who work for more than one organisation.

They then made the recommendation to:

introduce a system of free police checks and investigate the feasibility of a system of transferable ...'

That is the conclusion they have got to. I am not sure that that matches up with how you believe the system operates, but the message is there is a problem out there in the community with the implementation, relating it to the budget. Is there an intention to review the implementation; has any funding been set aside to review it, to address these sorts of concerns?

Mr CAMERON — That was the working-with-children checks, was it?

Dr SYKES — Yes.

Mr CAMERON — Ms Armytage might be able to assist with that, as it relates to the Attorney-General's portfolio.

Ms ARMYTAGE — It is a matter for the Attorney-General — he has principal responsibility — but a large number of volunteers are covered by that scheme. As a result the government made a decision to waive the fees that would normally apply to other employees or volunteers.

We have in the first year of rollout of that initiative focused on particular occupational groups — those people who are working in child protection, juvenile justice, as foster carers and others. We have had a large number of inquiries from other volunteers to make sure that they cooperate with the scheme, and we are continuing to process those applications. But because we have given particular attention to the needs of volunteers and to streamline that, once they get a card, provided they have either registered as a volunteer or an employee, and sometimes they are both — they might be an employee in one organisation — they can get a card that then allows them to work in those variety of roles once it has actually been issued to them.

Dr SYKES — What I am flagging to you is, as you have expressed it, not as many of the groups understand it. I suggest there is a need to take on board their concerns. If it is simply a communication issue, then that needs to be addressed. If there are fundamental issues —

Mr CAMERON — The chief commissioner might be able to help Dr Sykes.

The CHAIR — That would be good. Certainly members of Parliament would appreciate that, so we can tell the many groups that come through our doors in this regard.

Chief Comm. NIXON — Your second aspect of that question was around whether or not we are looking to issues around cost reduction or more streamlining of the process as well, and Penny has spoken to one part of that. But there is in fact a national project related to CrimTrac, which is the national system we would use to check other states and to check the national fingerprints system or the national criminal records system. There is a review on that at the moment, and various states have concerns about costs. Various states are looking to make it more efficient. Certainly Victoria has participated in that project, and that should be finished by early next year, and that may well also assist. It is a different issue, but it is about productivity, and it is about being efficient in the way we are doing these checks.

The CHAIR — Dr Sykes might like to take that up further with the Attorney-General as well.

Mr PAKULA — Minister, I am actually referring to one of the slides in the presentation.

Mr CAMERON — Which slide?

Mr PAKULA — The one about the crime rate. You have noted in that presentation a substantial reduction in crime over a period of years. I am interested in what you expect the future trends to be in crime and what you think are the major contributing factors to the downward trend that we have been seeing.

Mr CAMERON — Very clearly as a result of, I think, smart policing and the government providing record resources to the police, we have seen that combination result in the success of the reduction in crime. You would have to remember that this reduction has happened notwithstanding the changes that have occurred around family violence, where there are actually more incidents; more crimes are being recorded. That together is very important. Clearly smart policing and what the chief commissioner has been able to do — her organisation and the

determination of her organisation — is extremely important, and I might ask her to give her views on where the future lies and pick up on her future directions.

Chief Comm. NIXON — I am happy to do that. It seems to me that there is a set of categories of crime that we have been working on quite successfully over time, and the minister has spoken about a number of those categories. I suppose in terms of the future, we think there are two categories we see are rising: one is property damage, and that is really around graffiti and those sorts of issues, and there are strategies in place for that. The other is around assaults, and we did predict some time ago — in fact at this committee some time ago I predicted the assault rate would go and that was on the basis of family violence and the underreporting of family violence. We think those kinds of categories are important to think about.

Other categories that we think will continue to go down are burglary. We also think that robbery offences will continue; it has had a bit of a blip, but it is continuing down. Homicide is in fact 20 per cent down this year — a small number of offences — so it has got some variability in it, but we think that that is another area.

Sexual assault, we are predicting for the future, might well go up, and we think that is really about a whole set of reforms within the criminal justice system that might encourage people in the community to report sexual assault who have not previously done so. They are the kinds of offences, but in the volume of offences we continue to predict downward trends.

Mr BARBER — Minister, I would like to ask about programs and activities under this year's budget designed to reduce the incidence of fatal shootings. Following on from Project Beacon in '94, we had Mr Brouwer's report in 2003. He said that Victoria Police had lost some of its strategic focus on safety in avoiding the use of force and he thought that some of the recent shootings had been prompted by a gradual reduction in officer training, particularly on how to deal with people with a mental illness, and he also recommended that police officers involved in fatal shootings undergo drug and alcohol testing after the incident. So could you provide for us, and feel free to do so on notice as well, the particular programs and activities you will be doing this year, perhaps into future budget years, and the money that is associated with those programs?

Mr CAMERON — I will make some general observations. You talked about the OPI review of shootings between January 2003 and April 2005 and there was a report at the end of 2005 which you have referred to where the OPI made 55 recommendations. Victoria Police has already implemented half of those and the remainder are being progressively reviewed as part of their long-term strategies.

In terms of fatalities, just to get it in perspective, since 1990 there have been 33 fatal shootings in Victoria. Ordinarily there has been 0, 1, or 2 or 3 shootings over the years, except during the mid-90s there was a very high year. You will remember that at the time. Victoria Police have done a comprehensive review of their practices in relation to mental disorder and clearly that is a very large issue when it comes to this, and in conjunction with stakeholders they have developed a mental health strategy to enable police to respond more effectively and appropriately to such people. That implementation will help Victoria Police to meet the OPI recommendations. I might ask the chief commissioner if she would like to elaborate further about that for the coming year.

Chief Comm. NIXON — We did obviously take on board the advice given by the OPI and we have looked at a range of areas. Obviously police training, as the minister made the point, we increased that, and to have members be aware of those issues. In terms of mental health we have in fact done an entire review of our current training and also our current strategies and practices of dealing with people with mental health issues because that in many cases has underpinned the shooting.

We are also looking at issues around tasers, which is part of it. We have introduced tasers — a 26 it is called. We have used that on a number of occasions and we found that to be productive, but at this stage its use is confined in certain circumstances and also to certain groups of people within Victoria Police. But we are still looking at that as to whether or not it could be expanded.

Any death is clearly a serious issue for us, and again to reiterate the minister's point, in 2006 no members of the community were shot; the year before it was three, and the year before, three — any of those are a concern to us. But ways for us to deal with the community, we have millions of contacts with the community each year and the vast majority, so you are talking a very small percentage of incidents where we have used our firearms, but we are very cautious about doing that, and looking at ways and means that we can reduce the kind of situations where police officers might find themselves where they in fact have to use their firearms.

Mr BARBER — Thirty-three since the 1990s was your figure. How much in the rest of Australia put together over that period?

The CHAIR — We can find that out — put them on notice, I am sure.

Mr CAMERON — We will see if we have got that. I do not know whether we will be able to help you, Mr Barber.

Chief Comm. NIXON — We do have that.

The CHAIR — Criminology people might have it.

Mr CAMERON — The police have it. We will be able to do it.

Mr SCOTT — My question relates to family violence initiatives which the chief commissioner touched on briefly in an earlier answer. Minister, in the context of the policing services outputs in the service delivery aspects of budget paper 3, can you provide the committee with details as to the trends, status and plans for police initiatives in relation to family violence?

Mr CAMERON — Thank you, Mr Scott. The code of practice for the investigation of family violence was introduced in the latter part of 2004. The code was really aimed at enhancing police responses to family violence. It focuses on the evidence gathered, investigation and laying charges where appropriate. In other words, in the past police would attend an incident, and people later might say, 'Well, don't worry about it' when they cool down. Police are now taking a much more proactive approach. Family violence is violence, and that is a crime, and as a consequence of that, the police have taken a different approach as a result of the code, which is something that government and police worked on.

Since that time there has obviously been a lot more charges laid. I take you to the 05–06 police annual report. Although the number of incidents attended has remained relatively static in the past few years, to give you an example — in 2003–04 there were 2627 charges laid as a result of police attendance; that increased in 05–06 to 7087. There has been a very large increase in the amount of assaults that the police have dealt with because they have treated these assaults as violence, and they wanted to send a very clear message to the community — as we have all wanted to send — that family violence is unacceptable, just as other forms of violence are unacceptable to the community.

In addition, since the start of July 2006 police now have a legislative power to direct or detain a perpetrator of family violence while police make a complaint for an interim intervention order, and as at the end of March this year police have used that on 879 occasions. So, again, that has been an effective tool. The next stage is presently being developed, so those considerations are being given to it. It remains an ongoing initiative. It is something that we all have to be prepared as a community to fight, and the government and Victoria Police are out there with the community in taking that battle up.

Mr RICH-PHILLIPS — Minister, I would like to ask you about the audit of resource allocation. Last November the Premier and your predecessor admitted in the document Mr Wells referred to earlier to undertaking an analysis of resource allocation of police officers:

The ALP (when in government) will have an analysis performed by Victoria Police to examine the current resourcing allocation of police officers. This analysis will be completed by 1 March 2007. TPA will be shown the analysis and the findings will be subject to ongoing consultation.

Has that analysis been completed, has it been shown to the Police Association, and is it made available publicly?

Mr CAMERON — What that commitment related to was a piece of ongoing work, which was already in place, where the chief commissioner was doing work around the police allocation model, the PAM, which also involved the police union. The chief commissioner put out the latest draft for further consultation back in February, as she always intended to.

Mr RICH-PHILLIPS — So this was not a separate commitment for a separate assessment?

Mr CAMERON — No, what we committed to was what the chief commissioner already had in train. The chief commissioner has been going about her business, as she previously told the government she would go about her business.

Mr RICH-PHILLIPS — So there is no other resource allocation analysis being undertaken?

Mr CAMERON — No, the chief commissioner is doing what she always intended to do — that is, she has put out a finalised PAM and, in addition to that, as part of that, she has to find out where the police are, and that was done back in February.

Ms GRALEY — I want to raise an issue of concern, particularly to Victorian women, about sexual assault initiatives. I am asking the minister if he can detail to the committee the relationship between the policing services of seeking a reduction in crime against the person and the trends and initiatives in the area of sexual assault?

Mr CAMERON — Thank you very much, Ms Graley. There was an updated code of practice in relation to the investigation of sexual assault going back to 2005.

The purpose of that code was to ensure that there was a coordinated response from all services, so that involved police, sexual assault counsellors and forensic medical officers. Since that time we have also seen two multidisciplinary sexual assault centres established, at Mildura and at Frankston. That is part of an initiative providing victims with better support and for the reporting of sexual assaults — to bring those together in those areas, which will be very successful. Two new sexual offence and child abuse investigation teams will provide specialised police investigation services.

In addition, in August 2006 Victoria Police, in partnership with Melbourne and Ballarat universities, commenced a five-year study to identify ways to improve police policies and practices in relation to sexual assault. What we have seen since 98–99 to the end of the financial year 05–06 is a relatively small, 9 per cent, decrease in the number of rapes and a larger decrease in other sexual offences, but this is an area where, as the chief commissioner has identified, we actually want people to come forward. These offences occur in the community. We want to make sure that they are being reported, they are being flushed out, so that people can be dealt with and also to set an example to others.

Chief Comm. NIXON — This is an area that we certainly are predicting for a growth in the future. The centres that the minister spoke about, which bring together the CASA centres and police, we have launched one and there is another shortly to be opened in Mildura, to give an idea of what that would look like. But I think as importantly our other tranche, which is in the Attorney-General's department and the secretary has been responsible for working with, is about improved prosecution. It is also about coordinating the whole-of-government approach, particularly across the criminal justice system. So this area is benefiting from research, from understanding why people did not report and from understanding why police officers in some cases did not necessarily proceed when people have reported.

The research study that the minister pointed to is an ARC grant of \$1 million, with Ballarat university, to understand this piece of work. Actually it is an action research, so as we change out practices and systems they will be evaluated so we can continuously improve in this area. The research is quite strong about the underreporting, and it is the kind of offence, as you well know, that causes enormous damage to people for many, many years. So I think that is one part of it. What we are also seeing is a growth in people who are reporting old offences as well. So there is a set of people who perhaps are feeling more confident. That is why we are protecting the growth in the future in this area, in reporting and in action we will take.

Ms GRALEY — Who is undertaking the research at Ballarat uni?

Chief Comm. NIXON — Dr Caroline Taylor.

Ms GRALEY — I was hoping it was going to be her.

Chief Comm. NIXON — Yes, Dr Caroline Taylor. She, as you know, has both been a victim and has written about the subject and has survived the criminal justice system, and the fact is she is very keen and is working in partnership with us to improve our response. We clearly understand. We worked in this area as best we

could and have done some very good work but there needs to be clarity within the court system and also with prosecutions, and that is what is occurring.

Ms GRALEY — I am very glad to hear that.

The CHAIR — Mr Dalla-Riva, I am sure you have a special interest in criminal investigation, besides other things.

Mr DALLA-RIVA — Thank you, Chair.

Mr RICH-PHILLIPS — Once.

Mr DALLA-RIVA — Yes, thanks for that. Minister, I refer you to page 410 in BP 3.

Mr CAMERON — Hang on.

Mr DALLA-RIVA — This is in relation to appendix C, the discontinued performance measures. I make the first note that there are 34 performance measures that have been dumped. One in particular that relates to the question I have further on is the increase in reporting of family violence incidents. I note that the target was 3 per cent for 06–07 — —

Mr CAMERON — Whereabouts? How far down the page?

The CHAIR — It is almost virtually in the middle.

Mr DALLA-RIVA — Further down, the percentage. In 05–06 there had been a reduction at 3.6 and then you expect an increase of 3 per cent in reports. Also, below that, increase in reporting of sexual assault — you are expecting a 5 per cent increase in that. That aside, they are no longer going to be measures leading forward.

I refer you now to page 154 of the same budget paper. Bearing in mind the commissioner's comments about some of the explanations for that, in relation to quantity on that page, 'reduction in crimes against the person', the performance measure for 06–07 was 2 per cent reduction. The expected outcome is actually minus two; in other words, there was an increase of percentage. In 05–06 there was an increase in percentage of 4 per cent if you take the negative.

Mr CAMERON — And double negative.

Mr DALLA-RIVA — Double negative being the positive. Given that the commissioner made reference to the fact that there would be an increase in reporting of domestic violence offences and also sexual crime offences, but bearing in mind that those are, in my view, of a small number, given that I have just referenced those in the discontinued performance measures, does that mean that in reality whilst you are arguing that you are reducing crime against the person, it actually has not been delivered as great as it has — given that we have seen increases in these crimes against the person in real terms?

Mr CAMERON — If you go the annual report of Victoria Police in 05–06 on pages 12 and 13, crimes against the person in 01–02 was 36 630; in 2002–03 crimes against the person 35 642; in the 03–04 year, 34 919; and then it jumps up over the last two years, as I mentioned at the outset, and in the 05–06 year you have got 40 421. If you go to the number of incidents where police attend, crimes family violence, on page 13, those numbers have remained relatively static — they jump up and down. In 05–06, 28 300, go back to 03–04, 27 672, so both similar. But what is different and what relates to the statistics is the number of people that are being charged. Go back to 03–04, the number of people charged was 2627; but go to 05–06, the number of people that were charged was 7088. In other words, it is almost a 4500 increase in the amount of charges that have been laid. Obviously that makes a bit of difference in relation to the reporting. Does that help?

Mr DALLA-RIVA — I note — just finally, Chair — you are expecting in your target a reduction in crimes against the person again of 2 per cent. Do you think you will be on target for there or are there any sort of variations you anticipate, Commissioner or Minister, in relation to those figures?

Chief Comm. NIXON — Can I come to your question in a minute? But can I also say — I did not make the comment before and wanted to — part of the discussion I have had, a continuing discussion, with this

committee over the last six years — this is my seventh time I have been with the minister — is about these performance measures. Part of the issue for us in Victoria Police was to have a set of performance measures that actually meant something and that we were able to then use to drive the organisation to perform. I guess I called it measuring what matters. I have had a continuing discussion over time. Part of what we are seeing here is a change in a set of indicators. Those indicators are also relevant to the *Report on Government Services*. That national report has in fact changed as well, so the number of indicators has reduced. It just gives you a sense of perspective; I understand your point. We also report in the annual report, and the minister just used those figures. We also report in the crime statistics report. So in terms of our kind of figures then, that is, I think, a broad sort of way of explaining to the community and justifying why we would operate.

Your issue around sexual assault, I was asked was that about the future. I think we have seen some minor increases, and we have indicated that. I think that once we are able to put into place the changes around sexual assault reporting, then we do — that is my point about the future and expecting an increase in that regard. I think that is part of it. The domestic violence issue, we have watched over time some increased reporting and then some reduction. We still have a long way to go in terms of encouraging the community to continue to report, but what we are seeing is the change in the way the police are dealing with the ones who do report. We think that has implications in terms of reporting for multiple offences. You get, as you would recall, repeat offenders and repeat offences where, you know, you go to the same place seven times and no-one does anything about it.

What we are seeing now are in fact steps to put into place. We are in a change process as we work this through. It is also about educating police officers and evaluating and accounting for what they do. I suppose we are predicting in that sense — we hope — an increase in that reporting. The other increase in assaults, which are offences against the person, we are actually seeing increase in street assaults as well, and we are predicting some increases in that regard.

Mr DALLA-RIVA — So it would be fair to say, Minister, in relation to the commissioner's comments that whilst the target is set at 2 per cent, there is a real chance that it may be — based on the evidence just given — that there could quite feasibly be an increase in the crimes against the person.

Chief Comm. NIXON — In those categories.

Mr DALLA-RIVA — Because of the range of issues that you have just brought up in terms of reportability.

Mr CAMERON — Reportability.

Mr DALLA-RIVA — If there is such a word — in terms of reporting.

Mr CAMERON — If we were American, it would be, so we had better take it back!

Mr DALLA-RIVA — I just made up that word, so I will claim it. I meant in the sense of those particular issues that you have discussed.

Chief Comm. NIXON — To be open, the issue around street assaults is one where we are certainly seeing a rise, and we are doing quite a lot of work to figure out how we can actually look to reduce that, but we are seeing — particularly in the inner city area — a rise in that category.

Mr DALLA-RIVA — Is that because of a lack of police numbers in the city?

Chief Comm. NIXON — No, I think we are seeing a set of changes in the way people behave. We are certainly seeing, along with very much more openness in our cosmopolitan society in nightclubs and clubs, a whole set of those changes. I think there is a drug issue involved in it as well, and we think there is some more violence because of some of the drug issues, and we are seeing more of that about.

One of the interesting changes is actually around assaults by young women — actually being committed by young women and young women being assaulted. We have seen some increases in those categories. It is one we are watching at the moment because it is quite a different phenomenon for us. We obviously have a range of operations in terms of the city. Gasket at the moment is one which we started three or four weeks ago in the city, to look at that. But you are talking about volumes of people. I know most people do not go to the city at 2.00 in the morning, but most young people do not seem to leave home until about 12.30 at night, so you are now actually seeing quite a

large number of young people congregating in different places. Obviously what we are trying to do — and we have been very much thinking about this — is talking and having a whole community response around the way we deal with those young people, and then there are public transport issues about late nights and those sorts of things.

The CHAIR — Thanks very much. Minister, just continuing on looking at some of the outputs and deliverables, on page 154 of budget paper 3 in relation to the proportion of community satisfied with policing services — and of course this relates also to previous outputs under policing services and police integrity — I see there you have got what is actual for the last year's target and expected outcome and also a continued one. How do we rate in terms of other states, and how do you see this going forward in the future as well?

Mr CAMERON — Thank you very much, Mr Stensholt. Obviously community satisfaction is very important when it comes to police. People have to be — —

The CHAIR — They have to have confidence.

Mr CAMERON — It is much preferable that people have confidence in police, and fortunately what we have seen is a situation where people are very, very confident when it comes to Victoria Police. In the latest report on government services by the Productivity Commission, when people were asked were they satisfied or very satisfied, what we saw was 77.8 per cent of people saying they were satisfied or very satisfied, and that is significantly up on the national average of 74.6 per cent. Also, when they were asked about their most recent contact with Victoria Police, Victoria Police scored 85 per cent, and that is the highest in the nation. So we are very pleased to be able to see that. Obviously you have seen good work by the chief commissioner and Victoria Police at the local level, at the neighbourhood level and around police stations, and I think the work that you see with additional police out there, out and about, as a result of the record resources that we have provided to police has certainly contributed to that success, as well as the style of the chief commissioner and the way the police operate. Obviously the great challenge for the chief commissioner of Victoria Police is to try to keep it up there.

The CHAIR — So I take it with this new output or performance measure it actually now becomes a compilation of several ones you had before, including some of the police integrity ones and complaints et cetera, or what?

Chief Comm. NIXON — The survey is a national one that we use, again, as a tool to drive the performance of the organisation. We set targets for customer satisfaction, and particularly the measure we used, as the minister pointed out, was the last contact with police in the last 12 months. I was delighted to see that Victoria actually took over from Tasmania in terms of the highest rating of any state in Australia. Just to put it in context, if you took it back during the time of 2004, our community perceptions of Victoria Police were down in the 70 per cent mark, and so what has happened over the last while is, again, a renewed community confidence, I think quite rightly, to the current rate. So it is one of the indicators. Again it is reported in the national studies and comparison to other states, but it is an indicator. There are other indicators, as you made the point about people's safety in their own homes. There is a set of those things which we have been testing nationally since about 2001–02, so that allows us to make some comparisons with our colleagues but more importantly comparisons with ourselves and to set targets in what kind of goals we set for the whole organisation.

The CHAIR — So those which we see in appendix C now become part of this single line one regarding general community satisfaction and includes the one regarding the contacts in the last 12 months.

Chief Comm. NIXON — That is right, they do. But, again, they are independently released by the Productivity Commission and by the report on Australian governments, so they are available as well in more detail if people want them.

The CHAIR — Good. We will look forward to your next annual report.

Mr WELLS — Minister, I just need to clarify something very quickly before I go on to my question. It is following up Gordon's question — —

Mr CAMERON — What was it about?

The CHAIR — It was about PAM?

Mr WELLS — In regard to the secret deal. So the resourcing allocation model that was put forward by the Police Association is exactly the same as the police allocation model that the chief commissioner was referring to? So we are not talking different models, we are talking just one model that the Police Association is happy with?

The CHAIR — Can you just repeat that question. I do not think it relates — if you are asking the minister to clarify what the police allocation model is, to which the answer is that the commissioner put the draft out in February, is that what you are talking about?

Mr WELLS — That is exactly right. Is that exactly the same model that was referred to in the record of commitments about the resourcing allocation of police officers; we are talking exactly the same model?

Mr CAMERON — Yes. Our commitment relates to the work that the chief commissioner was already doing. The chief commissioner put out the draft in February, and as part of putting out the draft you must set a formula about where you put people and on what basis. Part of that also was an understanding of where police are and how many are in each of the police service areas at the present time.

Mr WELLS — That has already been shown to the police union?

Mr CAMERON — Yes, and that is the subject of ongoing work.

Mr WELLS — In regard to my question, I refer the minister to the cost of the major budget outputs, policing services, on page 155 of BP 3.

The CHAIR — That is 1639.4 million.

Mr CAMERON — Yes, 1639.

Mr WELLS — And we have already discussed the crime stats being up since '99: sexual assault up 5 per cent, rape up 18 per cent, homicide up 36 per cent, and, as we have mentioned, assaults up 45 per cent. The police union has advised its members in February — —

The CHAIR — I do not actually think the minister said that.

Mr CAMERON — No, I did not say that.

Mr WELLS — No, I am saying that.

Mr CAMERON — We do not agree.

Mr WELLS — I am just saying about the quotes — that we have discussed assaults and we have discussed sexual assaults.

The CHAIR — Sure, but they have different figures.

Mr WELLS — I am only quoting official police stats.

Mr DALLA-RIVA — Don't let the facts get in the way.

Mr WELLS — The police union advised its members in February:

The overwhelming majority of police stations have received no increase in numbers in the last four years and instead have had a reduction in numbers.

Minister, are you aware of the police union's own data which estimates an overall shortage of 650 police on the front line across the entire state, and would you agree with the police — —

Mr CAMERON — You are saying 655, are you not?

Mr WELLS — Six fifty plus.

Mr CAMERON — I think they use a figure of 655, yes.

Mr WELLS — If it is 655, I am happy to put that in.

Mr CAMERON — Yes.

Mr WELLS — Do you agree with the concerns of the police union around law and order if we have a shortage of front-line police?

Mr CAMERON — When it comes to the 655, what the number was was an incorrect report which the police were going to use in the AIRC some two or three years ago?

Chief Comm. NIXON — No, it was about a year or so ago.

Mr CAMERON — About a year or so ago, which was wrong, and the police advised that immediately. But that figure has been used. That figure is erroneous. The police advised straightaway it was erroneous. However, as a result of the chief commissioner's work about where police were in the different PSAs, which she put out in February, what it showed was there was an additional, there was around — 1200 on the front line?

Chief Comm. NIXON — Twelve hundred and sixty two.

Mr CAMERON — Twelve hundred and sixty on the front line. Those figures are out there about where they were across the state.

Mr WELLS — Just to clarify, the police union figure of 650 is totally incorrect?

Mr CAMERON — The 655 — —

Mr WELLS — The 655.

Mr CAMERON — The 655 came about from an incorrect document that the police had that they corrected soon after, and everybody was advised of that. The figure in relation to how many extras there are in the police service areas was done by the chief commissioner. That was part of the PAM, that was part of the resource allocation as to where people are, because obviously where people are is very important when you are talking about resources and changes in resources in the future. What that showed was 1260 extra in the PSAs.

Ms MUNT — Minister, I refer you to page 26 of budget paper 3 under 'Safety and crime prevention'. It is following on from the deputy chair's question, but with a different perspective entirely. It says:

... the government has increased police numbers by 1400 and since 2000–01, the crime rate in Victoria has fallen by 22 per cent. In this budget the government will provide \$87 million over four years for 350 new police officers and 25 unsworn crime fighters with specialist skills.

My question is: there has been a very large investment by the government in police numbers and police resourcing over the past six years; will this increased resourcing and extra police numbers continue to have that positive effect on the reduction in the crime rate? Does a plateau get reached or does a point come where other resources might be appropriate? Or will this extra resource continue to have that good effect?

Mr CAMERON — As you alluded to about the 1400 police, where we promised that additional 1400 in our first term, and our second term come to that, and now in this term an additional 350, certainly it is our hope that with the good work that has occurred with the government providing record resources to police and the work of the chief commissioner and all of her crew, who do a fantastic job across the state, we can go even further and reduce crime even further.

Certainly I can say that that is the commitment of the chief commissioner and the senior members of her team. I think if you go around police stations around the state people are pretty determined to get out there and try to nip crime in the bud. Clearly we also want to see people not commit crimes in the first place. We want to see people going about their behaviours. Part of that, for example, which we will come to in an hour's time, is that we want to see less recidivism when it comes to prisoners, and we are seeing that. Obviously there is a whole range of irons that are in the fire, but that is our commitment, and the chief might want to expand on that further.

Chief Comm. NIXON — She does. We have obviously a focus. We had an agreement with a five-year plan with the government, and that plan had certain indicators to be met. That plan becomes finished at the end of

this year. There are a number of indicators in it; we have met all those indicators. So we are in the process now with the community and on behalf of the government developing another five-year plan. That allows you a capacity to target and focus. There are a number of people in Victoria Police who have occasionally said we have probably got as far as we can, but I do not think that is the case. I think the evidence says that we can continue to focus.

Our four key focuses are, obviously, on reducing crime, on reducing deaths and serious injury on the road, as well as customer satisfaction. So, by using this data and driving the organisation and the commitment within the organisation, the additional resources allow us to do things differently. If you take the work of Purana which the deputy chair spoke about, again a very substantial number of offences where people have been charged, and obviously there were a number of murder offences involved in that. We would use the resources and the money to continue to drive down all levels of crime, whether it is organised crime, but I have made some points about sexual assault and family violence issues which in fact will probably go in the other direction, and we think that would be a positive step.

Dr SYKES — Minister, I wish to talk a little bit about the bushfires and the CFA. If you look at this map —

Mr CAMERON — The picture that we did, yes.

Dr SYKES — The second-last slide. Just from a visual point of view it looks like a large percentage, if not the majority, of bushfires occurred in the identified area, in fact on public land, and certainly if you just look at the area burned I think it is quite clear that a large proportion of the fires burned on public lands. As we all know there was a massive CFA input and general volunteer input into those fires, particularly the big ones in north-east Victoria and Gippsland, for the benefit of all Victorians. What I am interested in is the funding of the CFA. How much of it comes from the general taxpayer, and how much of it comes from the fire services levy?

I refer you to a letter that has been sent to me by one of my local CFA groups. It is a response to some communications that you and I have been having, but in essence he is challenging the inference by the current government that it provided all the increase in budget funds in 1999 from 113 million through to 226.9 million in 2006. I will give you a copy of the letter so you can follow it.

Mr CAMERON — Thanks.

Dr SYKES — In fact you have the original?

Mr CAMERON — Yes.

Dr SYKES — What he is saying is that in real terms the government may have approved these increases. However, the community contribution through these levies has increased from two-thirds to almost three-quarters of the approved budget. In dollar terms the community contribution went up from 75 million in 1999 to 170 million for the 2006 year, while the government contribution for the same period went up from 38 million to 56. So he is suggesting that the community contribution is increasing substantially. He acknowledges in the second-last paragraph that there is additional government commitment to other activities. In essence, my question is— and you may need to take it on notice: what is the break up of the actual CFA funding? How much comes from the fire services levy, and how much is coming from the general taxpayer?

The CHAIR — Minister, in regard to the particular break-up, it is actually not a levy; it is actually a contribution from insurance.

Mr CAMERON — Yes. So obviously —

Dr SYKES — It is called the fire services levy.

The CHAIR — It is called that by the insurance company; it is a misnomer.

Mr CAMERON — That is what the insurance companies call it, and the way that came about historically was because the insurance companies benefited as a result of fires being put out, and obviously they had less payouts. What happened back when the formula was set many years ago — and it is set in the legislation that the state puts in 22.5 per cent and insurance companies put in 77.5 per cent. So if the state puts in more, the amount from insurance is more or less. So they move in exactly the same proportion. But as you say, in addition there have

been those other funds. When you come to the bushfires over the course of last summer, obviously given they were essentially on public land, as you said, DSE had a lot of expenses which are state-only expenses as well.

Dr SYKES — Yes, but I think — —

Mr CAMERON — But when it comes to the CFA — —

Dr SYKES — I am not questioning the big input by DSE; there was a big input by CFA. So the clarification is that the general funding rule is that the state contributes 22.5 per cent?

Mr CAMERON — And that is set in the legislation.

Dr SYKES — And so — —

Mr CAMERON — So they move in proportion to each other.

Dr SYKES — So the 160 million that is flagged in this budget — that is to emergency services?

Mr CAMERON — Yes.

Dr SYKES — That is the state contribution?

Mr CAMERON — Yes.

Dr SYKES — And for CFA — —

Mr CAMERON — It will be the corresponding proportion, as under the legislation, by the insurance. So that 160 figure — —

Dr SYKES — Is only state?

Mr CAMERON — Yes. But that was not just for the CFA; that was for the Metropolitan Fire Brigade and the SES as well.

Dr SYKES — Okay. I understand.

Mr CAMERON — But the Metropolitan Fire Brigade has a different proportion, and we fund the SES.

Dr SYKES — It is intended for the SES to remain under that full funding by the state, or is there some other formula envisaged?

Mr CAMERON — There is nothing that I have discussed about that.

Mr PAKULA — Again on the policing services output — and I suppose it is another variation on the question about increasing police numbers — what do you estimate the turnover in police numbers might be over the forward estimates, particularly over the 2007–08 year? What has been the trend over time, and how does that compare to other jurisdictions within Australia?

Mr CAMERON — Obviously one of the things that reflects the health of an organisation is the turnover in the organisation. If you have got a large turnover, obviously you have a problem, but pleasingly in Victoria our turnover rate is relatively low.

When you look at our attrition rates, they have consistently been below the national average in recent years. If we go to 05–06 — and I have got those figures here — the Victorian attrition rate was 2.79 per cent, and that was the lowest of all the Australian jurisdictions and well below the national average of 4.3 per cent. So when you have got an attrition rate that low, and you have to think about people having to retire, essentially you have got people wanting to stay in the force, and I think that is a credit to the force that it is able to hold people for that long.

In addition to that, when you have got to look at Victoria Police and say, ‘A lot of people clearly want to stay there’, also a lot of people want to join. We have got the longest queues in the nation, of people wanting to join a

police force, and obviously that reflects very well on the organisation. You go to some other states, like South Australia or — —

Chief Comm. NIXON — Western Australia.

Mr CAMERON — Or South Australia. I think they are trying to import English — —

Chief Comm. NIXON — Three hundred of them.

Mr CAMERON — They have to go out and try and import English people, but we are not in that position.

Ms MUNT — Scarce of bobbies.

Mr CAMERON — Yes. If you go to South Australia do not be surprised if you get an accent if you get pulled over.

Mr RICH-PHILLIPS — Minister, I would like to ask you about Victoria Police's handling of the Neal HIV case and the issues surrounding that. We had the paedophile inspector for Victoria Police needing to raid the Department of Human Services in order to carry out Victoria Police's functions. Can you tell the committee, please, what was the cost to Victoria Police of that action in terms of legal cost resources et cetera, to take that action against DHS, and has the protocol with DHS now been resolved to ensure that those situations do not occur again?

The CHAIR — Mr Rich-Phillips, you might wish to rephrase that in terms of the estimates and the budget.

Mr RICH-PHILLIPS — Certainly. Page — —

The CHAIR — We normally deal with past events in the accounts in the annual reports, but — —

Mr RICH-PHILLIPS — Certainly. Page 155 of budget paper 3 shows the appropriation of \$1.6 billion for police services.

Mr CAMERON — In the coming year.

Mr RICH-PHILLIPS — I am keen to ensure that those resources are used appropriately, and in that context — —

Mr CAMERON — When it comes to — —

The CHAIR — Can you answer in terms of protocols?

Mr CAMERON — In relation to operational matters, that is a matter for police. Do I know how much it is? No, of course I do not know how much it is — it is not a matter that you would expect me to know. But when it comes in relation to protocols between police and DHS — I think that was the gizzards of your question — in particular which protocols are you referring to?

Mr RICH-PHILLIPS — Protocols to ensure that what happened with the Neal case does not reoccur. We understand in the appearance of the Minister for Health, that with the protocol there is some progress. I do not know if you or perhaps the chief commissioner is able to expand upon exactly what is happening from Victoria Police's perspective in resolving that issue?

Mr CAMERON — Those discussions have been taking place.

Chief Comm. NIXON — In terms of executing warrants on other government departments and sometimes other organisations, that is actually a process that is sometimes used for legal reasons, so it is not unusual for us to execute a warrant to gain access to information. For various reasons it is sometimes seen as the most appropriate way to do that, so that is not unusual.

The second part is we do in fact now have protocols developed between the Secretary of the Department of Human Services and me to be able to make sure that there are good, positive working relationships in the way we proceed on a set of issues relating to DHS.

Mr RICH-PHILLIPS — Are those protocols now in place?

Chief Comm. NIXON — They are. We are distributing those now to have people working in these environments understand the arrangements in place.

Mr RICH-PHILLIPS — I guess you appreciate from a public perspective it is fairly unedifying to have resources spent by one arm of government — Victoria Police — pursuing warrants against another arm — DHS. Are you able, as chief commissioner, to tell the committee the cost of that in relation to the Neal case?

The CHAIR — I think we can take that up in public accounts.

Mr RICH-PHILLIPS — It was public accounts.

The CHAIR — We are dealing with the estimates here today.

Mr RICH-PHILLIPS — Are we having hearings for public accounts?

The CHAIR — You are able to ask questions and send around questionnaires.

Mr SCOTT — My question refers to budget paper 3, page 269, in regard to increasing police resources, particularly in terms of technology. The budget paper details a number of initiatives which could be described as high tech policing — things like facial recognition technology, laptops for crime scenes, forensic service and equipment for state-of-the-art policing vehicles with digital cameras. Could the minister describe to the committee how these measures are to be applied to the goal of community safety and crime prevention in the budget output measures detailed?

Mr CAMERON — Thanks, Mr Scott. Obviously the increasing sophistication of criminal activity and also developments in technology require different approaches, and that is certainly what we in police want to be able to do. To that end in recent years we have invested significantly in new technologies for crime surveillance, improvements to the IT system capabilities, both to integrate and extend existing data holdings. For example, that might be the integration of intelligence systems into one system interface, which enables the utility of the system. There are improvements to road policing technology, including the world first roadside drug-testing equipment, in-car video facilities and new digital camera technologies. We will see improvement to crime analysis tools, such as forensic automation. The 07–08 budget builds on these capabilities by providing further funding for facial recognition technology, laptops for crime scene investigation and forensic equipment. The reason we do that is certainly to enhance policing services. For example, with DNA automation, that tool is expected to speed up the processing and that will be critical to increased demand for and reliance on analysis for specific offences. The facial recognition technology will speed up the review of mug shots by essentially doing away with the mug shot books, which can take an age, if ever, to be able to locate someone. Laptop computers will assist crime scene investigators more efficiently to gather evidence, and the in-car video system will aid the prosecution of road safety offences and assist support improvements to policing practices. These are all important technologies. Nothing stands still, and we have to be prepared to adapt with the times.

Mr SCOTT — Could I seek one clarification?

The CHAIR — Yes.

Mr SCOTT — The facial recognition technology, is that in the things outlined I know in the UK with CCT technology — —

Mr CAMERON — There are different technologies around the world. and this will put us at the forefront. There are a few places at the forefront, and certainly during the trial here in Victoria we have had visits from other countries, including the English, but South Africa and Indonesia as well, I think, and maybe Malaysia — they have come and had a look at what we do, and certainly it can be beneficial in a whole range of areas.

Mr DALLA-RIVA — Minister, I refer you to BP3, pages 155 and 154, just the general policing services. There was a commitment by your government on 22 August 2005 — in fact by the Premier — in a press release stating:

Premier announces statutory body to manage LEAP.

I think it follows a range of LEAP issues which we are all aware about.

Mr CAMERON — Yes.

Mr DALLA-RIVA — The Premier said in his release that:

... preliminary estimates by the government's CIO —

chief information officer —

of the cost of the new database were around \$50 million.

My understanding is that they expected to apply the \$50 million over the course of the next three budgets, which would include this budget. Given we have had a recent leaking of the confidentiality database files where it has been alleged that the LEAP had been altered by a person employed by the Victoria Police with alleged links to the Melbourne underworld, can you identify, given that there obviously are still some concerns about the LEAP database, where in this year's budget papers this expenditure is, and how much has been spent so far of the promised \$50 million?

Mr CAMERON — Within last year's budget? I will just take some advice.

I might take it on notice, but apparently it was announced in last year's budget, including the time frame or — —

Mr DALLA-RIVA — So there was \$50 million allocated last year.

Mr CAMERON — Yes.

Chief Comm. NIXON — Over a period of three years — —

Mr DALLA-RIVA — Over a period in which you — —

Chief Comm. NIXON — But the initial funding and the initial work, we have a project team on board to look to develop the new system and so we expect that the major amount of that money in fact would be spent towards the end of next year.

Mr DALLA-RIVA — So that is why there is no indication in the current budget?

The CHAIR — It has gone into out-year costs from last year.

Mr CAMERON — It was in this year's appropriation but the initiative was announced last year

Mr DALLA-RIVA — And are you expecting to have the project completed within that three-year framework or less, and how is it looking? Are we down the track with LEAP?

Chief Comm. NIXON — We certainly are expecting it to come into play. We are obviously looking to overcome a number of problems. The issue of auditing has been part of the requirements but so is to make it in a more efficient, more easily used system, but in terms of your other comment about misuse of the system, that particular case you referred to is actually about a criminal records case. That is being investigated at this stage, so I do not wish to go any further on that. But in terms of actually misusing the LEAP database, which is our current operating system, the commissioner for law enforcement does security, which came into place as you said, a statutory function, has in fact recently reported a reduction in the misuse. We are still doing the same auditing. We are still working on the process of changing it, but there has been a reduction. We think that we may have turned the corner about people understanding it.

We have also charged a substantial number of police officers who had in fact misused it and fined them and taken various other steps against them, as well as a whole set of other educational tools and cutting off access to a range

of people and so on. We are trying to make sure that the database is protected. We understand as well as the committee should that we are working very hard to protect that, and the new system will help.

The CHAIR — So the message is getting out.

Mr CAMERON — In relation to the question that was asked about LEAP, during the break I got the Public Accounts and Estimates Committee report from last year. The commitment last year was for \$59 million over four years, which takes us up to the conclusion in the 09–10 financial year. So just to clarify that and save us reporting back later.

The CHAIR — Thank you very much for that.

Mr DALLA-RIVA — Sorry, it is expected to be finished in?

Mr CAMERON — To be completed in the 09–10 year.

Ms GRALEY — Minister, I would like to relate this question to the output measures for contributing to perceptions of community safety, and my question is around hoon driving, which I think from memory, standing in my mobile office at Hampton Park during the election, was an issue that was raised numerous times with me. I am just wondering if you could comment on how police have been dealing with this issue to date and what measures we can look forward to.

Mr CAMERON — The Road Safety and Other Acts (Vehicle Impoundment and Other Amendments) Bill 2005 came about to reduce the risk posed to the rest of the community by hoon drivers, essentially. So basically what we wanted to do was crack down on hoon drivers. What we have seen across the state is hooners that have been dealt with on the spot where their car can be impounded for 48 hours for a first offence. The effect of doing these things on the spot hits the message home a lot earlier, especially with young fellows. You know, no matter what you do, when you have got young fellows in cars there is always going to be a certain percentage of them who are going to be revheads to the detriment of the rest of the community.

Dr SYKES — Minister, that is sexist.

Mr CAMERON — But it is also true — so true! Yes, there will be some women, but if I just stick to the essential problem.

Chief Comm. NIXON — The big hole.

Mr CAMERON — Yes, the big hole problem. What happens is when police have done this it has reduced some of them to tears on the spot because their prize possession has been parted with, and it has actually hit home immediately. When you have a look at the numbers of cars that have been impounded since 1 July last year to the end of April, there have been 1625 impounded and 788 of those have been probationary licence-holders. That might also reflect in relation to the age demographic. In addition there have been —

Ms MUNT — And boys? Males? A gender breakdown?

The CHAIR — Is there a gender breakdown minister?

Mr CAMERON — A gender breakdown? No, they have been a bit politically correct on that front. I do not have the gender breakdown.

Ms GRALEY — Take it on notice for Dr Sykes.

Mr CAMERON — Anecdotally, very, very high when it comes to young males. There have been 41 repeat offenders. That is a small number, the police thought that the recidivism rate would have actually been much higher than that, so while we do not want any repeat offenders, they are actually pleased with that and it demonstrates that the message has got through to most hooners, but police will continue to pursue this because hooners are a menace to the community and to social amenity by the noise that they cause, but in addition they are a danger to themselves and to others on the road.

Mr WELLS — I refer the minister to the forward estimates in budget paper 4 where it is budgeted that there will be an estimated \$50 million increase in fines over the course of the next budget period.

Mr CAMERON — Which page are we on?

Mr WELLS — \$50 million in fines.

Mr CAMERON — You are on page 145.

Mr WELLS — Yes. I note that during the past week in an interview with the Premier on the Neil Mitchell program, the Premier acknowledged that despite the overall drop in the total number of deaths on Victorian roads, deaths on Victorian country roads had actually increased. Minister, how can you justify the current government's speed camera policy is not a targeted revenue raising exercise when the government insists on increasing the already high level of speed camera surveillance on revenue-rich, zero-to-low fatality metropolitan roads, instead of placing speed cameras where they are most needed on high-fatality country roads in the interests of genuine road safety?

Mr CAMERON — If we go back and have a look at the budget papers about what was budgeted for in relation to police fines of \$416 million in 06-07, compared to the budget estimate for 07-08 of 419, it is a 3 million increase. However, the actual revised amount in 06-07 is going to be lower and that is because the Western Ring Road and the Hume, for example, came on later on.

Now I hear what you say about the revenue raising, because you have said that for a long time, but of course that is wrong. Let us have a look at speed cameras. They cut crashes and they save lives, and this was actually the subject to an Auditor-General's report, which I think you called for, from memory, for quite a long time. So I will take you to that Auditor-General's report of July 2006 and to what the Auditor-General had to say here. I will perhaps go to the gizzards of it. In the executive summary on page 5 he says, and I quote:

We are satisfied that the speed enforcement initiatives are underpinned by strong evidence and are primarily directed at reducing road trauma, rather than raising revenue.

We found that decisions about the speed enforcement initiatives in the Arrive Alive strategy were based on an extensive body of research.

Let's have a look at it. This is what speed cameras do; they slow people down and they save lives. When I started, during the slide show I showed you the figures of the different initiatives and you have seen what a difference speed cameras have made. If you have a look at the last four years, over the last four years we have had the lowest road toll ever.

If we go to the issue of country roads and I will give you the latest statistics. These are from Victoria Police, having a look at the year to date. In the year to date we have had 110 fatalities, unfortunately, but that compares to 119 last year, so across the state we are 9 down. But when we have a look at the country figure this year — we are at 50, and that compares with 62 last year. In the country this year we have actually seen a marked decrease, and in the metro area, I think, that will make it 2 higher.

Dr SYKES — That is just in the last 12 months, but if you go back — the pattern over the last six years, does that stack up?

Mr CAMERON — Yes, it does. If you have a look at the five-year average in the country for this time, the five-year average is actually 66, and this year it is 50.

The CHAIR — Thank you, Minister. I would like to take up the issue of organised crime, which has been mentioned earlier. Certainly this committee, as the deputy chair has mentioned, very much appreciates the efforts there as part of the policing service delivery, the work going on there. Could you give us more information on the progress the various task forces, including Purana, are making and the impact and the ongoing process over the future estimates period?

Mr CAMERON — Thank you. I will just make some preliminary comments and then ask the chief commissioner to make some comments, Mr Chairman. The Purana task force has been successful, and that was established in May 2003. I think at the time there were some people in the community who were questioning the ability of Victoria Police to get on top of that. Certainly I have heard the chief commissioner express that view. But

what the police have been able to do with Purana is reassert public confidence as well as produce results through the Purana task force. I think Mr Williams's sentence in the last week has helped reaffirm in the community the success of the Purana task force. Certainly I rang the Purana task force to congratulate it on concluding another chapter, but of course while that is one chapter, there are other chapters that have been had and still to be had. I might ask the chief commissioner to make some comments.

Chief Comm. NIXON — Just in terms of the Purana task force — we have not often had a chance in a sense to talk about the work it has done. The Purana task force will continue. It has certainly done a terrific job to start with. You are talking about 157 offenders charged with 485 offences, 14 offenders being charged with a total of 25 counts of murder, 10 offenders being charged with incitement or attempt to murder, the laying of 292 serious drug charges and \$19.2 million worth of assets restrained. So it has been a very successful model.

We actually have other task forces that are not quite as high profile, but they have been working on a series of issues relating to drug offences, frauds or those matters as well. What also happened with the Purana task force was — in a sense it was an interim response to a major issue about major crime. What we have done since then is rethink our model about how to deal with the management of major crime, done a lot work, looked overseas, worked with other federal agencies as well, to think about the way we should go forward. And we are certainly benefiting from that.

We are now 12 months into that new model. It has had some questioning about it, but we believe it is a good way to think about how we use our resources, how we fund, how we actually get better results than perhaps we had previously. We think we are better placed for that broad range that will occur. We are seeing increases in drug offences; we are also seeing a different kind of drug offences. We predict in the future an increase in fraud offence and this kind of area. So they are the things we are better placed to be able to deal with than we were previously.

The CHAIR — Thank you, they are very interesting figures. I hope they are taken notice of in the media and in the public, because the work of the Purana task force and also the other task forces has been excellent.

Ms MUNT — There has been a good conviction rate too, hasn't there?

Chief Comm. NIXON — There has been a very good conviction rate too. You put a huge amount of effort into these matters, and if you took the courts sentencing — certainly the more recent sentence on Carl Williams, I think, was an important, I guess, notice to the community about the way that the courts and the community feel about these kind of offences.

Mr RICH-PHILLIPS — Minister, I would like to ask you about funding for the CFA. It is something the Treasurer touched upon in his speech — the work that volunteers do in the community through the emergency services. In particular, I have received a copy of an application from the Patterson River fire brigade to the City of Kingston for a grant under the community grants program. They were seeking roughly \$4000 from the council for the supply of a rescue cutter to be used in rescue activities that the CFA is involved with. If the CFA is being properly resourced by state government, why do they need to go cap in hand to local government and community organisations to get funding for the purchase of essential rescue equipment?

Mr CAMERON — What happens is the CFA provides basic equipment to CFAs. We have seen the budget of the CFA nearly doubled, and as you go around CFAs you will see a substantial expansion of equipment that relates around the place. But I understand that at Patterson Lakes they wanted to acquire some type of angle grinder to assist with the community. I think that is why the application was made to the City of Kingston.

The Patterson Lakes council can apply to the CSESP; of course that has been a very successful program of this government. What occurred previously was for equipment that the CFA did not assess as essential, and they are CFA operational matters, they would have to fundraise that themselves. The CSESP has been a very successful program in terms of assisting with what I will call community equipment as distinct from what the CFA regards as operationally essential equipment.

Mr RICH-PHILLIPS — Do you know — you said it is an operational decision — what criteria the CFA has used? I assume they have developed a base kit of equipment for each brigade. I am surprised that something like that is not included among it?

Mr CAMERON — I could not tell you off the top of my head how they do that operationally, but we can make some inquiries, if you would like.

Mr RICH-PHILLIPS — Thank you.

Ms MUNT — Minister, I am a big fan of *CSI* and I watch it — —

Mr CAMERON — There are a lot of others who do, too.

Ms MUNT — Yes. My question relates to increased resources for forensic services. It is mentioned in budget paper 3, page 26 — 7.1 million over four years for 25 additional forensic officers and 1.7 million TEI for new forensic equipment. There has been some press over the past 12 months or so on backlogs in the forensic work that needs to be done. What impact do you think this funding and extra forensic personnel will have on that?

Mr CAMERON — DNA profiling is obviously one of those things with new technologies, moving to a new age and using new technologies to assist in crime detection. DNA has certainly done that. The profiling that has been around over the last 10 years and used in relation to criminal cases has obviously been dramatic. The effect of it has also been dramatic in terms of solving crime and also making convictions a heck of a lot easier and more secure.

During the course of the Bracks government you have seen an increase of some 46 staff at police forensic. Obviously that affects capability. But what you have seen as a result of the budget, the \$8.8 million of initiatives that you referred to — the 7.1 and the 1.7 million; those two initiatives that you talked to — that is about being able to assist in a range of things at forensics. At forensics they would expect by 2010 to be sampling some 45 000 samples a year. They expect as a result of the measures that they put in place to be able to do 50 000. This is important. DNA assessment is important, and that is why that budget commitment came about. Do you want to add anything?

Chief Comm. NIXON — I think what we are also doing in terms of that broader forensic — the DNA has been a major advance, but so have just our ways of more efficiently understanding how to use forensic evidence and the ways that we put evidence before the courts. In some cases courts make the comment about the delay. This certainly makes an advance on that, but so does our thinking about where you might get DNA evidence from and how you might triage better. We have money for a new forensic information system to be able to manage cases more effectively. They are all part of the process, and then there is another part which is really not far from being produced, and that is what is called a minimum nationwide person profile, which is access to information that comes out of a lot of that kind of forensic information — fingerprints, photographs et cetera — which allows police officers to use that information on the ground in terms of crime prevention and investigation.

It is a major area for us, and one that takes a lot of finance — and I understand that — but it also means we need to be continuously making sure that we are using the skills effectively. The robotics part of analysis — using robotic technology — we are obviously trialling it. It is not as if it happens anywhere else in the world and it all works perfectly well. We are certainly looking to have that technology in place and be able to more quickly identify DNA. We now have better procedures of sharing DNA information, so it is a much better model, I think, than in terms of previously. I wish it were at the standard of *CSI*.

Ms MUNT — Interestingly enough, the blue light that they use on the television program — —

Chief Comm. NIXON — The luminescence, yes.

Ms MUNT — It actually comes from a manufacturer in my electorate who lent it to them and never got it back.

The CHAIR — Chief Commissioner, I think that might be out of your jurisdiction, I'm afraid.

Dr SYKES — Minister, I would like to come back to the graph on Victorian road deaths. My colleagues would be most disappointed if I did not raise the issue with you. I have no question about any statistic you have quoted so far. What I would just like to do is make sure that we truly understand what is going on. The drop between 2001 and 2006 from 444, 397, and then it has gone down to about 330, 340 — it is my understanding that that drop is almost entirely due to a drop in city-based road deaths, with the country figures being about 187 in 2001 and about 193 in 2006. The country figures have gone up slightly, whereas the city figures have come down.

That is the first proposition — that country figures have remained high whereas city figures have come down. Then you have said — probably correctly — that this year the road toll in the country at this stage is 50 compared with 62 last year and 60 across the board.

Mr CAMERON — Yes, 66.

Dr SYKES — Again I accept that, but I think we have all been around long enough to know that one swallow does not make a summer, and it would be wrong for anyone to conclude that that is a very strong indication that the country road toll is in fact coming down. It is an encouraging occurrence, but until that is taken over a full year and until it is repeated as a continuing pattern over the next two to three years it is too early to call. If you can just clarify that.

Mr CAMERON — Right.

Dr SYKES — I have another question.

The CHAIR — Move along.

Dr SYKES — I will explain. In this figure you have indicated that a factor that is associated with it and is, by inference, a reason for that toll coming down is increased speed camera hours and a reduction in the default speed, but that means no tolerance, does it not? Interestingly, there are other factors, and you have already alluded to them in Arrive Alive — it is not just cameras; it is education and various things.

Mr CAMERON — Yes, and the 60 to 50 in the residential streets.

Dr SYKES — So it is a number of factors. That said, my question is: given that you are moving towards leniency for drivers with clean records — is that correct, in relation to speeding?

Mr CAMERON — It was always there, but it is more expansive.

Dr SYKES — Okay. Was it always there?

Chief Comm. NIXON — The provision for people to have a review of their penalty has in fact always been there. The minister has made the point that more recently we have been explaining to the community publicly that they have a capacity to write, and if it is their first offence, then they are able to ask for a review, and perhaps another penalty might be imposed.

Dr SYKES — Given that is a response to a lot of clamouring from the community, I think, to make that more public, do you hope that you have got the drivers sufficiently trained that you will keep your level there or can you see that in backing off a little bit it may go up?

Mr CAMERON — No, I think we all strive, and I think if we have a look across Victoria at different successive governments and the community, they have continued to strive. If you go back to 1970 and have a look at the road toll today, it was almost three times what it is today. But if you have a look at the number of cars on the road over that time — I don't know — it is probably two or three times the number of cars, so when you actually look at the deaths per car rate it has actually gone down by one in nine. That is very, very large. But I do not think at any point along the way people have said, 'Isn't that good; we have got to a half', or, 'We have got to a quarter'. We have to, and I think we all want to, continue to drive that across the board.

Chief Comm. NIXON — I think we do, and I do take your point. We understand that issue. This is the first time we have seen the country road toll come down. The country road toll is really interesting. Over Gippsland way we saw a substantial decrease over two or three years and that, we thought, was terrific to see. They now have a few coming back, but we have learnt a fair bit about what might have underpinned why in country areas you can start to see that decrease. Part of it is in a particular location, which you have said, and part of it is work by VicRoads in terms of putting in the safety barriers and figuring out the locations where people were killed. That has been useful. Of course, we had multiple deaths in one location last year — two locations, actually — in country areas. The country is a bit more difficult for us to work on, but if we could figure out four things about people who drive, they are important: still 30 per cent of people killed on the roads have excessive alcohol in their systems; 30 per cent are still speeding on country roads and city roads; fatigue is still another issue; and 30 per cent still do not wear seatbelts. You are talking about a break-up that way.

We do not think, and I am certainly very clear from advice by the government that it does not think either, that this is acceptable, so there is now a next Arrive Alive strategy, or whatever it might be called, to be put into place. We met the goal of the last one, which was a 20 per cent reduction over five years, and in fact the state reduction is 24 per cent. I have certainly been very strong and have said recently I think we can get it down to 200. But that will require all of those four categories to continuously be understood. I am quite strong about the speeding issue. People do understand; if they get a fine, it changes their behaviours; and I think we have been able to see the reduction in particular locations where, if you have a speed camera operating, you watch a reduction and a change in people's behaviours at that location. That is one of our key focuses and targets. We are not claiming country changes. We understand the issue, but we are still trying to figure out why in certain country areas it works and in other areas it does not.

Dr SYKES — What percentage of road deaths are attributable to suicides?

Chief Comm. NIXON — We do not actually count a road death as a suicide. What we look at when a death occurs on the road, we then understand whether it is a suicide or not. If we believe it is and there is sufficient justification — that might be a letter; more recently we had one where a person ran into a tree, and we understood that was actually a suicide — that is not counted on the road toll. We take that off; that is not in it.

The CHAIR — Bill, we need to move on. You have had about five of them now.

Dr SYKES — Can I please go on, because I am going in a moment. I want leniency because I have 3½ hours to get to a deb ball. Is there any indication on how many suicides involved the use of a vehicle in country Victoria in the past 12 months?

Chief Comm. NIXON — We could come back, but it is anecdotal.

Dr SYKES — If you could take it on notice.

Chief Comm. NIXON — We certainly think there are some, and we have certainly seen some evidence of that.

The CHAIR — Thank you, Dr Sykes. I might ask Mr Pakula and Mr Dalla-Riva to say what their questions are so they can be taken on notice.

Mr PAKULA — I am happy with that. I am really interested in the police station building program. Not being a fan of *CSI*, I would rather ask about that. I just want to know about the projected development of police stations and police facilities. It is touched on at page 26 of budget paper 3. If you could provide on notice some advice about the status of the existing replacement program and the upgrades that are under way at the moment.

Mr CAMERON — Thank you; we will take that on notice.

Mr DALLA-RIVA — I just have a question for the commissioner. Commissioner, I am just curious about the quality of food at the police academy now. Do you actually have salads as opposed to chips?

Chief Comm. NIXON — We absolutely do.

Mr DALLA-RIVA — You absolutely do; thank you.

Chief Comm. NIXON — We have taken into account our members health.

Mr DALLA-RIVA — Then it has improved since I was there.

Chief Comm. NIXON — It has.

Mr DALLA-RIVA — That is good to hear. In respect of some figures you might be able to provide on notice, Minister, currently how many sworn police officers are on permanent or indefinite sick leave and on WorkCover; how many are on maternity leave or extended maternity leave; and how many are on leave without pay? Could that be provided at some point?

Mr CAMERON — Yes, we will take those matters on notice.

The CHAIR — Thank you. Mr Dalla-Riva, I am disappointed you did not ask about the \$8 million upgrade of the crime department on St Kilda Road, which I think you are familiar with.

Mr DALLA-RIVA — I have been there, and I think it has deteriorated, so I think the money is a worthwhile investment.

The CHAIR — I am glad you support that. I thank Christine Nixon, Chief Commissioner of Police, for her attendance.

Witnesses withdrew.

Transcript of Evidence

7.14 Racing portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 8: DEPARTMENT OF PREMIER AND CABINET

Transcript of Evidence

8.9 Arts portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 9 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms L. Kosky, Minister for the Arts;
Ms P. Hutchinson, director;
Mr G. Andrews, deputy director, policy and programs; and
Mr D. Carmody, deputy director, agencies and infrastructure, Arts Victoria, Department of Premier and Cabinet.

The CHAIR — I welcome Ms Penny Hutchinson, director, Arts Victoria; Mr Greg Andrews, deputy director, policy and programs; and Mr Dennis Carmody, deputy director, agencies and infrastructure, Arts Victoria. We will have a presentation from the minister of around 5 minutes on the more complex financial and performance information relating to the budget estimates for the arts portfolio.

Overheads shown.

Ms KOSKY — I will run through the presentation. I thought it would be useful as we start off to provide some facts and figures about the arts. More than 80 per cent of all Victorians attend a cultural venue or an arts events at least once a year — that is, more than 80 per cent of all Victorians. Half of that 80 per cent attend a live performance at least once a year, and of that half, popular music concerts are attended by 24 per cent; musicals and operas are second, with 18.4 per cent; and theatre performances, 17.9 per cent.

In regional Victoria we have 23 performing arts venues, so we have a really strong network across the state. In 2004–05, 12 of Victoria's major regional performing arts centres attracted audiences of nearly 600 000, that is, our regional performing arts centres. In 2005–06 attendance at the arts centre in Melbourne exceeded 2.5 million people.

Victorian arts and cultural industries supplied an estimated \$7.8 billion worth of goods and services in 2001–02, and in 2004 — and I think this is a very interesting figure — 260 000 people in Victoria had some paid involvement in the arts and almost half a million Victorians had some unpaid involvement in culture and leisure activities. I think it points to the fact that Victoria, of all the states, is very much focused on the arts and creativity as part of our normal lives.

Arts Victoria is a division of the Department of Premier and Cabinet, and I know that the Premier presented last week to you. Arts Victoria is responsible for advising on and implementing government arts policy, developing the arts and cultural industries across the state, ensuring access to the arts for all Victorians, and it supports around 100 arts organisations on a recurrent basis, through either annual or multi-year funding agreements.

It oversees the state-owned major cultural agencies. So we have got ACMI; we have got GPAC, the Geelong Performing Arts Centre; we have got the museum; the National Gallery of Victoria; the state library; the Public Records Office; and the Arts Centre. Arts Victoria also assists artists and arts organisations through, obviously, funding programs but also supports and works to increase community access, engagement and participation in the arts. The total annual output costs are \$393.7 million in 06–07, and in 07–08 they are \$404 million — so that is an increase. The output costs include the capital asset charge, depreciation, CSF funding and also arts agency other earned income — so income they get through the box office, through food and beverage, and through parking and entrance charges et cetera.

I refer to some of the key achievements in 06–07. There have been almost 1.5 million visitors to Museum Victoria's venues — they are, of course, Scienceworks, the Immigration Museum, the Melbourne Museum and Imax. Its Discovery program, which is the museum's travelling education and outreach program, reached a record 60 000 people across Victoria. We also had the third Melbourne Winter Masterpieces exhibition, Picasso: Love & War at the NGV. If you did not go, it is too late now. There were 224 000 visitors over 101 days to that, so it was quite extraordinary. The economic impact of that for the Victorian economy was \$15.5 million.

ACMI also had its tv50 exhibition, marking the first half century of television in Australia. That attracted a record 92 000 visitors, 61 per cent of whom were first-timers. The Arts Centre launched a range of new programs to support local artists and to cater for a diverse range of audiences. We have also had the construction of the Melbourne Recital Centre and the MTC theatre. I will whip through the next.

This budget is \$63.6 million over four years. That is additional. It includes the City of Literature, which includes the creation of Australia's first Centre of Books and Ideas at the State Library and also the development of the UNESCO bid to designate Melbourne as a City of Literature; Victoria Rocks, which is a comprehensive package to support growth and viability of the local music industry — that is in conjunction with the Office for Youth and Tourism Victoria; the Southbank Arts Precinct Integration Project, at \$5 million — that is to do the business case and urban design for the Southbank arts precinct; Creative Communities at \$7 million — I am happy to answer questions around that; and Imagination Unlimited, which has outreach activities, artists residencies and excursions focused on young people. We have Arts in the Suburbs at \$6.6 million; the Museum of 100 years of the Moving Image at ACMI, which is \$5.9 million; and the Melbourne Recital Centre, \$14.7 million, which is for its initial

programming and ongoing operations and the one-off purchase of equipment. We also have extra funding for the Premier's Literary Awards, the community history grants, and major performing arts.

Mr PAKULA — It is a pleasure to finally get to ask a question. Page 25 of budget paper 3 refers to the provision of \$15 million over four years for the Melbourne Recital Centre. I am just wondering if you can give us an update on its progress and clarify the funding arrangements for that centre.

Ms KOSKY — The Melbourne Recital Centre, for those of you who do not know, is down at the Southbank arts precinct. It is actually worth going to have a look. I am happy to organise for anyone who wants to have a look through.

There are two new facilities that will be down there. The MTC, the Melbourne Theatre Company, is actually relocating to that site. It is next door to what will be the new recital hall. It is world class. It is a 1001-seat recital hall which is named in honour of Dame Elisabeth Murdoch. We also have the 500-seat theatre for the MTC next door. They will fill two very important gaps. As I said, the MTC for 25 years has been searching for a new permanent home. It has not had one since the Russell Street theatre closed, so this gives it a new permanent home.

The Melbourne recital hall basically provides an uncompromised acoustic facility for a whole lot of different performances. It is for the smaller performances that would not be say, at the Arts Centre. It is about the acoustics being perfect for the performers. As well as the recital hall, the centre will have recording and broadcasting studios, rehearsal and function rooms, and a cafe and bar. The theatre will also include rehearsal space and offices.

The centre will also contain a salon which is an 150-seat flexible space with state-of-the-art facilities for musicians. But this actually means, and it was an important part of the project, that different groups who want to come and perform — from different parts of regional and rural Victoria or multicultural groups — can actually use that smaller area with the fantastic acoustics for smaller type performances. We do not really have a proper place for that at the moment, where the musicians can actually perform in fantastic surroundings. They can go into halls or different theatres, but it is certainly not the same. The recital centre is being developed — and they have acoustic engineers — to really have perfect acoustics.

Melbourne has traditionally had the strongest audiences for chamber and jazz music in Australia. This means that this recital hall will really cater for those groups. The recital hall itself is completely isolated from the ground and surrounding building structure. So it is actually a 250-millimetre thick concrete box which is mounted on a 38 large steel spring bearing. It is actually worth going in to have a look at it whilst it is being made, because once it is complete you actually will not see what is behind all of it. So when you are inside it when it is complete, you will not hear any of the traffic noise outside or traffic vibrations, because it is all built so that it keeps all of those vibrations and sounds out.

The total government capital contribution to the project is \$76.2 million. The total project budget is \$121.5 million. There is \$45.3 million from non-government sources, including funding from the University of Melbourne, towards the MTC theatre. Also there is a fundraising program that is just about to commence to support the Melbourne Recital Centre.

The funding in the 07–08 budget is for its programming, so it is actually its operating funding, not the capital so that it can work out its pace for the yearly operating costs. But obviously for the opening programming it is important that it sets a scene about being world class, not too highbrow, but that it actually caters will make an important statement. But it is important that it caters for a whole lot of people around Victoria to both perform in, be spectators or be part of the audience.

Mr DALLA-RIVA — BP3, page 182, arts portfolio agencies, and one of those particular agencies specified is the National Gallery of Victoria. Minister, can I ask you: what are the estimated savings to the budget resulting from the closure of the NGV International on Tuesday and the NGV Australia on Monday? What would be the additional costs, if you have undertaken that, of returning the NGV to seven-days-a-week opening?

Ms KOSKY — Those figures are not in the budget, because it was a decision that was taken prior to October 2005, which is when that was implemented. It was done as part of the National Gallery of Victoria realising it was actually operating over its budget. And of course it has two sites, so it was operating across two sites and it was operating over its budget.

The trustees at the time, in order to operate within their budget, took the decision — and I cannot give you the exact figures, but we can get them to you, and it would have to be in 2005 terms, I think, as to really how much they were over budget, but there were other measures that they put in place as well to remain in budget. They took the decision not only in terms of meeting the budget but also because they do have two sites, so they are one of the few large art galleries that operate two sites. The NGV itself is open seven days a week. It is just between the two sites that they have coordinated that they are shut one day each per week on different days. That is actually reflective of what happens at major galleries around the world where they do have a day of closing. Schools, if they book in, can continue to access the NGV on any of those days.

But what it does mean, and I have spoken with the national gallery about this, is that it is actually able, on those days when it is closed to the public, to make a whole lot of changes. If it has got to shift exhibitions it can do all of that work; it can do maintenance works. Rather than having to do it in the evening it can actually do it on that day when it is closed to the public. When they have the Melbourne winter masterpieces, or indeed with the Australian impressionist exhibition, they are opening all days for seven days for those major exhibitions, but their view is that this is the best way of operating at this stage.

I have also looked into the budgets of the National Gallery of Victoria in comparison with other states. In fact our budget for the National Gallery of Victoria is \$37 million per year, remembering that is across two sites. New South Wales is 21 million — so we are 37, they are 21; Queensland is 24 million; the commonwealth is 45 million per year. We, compared with all other states, are much higher in terms of the expenditure that we provide for the national gallery, and I believe that this is the right decision.

They have opened on a number of evenings, and they have proved to be very popular. We are having discussions about that at the moment. Certainly the view of the NGV is that opening seven days a week would not necessarily increase the audience; it would spread the audience. If we were to make any changes it would actually be about increasing the audience and providing opportunities for some of those who cannot necessarily get there during the day at the moment.

Mr SCOTT — I will be pre-empting Dr Sykes. My question is regarding the funding of regionally-based organisations in arts, which is referred to in budget paper 3, output no. 1, arts development and access, page 180. The Bracks government has had a strong regional focus throughout its term in office. In what way does the budget have the arts contributing to the growth of regional Victoria?

Ms KOSKY — As I mentioned before, Arts Victoria supports 23 arts venues across regional Victoria. Bill is happy to share regional Victoria with many other people, aren't you Bill? There are 23 venues across Victoria, and some of those figures that I mentioned before about how popular a lot of those venues are is a demonstration of how both popular but important they are to the community, both the arts community but the broader community as well and how they contribute to the economy of the community.

In 2004–05, 12 of Victoria's major regional performing arts centres attracted audiences of nearly 600 000, which I mentioned before. In 05-06 attendance at 16 of Victoria's regional galleries was 620 000, so significant numbers of people are attending the regional galleries for a whole variety of different events at the galleries.

It is an important part of our policy to ensure that regional galleries and regional artists are well supported. We have doubled the funding that is available to deliver quality arts programs in regional Victoria and have also supported major investments in new arts infrastructure around Victoria. Indeed in Benalla there is a wonderful art gallery with fantastic art works in it which we have provided funding and support to. It is a fantastic gallery.

Arts Victoria Local Partnership Program, which is a \$3 million project each year, is a program where we work in conjunction with councils to support the arts and cultural programs that operate out of their art galleries and their performing arts centres. I will just give you a quick sense — as part of those local partnership programs we have entered into MOUs with the councils to try and reduce some of the red tape that has existed before. It means that the councils in entering into an MOU outline their intended arts and cultural program, including any proposed capital infrastructure, and then they can actually manage at that local level once they have entered the MOU with us rather than having to do a submission on every single aspect for their art works. We have nine that have been signed to date and six that are forthcoming. The nine that have been signed to date are Ararat Rural City Council, Baw Baw Shire Council, Greater Bendigo City Council, Latrobe City Council, Macedon Ranges, Greater Shepparton City Council — that is \$1 million for the operation of the art gallery and the Eastbank Centre —

Wellington Shire Council, the Warrnambool City Council and Wangaratta Rural City Council. The forthcoming ones are with Ballarat, Benalla, Glenelg, Mildura, Swan Hill and Southern Grampians.

The MOUs are a great way of working in with local government, and, of course, local government also contributes funding in addition. In the first two terms of this government, over \$23 million was also provided for infrastructure and, under the Moving Forward initiative, a further \$20 million is now available to continue that program for the next four years. A large amount of this goes to capital infrastructure, which is very important. We have also given \$2 million, or are funding \$2 million, to a whole range of flagship companies, such as the Melbourne Theatre Company, Circus Oz, Heide museum, the Melbourne Symphony Orchestra and the Australian Ballet, to increase the range and quality of the arts touring to the regions to ensure they are actually going out and providing support and funding for that.

To give you a bit of a sense of the economic value of this, in Bendigo, under the research that was done, it is estimated that \$17 million has been contributed to Bendigo's economy through the Bendigo Art Gallery's works and their major commitment there. So it does make a huge difference to the regions, and it means that wherever you go around Victoria you can either participate or go and visit fantastic art works, and it means we do have a very vibrant artist community right around Victoria.

Dr SYKES — Minister, you have answered most of my questions. Thank you very much.

Ms KOSKY — I am sure you have more you want to ask.

Dr SYKES — I understood the answer, and it was quite broad, but in terms of major industries you have \$63 million going basically to Melbourne and suburban locations, with the new initiatives listed here on page 25. You said there is money going to the Wangaratta Performing Arts Centre, is that correct?

Ms KOSKY — Yes.

Dr SYKES — What other major capital investments are there into country Victoria?

Ms KOSKY — Let me run through them. The \$63 million is not just for metropolitan Melbourne. What happened was I was getting the look from the Chair as I was doing the introduction. I think really the Chair was making sure you would have some questions to ask.

But Victoria Rocks, which is a package to support young musicians and which is in conjunction with the Office for Youth, is right across Victoria, and so that is providing grants to build their careers and also to support recording, touring and distribution. Creative Communities is funding \$7 million to support small-to-medium arts companies right across Victoria, for those companies which are really the experimenters and the innovators in terms of new art works, many of which are then produced in Victoria and then tour not only in Victoria but indeed around Australia and some internationally. So it is providing funding for those small-to-medium organisations, many of which do operate in regional and rural Victoria. So that is a support for them. There is particularly focusing on a range of different areas of need — linguistically diverse communities, youth indigenous, and disability groups. So that is funding across Victoria. As part of that as well there are 28 eisteddfods that will be funded in suburban and regional Victoria. You might get a chance to go and perform.

Dr SYKES — I do on a daily basis, Minister.

Ms KOSKY — And have a broader audience, maybe!

Imagination Unlimited is a \$7 million program announced in the election and funded in the budget which provides outreach activities, artists' residencies, cultural excursions and online programs that are focused on young people. That is across Victoria.

There is also funding for the Premier's literary awards, which is broad; community history grants, which is \$1.6 million which will be provided again, of course, to organisations across Victoria; and there is funding for major performing arts which is in conjunction we are hoping with the commonwealth in terms of them matching it, and again that will be right across Victoria. So much of what is in the budget is actually for artists and artists' communities and different communities right across Victoria.

Just to give you a little sense of those MOUs that have been entered into, Benalla, which is a forthcoming MOU, there is \$375 000 there, and that is in conjunction with the Benalla Art Gallery and its development of cooperative arrangements with Wangaratta rural city to share arts and cultural staffing and programming resources; at Warrnambool, \$640 000, and that is for the operations and expanded programs of Warrnambool Art Gallery and the Warrnambool Performing Arts Centre, and so there is a range. For Macedon Ranges it is 240 000 for the operation of the Kyneton town hall performing arts programs. So it is really about their programs and program delivery in a whole range of different regional and rural communities. That funding, as I said, is from the Moving Forward initiatives, so that is the \$20 million over four years. No, it is not, sorry. That is \$3 million of the Victorian local partnership program. The Moving Forward initiative for 20 million which is infrastructure, of course, also applies across Victoria. So there is lots to look forward to.

Dr SYKES — If there is an increase in the Benalla market, I suggest it is because currently both Benalla Art Gallery and the performing arts centre do live on the smell of an oily rag.

Ms KOSKY — Do not worry; they have lobbied me.

The CHAIR — Ms Graley, this might be the last question. We will probably take a couple on notice because it is a very popular topic.

Ms GRALEY — You mentioned before blockbuster exhibitions in Melbourne, and I am just wondering if you can advise the committee of the economic impact such exhibitions have — especially the high attendances that have been reported — and expect to have in the future for Victoria.

Ms KOSKY — The Melbourne Winter Masterpieces program has just been incredibly valuable, and it was part of a lot of work that the government did to look at really how we make sure that we have a balanced calendar of events right across the year, but also how we make sure that the creative arts is very much part of the vibrancy of Victoria. We have been able to secure some major international arts exhibitions that really have had a major economic impact.

I mentioned before the economic impact from Picasso, which was 15.5 million. The Dutch Masters exhibition was 23.7 million, and the economic impact of the Impressionists was 25.7 million. It is just interesting; the attendances have been extraordinary. But with the Impressionists 20.8 per cent were from interstate or international; for the Dutch Masters, 21.4 per cent, and for Picasso it was 27.9 per cent. So they have been incredibly successful, and have also reached people who are not regular attendees of different exhibitions.

I know it was not one of the Melbourne Winter Masterpieces programs, but it is worth mentioning that the Australian Impressionism exhibition at the moment has had record attendances, and I think it is 1 in 11 people who are actually purchasing the catalogue that has been produced, which is an extraordinary catalogue. But there are over 1000 per day who are attending that, and we have had 37 000 people already attend.

So they have been incredibly successful, and they really provide, over a three-month period, a fantastic program. People often go back several times and take different groups back. But this year for the first time we have two arts agencies involved in the Melbourne Winter Masterpieces. The NGV will present the Guggenheim Collection, 1940s to Now, and ACMI will present Pixar, which is 20 years of animation — and I think this will be fantastic — with original artwork from some of the animated features such as *Toy Story*, *A Bug's Life*, *Finding Nemo* and *The Incredibles*. So you will actually see the artwork behind the production of those. They have been incredibly successful.

I have to mention this because it was in the *Sydney Morning Herald*. It is just an indication of how Victoria is being seen in terms of the creative arts. Anne Summers says she spent a few days down south to experience the very different way the two states approach arts and culture:

The New South Wales government seems to see this sector as an irritating, even embarrassing, adjunct to the main game.

By contrast, Steve Bracks and his team have placed arts and culture at the centre of their economic thinking, want to develop Melbourne as a cultural hub, and are pursuing private and public enterprises or joint ventures that will create a cultural infrastructure they are confident will attract people to the city.

And she goes on — and I could go on. But it is actually really interesting that a lot of the work that is being done, partly through the Melbourne Winter Masterpieces, partly through the investment right across regional and rural Victoria — that the creative and the innovative arts are seen as a really critical part of what Victoria stands for.

The CHAIR — Minister, thank you very much. We have a number of questions on notice to you; I will not read them out.

Ms KOSKY — Yes.

The CHAIR — I will get the secretariat to make sure that you are provided with them. I would also like the department to provide updated and fuller answers to question 9 with respect to the Public Accounts and Estimates Committee's questionnaire.

That concludes consideration of budget estimates for the portfolios of public transport and arts. I thank the minister, witnesses and departmental officers for their attendance today. It has been a very useful session. Where questions were taken on notice the committee will follow up with you in writing at a later date. The committee requests written responses to these matters to be provided within 30 days, and they will form the basis of a report to Parliament. Thank you very much to everyone for their patience and attendance today.

Ms KOSKY — I hope to see you all at the MPs viewing of Australian Impressionism.

Committee adjourned.

Transcript of Evidence

8.10 Premier's portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2007—08 budget estimates

Melbourne—3 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr R. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr S. Bracks, Premier;
Mr T. Moran, secretary;
Mr C. Barrett, deputy secretary, policy and cabinet;
Mr C. O'Farrell, director, organisational development, Department of Premier and Cabinet;
Mr B. Hartnett, chair, State Services Authority; and
Dr R. Ben-David, deputy secretary, Office of Climate Change.

The CHAIR—I declare open the Public Accounts and Estimates Committee hearings on budget estimates for 2007-08. On behalf of the committee I welcome the Hon. Steve Bracks, Premier of Victoria, Minister for Multicultural Affairs and Minister for Veterans Affairs; Mr Terry Moran, secretary, Department of Premier and Cabinet; Mr Chris Barrett, the deputy secretary, policy and cabinet group; Mr Chris O'Farrell, director, organisational development; Mr Bruce Hartnett, chair, State Services Authority; and Mr Ron Ben-David, deputy secretary, Office of Climate Change. Departmental officers, members of the public and 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—in this case, the Premier—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. I wish to advise the committee and gallery that due to the anticipated conscience vote this afternoon in the council on the Infertility Treatment Amendment Bill 2007 it may be necessary for me to call a break in committee proceedings to enable members to attend the chamber to vote. In that event, broadcast of committee proceedings will need to stop in accordance with the broadcasting of proceedings rules under the standing orders in the Speaker's guidelines. When I announce the resumption of proceedings after a suspension, the broadcastings of proceedings can continue.

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. 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 website. Following the 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 and 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 BRACKS—Thank you, Chair, and thank you for the opportunity to present before the Public Accounts and Estimates Committee. We have a presentation and I think it has been circulated. I will follow that as the template for the introductory comments.

Overheads shown.

Mr BRACKS—It goes without saying that I am pleased to be here to present again on my portfolio. I believe, and it is, I think, no surprise to this committee, that PAEC is an important accountability mechanism to scrutinise the executive, to assess the estimates and to make recommendations to the parliament about those matters which are ultimately, on numerous occasions, taken up by the government.

In recognition of this, I can make an announcement. Our government has allocated an addition \$360,000 per annum towards the Public Accounts and Estimates Committee in recognition of its centrality as a scrutineer of the executive. I know the Deputy Chair would remember some of the claims we used to make about recognising and acknowledging PAEC's work and trying to find the resources to back that up and I am very pleased to say that, as part of the Parliamentary Appropriation Bill which is going through the parliament and so long as that is passed, we will be providing the capacity for an extra \$360,000 to be allocated to this committee for its work, its staffing and undertaking the investigations that it pursues. I am very pleased about that.

The opportunity to present in front of PAEC is one I take seriously. That is measured by the fact that it is my eighth appearance before PAEC on budget estimates. I will make the note that I am obviously the first Premier in a long time who has presented at PAEC. It was not always the case and it certainly was not the case for the seven years preceding our government coming to office.

Committee members may be aware that the government funded the establishment also of the State Services

Authority in the intervening period—between the last time I presented at estimates and this time—to ensure high performance of the Victorian public sector. I will limit my comments as much as I can and ask the chair Mr Bruce Hartnett to make some quick comments about the State Services Authority, in a similar spirit to the previous occasions in which the chief information officer and the state architect have also made comments when there are new functions that have been undertaken in my department.

The role of the Department of Premier and Cabinet is to provide leadership and innovation in the development of policy and deliverer of services, in some instances, to ensure quality outcomes for all Victorians. It achieves this through support for myself as Premier, as the head of government and also as the head of cabinet, by providing strategic policy leadership across the public sector in Victoria, developing and coordinating whole-of-government initiatives and delivering whole-of-government services and programs. The department also manages the implementation of the Growing Victoria Together framework, identifying emerging policy challenges and leading the coordination of responses across government.

The Department of Premier and Cabinet's portfolio also includes several independent agencies. Those agencies, as you know, all have acts of parliament which govern them and they report to the parliament in most instances. The Office of the Governor, the chief parliamentary counsel, the State Services Authority and the Office of the Ombudsman are four agencies within the department's purview. These are independent services and aim to ensure the effective management, governance and support of the public sector. Our department's role is to ensure that these agencies are appropriately supported so that they can perform their function. In some instances, in this estimates period, we have increased the support for some of those agencies.

We also encompass several functions related to arts activity in this state and we are the principal deliverer of arts services. I know that the Arts Minister will be presenting to this committee, so I will not go into that but you can see the list of functions which the department performs in service delivery. I note that there is one new one—that is, the Public Records Office of Victoria which has moved its function into our department. I should note, Chair, that Film Victoria and the Major Events Company which in the previous financial year were in the Department of Premier and Cabinet have now been shifted in the machinery of government changes to the Department of Innovation, Industry and Regional Development. We think that is more strategic for the functions that they pursue.

In 2007-08, the department has a number of key priorities, including strengthening the key relationships with the federal government and states and territories through new intergovernmental institutions, which is an increasing focus of our work as a central agency; supporting the government in taking a leadership role on national issues of importance, such as health reforms, skills, human capital and infrastructure—they are matters which each state and territory is dealing with on a national level—whole-of-government leadership and strategy for climate change across departments nationally and internationally; modernising legislation, which obviously has an impact on the workload of the chief parliamentary counsel—and also new legislation on the Ombudsman's function—continued provision of services, as I mentioned; and the development of Growing Victoria Together and the framework.

In relation to the themes of the budget for our department, the Expenditure Review Committee approved the following priorities from the 2007-08 budget: implementing our election policies contained in Labor's financial statement 2006, state-Commonwealth agreements and implementing the machinery of government changes. I mentioned those as well, Chair.

In relation to the output groups for 2007-08, if I can concentrate on the first two output groups, you will note that there has been a slight increase—4.7 per cent—in the Premier's portfolio budget from 2006-07, and I will mention something about that shortly. The third output group will be dealt with in relation to the presentation of the Minister for the Arts.

Overall, there has been an increase of around four per cent across all outputs, including 2.5 per cent escalation costs and 1.5 per cent in additional funding for additional functions—the Office of Climate Change, extra funding for some of the independent statutory offices, the chief parliamentary counsel and the Ombudsman—which are referred to there.

Efficiency initiatives are also included in the budget, and each department will apply those in accordance with the government's policy. They have been applied across all three output groups, totalling approximately \$2.2 million in 2007-08, which I am sure will be of interest to the Public Accounts and Estimates Committee.

In relation to the strategic policy advice and projects output group, that has had an increase due to Victoria's contribution to intergovernmental reform and funding for the department for the whole-of-government leadership in relation to, particularly, climate change and the Office of Climate Change. Victoria's support for new intergovernmental institutions—the Council for the Australian Federation, the new body which represents states and territories, and also the COAG Reform Council, a new body out of COAG—will strengthen cooperation between Australian governments and does have a resource implication back within our department, which is accounted for in this budget. Resources will be used to develop a long-term strategy that spans across all departments, and we have responsibility for coordinating that.

In relation to the public sector management and governance output group, new funding has been granted to strengthen the service of the Office of the Chief Parliamentary Counsel and to provide the Ombudsman for Victoria with additional resources to respond to increased jurisdictions. The Office of the Chief Parliamentary Counsel is very busy. We have had several legislation reviews go through this House, those who were there in the previous term would remember, including the education legislative review and the children's services legislative review. They are onerous tasks which take a lot of work and require a lot of effort from the chief parliamentary counsel. Alongside that, we have had more legislation because of the complexity of government and particularly some of the intergovernment agreements, which require template and common legislation across the states. Terrorism is a good example of that. So we have included an increased amount for the chief parliamentary counsel, which is included in the forward estimates, rising to about \$500,000.

We have also reallocated money to provide more to the Ombudsman, largely due to legislative changes. The new Animal Welfare Act 2003 is causing more requests of the Ombudsman for his services. The Children, Youth and Families Act is causing more requests of the Ombudsman, as are the Terrorism (Community Protection) Act 2006 and the Charter of Human Rights and Responsibilities Act. That has really increased the workload, and we have now recognised that with the amounts there. I will not go into that—I will just highlight it—because it will be dealt with by the arts minister. Of course, they are the funding initiatives in relation to arts.

In relation to Commonwealth-state relations, we have played a leading role in developing new ways for the Commonwealth, the states and the territories to work together. That is the Council for the Australian Federation, which has some resourcing implications. As you can see, COAG is taking a bigger and more significant role than ever before and the national reform agenda, which Victoria initiated, will also take some more resources. As previously mentioned, specific ERC funding has been allocated for intergovernmental reform that makes up support for those two bodies.

Lastly, I would like to mention that the Council for the Australian Federation has a forward work program which includes: development of draft national principles for urban water planning and other initiatives in water management; improving federal arrangements, working towards a constitutional convention to be held next year, in 2008; specific-purpose payments and collaboration for an approach in achieving the best outcomes for specific-purpose grants and common issues across jurisdictions, and we also have an agenda to remove anomalies and to look at interstate jurisdictions achieving that.

I thank the committee for allowing me to present an introduction. I will now hand over to the chair of the State Services Authority to give a brief overview of the new function of the department, its funding and its operation. Bruce Hartnett.

The CHAIR—Thank you, Premier. That was exactly 10 minutes!

Mr HARTNETT—Thanks for this opportunity to give a brief overview of the role of the State Services Authority and the activities that we have been engaged in in the last couple of years. There are five roles, which are coming up on the next slide. The first is to improve the delivery and integration of government services and to report on service delivery outcomes, and those reports are carried out at the request of either the Premier or ministers; the second is to promote high standards of integrity and conduct in

the public sector; the third is to strengthen the professionalism and the adaptability of the public sector; the fourth is to promote high standards of governance, accountability and performance; and the fifth is to provide relief for certain public sector employees to apply for relief if they believe they have been unjustly terminated.

Turning to the first of those roles—improving service delivery, which is on the next slide—we completed a review of governance on the effectiveness of Rural Ambulance Victoria, a report that was received by the minister and tabled in parliament. We are in the process of conducting a review of major cemetery trusts, arising from the work of the Auditor-General and the issues he identified. We are in the process of a review of not-for-profit regulations, which is being conducted by Ms Susan Pascoe, a commissioner appointed for that purpose. Finally, we are conducting a review of regional management forums. Those are the principal reviews.

The next is promoting high standards of integrity. This is on our website, but the Public Sector Standards Commissioner has a process for the development of ethical behaviour in the public sector and the public service. He has issued a code of conduct that applies to directors of public sector entities and will shortly be issuing codes of conduct that apply to public sector employees, which of course includes the public service. The idea here is to develop an ethical skills base within the public service and also to specify codes of conduct which public servants and public sector employees are obliged to observe.

The next major role is planning and developing a capable workforce. Here we have a number of actions that we have undertaken in relation to those headings. Firstly, there is attraction and recruitment, and we have developed a new recruitment system. We are also running a major workforce planning conference at the end of June which is aimed at the public sector. The second is increasing labour supply and, amongst other initiatives, we have established a graduate recruitment and development program. This year we had some 2,000 applicants for 130 places, so we are getting very high quality coming through. The third is in relation to staff development, and we are just now issuing a report within the public service about strengthening leadership in the Victorian public service. The fourth is about agility in employment practices, and there we are looking at redeployment within the public service and across the public sector. The next is workforce participation and retention of high-risk work categories, and that applies to specific skills across the public sector and in rural and regional Victoria. Finally, there is workforce planning governance and capability, and we are about to launch a major capability review of HR practices and skills in the public service.

Promoting high standards of governance is one that has attracted a lot of attention. We have three resources which we provide to directors of public sector entities. The first is a web based guide is on the SSA's website and it provides a self-paced learning program for people who are appointed as directors. The next is a 17-page publication, *Welcome to the board*, which outlines the responsibilities of directors, the role of chair and the role of the boards themselves and sets out the relationship. We have the *Directors' code of conduct* which is an obligation on directors employed with public sector entities. So the responsibility of the authority is about helping the public service and the public sector today, but it is also the position of the public service for the future. One of the things that we have done is produce a report on the future of the public sector in 2025, which grew out of consultations that we conducted.

The aim here was to provide people with a look to the longer future and, again, there has been a lot of interest in that report from the public sector, the public service and universities, and indeed from comparable bodies interstate. So we are addressing the workforce planning issues and the challenges that confront the public sector. We are reviewing the delivery of government services on an as-required basis and our objective is to promote the highest standards of governance amongst government employees, public sector employees and the directors of public sector entities. Thank you very much for that opportunity.

The CHAIR—Thank you very much, Mr Hartnett, for that presentation and bringing us up to date on that. We will now move on to questions and I would like to start off, Premier, if I may, with a very topical issue: looking at strategic policy projects, which you will find in the Budget Paper No. 3 on page 174. This is very much in terms of projects in regard to water. What are you looking to undertake in terms of projects with regard to water infrastructure?

Mr BRACKS—Thank you, chair. I am very happy to outline some of our plans. Our plans have been threefold from the very start in relation to water sustainability in Victoria. One is water conservation, and I

think Victoria is really leading the country in relation to conservation, water efficiency and water use. Water augmentation, with the emphasis on recycling and re-use; and, thirdly, water piping and obviously, within that, the water market and the establishment of the water market over time. To achieve that we have actually spent about \$1.7 billion on water related projects since we came to office some seven and a half years ago, with an additional \$3 billion from water authorities.

Our conservation campaign, and I mention conservation as one of the planks in our efforts in water sustainability, means we are using about 100 billion litres less water each year—in particular, in Melbourne—which makes Melbourne the best water saving city in Australia. It wasn't achieved by accident; it was achieved with a long sustained campaign. It is a credit, really, to the people of Victoria—in this case, the people of Melbourne—for that achievement.

We are recycling over 14 per cent of Melbourne's waste water currently, which is up from about two per cent in 1999. We are reconnecting the Tarago Reservoir and we are seeking to advance that project to provide about 20 billion litres of new water to Melbourne by 2010. That is a significant amount of augmentation. We are building, as you know, to our provincial centres and the goldfields, Ballarat and Bendigo, the goldfields superpipe to urgently secure the water future of Ballarat and Bendigo. We expect that in Bendigo's case the piping will be finished by the end of this year and in Ballarat's case the piping will be finished by the end of next year. We have full funding, federal and state, for Bendigo; and we are waiting on some further announcements from the Commonwealth on the Ballarat pipeline but we are continuing, nevertheless, and we fully anticipate they will meet their commitments.

We have, obviously, rebates for tanks and for augmentation within homes of people choosing to purchase water tanks and we are the only state to have a \$1,000 tank rebate, as the biggest in Australia. We have recycling projects in our major regional centres. Ballarat, Bendigo, Gippsland and Geelong all have recycling projects that are saving something like about 10 billion litres of water currently. We are undertaking, and I think the water minister from Victoria and the water minister federally were today advancing some of the project work on the Wimmera Valley pipeline. They had a joint announcement today. It is actually going ahead of time, which is good news in relation to security of water for the west of our state. That project will save 100 billion litres of water, which is probably the single biggest project in country Australia currently.

Our farmers are the most productive users of the water in the Murray-Darling Basin, generating twice as much value for each megalitre used, and that has been good stewardship over a long period of time by several governments, hence our reluctance to simply hand over our heads of power unilaterally to the Commonwealth for both water and land management, which is proposed in the current legislation, and we want to ensure that we have both water for the environment and water for our irrigators as part of what we pursue in Victoria in the future. We lead the nation in protecting our rivers by establishing the \$225 million environmental contribution, giving rivers for the first time a legal right to water and putting billions of litres back into the struggling rivers: of course, the Murray; but also the Snowy and other rivers as well.

So we are committed to not only the augmentation, the recycling, the re-use, the piping of water which we are currently undertaking. Also, in the coming months and before the end of the year, we will have further advice to our government on significant large project augmentation projects around the state and we will make commitments to those. The budget, importantly, has the capacity to deliver on those. As you know, traditionally water projects have been delivered by water authorities. That is the case in all water projects. Governments can choose, from time to time, to supplement that and to supplement any ongoing user-pays principle in relation to water authorities' payment of infrastructure projects by defraying costs. We have done that in Ballarat, we have done that in Bendigo, we are doing that in the Wimmera Valley pipeline. We reserve the right, and the budget has the capacity because of good financial management, to undertake that in the future through the capacity of unallocated capital and all of the water levy and the Water Trust arrangements.

So those major project investigations will indicate to the government what is required and we will make those announcements obviously in the coming months before the end of the year. So thank you for your question and obviously it is one of the most important ones currently facing our state.

The CHAIR—Thanks very much, Premier. We look forward to those announcements in the coming months. Deputy Chair.

Mr WELLS—Thank you, Chairman. Premier, I need you to explain to the PAEC this issue of major water infrastructure. Yesterday there was a misunderstanding, as I see it.

Mr BRACKS—You are referring to the budget, are you?

Mr WELLS—I will get to that in a sec.

Mr BRACKS—Okay.

Mr WELLS—Your treasurer outlined an option of a desalination plant, a north-south pipeline, Latrobe Valley project and stormwater projects connected to the Yarra, so there were four projects. He said very clearly that one of those options would be considered and later on you contradicted him by saying that there could be a number of those options. So before I ask the issue in the forward estimates, which I will come to, can you just explain that point so I can then phrase my question in regards to forward estimates and the unallocated provision of future allocations?

Mr BRACKS—I am happy to answer the total questions and to go on and answer that.

Mr WELLS—Okay, so the first part of the question: I need you to clarify the contradiction between you and the Treasurer. On page 45, Budget Paper No. 2, it says 'The unallocated provision for future allocations'—and that will total \$1.611 billion—how much of that funding will be used towards one, two, three or four of those projects?

Mr BRACKS—That is a matter to be decided. I will answer the second part first and the first part second, if that is suitable. That is a matter to be decided based on the investigation we receive on the projects. We would be irresponsible in the extreme to commit to a sum before we have the final costings, the final details and the final proposals which we will select. In relation to the first part of your question, we have already committed to a project in the Eastern Treatment Plant. Three hundred million dollars has been committed to recycling water in the Eastern Treatment Plant to A-grade water level. We are going further and saying, 'Well, we need to look at the use of that water, including an investigation of whether that is used to replace water which is currently used for cooling towers on the coal-fired power generation plants in Latrobe Valley. So whatever the projects we pick, that obviously has to be—

Mr WELLS—So it will be projects?

Mr BRACKS—Whatever project or projects we pick, that has to be—

Mr WELLS—That is the point I am trying to make.

Mr BRACKS—Yes, I am happy with that.

Mr WELLS—Is it one, two, three or four projects?

Mr BRACKS—Let me answer it, and it was answered by the Treasurer exactly the same way, and that is—

Mr WELLS—No, he did not. He said there was one—

Mr BRACKS—No, that is not true. The reality is we have already committed to a significant project in the Eastern Treatment Plant.

Mr WELLS—Yes.

Mr BRACKS—The water from that will be used. On top of that, there are other projects or project which we will be considering in the future, and that will be determined by the investigations we undertake. Our guarantee is to pick the best possible project or projects for Victoria, noting that we have already

committed to the Eastern Treatment Plant. We are already on the road to the project work, to treating that water, so whatever other projects or single project is picked, that is a project in itself.

Mr WELLS—The unallocated capital, the \$1.6 billion, if you are saying that there is an increase in that for water infrastructure then obviously there will be a reduction in the unallocated, unfunded proportion for education and health.

Mr BRACKS—These are always decisions that government has made. That is what government is about. Government is about setting priorities and allocating resources in association with those priorities, and you do that in any one budget. Unallocated capital is one portion of it, but in any one budget you frame up your revenue and expenses basing it on what your priorities are, and we can do that in future budgets as well, effectively. That is what good management is about; it is what government sets priorities for. Unallocated capital, as I mentioned, is one portion of potential for funding projects, alongside several.

The CHAIR—Ms Munt.

Ms MUNT—In Budget Paper No. 3, page 172, there is reference made to changes to the output structure. Can you please provide information on the machinery of government changes that have occurred since the government's re-election.

Mr BRACKS—Thank you for your question. Obviously, in each term, in each government, or when a new government is coming in, there are certain priorities which are set. We had certain priorities, which needed to be reflected in the structure of government, that we were undertaking for this term of office. We saw, for example, priorities that we wanted to set in relation to technical based skills and education more broadly, but in particular in relation to the skills shortage which is apparent right around Australia, including Victoria. We wanted to have a focus and attention on that.

In relation to public transport and meeting our transport challenges, there is the need to keep the liveability of Victoria whilst our population increases and to account for that in a systematic way over the coming years; in climate change, which we nominated for our third term as a very high priority, making sure we have the best policy thrusts and the best programs coming out of that for the future; and also in mental health, in nominating that as a focus in attention in addition to what the government is undertaking.

Therefore, going to your question, the changes occurring in relation to those priorities we set included creating a new minister for mental health to focus on addressing mental health issues in our community in the broadest possible sense, and so the structure of government has followed that new ministerial portfolio. We have also established an Office of Climate Change within my department, within the Department of Premier and Cabinet, but servicing the Deputy Premier and the water minister in the work that he is undertaking as the minister responsible for climate change. But it is work, understandably, which is across the whole of government, so I think it is appropriate to have the Office of Climate Change located within our department; that is a machinery of government change.

We have split the transport folios, as you know, in the structure of government. We now have a public transport minister and a roads and ports minister. Previously, we had a transport minister over the whole of the transport portfolio, and the structure of government reflects that within those ministerial portfolios.

We have revamped the education portfolio. Previously, the Department of Education had schools education, technical based education and responsibility for the TAFE and technical training system in the state, and also the oversight of the governance of tertiary education, which is a federal responsibility. Because of the emphasis the government is placing on technical based education and skills, we have now transferred that function—TAFE, skills, technical based education—to the Department of Innovation, Industry and Regional Development. That is a significant change and really highlights government's intention to base our future policies in relation to, eventually, where the skills shortages are and to tailor those policies to where industry needs it most. I think that is an important and significant change.

Administrative officers and staff were transferred between departments to support these machinery of government changes. That was done seamlessly and well and effectively, and I want to congratulate my

department for overseeing that and overseeing the implementation of the government's policy in relation to those machinery of government changes. I thank you for your comment.

The CHAIR—Thanks, Premier. Dr Sykes.

Dr SYKES—Thank you, Chair. Premier, my question relates to drought assistance. In the budget briefing this morning, it was indicated that the impact of the drought on the economic growth of Victoria is in the order of a 0.5 to 0.7 percentage point.

Mr BRACKS—Yes.

Dr SYKES—Given that the economic growth is about three per cent, effectively we are looking at around a 20 per cent reduction in economic growth as a result of the drought. Given that significant impact, can you explain to me the basis of the government policy, which has at this stage resulted in the allocation of \$157 million towards drought assistance in a budget of around \$34 billion.

Mr BRACKS—Thank you very much for your question. In relation to drought, our government has spent more than any other government in Victoria's history, and I fully concede that this is the worst drought that we have experienced in 100 years. We have had continual inflows from our streams and rivers into our reservoirs, and we have had continual dry conditions, both in dryland farming and also in our irrigation sector. For the first time ever in Victoria's history we have every region of the state, apart from Melbourne, now designated as drought affected and as able and capable of receiving Exceptional Circumstances funding. So you are right: it is a severe and protracted drought.

In relation to the funding, we have allocated \$160 million already, which is still flowing through into drought-affected communities, and we did that, if you like, outside the budget. One of the things that governments should do, and what we have done—and other governments have done it, too—is had a capacity in a reserve to deal with droughts and bushfires and those matters which are emergencies and which cannot be always adequately predicted in the forward estimates—that is, there is an unpredictability about those matters. So the Treasurer's advance has the capacity at any one point in time to allocate significant resources to drought-affected communities, and we have done that. As we have in the future, in this budget we have a Treasurer's advance, which is primarily responsible for emergency activity—bushfires, drought, floods, other activities—and we equip for that subsequently rather than having an identified particular amount, because you may have to go to a significant amount, as we have currently; much more that you would have expected.

In relation to drought, I was sitting across the table from the Prime Minister last year when discussions were held about the Murray Goulburn system, and the Prime Minister and the federal government praised Victoria's drought response as the only state in Australia to have a system in which we match the Exceptional Circumstances, the half-rate relief, to assist councils so that their revenue base is not in difficulty and so that they can keep services provided through their existing revenue bases, and we provide that directly for those Exceptional Circumstances occurrences. The Prime Minister urged other states and territories to follow our lead. That is an example of something that we did.

Water allocations as well: as you know, we moved on a proposal, paid for out of the Treasurer's advance and also from a levy that we put on other government departments, as we are able to do from time to time, for those that receive less than 50 per cent of their allocation of water to receive relief. I think it was up to about \$5,000 relief in relation to their water bills and water entitlements. We were the only state in Australia to undertake such an effort.

As well, of course, we have assisted communities. We have an employment scheme which was recommended to us by drought-affected communities to kick-start communities and to assist and support farmers, in particular our primary producers, to move from their farms, their primary activity, into these jobs so that they could have income and support and they could undertake necessary important works—for example, in some of our catchment management areas—in this period. I believe that we have stood by our farming community as much as we can, to the capacity we have within our state, in cooperation, I have to say, with other authorities, and we give praise for that cooperation. We stand ready to do more.

In relation to the estimates, you mentioned that our estimates have been reduced because of the drought. That is true. The estimate for the current financial year is 2.75 per cent, which would be around three per cent except for the drought, but we expect that we will move to 3¼ per cent, ongoing in the out years to about three per cent growth in the future. That shows a pretty resilient economy. We have accounted for drought. We have supported our communities. We know that certainly the worst is not over. We know we will stand ready to do it again.

Our estimation is conservative, and I think that is what you were getting at. We have estimated on a very conservative basis on drought recovery in the future. Access Economics are predicting growth in excess of four per cent for Victoria. We have not predicted that. Our treasury and finance estimates are in the order of 2.75 per cent, rising to 3.25 per cent, so a conservative body like Access Economics have estimated it higher. That is probably an indication of the conservative nature by which we have predicted the growth rates in the future.

The CHAIR—Thank you, Premier.

Dr SYKES—Can I follow up, Mr Chairman?

The CHAIR—I think we will come back to it. Mr Pakula?

Dr SYKES—Sorry, but my question—

The CHAIR—No, we are adopting the same process as in the assembly. I want to keep moving along.

Dr SYKES—A precedent was set with—

Mr BRACKS—Chair, I thought I had answered the question thoroughly, but there might be a part I did not. I am not sure.

Dr SYKES—Premier, you indicated in a qualitative sense the nature of the answer, but I was raising the issue of the quantitative—the amount—and I am suggesting to you that \$157 million is a very small contribution out of a budget of \$34 billion. I will explain it to you.

Mr BRACKS—Yes, sure.

Dr SYKES—For example, there was an allocation made towards community development officers in the order of, I think, \$80,000 for each of a number of shires in my area. That was welcome, but that amount of money—\$80,000—is the sort of money that some farmers are spending in one month to feed their animals and lots of smaller farmers will be that much out of pocket over the six months plus of the duration of that. So what I am suggesting to you is that the quantum of what you are putting in is extremely modest in relation to the economic impact of drought-affected farmers and in relation to the substantial amount of money in the budget overall.

Mr BRACKS—Mr Sykes, I know that that is your view, and you have submitted that to us in correspondence, but it is not a view I subscribe to. It is the biggest amount in drought assistance and funding that this state has state ever undertaken. Separate from that, we have geared up all our departments—the Department of Sustainability and Environment, the Department of Primary Industries, the Department of Human Services—on drought relief and support, which is uncoded but in kind and quite significant. Of course, we do that in order to support communities right across Victoria, and we stand ready to put in even more in the future, as we will do if required and necessary.

Let me make this point: the government cannot step in, of course—and would not be expected to step in—and simply take over the full operation of a primary producer at the same level as they had before the drought. No-one expects that to happen. They expect state governments to contribute and assist, where they can, to make a difference. There has been a principle in drought funding—that is, you go for productivity and efficiency—and you know this. What you want at the end of the drought is the potential, through your funding

and support, for more productive, more sustainable and more effective farming in the future, and that has happened in Victoria through good stewardship over a long period of time.

If you talk to the farming community, as I have and as you have, no doubt, they will say to you, 'We don't just want immediate funding for particular projects and to assist those who may be in difficulty whether there's a drought or not, we want to have a sustainable position long term because we want to know that farming and primary production is an important career and opportunity for Victorians for a long time to come.' That is the principle on which we operate. That is how we have operated with all our support.

I remember the half-grant contribution actually came out of discussions in lounge rooms, sitting down with farmers, sitting down with councillors who were there as well, and asking what could assist them best. We know what exceptional circumstances do as part of the federal contribution. Of course, we contribute to that as well. We also put a portion into that. But what could assist us directly? Keep councils going with their enterprise so they can employ and undertake and do things; get the state to do relief; have the state assisting in counselling, support and job creation on the ground; rebuild some of the facilities in communities which might have taken 10, 20, 30 years and advance those now, which I think has happened. I think you are saying you would like more, but I think you acknowledge that there has been a significant contribution. I think what we have done has responded effectively, but we stand ready to do more.

The CHAIR—Thanks, Premier. That was just to clarify. We are adopting the procedure, and we do not really have supplementary questions. Where the Premier or the minister has not fully answered a question, we are happy to seek to get that clarification. Mr Pakula?

Mr PAKULA—Thanks, Chair. Premier, on page 178 of BP3, in the second half of that page, the budget details funding for strengthening services of the Office of the Chief Parliamentary Counsel, and I would like you to provide the committee with some further information on that initiative.

Mr BRACKS—Thank you very much for your question. To be frank with you, the Office of the Chief Parliamentary Counsel was creaking, and we had difficulty in our second term—particularly at the end of our second term—with the volume of work. I want to pay acknowledgment to the chief parliamentary counsel and his office for the work they did in dealing with probably the most onerous workload ever in Victoria's history. We undertook two significant and profound legislative reviews in the last term of office, one to revamp all the education acts in Victoria and to consolidate those. We removed those that were redundant and we updated those that did not match the update of the education policy in this state and consolidated them into the one act.

As you know, acts supersede acts, supersede acts, and the interpretation of that can sometimes be difficult without consolidation. We did that with children's services, and that caused an enormous workload. An enormous workload that has been caused by intergovernmental arrangements, particularly the new and emerging difficulty we have with terrorism legislation, which we signed onto in association with the Commonwealth, in the transfer of power and responsibilities and the concurrent legislation in accepting some responsibilities for terrorism related funding and support. That is another area.

We also have a strong reform agenda in relation to the justice system in reviewing every act of parliament to remove discrimination from those acts. On 50 occasions we have removed discrimination from acts of parliament in Victoria, and we are probably the most advanced of any state in Australia. That causes an enormous workload for the chief parliamentary counsel.

As a result of that, we have provided some additional resources to enhance the capacity of the Office of the Chief Parliamentary Counsel to recruit and train new drafters and to support the career development of drafters in the future. This is a highly specialised and skilled area, and governments that do not properly resource this area will have problems later. You will cause a significant resource problem later as you try and correct and improve acts of parliament. I am sure that you will advise me regularly and often if we make mistakes on legislation. I guess that will be the case, and I am sure you will bring it to our attention. We will make fewer mistakes if we provide the proper resources for the chief parliamentary counsel, and that is what we are doing in this budget. I think the extra allocation is rising to about \$900,000 in the out years but starting at about \$480,000, so it will escalate as we move through.

The CHAIR—Thanks Premier. Mr Barber?

Mr BARBER—Premier, my question is also about the Office of the Chief Parliamentary Counsel. I think their mission statement, according to your documentation, is 'a vibrant democracy'. I wrote to you a few of weeks ago asking for assistance from the parliamentary counsel with drafting a private member's bill. What is your policy going to be in terms of making OPC available to members who want to draft private members' bills?

Mr BRACKS—I will certainly address the correspondence. It has not been brought to my attention yet, but we will turn it around as quickly as we can. As you would expect and as would be expected by the public of Victoria who have their democratic right to elect a government for a term of office, government business takes precedence. It must take precedence because that is the will of the people; the will that people express in a platform and in a program by which they decide in a free and fair vote on who they want to represent them for future years. It does take precedence. The government legislative priority will take precedence. If there is a capacity to deal with drafting for a private member's bill, we will consider that in relation to the government legislative agenda. I am happy to reply to you once I receive your letter.

Mr BARBER—I am not asking in the sense of case by case; I am asking what will be your policy.

Mr BRACKS—Our policy is just that; that government legislation takes precedence, in accord with the will of the people. We will consider private members' bills on their merits on a case by case basis.

The CHAIR—Mr Scott?

Mr SCOTT—Premier, the budget provides funding for additional resources for the Office of the Ombudsman on page 177 of Budget Paper No. 3. Can you advise this committee on the investigative work program of the Office of the Ombudsman.

Mr BRACKS—As legislators, we have caused more activity for the Ombudsman. Every time you have a new act of parliament, that act can be appealed against. Representations can be made to the Ombudsman about decisions resulting from that legislation by the executive, and those matters can be investigated. About 300 complaints have been received by the Office of the Ombudsman that he currently has open—that is, he currently has 300 live cases under foot and under way. I am advised that, of those 300, about 41 are major cases, including 26 cases over the Whistleblowers Protection Act 2001 which is another reform and change that we undertook. That causes more workload as well. The Ombudsman's office expects that four of these investigations will result in public reports which the Ombudsman will present to the parliament and they are large reports. They have a significant resource implication as part of that.

The Ombudsman's jurisdiction has recently been expanded also, under various pieces of legislation. As we put a piece of legislation to the House and it is adopted, we indicate whether it is subject to review and examination and the implementation of that by the Ombudsman. We have done that on several occasions. We have done that in relation to the Charter of Human Rights and Responsibilities Act 2006. That is an initiative that I am very proud of with our government; that we do have a framework in which to consider legislation for our cabinet and then through the parliament and submitting on a charter of human rights and responsibilities. We have not quite led the nation on that—the ACT implemented a charter—but we are the first major state to undertake it, and I am very pleased that we have done that. You notice that, as legislation comes in, there is a certification process to assess whether it meets the principles, aims and aspirations of the charter; also the Children, Youth and Families Act 2005, which is a new act.

In accord with the usual budget practice, the Ombudsman has had a bid for additional resources, which is dealt with independently, assessed by my department and recommendations then made to the expense review committee. We have reprioritised within the Department of Premier and Cabinet and have offered some more resources to the Ombudsman, which is about \$800,000, if you look, Mr Scott, at the forward estimates period.

Mr RICH-PHILLIP—Thank you, Mr Chairman. Premier, I would like to ask you about the funding through water authorities for some of the projects you mentioned earlier. I refer you to Budget Paper No. 2,

page 56, the line item Public non-financial corporations net debt, which provides estimates out to 2011. Can you tell the committee, please, whether those estimates include an allowance for debt funding of water projects by the water authorities or will any decision to pursue a particular project through a water authority be in addition to those estimates?

Mr BRACKS—As you know, these are historic and the estimates for the current financial year, so that is what they are. The augmentations I was referring to, which would be decided on by government in the coming months and before the end of the year, would be over and above that of course because they are not in the forward estimates of water authorities; but they will be in the future if we commit to those projects.

Mr RICH-PHILLIP—So it will be in addition to the figures that are shown on page 56?

Mr BRACKS—It will be, yes.

Mr WELLS—So that means debt will increase?

Mr BRACKS—There are a range of ways you can fund projects. It does not have to be by debt. Traditionally the way that water authorities have funded projects has been to pass on those costs as user charges. The government can also supplement that, so the quantum of that is not known. The government reserves a right for a vote for priorities that we set to supplement that. We have done that. The Wimmera Mallee Pipeline, for example, would have never got up if it were just a water authority proposal. It requires significant and profound government expenditure from all of us, so governments always reserve the right to undertake that.

Ms GRALEY—In relation to the strategic policy advice on page 174 of Budget Paper No. 3, and the Central Regional Sustainable Water Strategy, can you please advise the committee more specifics about drought assistance to Victoria's Central region?

Mr BRACKS—Yes, I can, and it backs up the question of Mr Sykes as well. I can drill into that more and talk about some of the initiatives which I think have been quite successful. As I mentioned before, we are facing the worst drought that we have had in 100 years in Victoria. By the way, that is not any different to the drought which is being faced right across the nation, particularly the eastern seaboard of Australia. Every sector of Victoria except for Melbourne is now declared under exceptional circumstances. We are acutely aware of the impact on the ongoing drought conditions for communities, families and businesses in rural and regional Victoria. That is why we have developed a \$160 million drought assistance package to help cope with the social, economic and environmental costs of drought. That package includes funding for counselling services in rural communities, which has now been boosted further with additional funding of \$3.1 million, which is in the current budget, the 2007-08 budget. If you are wondering why it has moved from \$157 million to \$160 million, it is because of that dedicated and ongoing funding base which we have put in the budget.

Assistance for irrigators and emergency bore water and water supply networks for farmers: we are putting down more bores into the groundwater and have a comprehensive program in consultation with councils and water authorities that are undertaking that around the state. Local works and environmental projects undertaken by catchment management authorities as I mentioned are largely job-creation projects: assisting people to get work, get incomes, sustain their families and also do works which would otherwise have taken decades and decades to do, so we lifted the priority forward under those projects.

We have an apprenticeship retention bonus for businesses in exceptional circumstances in these areas. One of the things that is a concern in a drought period is that you lose some of your skill base in communities. Retaining apprentices and trainees through a bonus system until the drought is alleviated is very important. You do not want to lose that skill base. It is very hard to get it back. That is one of the problems, I know. I think Mr Sykes submitted that to us at one stage and I know that many people in the community have as well.

We have helped to keep open community pools and sporting facilities. In some cases, that has been a bit controversial. People say, 'Why would you keep open a community pool when there's a drought on?' The reason is that it is part of the social fabric of that community. That is the reason. You do not want to have a position where young people—families—do not have access to recreation facilities and the capacity to meet

together to enjoy things together, and it is a sensible way of keeping those facilities going. Recycling projects associated with pools, recycling projects associated with ovals, putting in new water tanks, putting in new re-use arrangements and collection of stormwater have all been a part of what we have done in those recreation facilities. I think they are very important in keeping the fabric of those communities going as well as an industry investment program, an infrastructure development fund for drought affected regional Victoria and kick-starting private sector projects which can assist in the employment generation of those communities.

The 2007-08 state budget also includes \$136 million for vital water projects as part of an instalment, a government plan to help secure our water supplies; and a large amount of that of course, as we know, in Shepparton and other regional centres in Gippsland, is to do with assisting drought-affected communities get sources of water. That is over and above the drought funding projects, so it goes back to a former question. There are other areas of government which are funding and supporting drought communities and the augmentation of the recycle and re-use projects in our water projects are doing that as well in regional and country Victoria. Thank you very much for your question.

Mr DALLA-RIVA—Premier, I refer you to Budget Paper No. 3, page 22 on the third paragraph; and if I can also refer you to your presentation, Premier's Portfolio New Funding Initiative that you provided on the screen.

Mr BRACKS—It is on the tackling climate change on page 22, is it?

Mr DALLA-RIVA—The one above. Firstly, I make the point that given that we are at the current state of crisis in our water storage system in Melbourne at 29.9 per cent, I must congratulate you on your presentation to say that by 30 June 2009 we are not going to have any problems with climate change because apparently there is no more money allocated for that. But I bring it up to the point that I may be again referring to a calculator; but the figures that are provided there show a total of \$4.596 million and yet in the budget paper which I have referred to, it shows that \$5.5 million has been allocated. So what has happened to the \$1 million? Or is it that you just do not understand the concerns about climate change and this is just a figure that you have plucked up?

Mr BRACKS—No, I am happy to answer that. No. 1, we reserve the right to assess our priorities in the future where we may increase the funding for the Office of Climate Change in future budgets. That is always the capacity and right of the government. In relation to the extra money that is mentioned there, we took that out of the current budget.

Mr DALLA-RIVA—It does not balance, Premier.

Mr BRACKS—No. We took it out of the current budget. That is, the current year in spending of the existing budget. We brought that forward to assist in the establishment of the Office of Climate Change. What is there is the forward estimates over and above that. So you have a capacity within your current budget, if you have a good surplus—and we have because we have managed the finances very well—we have an amount of \$0.9 million from the current budget, 2006-07. You would remember how this is done, deputy chair.

Mr WELLS—I am waiting, just watching very carefully. You have got two figures up there and you have got a \$5.5 million commitment.

Mr BRACKS—If you have got a surplus in one year you can always spend that for your commitments, and we have done that: \$0.9 million in 2006-07, \$2.3 million in 2007-08, \$2.3 million in 2008-09; a total of \$5.5 million. So we have taken it out of the current financial year.

Mr DALLA-RIVA—Even though you say 2007-08 budget, so that is right?

Mr BRACKS—Yes, but you use the surplus period.

Mr DALLA-RIVA—Don't let the facts get in the way.

Mr BRACKS—You get the TA and you use the surplus. It is just how you do the accounts.

Mr DALLA-RIVA—Yes, I understand that, but it is not the way it is written in the budget paper and that is indicative of the way things are done in this budget process.

Mr BRACKS—Gee, I tell you what—

Mr DALLA-RIVA—You should have said 2006-07 and then into 2007-08.

Mr BRACKS—You have not been around enough to see what it used to be like.

The CHAIR—We should see appendix A to Budget Paper No. 3 because it provides lots of details.

Mr BRACKS—It does provide the details.

Mr DALLA-RIVA—That is all right. I am responding to—

Mr BRACKS—A few of us have been around a bit in presentation of budget papers. I tell you what, they are 600 per cent on what they used to be when I was shadow Treasurer. I can tell you that much.

The CHAIR—Thank you. Premier, I just want to move on to the subject of productivity, which is a special passion of mine. What is going to be the impact on productivity of the budget, and particularly the portfolio spend of yours?

Mr BRACKS—This will occur across each government department as we pursue further productivity improvements. In relation to the Department of Premier and Cabinet, we also have a target to achieve in further productivity improvements. We are required to achieve a productivity and efficiency saving of about \$2.2 million in 2007-08, totalling—if you look at the forward estimates for the four years—about \$13.3 million. The productivity efficiency will be in the areas of buying smarter, group purchasing, whole-of-government efforts to purchase and getting a better rate because of that. We have pursued that through several departments and we know that Treasury and Premiers, for example, those two central agencies, have pursued common corporate services for some time. We think we could take it further to look at effective purchasing, reducing the on-costs and making a saving which we can put back into programs.

Buying less: that is, assessing waste within departments and making sure that we are only buying what is required. Shared services, as I mentioned: it does not need to be that every department is replicating the corporate service functions of every other department. Combined and shared services is a great way of providing efficiencies and effectiveness. Common human resource management, common payroll systems: these are important efficiencies which can be gained through use of new technology and we are pursuing that as part of those savings.

Grant administration: all governments have numerous grants. All of them have administration within each of those grants. By bringing together categories of grants and having common administration arrangements you can actually save a heck of a lot. It is something that I have been pursuing for some time and I was very pleased that I was able to get that up as part of our budget this year. That is, some of the duplication that goes on with sometimes small grant programs, in having the whole administration within that one grant program but, rather, looking at social, economic and environmental grants and looking at common administration arrangements and groupings and there are a lot of savings in that, by the way. We are going to drive that from the Department of Premier and Cabinet as well, aren't we, Secretary!

Also reductions, as we committed to in the election campaign, and proportionate reduction in advertising consultancies, which will be proportional to our department; and integrated information and communication technology; smarter, better integrated systems. The Government Services Group will be working with our department to identify and implement the efficiencies and innovations relating to procurement and shared services. There is a lot of savings to be made by e-procurement and we have some advancement, but we have a lot more to go still, to do even better.

In other areas efficiencies will include less expenditure, such as I mentioned, in consultancies. Future growth and staff has also been limited. We have limited, in this budget, head office staff growth across departments to a one per cent growth target. It is growing at about two per cent. We want most of the impact in our budget to go in service delivery and improving services for the majority of Victorians. Yes, we do have to have that backed up by important policy and program development support from head offices, but we think it is reasonable to have a limit of one per cent growth—it is growth still—in head office development. We think that is achievable and if you look at the pattern in the past years, at around two per cent, there is a saving and it is a saving that could be accrued right across the public sector. I am very popular with all the head office staff about that!

We are serious about achieving the productivity targets that we have met. We have a productivity improvement process there in our savings of more than \$600 million. It is over a longer period of time but we believe with these better and smarter processes we can achieve it.

The CHAIR—Thank you very much for that.

Mr DALLA-RIVA—Chairman, can I also follow up on that, on the application?

The CHAIR—Yes.

Mr DALLA-RIVA—Do the same savings apply across all of government or are they specifically DPC? The same rates, to be precise: one per cent, for example?

Mr BRACKS—Pretty well. Some departments are much more advanced on joint procurement, shared services and e-purchasing, so that will be counted for in the targets that are set, but there will be some capacity across each department, yes. I imagine it will be a line of questioning that you will have for each department.

The CHAIR—We have some information, which I should thank you for also—

Mr BRACKS—We have submitted some more detail to you, which you requested.

The CHAIR—in the estimates questionnaire. You gave us some information there.

Mr BRACKS—Yes, indeed.

The CHAIR—Mr Wells.

Mr WELLS—Thank you. Premier, last year before the Public Accounts and Estimates Committee, you said that the \$600 million in unfunded capital spending on Victorian schools would be met by the Snowy Hydro dividends.

Mr BRACKS—Yes.

Mr WELLS—The dividends have been cut by half.

Mr BRACKS—Yes, that is right.

Mr WELLS—I notice on page 268, on Budget Paper No. 3, that we have \$1.2 billion of unfunded capital works for education. Considering your answer previously that some funds from the unallocated provision for future allocations would go towards major water infrastructure, where are you going to get the funding to fund the unfunded proportion of the capital works program in education?

Mr BRACKS—As you have seen from the budget, we have a growing economy. Our revenue base is growing significantly. It is growing significantly because we are expanding our economy. I have no doubt you will ask me, 'Why has this revenue gone up?' and, 'Why has that revenue gone up?' The reason is because we have got a greater participation in the workforce, more people who are employed and therefore greater payroll

tax; because we have got growth in property and transfer payments, particularly in stamp duty, because of a growing economy and a growing property market. Because our general revenue base is increasing, we have the capacity to allocate that at any one point in time.

We allocated, in our commitments during the last election, in Labor's financial statement 3, details on how we would fund our school rebuilding program in modernising, improving and increasing all schools in the state. We have now brought that to book with 25 per cent of all those funded with a \$555 million contribution. That includes those contributions that could have been made or can be made in the current financial arrangements as well. So we believe we have got a capacity to do it; a capacity to do it while maintaining debt at one of the lowest rates it has ever been as a proportion of the economy. We are praised in the financial markets for doing it and we believe we will be able to achieve that quite easily.

Mr WELLS—Okay, but you have not actually answered the question. It is: how are you going to finance the unfunded proportion of the education budget, the \$1.2 billion, considering that you have \$1.6 billion of unallocated provision for future allocation over the next four years?

Mr BRACKS—As I said, by a growing economy. The reality is—

Mr WELLS—So it is on the never-never?

Mr BRACKS—No.

Mr WELLS—You have already got unfunded capital which you already mentioned; part of it will be for major water infrastructure.

Mr BRACKS—Yes, I know. You really know the answer.

Mr WELLS—So it cannot be—

Mr BRACKS—I know deep down you know the answer to this because you understand the accounts. The reality is the economy will grow and governments will make priority on those allocations in the future, as it does, and you reserve the right on each budget to make those allocations and we will do it within the parameters we have set in the forward estimates. That is what governments do—

Mr WELLS—That is not very convincing, I am afraid. No, that is not very convincing. If you have got future forward estimates of your capital program and you have got \$1.2 billion unfunded to this point, and you are talking about major water infrastructure, the figures are not stacking up.

Mr BRACKS—The figures are adequate, completely adequate, to deal with all those matters in relation to the priorities that we will set in the future. That is what governments do. That is what future budgets are about. What you are asking me to do is to set a budget for 2008-09 and 2009-10. That is a ridiculous proposition, by the way. When we put those budgets down, you will see exactly how we have done good stewardship of the finances again.

The CHAIR—Thank you, Premier. Ms Munt.

Ms MUNT—Premier, in relation to strategic policy advice output—also on page 174 of Budget Paper No. 3—the government has been a strong advocate for human rights. Can you please tell the committee how the human rights charter is being implemented.

Mr BRACKS—Indeed. Obviously the Attorney-General went about, under the auspices of the government and the cabinet, to prepare a human rights and responsibilities charter for our state. He did just that I want to congratulate the Attorney-General for the work he did, the extensive consultation, the work of the independent committee who advised our government on that matter. Since the Victorian human rights charter came into force on 1 January 2007, that landmark piece of legislation, we have been working to ensure that all new legislation introduced into parliament is compatible with the charter. We have a certification process in going to cabinet. We have a certification process where all matters go into cabinet at an approval in

principle and going onto a bill of cabinet. In the cabinet process, there has to be certification that it complies with the Victorian human rights charter. That is submitted by a minister, presenting it to cabinet; scrutinised by the cabinet before it goes into consideration of the parliament. In each case, we have had proper and appropriate discussion and debate about those matters to ensure that that happens. Where there are amendments required on proposals brought by ministers, those amendments are made to make sure that it meets the responsibilities of the human rights charter. And that is what it was intended to do: to have the abiding principle of human rights there, filtering all legislation which comes into this state.

Guidelines have also been developed and training conducted across all departments to ensure that all departmental legislation and policy officers give proper consideration to human rights in the development of any new policies and legislation, so that is across the public sector. We heard from the head of the State Services Authority charged with the responsibility of looking at a high-quality independent public service with great integrity. Part of the roles and responsibilities there is to ensure that there is proper and appropriate training—that is what we undertake—to ensure that happens. We are adequately prepared, we believe, to meet our obligations when the rest of the charter comes into force on 1 January 2008 when we have the full implementation of the charter. I am very proud of it and, interestingly, I noted that my own federal party has adopted this as a policy for the nation, and I am pleased with that as well.

The CHAIR—Dr Sykes.

Dr SYKES—Premier, I would like to get your feedback on the apparent anomalies and inequities in assistance measures and the methods you have in place to address them.

Mr BRACKS—In relation to what?

Dr SYKES—In relation to drought, primarily. I will focus on water aspects, seeing that is part of the drought issue. First of all, we have had the situation with water tank rebates, where there is a \$1,000 per household rebate, if you are on a reticulated supply.

Mr BRACKS—Yes, that is right.

Dr SYKES—If you are not on a reticulated supply, you get zilch.

Mr BRACKS—Yes.

Dr SYKES—Equally, if a person is not on a reticulated supply but needs to put down a bore or some other form of accessing water, the bore costs; in my case the cost of a bore was \$8,000. You have mentioned before the issue of irrigation water and the rebate of up to \$5,000. But it is important for city based people to appreciate that that is a rebate which in some cases is a reasonable proportion of the cost but often can be a very low proportion of the total cost of the water right, and it still means that people are paying a lot of money for water that they are not receiving.

Mr BRACKS—Depending on their size of course.

Dr SYKES—Yes, but a lot of people have water rights way in excess of that amount of money.

Mr BRACKS—Yes.

Dr SYKES—That is one example. A second example is that grants were publicised for the watering of recreation reserves, provision of water for recreation reserves, in communities that were on stage 4 restrictions. I wrote to your office on 21 February, raising a concern that had been put to me from the Tatong community that had a recreation reserve with no water but, because the community was not on a reticulated water supply, they were not on stage 4 restrictions; therefore, they appeared not to meet the criteria of that grant. Neither of those issues has been addressed in the apparent anomaly on water tank rebate nor the issue of a community such as Tatong not qualifying for an assistance measure which I believe you would intend them to qualify for.

The CHAIR—Premier, if you can look at that in terms of the forward estimates.

Mr BRACKS—Yes. If I miss anything, let me know, because I think that I noted down the major matters. It is true that our rebates for water tanks are only for reticulated water supplies because they are about water savings—that is, if you are on a town water supply and you augment or replace with a water tank, you have a net water saving. If you are an existing farm or rural community and your only source of water is a water tank, obviously there is no water saving from providing a water tank to that farm or that person.

Dr SYKES—If you give that farmer an extra tank and it rains, then he does not have to come into Benalla or a community which is on a reticulated supply to get his house water, for which they pay \$200 to \$400 for a truck load.

Mr BRACKS—Yes. We have actually provided for large tanks, as you know, where it is not a reticulated system, for in particular the Wimmera and in some parts of the Mallee. I think it is \$2,500 subsidy per tank for a large tank, up to two tanks, so that if there was water carting that could be stored in a tank to stop evaporation and seepage. Of course, when the Wimmera Mallee Pipeline comes into place, those tanks will be needed for storage, coming off the pipeline into the tanks. So there is a great long-term benefit in that. That is one of the reasons we did it—it was good long-term policy—rather than taking it from a pipe system into an open dam with seepage and evaporation and loss of water; taking it into a tank system which saves water. We did provide money for that in a separate part of our drought assistance.

In relation to anomalies in stage 4, each catchment has its own water restriction, we understand that. So a stage 4 water restriction in a particular area has with it its own particular requirements. If there is an issue around Tatong, I will have to check if there is a problem, because there is a lot of detail. You will not mind if I examine that detail? I am on top of most of it, but in relation to that particular matter of Tatong: the assistance to water a recreation reserve which is triggered if you are on stage 4, it is not on stage 4, and therefore they do not get it. Is that what you are saying?

Dr SYKES—That is the issue.

Mr BRACKS—Let me have a look at that. I will need to examine the detail around that.

Dr SYKES—For your information, Premier, your office got back to me one week ago, 10 weeks after I raised the issue, to say that, 'It's not our baby. We're handballing it onto someone else.'

Mr BRACKS—Well, let me with your superb intervention, examine that in detail.

Dr SYKES—Thank you, Premier.

The CHAIR—Thank you for that. We will try to concentrate on the budget and the estimates process. Mr Pakula.

Mr PAKULA—Premier, I want to go to Budget Paper No. 3, page 174, also looking at the output for strategic policy advice. I would appreciate it if you could provide an update on the High Court decision on Work Choices.

Mr BRACKS—That is a bit of an interest of yours, isn't it?

Mr PAKULA—It certainly is; not as much now as it once was.

Mr BRACKS—I understand that—former secretary of the National Union of Workers.

Mr PAKULA—And proud of it.

Mr BRACKS—Yes. I thank you for your question. Obviously, we are very concerned with the implications of the High Court decision on the Work Choices case. It was not a unanimous decision, of course. We had several High Court judges who differed in relation to the constitutional matters—that which

was vested with the state and that which was vested with the Commonwealth. They did hang off the matter of the corporations law. I can remember—and I think that I was in opposition at the time—when we gave support in opposition to the state government then—and I think it was a different federal government at that time—that wanted to see nationally uniform corporations law and the state to cede their powers over the corporations law to the Commonwealth. We agreed to it. We supported it. In opposition, we supported it, and most states and territories did support it because it was a nonsense to have a position of companies and corporations having different regulations when they operate across state boundaries. It is an historic anomaly.

Little did we envisage, of course, that that referral of responsibilities and powers would be misused in the way that it has—that is, misused to seek to have ambitions realised on reform unilaterally and to have change to the industrial relations system, contrary to the elected state governments, who had their own positions on those industrial relations matters; and, by the way, if you are talking about direct democracy, each of the state and territory governments were elected on the basis of certain industrial relations policies and they were pursuing those.

The federal government was elected on the basis of their industrial relations policy, which did not include Work Choices, and yet they sought not to go to the people but to the courts to change that. They went to the courts to change it, to use an instrument of a transfer of power and responsibilities of corporations laws intended for a different purpose. So I do not think it was a mandate question at all; it was a convenience question, based on what they could achieve and win through the courts that they would not put to the people of Australia. Nevertheless, it has happened. We are concerned about those matters. I have work undertaken across government to ensure that the constitutional authority of the state is secured in a range of other areas, and obviously that was inherent in the work of the Department of Premier and Cabinet.

I am going to your question, Mr Dalla-Riva. It is in Budget Paper No. 3, 'Strategic policy', in which I present—from the Department of Premier and Cabinet, which we have sole responsibility for—extra capacity to deal with these intergovernmental matters. I mentioned, on intergovernmental matters, that we have extra resources in the budget to deal with them, to deal with matters such as the High Court case and advice given to the government, and that is why we are doing it.

We have a current issue afoot, of course, in relation to the Commonwealth's further ambitions over water resources north of the Dividing Range, in which land management and water is enshrined in the Victorian Constitution as a state responsibility, and obviously I will be receiving advice on that matter, and I have received some advice already. You are right: the High Court decision is important; it is a precedent. It goes to matters of jurisdiction in relation to corporations overall and what could otherwise prevent trade between states or across state boundaries, but we believe, in relation to fixed assets and land and water, that our position is very strong.

The CHAIR—Mr Barber.

Mr BARBER—Premier, it is my understanding—but I have no way of checking this, so I have to ask you—that a number of the positions that are in your line item 'Number of staff positions' are actually positions attached to the Liberal and National parties.

Mr BRACKS—Yes, that is right. Liberal and National parties, former premiers and so on.

Mr BARBER—Okay. How many positions is that, how many dollars is that, for the Liberal and National parties, and what is the rationale by which those two parties get this big bonus but other parties, like the Greens, get zip?

Mr BRACKS—Could I indicate to Mr Barber that help is on its way! We have committed in the budget, in the parliamentary appropriation bill which is now being debated, to a further electoral officer, which I think was a matter that you and other parties raised with me previously.

Mr BARBER—Everybody gets that?

Mr BRACKS—No, they do not currently. We have moved on that because we think, with the new

arrangements in the upper house, that extra resources are required.

Mr BARBER—That is through the appropriation, but I am asking about the positions on your—

Mr BRACKS—They are dealt with on the basis of historical precedent. That is what all governments have done to resource the government and the opposition parties. I think your concern is probably, 'The Liberal Party, the National Party—why not the Greens?' But there has been a position in this state, enshrined in legislation, that the official opposition does get resourced and the third party does get resourced, and there were some amendments that we put through the House.

Mr BARBER—That is your legislation now. You rewrote that legislation.

Mr BRACKS—We adapted it to take account of the changed circumstances between the lower and upper houses, but it has been enduring legislation in relation to the third party. But, to accommodate the other parties who have entered this parliament—the Greens; the DLP; the independent already gets an extra staff member—we will account for that in the parliamentary appropriation.

Mr BARBER—How many positions and how many dollars?

Mr BRACKS—I will get details to you. I just do not have all that detail on me.

Mr BARBER—On notice. Thanks.

The CHAIR—Thank you very much. Mr Scott.

Mr SCOTT—Premier, in relation to the State Services Authority output on page 176 of Budget Paper No. 3, in addition to the PowerPoint presentation we have received, can you explain to the committee what the SSA is doing to promote high standards of governance in the Victorian Public Service.

Mr BRACKS—It is one of the fundamental roles of the State Services Authority. This authority, of course, came into being because of the Public Administration Act, which replaced the Public Sector Management Act which was in place under the previous government. This does provide for more independence for the public sector, higher quality and integrity for the public sector more broadly, and that is the State Services Authority's role: to promote high standards of governance, performance and accountability in Victorian public sector entities.

The State Services Authority has in fact written the *Good practice guide on governance for Victorian public sector entities*, which is a web resource and appears on the authority's website. A hard version of the guide is also available. The guide provides public sector board members with information about becoming a board member. There are a large number of public sector authorities and the boards which administer those, and we want to make sure that the governance of those is in keeping with the mandates set under legislation for those boards. It goes to: information about becoming a board member; the roles, duties, responsibilities and behaviour of a board member; the code of conduct for public sector board members, including roles, duties, responsibilities and behaviour; the role of the minister and the departments vis-a-vis public sector boards; good processes for boards to follow; good governance processes in decision making and implementation of those decisions. It complies with the accountability requirements of a board.

I had the opportunity on 1 October last year to formally launch the *Good practice guide* to key stakeholders, and since that time 30,000 copies have been distributed to over 3,000 public entities. There has been an overwhelmingly positive response. There had been a real gap in this area. It is what we set up the State Services Authority to do: to not only look at the central public sector but also the statutory authorities and the boards of those authorities and other government entities to make sure that those governance arrangements were sound, robust and accountable.

The CHAIR—Thank you, Premier. Mr Rich-Phillips.

Mr RICH-PHILLIPS—Thank you, Chairman. Premier, I would like to take up the issue of the

investment in water infrastructure. You have touched on some of the projects, and the budget speech refers to:

...we have invested \$1.7 billion in water and catchment projects, along with more than \$3 billion committed by water authorities.

Mr BRACKS—Yes.

Mr RICH-PHILLIPS—You have mentioned Tarago and the superpipe.

Mr BRACKS—Tarago is in the future, but anyway, go on.

Mr RICH-PHILLIPS—That goes to my question. Can you provide the committee with a breakdown of those figures—that is, what year the expenditure was incurred, how much, on what project and by whom, whether it was the government or a water authority, so that we know how those figures are constituted. You may have to take it on notice.

Mr BRACKS—I might have to take that one on notice, not off the top of my head. I will do my best to get that breakdown to the committee as soon as we can.

Mr RICH-PHILLIPS—I do not know if there are any that you would be aware of. Presumably you are.

Mr BRACKS—I will get the proper response to you. It is a considered question; I will get a proper response.

The CHAIR—The general procedure in terms of questions on notice is that we are looking for the response within a maximum of 30 days and we will publish the responses to that. Ms Graley.

Ms GRALEY—I have a further question on the State Services Authority. It is a most impressive initiative. In relation to the State Services Authority output on page 176 of Budget Paper No. 3, can you please explain what is being done by the SSA to improve workforce planning throughout the public sector.

Mr BRACKS—Yes, indeed. We as a government are committed to strengthening the professionalism and adaptability of the public sector, consistent with the Public Administration Act, which was a very important reform of our government in the last term. This has involved significant recruitment and development of front-line staff such as police, teachers, nurses, and workforce planning strategies being implemented in these areas include the Victorian nurse recruitment and retention campaign.

Retention is as important as recruitment, and incentives and supports, to get the best possible nurses in our hospitals. For example, the Department of Education and Training teaching scholarships we are also providing, to target the specific regional needs of regional communities in relation to teachers and any workforce shortages that might occur. The development of the police allocation model, to better forecast areas of need which the State Services Authority will take advice from the chief commissioner on, but we obviously seek have the work done on that.

In addition a number of successful initiatives have been rolled out through the Victorian public sector to improve workforce planning outcomes, including improving graduate recruitment. Graduate recruitment is a big source of our firepower in all government departments. We get a lot of our skills, a lot of our capacity from that area and of course we would like to retain those graduates for as long as possible, but they often go out from significant work in the public sector to achieve great things outside the public sector as well. Improved graduate recruitment I think is a very important focus of the State Services Authority.

Intensive recruitment campaigns in critical parts of the public sector. Ongoing commitment to management training through the Australian and New Zealand School of Government. I reported to previous Public Accounts and Estimates Committees on that initiative of our government; having the Australian and New Zealand School of Government. We obviously put key public sector personnel through that agency and they

came back better equipped and able to deal with some of the challenges ahead.

The development of a specialised leadership program for potential leaders, in conjunction with the Cranlana Foundation. Given that the labour market is tight—it is competitive—we are competing for the best and brightest of all areas of the private sector as well. I have asked the State Services Authority therefore to report to me on the workforce planning risks facing the Victorian public sector over the medium to long term so that we are in a better position to deal with those risks and to not be caught short in relation to what is a very competitive environment and where skills shortages occur in some areas, particularly currently in engineering, for example.

As a result of this report I have endorsed a number of workforce planning goals to assist agencies shape their responses to these trends and to provide reporting to government on the impact of these risks where appropriate and the authority will offer ongoing support and assistance to departments and agencies to meet those challenges. So we are aware of the risks ahead. We have commissioned some work and we are implementing that work currently.

The CHAIR—Thanks, Premier. Mr Dalla-Riva?

Mr DALLA-RIVA—Thanks, Chair. Again, I refer the premier this time to Budget Paper No. 2, page 45, 'Net investment in fixed assets', and in particular the unallocated provision for future allocation. It shows a combined figure from the period 2008 to 2011 of \$1.611 billion. I note yesterday the Treasurer had made comments a number of times that there is in fact \$3 billion in unallocated capital in the budget. So can you confirm which figure again is correct? Is it the Treasurer that's wrong or the budget paper is wrong? If so, can you show the committee exactly where it is accounted for in the budget paper?

Mr BRACKS—I think you would need to submit to me the details and the context in which the Treasurer has made those comments. I do not take on face value those comments until I have seen that context and those details.

Mr DALLA-RIVA—So if we get a transcript of the comments—

Mr BRACKS—No, what I am saying is—

Mr DALLA-RIVA—So you do not agree with the transcript?

Mr BRACKS—No. I am not going to be verballled. I want to give my answer. But I would see the context of the Treasurer's arrangements—and he would be talking about several matters and several areas—the budget papers are accurate, robust and strong and I will ensure that the Treasurer is alerted to your question and I am sure he will answer that in due course.

The CHAIR—Premier, under your strategic policy advice, which is of course the output mentioned in Budget Paper No. 3 on page 174, 'Emergency and security management'—obviously important tasks in that regard right across the board, but particularly in terms of emergency services during bushfires. How does this work?

Mr BRACKS—I think we are the best placed of any jurisdiction, not only in Australia but in the world. We are the most bushfire-prone place in the world—that is, Victoria and southern New South Wales—but we are the best placed. That is recognised and acknowledged, not only in Australia but internationally. The last bushfire season was extraordinary as we all know, with nearly double the average number of fires. The number of the fires was probably the highest we have had in a long time. The area burnt was more than 10 times the area burnt during an average season. We know with climate change that the regularity of bushfires is going to increase. We know that.

We commissioned work for the CSIRO which showed that we are more likely to get more above-35 degree days, with hot northerly winds—that is, there are more total fire ban days and that is to do with the climate change. We are accounting for that in our resources, in our response and in our emergency services response more broadly. While the fire burned between December and February in the north-eastern Gippsland was the

largest fire, there have been over 1,000 fires this season. Now, just think of 1,000 fires being tackled by our emergency services across Victoria.

There has also been an intensive focus on fuel reduction burning, with over 200 burns undertaken. The continuing dryness has, however, hampered safely achieving fuel reduction targets. The window of opportunity is small during the year and it is maximised when you can. You will notice that in this autumn period we had significant fuel reduction burns occurring because of the dryness and the opportunity it afforded us.

During the 2006-07 fire season our government focused on ensuring that emergency services have the resources and equipment needed to manage an intensive season. We announced funding during the season which included \$138 million in a bushfire package—which we announced on 28 and 29 March—including \$30.3 million to boost equipment and resources for the state emergency services and \$34 million for the CFA and volunteer groups, including equipment grants, new CFA stations, training and equipment upgrades and expanding of the Valuing Volunteers program. That was in addition to the \$27.1 million which we announced on 11 December last year which was aimed at ensuring that firefighters had sufficient resources to deal with the Gippsland fires and the expected severe fire season.

That \$27.1 million included the employment of temporary and overseas firefighters and fire management personnel, additional recruitment of firefighters, support vehicles and contracting of water-bombing helicopters. As you know, we had an additional air crane to that which we had the previous season. We have what is known as 'Elvis' as our major air crane. We have a shared one with New South Wales and we had another dedicated one which I think was called 'Matilda' which we had—we don't name them by the way. They are named internationally. So we had three effective air cranes working as part of the response this year and last year as well.

In the 2007-08 budget we have announced an \$80 million boost to Victoria's emergency services, including \$36.8 million for the SES. By the way, that is the biggest single investment in the SES since the establishment of that volunteer service. I think it will help enormously in the professionalism of that service in the future. Funding for the CFA as well is \$17.2 million. There are key related initiatives, including \$11 million for grants for emergency services volunteer groups to buy safety and rescue equipment, and new and improved SES units and SES trucks and trailers and four-wheel drives. Eighteen new CFA stations and two MFB stations will be upgraded or replaced. The CFA will receive more than 20,000 sets of personal protective clothing to protect firefighters against radiant heat and flames.

What has been reported to us more broadly is also the need—and you learn from each fire season—for more flexibility as well. Not just large appliances getting into fire-affected areas but smaller vehicles that can have strap-on water equipment which are much more flexible and have the capacity to get in quickly and to deal some of these spot fires. The number of these fires is a concern and that is what we had to deal with across the state. Flexibility is going to be important in the future as well, so we are taking that into account. We will have a report from our Emergency Services Commissioner, as we did after the 2002-03 fires. We implemented that report; those extra resources are in place. We have got some extra resources already but no doubt those recommendations will deal with some of those issues about the number of the fires as well, and the regularity of them. We cannot assume that we are going to get relief next year or the year after because we have had a fire season. Those days are over and that is what the last two or three years have shown.

The CHAIR—Thanks very much for that.

Mr WELLS—Premier, I refer you to the handout that we were shown promoting high standards of integrity.

Mr BRACKS—Hang on, I will just grab that.

Mr WELLS—At the top of the list there it has 'ethical leadership'.

Mr BRACKS—Yes.

Mr WELLS—Melbourne Water produced a document prior to the election regarding the dire straits of the water situation in Melbourne. You pride yourself on being an open and transparent government with, looking at this, 'ethical leadership'. Will you direct your minister for water to make sure that that document is released so we have a clear understanding of where we are with the water situation in Melbourne?

Mr BRACKS—Let me respond to that comprehensively. I think you have an understanding, and I think most members of this committee would have an understanding, of what happens during a caretaker period. I have been involved in three as leader of my party; one as opposition leader and two as a government seeking to get returned. I cannot remember ever getting a brief. We do not get briefs. If you do get a brief, it is forwarded to both parties. That is how caretaker rules work. That is how the public sector operates. The public sector handles government in a caretaker period. In a caretaker period, government is prorogued, parliament is prorogued, and you deal with issues based on your party's policies and principles.

It is in that context that Melbourne Water during that caretaker period had more deliberations, in which they were considering for an incoming government of whatever flavour—or an incoming minister, whatever person that might be—what they would advise that incoming government. That is their responsibility. I would hope that government agencies do that, and provide briefs for incoming governments. That is exactly what happened. In the case that has been borne out—but we did not know anything about it—Melbourne Water has issued a statement saying:

The Melbourne Water report referred to in the *Age* today was an internal working document prepared in November 2006 during the caretaker period. The report canvassed a range of water options for Melbourne and gave no consideration to the issue of water restrictions. It was not forwarded to the minister for water, nor the government, and the minister was not briefed on the report prior to the election. The report was developed as part of internal deliberations of the options for additional supply forming the basis of a briefing to the minister for water in December.

So the incoming minister:

This brief was then considered by cabinet—

The incoming cabinet, which happened to be us—

which resulted in the announcements made by the government in January 2007.

We announced 40 billion litres of augmentation and other water measures. We are not in the habit of directing agencies on FOI, and you have studiously asked us not to do that. When it is convenient for you, you want to change your mind. That is pretty average, by the way.

Mr WELLS—No, the question hasn't been answered! The question was: do you direct the minister for water—

Mr BRACKS—Absolutely not.

Mr WELLS—to release the document? That is all we are asking.

Mr BRACKS—It is not the minister for water's document, as I have shown.

Mr WELLS—It was a pretty straightforward question.

Mr BRACKS—And I am answering it directly; absolutely directly.

Mr WELLS—We just want the document released. Let us be open and transparent.

Mr BRACKS—You want your political ambitions realised. I am answering the question directly. We do not interfere in the FOI process of an agency.

Mr WELLS—No, this is not an FOI issue; this is just releasing the document.

Mr BRACKS—We do not instruct agencies. They have operational independence in deciding that

matter themselves. They have submitted their view on this matter. It is in accord exactly with the government's view, and of course any understanding of the caretaker period will bear this out.

The CHAIR—Thank you, Premier, for your indulgence. I remind members that we are meant to be dealing with the budget estimates. Ms Munt?

Ms MUNT—Thank you, Chair. Premier, bushfires have been mentioned in other questions. Emergency and security management are funded within the strategic policy advice output on page 174 of Budget Paper No. 3.

Mr BRACKS—Yes.

Ms MUNT—Can you please provide us with details of the measures that will be undertaken towards bushfire recovery.

Mr BRACKS—Yes, very important and crucial. We cannot assume, because the bushfires are finished, that recovery has occurred. It takes some time. As we know with the Grampians fire, for example, and the 2002-03 fires, recovery occurred over a period of years, and is still occurring in some cases, for farming communities, for towns, for tourism facilities, for businesses. We take that very seriously and, very importantly, we want to work with communities on that very package of support. We did have a process where I asked the Treasurer, the minister for regional development, to chair a cabinet committee across the whole of government on bushfire recovery. It received submissions widely across Victoria, including submissions from other political parties—I think the National Party, and we were grateful for that contribution—and we are implementing those reports currently.

As we know, the fires that occurred in areas in which significant support is required occurred across large land masses—across Gippsland, the north-east of Victoria, the south-west of Victoria—and therefore would have had a significant effect. The Great Dividing fires lasted 69 days, starting on 1 December. I can remember getting the call on 1 December to say that the fires had occurred in remote areas. I said, 'No, it's 1 December,' but they had, and of course it went on for another 69 days. They were incredible fires in very difficult, hard to reach areas. They burnt 1.2 million hectares.

On 29 March 2007 the Minister for Regional and Rural Development, as I mentioned—John Brumby—and I announced a \$138 million recovery and response package that we believe will help restore fire affected communities and better prepare them for fires in the future. The package includes over \$24 million for essential infrastructure development, including roads and essential tourism infrastructure—re-establishment of roads and in some cases new roads which were not on the drawing board for some time—and re-establishing some of the important product in our tourism offer in Victoria so that we can get tourists back as quickly as possible; \$16 million to assist farmers and restore our natural assets; about \$65 million in funding for emergency services and volunteer groups, and I referred to some of that previously and some of those resources are now being rolled out; up to \$22 million to support the state forest timber salvage program. We had to do this in 2002-03—that is, you have to move quickly. You have to secure contractors, you have to—and I am not sure if the Greens are keen on this one—harvest forests which were identified for harvesting that had been burnt out. Obviously, by leaving those areas, there would be little capacity to do that in the future, so we have progressed that with a funding capacity to advance those contracting works with \$22 million to salvage that timber for use in our community.

There is \$10.8 million to support businesses and communities through the recovery process, and we announced in the 2007-08 budget that we will spend a further \$16 million on top of that to ensure that the emergency services authorities are equipped to respond quickly and effectively to bushfires, floods—we have not seen those for a while—and storms. This will include about \$9 million to replace or upgrade 18 country fire authority stations and \$7.5 million to construct or upgrade Victoria's SES units and training facilities. So we have tried to be as comprehensive as possible. We have put ads on already encouraging people to go back into areas across Gippsland and the North-East, and people are. I am not sure if you are experiencing that, but people are coming back, which is quite good. People want to see the recovery process. I was in the Grampians myself over the Easter period, and the recovery is magnificent. It is a spectacular thing to witness, and we are trying to encourage that across this great dividing complex area.

The CHAIR—Thank you very much. Mr Sykes?

Dr SYKES—I will ask my question slowly, Premier. My question relates to the quantum of road funding for country roads. The background to it is that it is my understanding that, if you go back to the year 2000, deaths on country roads made up 37 per cent of the deaths on all Victorian roads. Since that time, the deaths on Melbourne and city roads have reduced substantially but the deaths on country roads have increased. So we are now in a position where country road deaths account for 57 per cent of the deaths on roads in Victoria.

The budget allocation for the upgrading of roads, I understand, is in the order of \$246 million, give or take a few. But when you dissect that, the large proportion of that money is being spent on, I think, the Geelong bypass and other non-local government managed roads, whereas an RACV report had suggested there needed to be an extra couple of hundred million dollars a years for the next 10 years to upgrade country roads to a safe standard, and local government were not in a position to fund that. My question is, what is the basis for not picking up on the RACV report recommendations and injecting more money into country roads to save country lives?

Mr BRACKS—Thank you for your question. First point: country roads, local roads, are a federal government and local responsibility. That is undisputed. I know you would like us to change it, but that is the case. We are responsible for state and arterial roads and have a partnership with the Australian government in relation to some of the national roads as well, under AusLink. Local roads, under the Roads to the Future program or under direct funding that is given to councils, are the responsibility of the federal government. Nevertheless, we have contributed a significant amount to roads. Inherent in your question was an absolute connection between country roads and the road toll. There is a connection but it is not as absolute as you mention. There are a number of factors involved in the road toll or road injuries.

Driver behaviour, speeding and alcohol are probably bigger factors in relation to road deaths, and can be proved as such, than is the condition of roads. We can prove that and I can submit to you detail after detail to show that speed and alcohol account for more road deaths than the road conditions ever account for. I just wanted to make that point; there is a connection with some roads but the question you raised would indicate that it was totally to do with roads. That is not the case and we do not want to be under a misapprehension or a poor policy base of saying, 'Let's put a significant amount of money to improve every country road in Victoria,' and we still have road deaths and we say, 'What's happened?' What has happened is that we have not improved driver behaviour, compliance education and a range of measures required.

The overall road toll has come down. We have had the three lowest road tolls in Victoria's history over the last three years. The current road toll is slightly higher than last year. That is regrettable and any road death is a tragedy. Road injuries hang behind that as well, as a significant problem for our community. But when you consider that our population has been increasing at a faster rate than the nation's—Melbourne is now the city which has had more people come to it than any other city in Australia; country Victoria is growing at the fastest rate that it has grown for 40 years; and we know that Ballarat, Bendigo, Geelong and Mildura are the fastest growing regional centres in Australia; our population in Victoria is now over five million and in Melbourne over 3.7 million—we have had more people and therefore more cars on the road.

We have had more people in jobs and our unemployment rate at the lowest rate it has been for about 20 years. Because there are more people in jobs, there are more people commuting and using cars; so we have more people on the road: more people, more people on the road, more cars per head of population and yet we have had our road toll reduce significantly. That has been a combined effort on enforcement, on education and on improvements for our black spot road funding. I might remind you, Mr Sykes, when we came to government we found the cupboard was bare. The National Party in coalition with the Liberals did not have a black spots road funding program; did not.

I was criticised, coming to opposition—remember this criticism?—for allocating money for the black spots roads funding out of the Transport Accident Commission. I can remember the then Treasurer Alan Stockdale saying, 'This is ridiculous and should not occur.' We won the election, we did bring this in and we have had successive black spot road funding projects ever since. We now have grey spot roads funding for roads which

may not have the accident rate and therefore may not be as high a priority but have potential for a high accident rate, by an independent assessment; and therefore we are funding those as well. We have spent a significant amount of money, more than any other government, on roads including country roads and will continue to do that in the future. We understand our responsibilities and will continue to meet them in the future.

Dr SYKES—Could I clarify through you, Mr Chair, a couple of statements or facts there. I agree with the Premier that there are a number of factors that predispose to deaths on country roads, including those mentioned. In spite of that, the RACV still made a recommendation that another \$200 million needed to be spent on upgrading. So we agree?

Mr BRACKS—Yes, I am sure we do agree. We agree about that.

Dr SYKES—No. 2 clarification of fact: we agree that the total deaths on roads in Victoria are down, but the deaths on country roads are up.

Mr BRACKS—Yes.

Dr SYKES—From 187 in about 2000 up to 193 last year.

Mr BRACKS—I agree with that, but my submission here to the Public Accounts and Estimates Committee on the evidence that I have seen is that the majority contribution to that is from speeding and alcohol—that is, predominantly young people and speeding and alcohol.

The bells having rung.

The CHAIR—We will take a break and resume when we have a quorum.

Hearing suspended.

The CHAIR—Can we reconvene, please. I now formally resume our hearing and ask Mr Pakula to resume the questions, please.

Mr PAKULA—Thanks, Chair. Premier, I am back on page 174 of Budget Paper No. 3, under the strategic policy advice. I put a key policy of that area as being A Fairer Victoria. Could you outline the progress of the implementation of A Fairer Victoria policy statement and how it is meeting its objectives.

The CHAIR—Into the future as well, please.

Mr BRACKS—Thank you for your question. We are very proud of the initiative we took some three years ago to implement a whole-of-government approach to fairness across the budget and across all government agencies. A Fairer Victoria is doing just that, including the current budget considerations for A Fairer Victoria which will be released separately by the Minister for Victorian Communities and the Deputy Premier, I think, as early as tomorrow. That will be the third instalment that we have had in having A Fairer Victoria package across all of our government activity. It is our long-term action plan to tackle disadvantage and create opportunity. Those two things—creating opportunities across all government sectors and services and addressing disadvantage directly—are what it is about. Over the last two budgets we have invested more than \$1.64 billion in practical new initiative reforms. This year, as part of the 2007-08 state budget, A Fairer Victoria: building on the commitment will deliver a further \$1.435 billion over four years. This includes a record investment of \$500 million in social and public housing to ensure that Victorians have access to affordable accommodation.

I believe that this budget is probably the most equitable of all the budgets that we have submitted since we came to government. If you look at the total cross-section of direct assistance and support to families across public housing, across removing fees effectively from low-income families sending their children to kindergarten, in children's centres, in aids, equipment and support for those with a disability, you are seeing a most significant contribution to addressing disadvantage in this state. I am very proud of that and I am proud of the fact that, after seven years in government, we are able to have a strong budget which enables us to address disadvantage in a comprehensive way.

Implementation of initiatives in A Fairer Victoria 2005 and A Fairer Victoria: progress and next steps in 2006, is well under way. For example, the government has funded long-term projects in 23 of the 40 most disadvantaged areas in Victoria and moving to place based funding has been a principle that we have had across A Fairer Victoria, moving outside programmatic funding, seeing what is required in areas of disadvantage, and tailoring and supporting that for those areas is a principle that we have moved to. I think we are leading the nation in that area. This includes neighbourhood and community renewal projects and, if members of this committee have not seen the effects of neighbourhood and community renewal, I would suggest—and we can facilitate—that you have an opportunity to do that; whether that is the Wendouree West community, the single biggest regional housing commission estate which is now owned by the community, has new important facilities, has new job creation as part of it. This really is a significant reform and development, and includes those projects across the state.

The first round of evaluation of neighbourhood renewal has demonstrated that the projects are increasing community pride and participation; ownership is very important, and that is what we have tried to do for A Fairer Victoria: improving employment learning and local economic activity, enhancing housing and the environment, improving safety and reducing crime—we have seen a direct reduction in crime where neighbourhood renewal has occurred, direct and almost immediate—and increasing access to services. I am very proud of not only what we have achieved over the last two years but this large package, intersecting with the social housing and public housing package, I think, will make a real difference for generations of families in Victoria.

The CHAIR—Thanks very much. Mr Barber.

Mr BARBER—My question is in relation to the Office of Climate Change. How many people are in that? What are their areas of specialisation relating to climate change and, given that they are now working for you, what are you expecting from them in the next 12 months separate to SEAV, DSE's climate unit etcetera.

Mr BRACKS—You will find the resourcing allocation in the details. I will come to the other matters later. What I am expecting is very high quality advice and policy output so that we can lead the nation on climate change. That is my expectation—that we can lead the nation on climate change reform and change. We already have a position where the states and territories independently, from the work that we have done already through the Department of Premier and Cabinet in our leadership position, have adopted an emissions trading scheme with a significant greenhouse gas reduction from the 2000 figures, which we will implement from the end of May, with legislation going to all parliaments in the Commonwealth and territories, if the Commonwealth does not have a scheme which is sufficient and robust to achieve significant greenhouse gas emissions. That was largely due to the work we had across the Department of Premier and Cabinet, and I should acknowledge and accept that the work of the New South Wales Department of Premier and Cabinet was also supportive of that, and it was Victoria and New South Wales together that drove that. It was myself as Premier and also the former Premier of New South Wales Bob Carr who were, essentially, in the cart early, driving those changes and improvements, and that has continued.

In relation to the number of staff—this is just the central policy unit within my department, of course; we have significant capacity outside of that, within the Department of Premier and Cabinet, and also the Department of Sustainability and Environment—there is one manager, one admin officer, four policy officers; experts in environment, public policy and economics. The announcement formalises our leadership role. Expenditure, as we mentioned, will be \$5.5 million over three years. We are also giving support in Victoria to the economic base case and examination for climate change to be undertaken by Professor Garnaut, and the work and the resourcing of that will also be undertaken from Victoria, to assist with that for the nation through the other states and territories and the Commonwealth. I am happy to provide a separate briefing, if that is suitable, on other details and the personnel.

Mr BARBER—No, just while we are here, what tangible outcomes do you expect out of it in the next 12 months. You mentioned the ETS bill and input to Garnaut.

Mr BRACKS—With your permission, could I ask the secretary, whose responsibility it is, to outline that?

Mr BARBER—Sure.

Mr MORAN—We, along with other states, are involved in the states' proposal for an emissions trading scheme, and that has reached the point where the level of technical detail is quite considerable. There is a report expected from the group operating within a few months and then either we will not have to take that any further because the Commonwealth will have decided to go ahead with an emissions trading scheme and if they have that will trigger an immense amount of work through the Office of Climate Change in Victoria to safeguard the state's interests in respect to the Commonwealth scheme. Conversely, if the Commonwealth decides that it does not want to go ahead with a credible scheme, the states will go ahead with a credible scheme and that will probably mean an equivalent amount of work from the state's perspective to make sure that our state's interests are guarded, as all the states together set up an emissions trading scheme. There is also a lot of work on the impact of climate change on the Victorian economy which has to be done, but that has been put a little bit into the background because of the amount of work that will be done through the Office of Climate Change and other parts of the public service to support, as the Premier said, Professor Garnaut's study.

Mr BARBER—So in terms of some of your other election commitments—I think a target for energy efficiency—those either will not be delivered this year or they will be delivered by another part of government?

Mr BRACKS—They will be delivered. The minister responsible for that is the minister for climate change and the agency responsible is the Department of Sustainability and Environment. This is a separate policy thrust over and above and sitting above that. That is the outcome of previous policy developments without the Office of Climate Change. Now that we have that office, we are taking it to a new level. So, yes, all of those will be implemented, Mr Barber.

Mr BARBER—And the bill for a reduction goal?

Mr BRACKS—Yes. We are committed to that bill and we will be introducing that—do I have advice on when we will be introducing that?

Dr BEN-DAVID—September or October. Minister Thwaites is preparing that with DSE.

Mr BARBER—And the complementary legislation to the feds on carbon capture and storage regulatory regime?

Mr BRACKS—Geosequestration. I am trying to think of the timetable for that. We will get you some advice on that. I do not have the timetable in my head on that.

Mr BARBER—Thank you.

The CHAIR—Thank you very much. Mr Scott.

Mr SCOTT—Premier, in relation to strategic policy advice output on page 174 of Budget Paper No. 3, I understand that 12 months ago Mr John Denton, the Victorian government architect, spoke to a committee about his newly established office.

Mr BRACKS—Yes.

Mr SCOTT—Twelve months on, can you provide an update on the work program in the context of the current budget and how it builds on the achievements of the Victorian government architect?

Mr BRACKS—Yes. We did have a report directly from the Victorian government architect in public housing estimates. The office was established at the beginning of 2006. It has added significantly to the implementation of government policy through assisting the government to deliver a range of policies and initiatives and projects at the very early development stage of those projects. The office is currently preparing educational materials for practitioners, state and local government officials, to increase awareness of the importance of high-quality design throughout Victoria's urban environments. It is providing advice on specific projects. The system we have is that, where I nominate or a minister nominates that the government architect be involved in a project, direct advice would obviously be provided by the state government architect or his office and would assist the project client agency, the department or the agency that is undertaking that work.

The Victorian government architect's office is assisting the Department of Sustainability and Environment in relation to the Melbourne Convention Centre, one of the newest projects in the state. You will probably see it going up in Docklands, and he is having input into that project currently to achieve appropriate public realm objectives across the site. It is a great site, a strategic site, and has a good frontage—as most convention centres need to do—onto the waterfront, and most of the successful ones in the world do have that frontage. It is associated with the exhibition space, and getting the right site lines and aspect is a very important part, and the state government architect is assisting and supporting that. He is also assisting currently—you asked about the current projects—in the Department of Education and Training in relation to the new schools.

The big school rebuilding projects that we are undertaking and the modernisation projects—the state government architect is on the ground level of those, advising on good sustainable design, giving advice in relation to any decision we need to make in the future on a new police headquarters—and we know it is coming to a point where there will need to be a new facility—the Department of Human Resources in relation to the Royal Children's Hospital development and also, with the large housing projects that we are envisaging, the Office of Housing will also, at the front end, receive advice and support from the government architect. So the government architect is at the front end of projects. The convention centre is probably the exception there, because it was announced before the architect was in place but, nevertheless, was able to receive support and assistance because of the progress on it.

The CHAIR—Thanks very much. Mr Rich-Phillips?

Mr RICH-PHILLIPS—Thank you, Mr Chairman. Premier, I would like to ask you about the

efficiency measures you spoke about earlier. I refer you to page 344 of BP3. Firstly, in relation to the line item 'other efficiencies', you spoke about the individual initiatives—shared services, branch administration et cetera. That other line for 'other efficiencies' makes up roughly 28 per cent of the total, so it is a material amount. Does that refer to the restriction on head office—

Mr BRACKS—Yes. A large amount of that, apart from any administrative savings, is on the one per cent. That saves quite a bit.

Mr RICH-PHILLIPS—Are there any other aspects to that?

Mr BRACKS—Nothing of any significance. If there is, I will commit to giving details to the committee, but my understanding is that the one per cent is the significant matter in relation to that.

Mr RICH-PHILLIPS—The footnote refers to that table showing, effectively, gross savings—that is, not including the cost of implementation. Are you able to provide the committee with details of the whole-of-government annual cost for implementing those savings?

Mr BRACKS—Yes, sure. I will give you some details on that. I will have to consult with Treasury who have the carriage of that overall.

Mr MORAN—I think that is a reference to the shared services initiative, Mr Rich-Phillips, and what has happened is that there is a small amount—and I have forgotten the exact figure; it is between \$11 million and \$16 million—which has been added to the savings target itself in order to provide the new government services group within Treasury with the resources to set up the new shared services arrangements beyond those which exist at the moment.

Mr RICH-PHILLIPS—Will that be a one-off cost?

Mr MORAN—I believe so.

Mr BRACKS—It is spread over two years. We will get details of that.

Mr MORAN—I think Treasury is now making progress on that. They have advertised externally for the head of the new government services group.

Mr BRACKS—Savings are always good!

The CHAIR—Ms Graley?

Ms GRALEY—Premier, I refer you to page 174 of Budget Paper No. 3, strategic policy advice. An important initiative of the government under this output is community cabinet. Can you provide the committee with some further information about community cabinet; how it has been received by the various communities involved and how you will carry it forward.

Mr BRACKS—We committed at the last election to completing the cycle of community cabinets to those municipalities and to those regions in which we are unable to take the cabinet over the first two terms, and the first of those occurred in the City of Moonee Valley recently. If you look at the map—the metropolitan area and the country—we have covered a significant amount of Victoria. That does not mean you will not have community cabinets again in those regions—of course you will—but we want to complete some of those areas as well.

We are committed to taking cabinet out into the community. It is an innovation reform that we undertook when we first came to government. It allows the community to have access to ministers, submissions and proposals in a meeting hall type atmosphere in which ministers can present and submissions can be made, with key delivery agencies from the government able to take up those matters directly, and that is part of why we have not only ministers but key department heads and agency heads as part of that as well. It is an integral part of the core functions of the Department of Premier and Cabinet. The cabinet office now has as one of its

regular functions the organisation and the conduct of community cabinets, with associated costs absorbed within the existing policy programs and budgets and delivered through the area I mentioned before, strategic advice and project output.

We have visited 68 regional and metropolitan municipalities since the community cabinet program commenced in November 99. The first one, I remember, was in Wangaratta, and we have covered most areas since. Recognising the success of the program, we have made a pre-election commitment, as I mentioned, to visit the remaining municipalities. We have scheduled that by the end of 2007 cabinet will have undertaken 80 community cabinet visits in total over an eight-year period. To facilitate engagement with communities for upcoming visits, my department arranges an appropriate level of announcements in the local media. These announcements consist of either local advertisements or fliers that are inserted into local newspapers featuring details of the event and how the public can make a submission for those visits.

A consistent request from most communities and participating organisations is that the government formally reports back to the committee. In fact, that was an innovation we dealt with in the last term—that we have a report-back on what we have achieved, what has been taken up and what we have committed to do—and we will do that in the future. It is very successful. It is a way of getting feedback directly on government programs and activities and advice on future programs.

The CHAIR—Thank you, Premier. I will ask Mr Dalla-Riva to ask the penultimate question in this regard.

Mr DALLA-RIVA—Thank you very much, Chair. Premier, I refer you back to Budget Paper No. 2, to page 45, which I referred to in my last question—again the issue of unallocated provision for future allocation, and I again refer to the fact that \$1.611 billion is in there. I also indicated in my previous question that the Treasurer had said that there was—and I used these words—'\$3 billion'. You indicated that you were not prepared to make a comment because you could not verify it. The *Herald Sun* on Wednesday the 2nd said:

Mr Brumby said the government had \$2.9 billion available through 'unallocated capital capacity'.

I present that document if you doubt me. Where is the discrepancy from the \$1.6 billion to \$2.9 billion that the Treasurer has indicated?

Mr BRACKS—There is budget capacity to deliver on the remaining commitments with available unallocated capital over the forward estimates, translating to a total expense—a TEI—of \$2.9 billion. There is a capacity there, so what the Treasurer is referring to is the TEI.

Mr DALLA-RIVA—Thank you. To clarify, where is that in the budget paper? We are relying on the budget paper, Premier, to get the figures.

Mr BRACKS—Sure, but the TEI is always a total figure. As you know, the capital projects are reported on in the September period and audited by the Auditor-General.

Mr DALLA-RIVA—Are you going to tell the Treasurer not to go out there giving numbers that do not exist?

Mr BRACKS—No.

Mr DALLA-RIVA—It would be a nice idea!

Mr BRACKS—It is time honoured. It has been there forever. The total cost of that capital has always been reported on, as treasurers and governments like to talk about the state-building that we do.

The CHAIR—Thank you, Premier. A final question, Premier, in regard to your portfolio. What resources and staffing costs does the department anticipate applying to servicing PAEC hearings?

Mr BRACKS—This is not a vested interest question, is it?

The CHAIR—It is, indeed, and every minister will be asked it, based on experience over the past few years. We are quite happy to take it in writing, if you wish.

Mr BRACKS—As I mentioned in the preamble, we are providing a further \$360,000 to the work of PAEC, for very good reason. I was of the view when I was on PAEC—and I think it has been a consistent view for some time—that PAEC has a different role and function to other joint parliamentary committees. It is a different function. It ranges over the whole of government. It has an estimates hearing in which ministers make submissions, and it can call in government departments for those submissions as well. It reports to the parliament on the overall estimates, and those recommendations are very important for government activity.

Because of that and because of its primacy as a scrutiny on the executive and its operation, I am very happy that within the parliamentary appropriation there is \$360,000 extra provided. If there is any doubt with the presiding officers or clerks, you can show them the transcript of this hearing and subsequent correspondence that you will receive from the Treasurer about these matters. It is provided by the parliament through the output of parliamentary reports and services. We will specify in much more detail, but what I will undertake to do if it is suitable to the chair and the committee, is to have formal correspondence submitted by the Treasurer to the PAC outlining the money resources and the allocation of that and the principles on which it was allocated.

The CHAIR—Thank you very much. That concludes our hearing in regard to the Premier's portfolio. I want to thank Mr Moran and the departmental officers for their attendance. I think rather than have a long break, we will move pretty much directly. So if we could ask Mr Yehudi Blacher and his officers to move in quickly that would be really good.

Witnesses withdrew.

CHAPTER 9: DEPARTMENT OF PRIMARY

Transcript of Evidence

9.9 Agriculture portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

9.10 Energy and Resources portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 10: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Transcript of Evidence

10.9 Planning portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

10.10 Water, Environment and Climate Change portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

CHAPTER 11: DEPARTMENT OF TREASURY AND FINANCE

Transcript of Evidence

11.9 Finance, WorkCover and Transport Accident Commission portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

11.10 Treasury portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 4 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr J. Brumby, Treasurer,
Mr G. Hehir, secretary,
Mr S. Helgeby, deputy secretary, budget and financial management division, and
Dr L. Williams, deputy secretary, economic and financial policy division, Department of Treasury and Finance.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2008 budget estimates for the Treasury and the portfolios of innovation and regional and rural development. On behalf of committee members I welcome the Honourable John Brumby, Treasurer, Minister for Innovation and Minister for Regional and Rural Development; and Mr Grant Hehir, Secretary, Department of Treasury and Finance. Also from the Department of Treasury and Finance are Mr Stein Helgeby, deputy secretary, budget and financial management division, and Dr Lynne Williams, deputy secretary, economic and financial policy division. 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 the filming and recording of proceedings in the Legislative Council committee room.

All evidence taken by the committee is under the provisions of the Parliamentary Committees Act and protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript and the committee requests that verifications be forwarded to the committee within two working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following a presentation by the Treasurer, committee members will ask questions relating to the budget estimates. Generally the procedure following 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 presentation of no more than 10 minutes on the more complex financial and performance information relating to the 2007 budget estimates for the portfolio of the Treasurer.

Mr BRUMBY — Thank you, Chair. Could I also just acknowledge here this morning Mr Robert Kerr, who is one of the commissioners of the Victorian Competition and Efficiency Commission. If there are any questions today in relation to the work of VCEC or regulation reform or some broader productivity questions generally, I know that Mr Kerr will be happy to answer them.

What I propose to do this morning is run through the slides, and then, of course, move onto questions, so I will do that. As tradition would have it, there are two or three slides at the end that the secretary will present about some of the operational matters, and Grant Hehir will do that.

Overheads shown.

Mr BRUMBY — I think everyone is familiar with the budget highlights, and what I will really focus on today is the financials, which I think are of most interest to the Public Accounts and Estimates Committee.

Budget numbers — I guess what I would observe there obviously is the surplus comfortably in excess of \$100 million over the forward estimates period, averaging \$424 million over the forward estimates period, but also the modest growth in both outlays and in income.

The state economy — nominal GDP growth over the next few years will be somewhere between 5 and 6 per cent depending on what the rate of inflation is. Real GDP growth is 3.25 per cent going forward. So these numbers are very modest, and of course the growth which is forecast here in both income and in outlays is actually less than the growth in the economy as a whole. So it is a financially prudent budget.

I just thought I would show this next slide because obviously there has been some discussion about the level of spending in this budget. This budget has the largest capital spend in the state's history, but in recurrent terms — in other words, what we do in operating terms — it is a conservative budget. This is looking back over the period we have been in government at gross budget spending — this is new spending — and net spending. The difference between gross and net is obviously that sometimes we make savings. In five of seven budgets we have made savings. We also often put aside contingencies for things like hospital demand. So the difference between the gross and the net is often many hundreds of millions of dollars.

So just putting these into perspective — this is in nominal dollars. This is the 06–07 budget — actually I presume that should be 07–08; why is 07–08 missing from that? That is actually the 07–08 number; I apologise for that. So you will see that net new spending is \$424 million, and if you compare on budgets earlier, you will see that the previous year was \$495 million, the year before that \$688 million, then \$550 million — again, these are in nominal dollars. Those two years were lower, but they are in nominal dollars. This one here in real terms would probably be pretty close to this year.

Mr WELLS — Treasurer, so does that mean that each year — is there a year missing previously, or is it that it is one year back all the way through?

Mr BRUMBY — I am sorry, they are the right years. They are up to 06–07. My apologies for that — 07–08 fell off the edge of the graph. So in 07–08 the gross is \$822 million and the net is \$447 million. Again they are nominal dollars. So this year's is equivalent to last year's, less than 05–06, less than 04–05, less than 03–04 and less than 00–01. So in recurrent outlay terms, this is a very fiscally prudent budget. That is another way of showing that. Again there has been some comment about the level of taxes and the level of expenditure. This is total income versus total expenditure. You can see what we have done during government is bring the income and expenses lines closer together; that is good government. There is no point taxing people more than they need to be taxed. There is no point spending more than you need to spend. The best budgets are those which are properly balanced between income and expenses, and that is what we have done.

Again you will see there — here we are in 07–08 — as a share of the economy, as a share of gross state product, total income in this budget is actually less than it was when we were elected. You will see in terms of spending as well, it is about the same as when we were elected: around 13.1 per cent. I have got a table that shows that, I think. I think I have got one later on which shows the detail of that.

Net assets — again one of the comments on this budget is about how much we are spending on assets. One of the untold stories in this budget is just how much the assets of the state have grown during the period of this government. I want to show you that slide because I made a few comments this week — one of our senior Treasury officers, Murray Jones, is retiring later this year. Murray joined us in 1998. The net assets of the state back then were about \$14 billion; today they are \$44 billion. So the financial position of the state, as I have said on a number of occasions this week, is the best it has been in 50 years.

That is another way of looking at it. Again it is probably instructive for Public Accounts and Estimates to just note that in real terms and in nominal terms net debt and superannuation liabilities are lower today than when we were elected. This is quite an extraordinary achievement. That is where we were in 1999. You can see there that is unfunded super, and this is what we call general government net debt. So up there around the \$16.5 billion to \$17 billion-mark — as a share of GDP, by the way, it is 10.6 per cent. Even in nominal terms today; here we are in nominal terms, and I will show you a variation on this in a moment — here we in nominal terms: we are billions lower in nominal terms; in real terms we are \$11 billion lower. As a share of GDP, that is how you measure it.

I will just show you. We were the first state to introduce international financial reporting standards. When we did it added about \$2 billion to the bookkeeping value of the debt. It is only a bookkeeping transaction; it is not real debt. If you want to compare like with like, that is like with like. We need to be clear about this: in real terms net financial liabilities and net debt are massively lower than they were, and even in nominal terms, by the end of this forward estimates period, 10–11, nominal net financial liabilities will be significantly lower — in nominal terms — than they were back then. This is 1999 money and in real terms that \$16 billion was equivalent to 10 per cent of GDP. GDP today is \$250 billion, so in real terms that figure would be \$25 billion — it would be off the graph. That is where it is going to be. This is the strongest set of budget financials in 50 years.

That is another way of looking at it, which I mentioned in Parliament during the week. Here we are, down here, and that is where previous governments have been. It would be useful to have a proper discussion about the asset investment program of governments because it is a good thing to ensure that assets can be paid for — assets that last 20, 30, 40, 50 or 100 years can be paid for by a number of generations and not just the taxpayers of today.

The next slide refers to unfunded superannuation. It is \$5 billion lower. Of course, there was some confusion during the week between recurrent and capital outlays. When states have capital obligations they pay for those through the interest expense, which is a recurrent outlay. We measure that by superannuation and finance expenses. This shows, going back to when we were elected, those expenses were 10 per cent of our revenue, our revenue is

\$34 billion and they were running at \$3.4 billion in present money value terms. Today they are running at 6.5 per cent at about \$1.2 billion. We are spending \$2 billion less each year in real terms servicing superannuation and interest expenses. That is why we are able to embark on the biggest capital program in history. That is why we are able to put more teachers into schools and nurses into hospitals and why we are able to return a budget operating surplus.

There are savings in the budget through efficiencies in the way in which we run our departments. We have produced efficiencies in five of the seven budgets, and we do that again in this budget. We implement everything we said we would do in Labor's financial statement. In addition, there are some further efficiencies which I have identified which will produce savings of \$185 million over the forward estimates period. To put that into perspective, in five of our seven budgets we have saved about \$100 million a year, and that figure of \$45 million is obviously about half of that number and can be achieved by departments.

You have seen the growth numbers going forward all week, and I will not dwell on them, but the 3.25 per cent is the consensus forecast. We have some that are a bit higher. Access Economics has been up at about 3.9 per cent. They are generally conservative, I must say, about Victoria's growth, but that is the consensus forecast: 3.25 per cent.

With private business investment, it shows our performance compared with the rest of Australia and particularly with New South Wales. It is an extremely impressive picture. One of the manifestations of that is how we are doing with new office blocks, tourism, investment, warehousing and things like the convention centre and new manufacturing capacity. Our share of national building approvals is up from around 20 per cent to nearly 30 per cent today.

Members have seen that people are coming to our state because the economy is good and the lifestyle is good. You have seen that on jobs. Close to 75 per cent of the jobs in Australia have been generated between two states. There is extremely strong regional jobs growth and despite the obvious difficult conditions in many parts of the state, the jobs growth has been quite extraordinary. Regional unemployment rates and infrastructure — I think you have seen all of the things we have been doing over the past few years, building the infrastructure that industry and the community want to see.

The overhead shows the spending; so the TEI in this budget was \$3.3 billion and the spend this year, in 2007–08, will be \$3.6 billion. That will be the highest ever, exceeded only by next year's. On tax cuts, the land tax cut — as I said in my budget speech, it means land-holders on unimproved capital value between \$0.4 million and \$4.5 million will have the lowest land tax in Australia.

Stamp duty and WorkCover premiums savings: we have seen that on WorkCover — 1, 2, 3, 4 — no other state has matched our performance. We have the lowest premium rate in history, and we have achieved that with a funding ratio which is still in excess of 100 per cent.

Land tax: this was the cot case we inherited from the Kennett government in 1999. We have been progressively moving that curve into the real world, and here we are in 2008, which gives us a top rate of 2.5 per cent and gives us the lowest land tax, \$400 000 up to \$4.5 million.

We now have the second lowest motor vehicle duty. I might refer to that later, because there is a story in the *Australian* today about how that is going to attract business to our state.

This was the table I referred to before, Chair. Again I think it is useful for the committee just to note the actual numbers on revenue and growth. Here is what is worth noting — I think some people during the week have been a bit confused about the real value of money and the nominal value of money — that is the GSP when we were elected, \$172 million; this is what it will hit this year, \$257 million. That was our expenses then; this is our expenses now. Our economy has grown by around 49 per cent; our expenses have grown by around 49 per cent; our revenue, 44.5 per cent.

Our taxes — as we have been busy reducing taxes, cutting land tax, cutting payroll tax, abolishing taxes under the GST — have grown by 36 per cent. That is the commonwealth's position, and those numbers will stand up to any sort of scrutiny you want to subject them to. That is it, Chair.

The CHAIR — Thank you very much, Treasurer. We now have 1 hour and 50 minutes allocated for questions. I would like to start off by picking up your theme of productivity and ask what will be the impact on productivity of the budget and the portfolio spend?

Mr BRUMBY — I think in terms of productivity, as you know, Chair, we have consistently said as a government that this is the biggest challenge facing Australia. That is why in 2005 the Premier released the national reform initiative. We took that up to Canberra; that has now become the national reform agenda. It is essentially about investment in human capital, regulation reform and competition policy.

Since that went to COAG the Productivity Commission has modelled the benefits of that, and the Productivity Commission has confirmed that the benefits of that will be \$11 billion over the next 25 years — so about half a percentage point of GDP growth per annum. The biggest benefit of that will come from the investment in human capital, which is in skills and preventative health programs.

We are making some progress with the commonwealth in areas like early childhood development, to some extent mental health, and more recently diabetes, but we would like the commonwealth to move much, much further. If you compare Australia's productivity performance with the rest of the world, and particularly the United States, it is not a good curve. US productivity continues to rise; Australian productivity continues to decline. I think the single most important thing in this budget, and indeed over the next year — that we can all do in terms of productivity improvements — is support of the national reform agenda. That is the single most important thing.

In this budget, as you will note, there is a whole chapter on economic reform. It identifies what we are doing in that; it identifies how we want the commonwealth to move faster so we can accelerate this agenda.

In terms of this budget, the investment in skills; the investment in preventative health programs, diabetes; the investment we are making in capital works — all of these things will drive a stronger economy and productivity growth.

Most economists would say that there are two major roadblocks in the Australian economy. One of those is lack of investment in productive capital; the second is the skill shortage. In both of these areas I believe Victoria is taking the national leadership position in tackling these problems. We were the first state to significantly increase our spend on capital works — we are doing that again in this budget — and last year, calendar year 2006, we trained more apprentices and more trainees than any other state in Australia, including New South Wales, which has got nearly 2 million more people than us.

The other element of this budget is regulation reform. Again, that is contained within the chapter on economic reform. We are making strong progress on regulation reform. I hope I have the opportunity to comment on that later. I will be making a further major speech on regulation reform in the next four to six weeks.

So I believe this budget does drive productivity. It invests in productive capital. It invests in human capital and skills. It continues with our program of regulation reform. I think, through the tax cuts we have provided as well, it will drive a more efficient economy. That means increases in productivity growth.

Mr WELLS — I want to try to get to the bottom of the confusion surrounding the major water infrastructures. Our dams are down to 29.9 per cent. Euroa ran out of water last night, if you can believe it. I note that over the last couple of days you have mentioned you are looking at a desalination plant, a north-south pipeline, a Latrobe Valley project and stormwater projects. You have said that one of these projects will be chosen, on the Neil Mitchell show. Later on that day the Premier came out and contradicted you. I would like to know where the government stands in regard to major water infrastructures. I note that in your speech you said that you are going to do a study, and you are going to examine.

I also refer you to budget paper 2, page 45, the unallocated provision for future allocations. By my reckoning it comes to around \$1.611 billion. How do you intend to fund these water infrastructure projects? Is the Premier right that it will be a number of these projects, or are you right that it will be one of those projects?

Mr BRUMBY — Let me go back to the budget speech, firstly. In the budget speech, I went through all of the water initiatives. They are all set out there. I said the initiatives we were announcing in this budget were the equivalent of producing water savings of 80 billion litres. I made the point that that is the equivalent of a Sugarloaf Reservoir. I then went on to say that we have a number of options. Those options are all well known, and we are

examining those — the eastern water recycling plant, desalination plant, stormwater re-use. The government is also examining the proposed north–south pipeline. I then said, and I quote:

And in the coming months, the Bracks Government will outline our major augmentation plan to meet Melbourne’s future water demands.

That is what both the Premier and I have said that we will do in the coming months. All of those plans, in one way or another, have been under study and investigation by the government. The north-south pipeline is more recent, as you are probably aware. A group of prominent irrigators and business people in Shepparton, led by John Corboy and Ross McPherson, have proposed to the government a plan that would pipe water from the north of the state to the south. That plan is also under consideration. As the Premier and I made clear on Wednesday, the augmentation proposals may be a single proposal, may be a combination of proposals, may be more than one. That will be outlined in the plan that we announce at that time.

In terms of what I understood to be the second part of your question, which went to the unallocated capital?

Mr WELLS — Yes, and the funding of these major projects.

Mr BRUMBY — Let me go to the funding, firstly. Under the national water initiative to which the states and the commonwealth are agreed, the general principle — which, as I say, is also agreed by the commonwealth — is that water projects should be self-funding. You are welcome to look this up on the internet and have a look at the national water initiative. That is the agreement which the commonwealth wanted with the states, which says that, as a general rule, water projects should be funded by users.

The reality, however, is that governments over a period of time, and since the signing of the national water initiative, have sometimes chosen to contribute and make a direct capital contribution to water projects. We are not required to — indeed, it is actually proscribed; it is actually prohibited under the national water initiative — but governments do, to accelerate projects, sometimes to bring them forward and sometimes to take the pressure off consumers. But it is proscribed under the initiative and you are welcome to read that.

If you look at the Wimmera-Mallee pipeline, for example, we have contributed \$167 million towards it. We do not have to; we are not obliged to, but we believe it is a good project, which, were it not for a government contribution, would never have happened. As you know, governments for the last 25 years have been looking at that project, and no government until the Bracks government came to fund it.

Not all projects require or need government support. A good example would be the reconnection of the Tarago Reservoir, which we have announced previously would be reconnected. In our original water plans, that was due to be reconnected in 2011; that is now due to be reconnected in 2009–10. So that plan has been accelerated, but that plan is entirely funded by Melbourne Water as is reasonable to expect from a large enterprise which has a capital base of billions of dollars and has the capacity to spend hundreds of millions of dollars each year on water projects as it does.

Its biggest project, by the way, at the moment is the northern sewerage connection, which is a \$650-million project. Again, the government is not contributing directly to that; the cost of it is paid for by users through the sewerage charges they pay. That has been normal commercial practice under successive governments for a long time.

I mentioned Tarago because it is being entirely funded by Melbourne Water and through existing user charges. That will bring 25 gegalitres of water to Melbourne by 2009-10, and 25 gegalitres is a lot of water. That water will come through in that period because that project has been brought forward by Melbourne Water and by the government.

You asked going forward about how would the government contribute, if it wished to make a contribution, to major projects. As you have referred to the budget —

Mr WELLS — Page 45, budget paper 2.

Mr BRUMBY — If you look at page 45, you will see ‘unallocated provision for future allocation’; if you read across that — 2008-09, \$263 million; 2009-10, \$532 million; 2010-11, \$816 million. That is the first year cash of the TEI (total estimated investment) for that year. The rule which Treasury has applied now for more than a

decade is that when you look at a capital provision, you allocate 28 per cent in the first year, 28 per cent in the second year, 28 per cent in the third year, and 16 per cent in the fourth year.

Not every project fits that — if you are building a school, often it only takes two years and it is 50:50. If you are building the children's hospital, it might be over five years and could be 20, 20, 20, 20, 20. If you are building the Frankston triplification, it could be over five or six years as well, so it might be 15, 20, 25 and then 10, 10, 10, 10 or something like that. So it varies from project to project but on average the rule which Treasury has always applied is 28, 28, 28 and 16.

When I say we have been doing that for more than 10 years — if I can refer generally to Treasury in that sense — I would refer you to the last budget of the former government brought down by Alan Stockdale. I am reading from the departmental overview, budget estimates 1999-2000, page 10. I think it is instructive to look at that because it just serves to reinforce the point I am making.

That year the then Treasurer, Mr Stockdale, outlined a TEI of capital projects at \$1.35 billion and the 1999-2000 budget allocation was \$360 million. I have not got my calculator but I understand that is around the 28-30 per cent mark. That is always the way in which governments have done that.

If you want to work out the TEI from that number, essentially you are multiplying by somewhere between 3 and 4. If you go forward and add up those numbers, then apply them in a way that Treasury has been doing for eons, the TEI which is available to announce and which is fully funded in future budgets is \$2.9 billion.

If you were to say, Mr Wells, 'Is that all available for water?', it would not be quite correct to say that, because that \$2.9 billion is available to fund a range of capital projects which the government may wish to fund going forward. I am sure that during this third term in office we will fund more hospitals, we will fund more schools and we will fund more roads.

What I can tell you is that that \$2.9 billion is significantly more than the remaining value of the LFS commitments which remain to be implemented. The value of those which remain to be implemented is about \$1.8 billion, so it is significantly more than that and provides significant budget capacity then for other initiatives which we may wish to announce.

And as the Premier and I have made clear, and the water minister has made clear, we will be making a contribution to a water project or projects, but we are not announcing that today. We did not announce that in the budget, but there is sufficient budget capacity going forward to assist if required in an investment in a water project to either reduce the impact of that on users or to accelerate what would otherwise be the capital program.

Mr WELLS — I just need to clarify one quick point: so the \$1.6 billion that is already in here — the unallocated provision for future allocation — how much of that do you think will be put aside for one of these major water projects, taking into consideration what you were saying about the user-pay and the option of the government wanting to make a contribution?

Mr BRUMBY — If I heard you correctly, I think you have misunderstood the answer. The amount which is available for future announcement — the future announcement is \$2.9 billion. It is not 1.6; I am not sure where you get the 1.6 from.

Mr WELLS — The 1.6 is if you total up the amounts that are in the budget paper on page 45.

Mr BRUMBY — That is the cash for that year — spending in that year.

Mr WELLS — These are the three years; these are 08, 09 and 10.

Mr BRUMBY — Yes, but when you get to 10, the balance remaining in 10, again you have got to multiply by between three and four. Do you understand that?

Mr WELLS — Yes. So we are going into the next term of government?

Mr BRUMBY — So you get \$2.9 billion.

Mr WELLS — Yes. So it is going into the next term of government?

Mr BRUMBY — Yes. That is the way the numbers have always been done.

Mr WELLS — That is fine. So we could be looking at a water project which will not be resolved in this term of government, it will have to overflow into the next term of government?

Mr BRUMBY — No, I do not think you can say that at all.

Mr WELLS — If you are talking about \$2.9 billion, and we only have \$1.6 billion in here, and you are relying on the \$2.9 billion, then obviously we will be going into the next term of government for the finances.

Mr BRUMBY — I do not think you can make that claim at all. As I made very clear on radio, there are a number of options which are before the government. Some of those options will take many years; others can be completed much more quickly. I am not going to pre-empt that today. Indeed I think I said on radio, I think I was asked a question about the north-south pipeline — I have certainly been asked that in the last few days — that is a project which could be under way very, very quickly indeed. That is a project where there are significant water savings which, if those savings are sold into the market, much of that project could in fact be financed by water savings.

There are plenty of people in the market who want to buy water, so if you invest in water infrastructure and save, let us say, 300 gegalitres of water and some of that is available for growth and some of that is available for trade and some of that is available for the environment, someone will want to buy that water, so they will pay you to purchase that entitlement. On the market at the moment people pay \$2000 a megalitre to purchase a water entitlement.

So I do not think your assumptions are necessarily correct. However, it is true to say that some water projects, again as I have pointed out in the Parliament, if you go back to Henry Bolte's days and the Thomson Reservoir, from the time in which he first announced that to the time in which it was full of water was in excess of 12 years, so big projects take a long time, but there are other projects which can be completed much more expeditiously.

Indeed again, do not underestimate the projects announced in this budget, which in aggregate and when complete will produce water savings of 80 gegalitres. By the way, we consume 500 gegalitres in Melbourne, so 80 of 500 is about a sixth of our total consumption. It is a lot of water.

One of the other announcements we made in the budget was the continued funding of our work on the Barmah Choke bypass. Again, we have made an announcement on this previously, but for those of you with an interest in this, there has been debate about the Barmah Choke for many years. The water which flows down the Murray gets choked at Barmah Forest. Much of that water is wasted and/or is then utilised by New South Wales because it just cannot get through the choke and be used by downstream irrigators.

The various assessments on that are that if you put a channel in and go around that, in an average year the water savings from such a channel would be 90 to 100 gegalitres a year; in wet years they will be 230 gegalitres a year. So the point of that story is that you could build a channel and you could secure water savings of between 100 gegalitres and 230 gegalitres a year, which would then be available obviously either for the region or for the environment or for trade with Melbourne.

So there are lots of different ways that this issue can be tackled, and as the Premier and I have made clear before, we want to make sure we have got the right solution, which is right for Victoria's future, and that is why we will make a statement on this in the coming months.

Mr WELLS — Can I just get you to confirm the \$2.9 billion — —

The CHAIR — No, I think we will move on.

Mr WELLS — That it will actually be in the next term of government — —

The CHAIR — We will move on to the next question I think, Deputy Chair.

Mr WELLS — Can I get you to confirm that?

Mr BRUMBY — I think you have misunderstood again.

Mr WELLS — No, I just want you to confirm — is what I am saying right?

Mr BRUMBY — You have asked me the question; I just answered it.

Mr WELLS — You have the future unallocated funds, and if you are talking about a total of \$2.9 billion, as you have, that part of that will be funded in the next term of government?

Mr BRUMBY — This is the TEI which is available for projects, and if you are talking about water, don't forget, again as the Premier and water minister have made very clear — —

Mr WELLS — I might take that as a yes, I think.

Mr BRUMBY — No, I am answering.

Mr WELLS — Well, I think the \$2.9 billion — —

Mr BRUMBY — Hang on, I am answering the question. Do not forget in addition, as the Premier and the water minister have made clear, you are looking at capital funding. There is significant further capacity in the Victorian Water Trust and through the water levy. So again, your assumptions just are not correct.

Ms MUNT — Speaking of election commitments, can I please refer you to budget paper 3, page 5, the second dot point: this refers to the government's asset commitments. Do you think the government will be in a position to fund the remaining commitments by the 2010–11 budget?

Mr BRUMBY — I think I have in part actually answered that question. Of the promises that we made in the election, the capital promises, on the recurrent side we made 172 commitments. We begin work on all of those in this budget. On the capital side we have made commitments — and you would ordinarily expect that you would fund them 25, 25, 25. 25.

I think, again if I might say, Chair, there have been some odd statements I have seen made this week about capital funding, as if what a government promises to do in four years should all be done in the first year. I think the opposition made such a claim in relation to education, and that claim of course is false. What we promised to do is deliver over four years. In this budget we have managed to finance 50 per cent of the capital programs in the first year. The remaining capital capacity going forward is more than enough, significantly more than enough built into the forward estimates to meet all of those commitments with significant additional budget capacity.

I just make another point which I think is relevant. We, as a government, have been probably erring on the conservative side in our revenue forecast going forward. That is, I think, a good thing to do. The consequence of that is that we have produced in fact a cash surplus every year we have been in government. In fact we have ended up at the end of the year with significantly more cash than we had budgeted for at the beginning.

I think looking forward, as I have said, these are the best set of budget numbers in 50 years, and there is significant strength in the balance sheet. So not only is there more than enough capacity to meet all of the election commitments and do more, as I have just been saying to Mr Wells, there is also a significant capacity for other new projects.

Dr SYKES — Treasurer, I would like to focus on the drought which is near and dear to the heart of The Nationals people out there. Yesterday, during the presentation at the budget breakfast, it was indicated that the impact of the drought on the economic growth of Victoria was a reduction in economic growth of the order of 0.75 per cent, which 0.75 percentage point in an economic growth of around 3.25 per cent is the equivalent of a 20 to 25 per cent reduction in economic growth. Given that is a sizable reduction, what is the justification for the government policy at the moment that has drought assistance measures costed out at about \$158 to \$160 million? If my arithmetic is right, that is about less than 0.3 per cent of the budget expenditure.

Mr BRUMBY — Let me make a couple of points. Firstly, the drought — you mentioned 0.75 percentage points; I think that is the midpoint between 0.5 percentage points and 1.0 percentage points. and until the financial year is over, we do not know what the impact will be, except we know that the minimum will be 0.5 because that is the detraction that has already occurred. But, as you know, there has certainly now been in the west of the state, in central areas of the state and in some parts of Gippsland a very good autumn break. Of course many people in the west and north-west — you have seen them on television yourself — farmers there saying, and some of them might

be getting a bit carried away, not only is it the best break in 10 years, but some of them have been saying it is the best break in 30 years. With some decent winter rain we will get good recovery particularly in the grain growing areas.

But we cannot predict forward. You cannot just say at the end of the year. When you are doing the numbers going forward, you assume what the world economy will be. You do not know whether there is going to be an S11 or a World War III. You predict on what are the normal known and usual circumstances. So we predict forward for 2007–08 on a return to more normal seasonal conditions.

If the drought were to continue with poor winter rainfall and poor spring rainfall, then obviously we would revise figures in exactly the same way as we did in 2006–07. Do not forget it was not until September last year that we, the Premier and I, announced that we would be announcing a significant drought package. Because, if you remember, last year in winter there were actually good rains — they were late — in the grain producing areas of the state. The Premier and I were up there. People put their crops in, and then the spring rains failed in many parts of the state, so we announced a drought package in September. So you cannot crystal ball and say what is not or what is going to be; you can just predict forward on the best available data. On the best available data we will see a return to more normal conditions and you will get growth of 3.25 per cent.

That brings me to the second part of the question which is quite erroneous in its assumption — that is, you have asserted that \$157 million is not adequate. We are signatories to an agreement with the commonwealth which specifies what governments will do when there is a drought. You accept that?

Dr SYKES — Yes.

Mr BRUMBY — Yes, you do. Good! So we are a signatory to that. That \$157 million is in excess of what we are required to do. Again, if you are a student of history and think back, particularly to the 1990s when there were a number of periods of dry climatic conditions in the north-west of the state, and of course the green drought in Gippsland, there was scarcely a cent which was provided by the former Liberal-National party government for drought-affected farmers. Many of them in different parts of the state were affected at least as badly as they have been in this drought, and hardly a cent was freed up from Mr Kennett, Mr Stockdale and Mr McNamara.

So we are providing \$157 million of additional assistance, on top of what is required under commonwealth-state drought agreements. That assistance, by the way, is making a difference. We have provided \$300 000 to every one of the 44 non-metropolitan EC-declared councils. They are spending that money now on capital works and projects in small towns — many, by the way, in your electorate. We have provided money for catchment management authorities. Indeed in the north-west of the state last week, in Horsham, where I announced a further \$3 million to assist in the north-west of the state, the councils there and the CMAs were telling me just how many farmers have been employed because of that extra funding we have provided.

On top of that, as you know, we have put up \$138 million to assist in bushfire-affected areas. I mention that because there is some overlap in the two areas. What you are seeing is the total expenditure. Additional expenditure by the government, above and beyond what we are required to provide under the nationally-agreed EC criteria — the drought, 157; plus bushfires, 138 — is nearly \$300 million.

People always want governments to do more — nothing new in that. People want us to do more in education, more in health, more in drought. But to suggest that this is an inadequate response is, firstly, a rewriting of history — some forgetfulness, I think, of the policy and practice of the National Party in the 1990s — but it also ignores the fact that this is a very significant commitment, and it is there, on the ground, helping farmers. Again you might not recall that we are providing up to \$5000 in payments to every farmer with an irrigation entitlement who is getting under 50 per cent of their entitlement. We are providing interest relief for the bigger farmers who have an irrigation entitlement and are getting less than 50 per cent of that entitlement. I have got dozens of letters in my office from organisations and farmers who are very appreciative of that assistance.

The final thing I want to say is that if, as occurred last year, we move through this year and poor seasonal conditions continue, I can assure you that we will again examine the assistance we are providing — in exactly the same way as we did last year. This is a budget for 07–08, but I do not know what the weather is going to be like in September or October or November or January next year. If there is a continuing drought, if there are extremely difficult conditions, the government will do exactly the same as what it did in 2002, exactly the same as what it did

in 2006, and that is: meet the needs of those communities at the time. The reason we have a thing called the Treasurer's advance is so that governments can meet the unexpected needs that occur. You will remember last time. Last year in September the Premier and I announced that there would be \$50 million of savings across departments to contribute to a drought effort. That is how we have achieved some of that \$157 million. So, \$157 would be more money in one year than the former Kennett government used to spend for everything in a whole budget. I do not say it is not a lot of money, it is a lot of money — \$157 million. Our total net new spending in this budget is \$446 million. We are spending \$157 million on drought. So do not say it is an insignificant amount, because it is just not true to say that.

The CHAIR — Mr Pakula.

Dr SYKES — Sorry, could I clarify — —

The CHAIR — It has been a long answer and we want to try and keep things moving along. Very quickly, please.

Dr SYKES — Thank you. We might agree to disagree on the quantum, but you would be aware, Treasurer, that individuals' outlay to get through the drought ranges from tens of thousands of dollars to half a million dollars plus, so in that context \$157 million across country Victoria is not a big quantum.

I note that you said that you would do as you did in 2002, which was not a 1 in 100-year drought, but it was a severe drought for the people in irrigation areas. One of the measures that the government introduced in 2002 was a \$20 000 cash grant. Given that that measure was introduced then, and given that you have said you would do the same again in this situation, why have we not had a \$20 000 cash grant for affected farmers in the most severe drought in the last 100 years?

Mr BRUMBY — There are a number of reasons for that, but the most important is that while the \$20 000 grant was supported by some individuals and some organisations, others were more critical of it in that only a very small number of Victoria's farmers were eligible for it under the criteria that were established.

Organisations like the VFF and the NFF often say to the government that they are concerned if too much assistance is spent going to farmers who are not the best farmers. That is what they say to us all the time. They want to be in a position where the good farmers can continue to succeed. So there was some criticism of that \$20 000 — that it was not always going in the right areas. So we reviewed that and decided instead, on this occasion — again following representations from a number of farmers, farm groups and councils, again predominantly in the north-west of the state — that we should look at a rate rebate, which we implemented. It is a 50 per cent rate rebate which we are continuing to implement today.

Dr SYKES — It is for those who are on income support measures, not across the board to farmers in EC-declared areas. It is just for those who are on income support measures — just for the clarification of non-country people.

Mr BRUMBY — Yes, fine. So we have provided the 50 per cent rate rebate and we are also providing the water grants; so we believe that in all of the circumstances that is a better way to focus the assistance.

Now again, it is not for me to say to you, Dr Sykes, but I will: you have a federal budget coming up next Tuesday. You have a Liberal-National party government in Canberra, nationally. Why do you not tell them to provide some more drought assistance?

Dr SYKES — You are the Treasurer and I am the state member and I talking to you, Treasurer.

The CHAIR — Let us move on. Mr Pakula, please.

Mr PAKULA — Treasurer, I refer to page 9 of budget paper 4.

Mr BRUMBY — Sorry, can I just say that I have some figures here for Dr Sykes. As at 28 April, drought/exceptional circumstances funding through the Rural Finance Corporation was \$127.2 million that has been lent to 5133 applicants — that is, farmers and small businesses. The average is \$24 500 per applicant, and again, as you are probably aware, they get an interest rate subsidy of 80 per cent in the first year and 50 per cent in

the second year. So that is a lot of money in loans and a lot of farmers being helped courtesy of the Victorian government.

Mr PAKULA — Treasurer, in budget paper 4, on page 9, if you look at the estimate for 2008-09, the taxation revenue is just a touch under \$12 billion. I am curious as to how that has grown since the government's first budget and whether, in your view, that has been a reasonable growth in revenue.

Mr BRUMBY — I have a slide coming up from my presentation that contains the answer to your question. This slide shows our taxes. The reason I have chosen 2000–01 is that since the introduction of the GST, if I had used 1999–2000, it would be quite a misleading presentation because you would see an even larger reduction.

So this is comparing like with like — the taxes we had then and the taxes we have now. The growth in Victorian taxes is 36.1 per cent. That is because we cut payroll tax and land tax. The overall growth in Victorian revenue, which is including what we get from the commonwealth and grants is 44.5 per cent.

Again, looking at some of the commentary during the week, some people get the real value of money and the nominal value of money mixed up. You can see that our GSP has increased from \$172 billion to close enough to \$260 billion, so the economy has grown very, very rapidly.

But as a share of that economy, we are actually taxing less. I think if you compare our economic performance with particularly New South Wales, this state is doing very well. There was an article, I think it was in the *Australian Financial Review* after budget day, after the budget was handed down, on why the Victorian economy is doing so well, why Access Economics describes our economic performance as quite magnificent — one of the reasons is we have the balance right: we have the skills mix right, we have the capital spend right. Victoria is a very livable state.

For a state that has a lot of manufacturing, and do not forget we have the highest Australian dollar in 17 years, if you are a manufacturing company out there, the last few years have been pretty tough. You have higher input costs coming through, you have a dollar which is as high as it has been in 17 years; so taking some of that pressure off businesses is very important in helping them through a difficult time.

If you added to that graph, by the way, for WorkCover, you would get an even more dramatic reduction in the cost burden on Victorian business from the Bracks government. It is a good story, and it is instructive in terms of getting the balance right.

You might then ask: if you are reducing the share of taxes as a share of the economy, how are we able to put 7500 teachers into schools and 7500 nurses into hospitals? The answer to that goes back to the slide I showed you before on superannuation and interest expense. Because we have been paying down superannuation, because our net liabilities position is so healthy, we have somewhere between \$1 billion and \$2 billion per year that we used to be spending on interest and superannuation, which is now available for employing teachers and nurses. So that is the answer to the question: how can you cut taxes, employ more nurses and still get a budget surplus? The answer is: by reducing your superannuation and interest expense to the extent we have.

Mr BARBER — Treasurer, I would like to ask you a question arising out of your media release ' \$281 million boost for water and the environment ', particularly to do with the item \$38 million for the Shepparton irrigation area. It is an economic and environment question, and if it is all right with you, Chair —

The CHAIR — It is all right. It is usually Dr Sykes who asks those questions.

Mr BARBER — Can I get him to answer the first one, and then I will quickly follow up with a second one?

The CHAIR — We do not want another 10 minute answer, so okay.

Mr BARBER — A quick question, and there can probably be quick answers. First of all, just dividing the \$38 million by the number of megalitres that will be saved to get a dollars-per-megalitre figure produces quite a spectacular result.

Mr BRUMBY — That is not the total project cost, by the way.

Mr BARBER — That was my question. That would produce savings at a much cheaper rate than the market rate, you believe?

Mr BRUMBY — Yes, it would, but it is not the total project cost. I will say it very quickly if I can, Chair: the total capital cost of that project is about \$148 million, and the NPV of the operating cost — in other words, what it costs to run it in years ahead, what we then bring back as a capital cost, the NPV — is about \$40 million. We would describe the total NPV of that project as \$188 million.

The contributions, by the way, towards that will come from three sources, and this might be instructive for Mr Wells as well. They will come from the users in the region through the Goulburn-Murray Rural Water Authority, they will come through the contributors to the Living Murray initiative — the states. We have written to those states. This is presently the only project which is listed as producing savings towards the Living Murray target, so it will get supported.

Our contribution, by the way, of that would be \$30 million to \$35 million. So in fact the Victorian government contribution — the taxpayers contribution — to this project, if you are still with me, is \$30 million to \$35 million as a share of the Living Murray and the other states in the commonwealth, plus what we are really doing in this budget is putting in the \$38 million that we would have expected the commonwealth to put in.

We asked the commonwealth for funding last June. They have not funded it, they should have, so we are doing that so we can get the savings now. The total project cost is about \$180 million, and the water savings are 50 gegalitres. If you work those numbers out, you will get a higher figure — and someone might work that out while we are talking —

Mr BARBER — That is fine; thanks for that. So not in your media release but in your interview with the *Shepparton News* you said that of the 50 gegalitres created, 38 gegalitres will go to the environment. I am going to ask you to reassure me that the paper has got it right. The Goulburn River, a heritage-listed river, has had an 80-gegalitre environmental entitlement that it has never actually received, because that entitlement comes after 100 per cent sales and 100 per cent allocation is achieved — and it is never achieved. So if in fact you are promising 38 gegalitres for environmental water for the Goulburn, can you please tell me how that will be licensed and regulated and guaranteed and delivered?

Mr BRUMBY — There are two aspects to this. The total water savings are expected to be 50 gegalitres. Of that, 38 gegalitres will be earmarked towards the Living Murray, and that is the basis on which the project would be funded. By the way, just in terms of water policy and national water leadership, that will then mean that Victoria is the first state, indeed the only state, to have completed all of our obligations under Living Murray. So 38 gegalitres goes into meeting that initiative, which, as you know, is an agreed national and state initiative.

There are 12 gegalitres which would then be available for other uses. No-one has made a decision yet about how that water would or could be used. I have suggested broadly, on radio, I think, or in the media, that you could split that. It could be used as water for growth; it could be used for the environment; it could be used, if there was a north-south pipe, obviously, to sell to Melbourne Water. There are a number of possible uses of that water, but we have not made any judgement about that. I would say that within the region there is always demand for water in irrigation areas, so it is very likely that some of that water at least will go towards growth. We have not made a final decision yet. It could all go to growth; it could go to growth and the environment; some could go to Melbourne. That will be a matter for future discussion. But 38 gegalitres goes into Living Murray.

Mr SCOTT — I refer to budget paper 3, page 34 — the section on motor vehicle duty. Why has the government made the change to motor vehicle stamp duty? What was the problem with the old scale? Can you please elaborate for the committee?

Mr BRUMBY — That announcement, by the way, has been exceptionally well received. I think as you saw we had groups like the VACC, the RACV, the Australian Industry Group and many, many others — Toyota, Ford, Holden — out there one after another saying what an excellent initiative that was. We made the decision because following the High Court ruling in 1997 on excise, the state was left with a very small residual payment on fuel, which we pay to oil companies. That payment has been around \$35 million or \$40 million per year. It represents 0.43 of 1 cent per litre on petrol. The payment is made to the companies. It has always been my view, and it has been the view of many people in the industry, particularly the VACC and the RACV and the commonwealth government's own fuel tax inquiry, that you cannot say whether that money is passed on or not.

Most people would say it is not passed on. So we are terminating that, and we are putting that money — and more — into cutting stamp duty on vehicles.

The old stamp duty rate was last set back in 1989 when \$35 000 was a luxury vehicle. Up to \$35 000, it was 2½ per cent; it then went to 4; and then above \$45 000 was a sort of a super-luxury rate at 5 per cent. What we have done is really restored it to how it was always intended to be. The luxury car rate now, which is established by the commonwealth for fringe benefits purposes, is \$57 009. We have lifted 2½ per cent up to that. That means it takes up to \$1400 off the price of a new car.

Why is that a good thing? It is a good thing because newer cars are safer — much, much, much safer. We have had the lowest road toll in Victoria four years in a row — the lowest four years on record. We want to continue that going forward. Road behaviour is important in that, but so too is technology in cars. ABS, air bags — all of those things are fantastic.

The other thing is the environment. I know there was some criticism of this because a lot of cars in that bracket are larger cars. It is true many are larger cars; many are also the hybrids, by the way. The Prius is in that bracket; the Honda hybrid is in that bracket. They will get support as well. But let us not forget with new cars the emissions they put out are miles cleaner than the emissions that came out of cars 20 and 30 years ago, miles cleaner, particularly than the old lead cars. In some parts of the world they actually give you a subsidy — some parts of Europe — to bring your old car in and take it to the tip and crush it to get a new car. In a sense we are providing that encouragement. This is good for safety. It is unambiguously good for the environment because it is getting older cars, many of them bigger cars, many of them gas guzzlers, off the road and people into newer cars. We also announced, as you know, the \$50 reduction in the hybrid motor registration, which is, again, just to give a small incentive to people in that area. It has been very well received. I think it is much better value for taxpayers money.

There was an article in today's *Australian*. I do not know if I have it with me, but if you have a look at that, if you get back to your office, it is really about a new growth industry in Victoria. It was saying how everybody in South Australia who is going to buy a car is going to come over the border into Victoria and buy cars in Victoria.

The CHAIR — It is an incentive for manufacturing.

Mr BRUMBY — It is a serious story, because cars will be a lot cheaper than they are there.

Mr RICH-PHILLIPS — Can I ask you about page 56 of budget paper 2, which is the table of net debt and net financial liabilities, and in particular the line item 'Public non-financial corporations net debt' which for 2008 is \$4.3 billion rising to \$5 billion, and \$5.9 billion to \$6.5 billion.

Mr BRUMBY — Could you repeat that?

Mr RICH-PHILLIPS — Page 56, 'Public non-financial corporations net debt' — that line item.

Mr BRUMBY — Yes.

Mr RICH-PHILLIPS — Could you tell the committee if there is any provision in those estimates for the water authorities borrowing to fund their proportion of whatever project you ultimately decide to pursue? Has any provision been incorporated?

Mr BRUMBY — The authorities build in some future provision for capital works. You would have to look through each of the authority's accounts to look at that. Sometimes, too, the authorities will have projects on their books in the out years which they might or might not undertake. They always have a little bit of flexibility in determining their priorities. It is a very broad-ranging question — there are a lot of water authorities in Victoria. If you look at South Gippsland Water, for example, are you asking me would the numbers here include their contribution to the Gippsland Water Factory stage 1, for example, which is also going to produce quite a large amount of water savings through providing recycled water, particularly to Australian Paper and to Energy Brix, yes, they are fully built into those numbers. But I cannot speak for every authority.

Mr RICH-PHILLIPS — I guess I am asking in respect of the projects you are currently considering and it would be more a case of has Treasury built in — obviously I assume the water authorities themselves would not yet know if they are making a contribution because you have not yet decided what projects to pursue. Would there be a Treasury provision that is included in that aggregate figure?

Mr BRUMBY — Would there be a Treasury provision?

Mr RICH-PHILLIPS — Would Treasury — —

The CHAIR — Treasury estimate, you mean?

Mr RICH-PHILLIPS — Would there be a Treasury estimate in that aggregate figure in anticipation that one or more water authorities would need to contribute to one of the projects you are considering?

Mr BRUMBY — I think I have already answered the question — that is, there are a lot of authorities. Some will have already built in capital provision for projects they are undertaking. Others have some flexibility on the balance sheet. For example, if you look at Melbourne Water, if my memory is correct, and it just goes to show how this debate has changed since the 1990s, Melbourne Water used to spend only about \$125 million a year on capital works during the Kennett government — a shocking underinvestment, an appalling underinvestment in water. That has been lifted to around \$250 million a year; it has been doubled since we have been in government. I think going forward they are factoring in a higher level of capital works. They will make judgements about how they apply that provision going forward — they are independent boards — but obviously if there were projects coming forward, we would talk to them about the contributions that various parties can make.

Did I mention before that it will depend on the water project or projects which are chosen in the future? Melbourne Water may choose, depending on which water project or projects are chosen, to purchase water. Again, if there were a pipe coming over the Divide and the water came through, it would buy it. It depends on what price it pays for that water. So there are various ways in which it has the capacity to contribute to projects, but I cannot give you an answer for every single water authority because there are a lot of them.

Mr RICH-PHILLIPS — That figure would hold if there were already provisions within the individual authorities, so there is no aggregate figure that has been inserted by Treasury?

Mr BRUMBY — But that is not the way we do business. We never have. And you would have to ask the question — —

Mr RICH-PHILLIPS — Just to clarify it, this figure is basically — —

Mr BRUMBY — Hang on. You would have to ask the question: why would you bother to have independent water businesses and independent water boards if Treasury just ran them all the time — right? So that is not the way we do it.

Mr RICH-PHILLIPS — So these figures are basically the aggregate figures that have been fed in by the authorities?

Mr BRUMBY — Another bit of information that might be useful for you, if you look, for example, at projects like the goldfields super-pipe, which will produce for Bendigo and Ballarat 50 to 60 gigalitres of water in aggregate for those two cities over time, again the funding for that is built into those authorities' forward capital works provisions. Again that is a good example of a project which, of course, is going to be funded from capital, from some user charges plus from the state government, and we hope obviously in relation to the pipe through to Ballarat that the commonwealth will make its contribution.

Mr RICH-PHILLIPS — So the line of the budget figures that have been fed in by the authorities — their provisions — there is no Treasury adjustment to that? It is purely — —

Mr BRUMBY — It would be quite abnormal to do that. We do not do that.

Mr RICH-PHILLIPS — It is purely existing provisions.

Mr BRUMBY — I will give you another example — the port of Melbourne and channel deepening. We have always said with that project that the bulk of the project will be funded by the port users, which the port users accept. But we have always said we will make some contribution — that is a capital contribution — to that authority. At the appropriate time, and subject, of course, to the successful green light through the panel report on the supplementary environment effects statement (SEES), we will make a capital contribution. That will come from the budget books into the books of the business, which is the port business. But the point I have made to you is that

if you look at the water authorities, they are big businesses, big corporations with a big asset base. I think in fact the water sector makes up about half of those numbers going forward, so they are a big part of those public non-financial corporations (PNFCs) going forward. They have strong balance sheets, and they have the capacity to embark on projects going forward, but they have not identified specific allocation because we have not yet got a specific project or projects.

Ms GRALEY — Congratulations on another budget, Treasurer. May I refer you to budget paper 2 and the chart on page 10 referring to taxation revenue as a percentage of GSP. This graph seems to highlight that Victorian tax as a share of GSP is falling, and I am just wondering why this is. Why is this?

Mr BRUMBY — It is actually because we have been cutting taxes, and we have been cutting taxes because we are not a resource sector. We have quite a large manufacturing sector — the largest manufacturing sector in Australia, with the highest dollar in 17 years, four interest rate increases, a lot of cost pressures on industry — and to keep our industry competitive we have had to reduce business costs. In turn that strategy has worked, and I repeat in a sense what I said in answer to the other question. What is instructive, I think, is that if you just look at that graph on the screen, there is the state growth and there is the commonwealth growth, so commonwealth taxes have been growing much, much faster than state taxes.

Mr RICH-PHILLIPS — Does that include the GST?

Dr SYKES — Where is the GST — in the commonwealth or the state?

Mr BRUMBY — It is in neither, because you will not get an accurate or an honest answer if do you that. So it is in neither. I have another graph to show you if you do include the GST, but you will not like it because it is worse.

Ms GRALEY — Show it then.

Mr RICH-PHILLIPS — You are the main beneficiary of it.

Ms GRALEY — Let us have a look at it then.

Mr BRUMBY — We are the beneficiary? Do you reckon we are the beneficiary?

Mr RICH-PHILLIPS — Yes.

Mr BRUMBY — Have a look at that — that is company tax.

Mr RICH-PHILLIPS — You do get the revenue, don't you?

Mr BRUMBY — Who gets company tax?

Mr RICH-PHILLIPS — You do get the revenue from GST?

Mr BRUMBY — No, no, hang on. Who gets company tax?

Mr RICH-PHILLIPS — We are talking about GST. You do get the revenue from it, don't you?

Mr BRUMBY — Do you know the answer to the question? Who gets company tax?

Mr RICH-PHILLIPS — Yes, keep it going.

Mr BRUMBY — The commonwealth government gets company tax. So there is the growth in company tax — 109 percent. There is the growth in the GST pool — 48 per cent.

Mr RICH-PHILLIPS — You do get the GST, don't you?

Mr BRUMBY — Yes. So who is the big winner out of taxation? The commonwealth!

Mr WELLS — So do you still support the GST?

The CHAIR — I think we will try to answer Ms Graley's question.

Mr BRUMBY — We have answered the question.

The CHAIR — Okay.

Mr DALLA-RIVA — I refer the Treasurer back to budget paper 2, strategy and outlook, at page 45, table 3.5. This is a question previously discussed by Mr Wells. Since your discussions and you have mentioned the 28, 28, 28, 16, we had sat there with a combination of calculators trying to work out how on earth, on the basis of the figures that are provided in the budget, you make the \$2.9 billion, as you have stated both on radio and also to the *Herald Sun*, front page. I have gone through a very practical analysis and again I have taken the last figure at 815 and thought that you may have taken the extrapolation of the 28, 28 et cetera into that, and that did not add up. I took the total figure that was \$1.6 and did the 28, 28 into the future, and that did not add up. It might be just coincidence, but the last two estimates in 2009-10 and 2010-11 get close to the \$2.9 you indicate. There are people in the audience, there is myself, others do not quite understand from your previous response to Mr Wells where the \$2.9 billion is allocated. The facts are that in the budget papers that are presented to us today it shows that unallocated provision for future allocation is \$1.6 billion.

Treasurer, what is right, the budget papers or your statement, because it does not seem to make sense? You need to maybe explain it, or get one of your officials who can perhaps dumb it down for us, but please explain where you keep making the statement of \$2.9 billion when it is not there.

The CHAIR — Perhaps provide us with a table, Treasurer.

Mr BRUMBY — I do not know that I can add to what I said before. I do not think I can make it clearer or simpler and I do not want to be rude, but it is not my problem if you cannot understand what is a basic piece of arithmetic. I go back to — I am not sure how I can make it clearer for you.

Mr DALLA-RIVA — Where does it come from, Treasurer: \$2.9 billion, you have indicated 28, 28, 28, 16?

Mr BRUMBY — Yes.

Mr DALLA-RIVA — It just does not make sense on the figures that are provided. We just cannot work this out. So unless there is —

You could have said \$3.5 billion unallocated because you could have picked that up. I do not know where you have picked this \$2.9?

Mr BRUMBY — Go back. Seriously you tried to run this same argument out before the election and no-one bought it because what you are saying was just not true.

Mr WELLS — Maybe just reconcile it back to the budget papers.

Mr BRUMBY — No, no, just hang on.

Mr WELLS — Just reconcile it back to the budget papers.

Mr BRUMBY — I have reconciled it.

Mr WELLS — Let us just do it.

Mr BRUMBY — You are the one who does not understand.

Mr WELLS — Let us do it.

Mr BRUMBY — If you run those numbers over, right, it translates to a TEI and there is no change in budget practice here. This is longstanding budget practice. I have taken you back to Stockdale's last budget, for goodness sake.

Mr WELLS — We understand all that.

Mr BRUMBY — I do not think you do understand it; You are having a problem with it.

Mr WELLS — We understand the 28, 28, 28, you explained it very well, but what we are looking at is your statement being reconciled back to this budget paper in front of us and that is what the idea of the public accounts is.

Mr BRUMBY — You can sit down with Treasury after this today for as long as you like.

Mr WELLS — No, we would like you to explain it now.

Mr BRUMBY — No, no, I have explained it in depth. I cannot do any more.

Mr WELLS — Let us reconcile it now.

Mr BRUMBY — I have got the whole of — Kim, I have got — —

Mr WELLS — Let us reconcile it back, you have said \$2.9.

Mr BRUMBY — Kim, I have got the whole of Treasury who understands it, who advises me — Treasury that serves different governments with different treasurers of different political persuasions. Treasury understands it, that is what it used to do when Alan Stockdale was here. It understands, but you do not.

Mr WELLS — The total is \$1.6 billion in the papers, so are these wrong?

Mr BRUMBY — That is the cash available for the first year spend. For goodness sake, how many times do I have to say it?

Mr WELLS — 08, 09 and 10-11. That is what has been put in the paper — a total of \$1.6 billion. Is that right?

Mr BRUMBY — That translates — —

Mr WELLS — No, is that right? The unallocated provisions — is that right, the \$1.6 billion?

Mr BRUMBY — That is the unallocated provision available to be spent in that year.

Mr WELLS — Yes?

Mr BRUMBY — Cash.

Mr WELLS — So where is the other \$1.3 billion coming from.

The CHAIR — It has been explained; it is 28, 28, 28 — — .

Mr WELLS — Can I suggest, Treasurer — —

Mr BRUMBY — No, wait on! Let us clear this up. When you build the children's hospital — let us call it a billion dollars — it takes five years to build.

Mr WELLS — But that is not unallocated capital.

Mr BRUMBY — Well, what do you think it is?

Mr WELLS — That is allocated capital.

Mr BRUMBY — No, seriously, it is a billion dollars, it takes five years, so the TEI is a billion and the unallocated capital — if you keep it simple — is 200, 200, 200, 200, 200. Right?

Mr WELLS — Yes.

Mr BRUMBY — So that is cash drawn out.

Mr DALLA-RIVA — I understand that.

Mr BRUMBY — So the standard rule, which Treasury uses when they apply across the mix of asset spending — some take a long time, some take a short time; like a school; just a couple of years — the rule of thumb is that 28, 28, 28. It does not mean every project is going to be like that. Some you will do in a year or 18 months, and some will take 10 years.

Mr WELLS — That is all okay. We understand that. That is fine, that is easy, that is straightforward.

Mr DALLA-RIVA — But you have been out there with 2.9 and we just cannot reconcile it back to the budget papers. That is what we are trying to work out.

Mr BRUMBY — Again — —

Mr WELLS — No. Your unallocated provision is \$1.6 billion.

Mr BRUMBY — No, no!

Mr WELLS — Is it or is it not \$1.6 billion? Is it \$1.6 billion? Is this budget paper correct?

Mr BRUMBY — With respect, you are making a — —

The CHAIR — Treasurer, as I understand it, what is being asked for is a table in terms of the unallocated going out to the \$2.9 billion, obviously it will go over three years. Can the Treasury officials provide that to the committee?

Mr BRUMBY — I have said we are prepared to have Treasury sit down as long as you like. Just to make it clear, here is Stockdale's budget, 1999–2000. It sets out exactly what I am saying. He says the total estimated cost is \$1.3 billion — —

Mr WELLS — But you are going into the next term of government.

Mr BRUMBY — It says the total estimated cost is \$1.3 billion — 1999–2000 budget, \$360 million. So it is about a quarter or a third, and has always been thus.

Mr WELLS — So you are confirming that you are going to the next term of government to get to your \$2.9 billion of unallocated future capital works?

Mr BRUMBY — We always — —

Mr WELLS — Yes, so that is the point we are making.

Mr BRUMBY — We always commit forward. Of course we commit forward.

Mr WELLS — That is right. So it is in the next term of government that is being included your \$2.9 billion?

Mr BRUMBY — It is in the forward estimates period. The available TEI to announce is \$2.9 billion.

Mr DALLA-RIVA — So why have you been going out in the media telling them 2.9 is what you have got when you have not? You have actually promised it in the budgets, into a period beyond the next election.

Mr BRUMBY — You are making a dill of yourself.

Mr DALLA-RIVA — I tell you: the figures do not make sense.

Mr BRUMBY — The custom that has been applied for aeons — —

Mr DALLA-RIVA — And you will not provide a table. The Chair has asked for a table, to my understanding, yet you have not said yes to that.

Mr BRUMBY — I am happy to have Treasury take you through the whole works. But this is the way they have been set out for ages. Let me repeat: you tried to run this line out before the election. No-one bought it

then because your numbers are all wrong. You do not understand basic accounting. It is like your budget response, Kim, where you do not understand the difference between recurrent and capital, for goodness sake.

Mr WELLS — If you capitalise repairs — —

Mr BRUMBY — It is an embarrassment.

Mr WELLS — If you capitalise repairs to buildings, then you can use debt to finance it, which reduces your expenses and increases your surplus, which means your debt level increases. Am I right?

Mr BRUMBY — Do you want to know about debt?

Dr SYKES — Talk to the Cain-Kirner governments!

The CHAIR — Stick to the estimates, please.

Mr BRUMBY — We will just go back to the estimates, Chair. We will go to the statement of finances in budget paper 4. We will go back to the Bolte government 1961–62. We will take a little bit of a trip through time just so you get a bit of education. In 1961–62, on page 216 — —

Mr BARBER — Chair, I have actually read that part of the budget papers.

Mr BRUMBY — It is instructive.

Mr BARBER — Chair, is there any chance I will get a second go — I have missed three out — at asking a question?

The CHAIR — Yes, you will. Just quickly, please, Treasurer.

Mr BRUMBY — Chair, I will just make the point that if you go back and look in 1961–62, the debt payments which were provided for public debt and superannuation exceeded the size of the health budget, not the capital value — the interest payments per annum. So our health budgets — —

Mr DALLA-RIVA — Which year was that, sorry?

Mr BRUMBY — In 1961–62, Henry Bolte — and it is the same pattern the whole way through. Here we have this inane debate today about the financing of capital works, but if you go back to that period, the interest payments under the Bolte government exceeded the size of the health budget as a whole. That would put today's equivalent interest payments at in excess of \$8 billion per annum.

Mr DALLA-RIVA — With the greatest respect, the only inane comments have been made by you.

The CHAIR — I think we will move on.

Treasurer, you mentioned the Victorian Competition and Efficiency Commission — we will try to move things along a bit, please — and in various parts of the budget, including on page 92 in chapter 7 of budget paper 2. It is identifying opportunities for improving Victoria's competitive position. What are they looking to do as a result of this budget and their current work program?

Mr BRUMBY — VCEC was introduced just under three years ago. We were the first state to introduce such a commission. Its job is to drive productivity growth, to lead the way on efficiency improvements and in regulation reform. VCEC has done that. They have an inquiry under way at the moment on the Labour and Industry Act. Recently they completed the draft report on an inquiry into food regulation. I think that the reports which the members of VCEC have done have been well received and have helped to give Victoria a leadership position in regulation reform and efficiency.

Robert Kerr, one of the commissioners, is available today, if there are any detailed questions that members would like to ask him about the commission and its work. I think it has been a very valuable initiative. They are independent commissioners, with excellent reputations in business and regulation reform. Robert, of course, comes from the Productivity Commission. I think this has been very valuable for the government in putting extra focus on this area, going forward.

The CHAIR — You might wish to consider in future tabling some of the reports in Parliament — they are very good.

Mr BRUMBY — At the moment those reports are provided and then they are released publicly over the Net. I think that is probably a very useful suggestion. If I could, I will take that on board and respond formally to you in writing. I would probably have to discuss that with the presiding officers, but I think it would be an extremely useful thing to have them tabled to then in a sense build into the procedures of house an opportunity for debate on VCEC.

The CHAIR — They are very good reports — on red tape, for example.

Mr BRUMBY — If I can, I will respond formally to you on that.

Mr WELLS — Treasurer, I refer you to the government's response to the Public Accounts and Estimates Committee's *Report on Private Investment in Public Infrastructure* of October 2006. I will make sure that my question links in to this budget paper. The government has rejected recommendation 14, which was that it:

... jointly fund a study on the potential financing options available to governments to fund public infrastructure projects ...

The government has said that, as stated in budget papers 2006–07, around 60 per cent of the government's infrastructure investment program is currently funded by cash operating surpluses. I draw your attention to budget paper 4 at page 12, which shows at the bottom of the list the cash surplus or deficit. We find that in 07–08 we have a deficit of \$641 million, and then a deficit of \$1171 million, a deficit of \$677 million and in 10–11 a cash deficit of \$210 million. Based on your response that 60 per cent of government infrastructure programs would be currently funded by a cash operating surplus, if we are operating with a cash deficit, how are we going to be funding the government's infrastructure investment program?

Mr BRUMBY — Again, with respect, you have misunderstood the numbers. From the operating statement we are generating significant net cash flow capacity. That is set out and you will see that on either page 45 in chapter 3 of budget paper 2 or, alternatively, in table 1.4 in chapter 1 at page 12. If you look down, it says 'Net cash flows from operating activities'; can you see that?

Mr WELLS — Sorry, Treasurer — page 45?

Mr BRUMBY — The same page. Go to page 12, chapter 1 of BP 4. Have you got that?

Mr WELLS — Yes, I have that. I am looking at that now.

Mr BRUMBY — Go about halfway down to 'net cash flows from operating activities'. That is what we are generating; that is the cash generated from the operating account, because we deduct off from the operating account non-cash expenses like depreciation. But the operating account is actually generating that amount of cash for us. So we then apply that to capital works.

Again, with respect, you put the question completely the wrong way round. For the capital works that we are constructing in 07–08, for example, we are paying for over \$2 billion of that from the cash surplus on the operating account, not from debt. The debt figure comes after you take that cash position, then any asset sales or anything else like that — and sometimes there are blocks of land and things like that which are still sold. You add all that up; proceeds from the sale of any assets or non-financial assets — you will see there \$200 million. You then deduct off the total spend, which is about \$3.6 billion, and then you go down to the bottom and there should be — go right down to the bottom, which is the cash surplus, or deficit, \$600 million.

If I can very quickly, Chair, take you to this historical data again, because for public accounts — I will just be 30 seconds; it just gives you an idea of how much of this capital effort we are funding — if you look at budget paper 4 around pages 200 to 203, the historical data on general government cash flow, I just want to show you that. In fact if you go through to page 205, you will see just how strong the state's finances are and have been under this government. If you look on page 205, table A.1 — general government cash flow statement, again this is the cash we are generating off the operating account. So you look down there in the middle of the page, 'net cash flows from operating activities'; you will see in 2001–02, \$3 billion; 2002–03, \$1.9 billion; 2003–04, \$2.4 billion; 2004–05, \$2.5 billion; and 2005–06, \$2.6 billion.

If you look back over the other page, on page 204: 2000–01, \$2.1 billion; 1999–2000, \$2.9 billion; 1998–99 — former government — \$1.6 billion; 1997–98, \$1.6 billion; and 1996–97, \$2 billion. So that is cash generated from the operating account, because it is cash that is available then for assets.

Again going back, just to say how erroneous, Kim, some of your comments have been in the last week about borrowing for a current activity, if you go back and look at the early 90s and 80s you will see here, if you read across on pages 202 and 203 that, yes, actually in that era there were cash deficits on the operating account; right? There were cash deficits. There has never been a secret about that. Have a look at them — \$300 million, \$400 million a year, continuing into the early 90s. So there were cash deficits then of \$400 or 500 million on the operating account. We are running cash surpluses on the operating account of \$2 billion plus, which is available for capital works.

Mr BARBER — Cash is king.

Mr BRUMBY — So it is a complete nonsense to say that we are financing operating activities out of borrowings. In fact the operating activities are contributing each year more than \$2 billion towards our capital works program. Indeed, to make the obvious point, if we were only constructing capital works at the level of the former Kennett government, which was about a billion a year, we would be running cash surpluses of more than a billion a year, but we would not be building schools, we would not be fixing up the rail system, we would not be building hospitals and we would not be investing in water projects. So we are working the balance sheet off the strongest position in 50 years, and I think those points just illustrate, firstly, the lack of understanding the opposition has had between recurrent and capital and, secondly, the strength of this budget compared to the 1980s.

Ms MUNT — Treasurer, I would like to refer to red tape, and I would like to refer particularly to budget paper 2, chapter 7, page 97. The budget papers refer to *Reducing the Regulatory Burden*, Victoria's policy for reducing the cost of regulation for businesses and not-for-profit organisations. I wonder if you could tell us what progress has been made in that regard.

Mr BRUMBY — There has been a lot of progress made, and we are the first state to set targets in this area. I think in a more global environment, and a more IT-driven global environment, it is very easy for governments to create regulations, and they can be quite a burden for businesses and communities and individuals alike. So we set a target of 15 per cent reduction over three years and 25 per cent over five years. It has been very well received. A couple of other states have now adopted Victoria's policy. One of the things we have been doing in the business sector is trying to reduce red-tape costs particularly through the State Revenue Office for business, so we have recently had a study concluded by the State Revenue Office, and that shows that our efforts over the last five years there — reducing paper, reducing regulation and reducing red tape — have saved businesses more than \$10 million per annum in reduced compliance.

This is a significant savings for business, and it is a good example of how, if you look at regulation, if you look at the forms, the administrative burden, the compliance burden that is there, you can make real progress. So we have got the target. Departments are presently reporting to me and the Premier on their targets for reducing the regulatory burden over the next three years.

I should say also that Victoria led the way in payroll tax harmonisation. So you will see earlier this year we agreed with New South Wales to harmonise many of our payroll tax provisions, and I want to compliment Treasury on the great work that it did there because we entered into that agreement with New South Wales. Now all the Australian states at the treasurers council have agreed for a common set of protocols and procedures for payroll tax. That means if you are a business operating in Australia across state borders, as many do, you really only need one set of computer software now to run your whole payroll tax program. You might have a different rate in each state. There will always be different rates — that is a good thing, that is competition — but in all the details and procedures you will have fewer requirements in a single piece of software. That is a good example of how we can really make a difference and again a good example of the leadership that Victoria has shown.

Dr SYKES — This is a fairly straightforward one, Treasurer. One of the media releases emanating from the budget was in relation to more schools in country Victoria, and upgrading. There is a statement referring to securing the future of six more rural schools and a list. There has been \$14 million allocated to replace relocatable facilities in six schools which are then named. I am aware that there was a media release on 6 November prior to the election in which you indicated that there was a \$70 million program to replace relocatable school buildings

with permanent facilities in up to 40 small-to-medium schools. Is it correct to presume that these six and the \$14 million is the first stage of that \$70 million commitment, and that the 23 schools which you have named as being part of the other part of the first stage will have been relocated or replaced within the four-year term of this government?

Mr BRUMBY — Would you just repeat the last part again?

Dr SYKES — It is \$14 million allocated to replace relocatable buildings in six schools. I am asking the question: is that part of the pre-election commitment — —

Mr BRUMBY — Wait, 14?

Dr SYKES — Fourteen.

Mr BRUMBY — Yes, fourteen.

Dr SYKES — Is that part of the pre-election commitment of \$70 million to replace relocatable school buildings in up to 40 small schools, of which you indicated that the first 23 of those schools would be done in the four years of the term of this government?

Mr BRUMBY — I will get advice for you from the Minister for Education. But if you are asking, ‘Do you provide \$14 million for the six schools?’, the answer is yes. In relation to the other schools, if you are asking, ‘Will they be funded in the remaining three budgets?’, the answer is categorically yes. The only reason I am hesitating with the answer is it is not impossible that some of the schools identified in the relocatable program could be funded under general rural schools. I am just not sure of that, but it may be because sometimes there is some overlap between the two.

Again if you are asking, ‘Will they all be funded?’, the answer is yes. ‘Is there budget provision for that?’, as I have explained many times today, there is more than adequate budget provision for that. And I think in aggregate, of course — if you look at the schools there is \$555 million in this budget for schools, which is — —

Dr SYKES — I accept all that, and that is — —

The CHAIR — Dr Sykes — —

Dr SYKES — Can I please — —

The CHAIR — I refer you, Dr Sykes, to page 282 of appendix A in budget paper 3, where you will find the answer.

Dr SYKES — Through you, Chair. I believe we have got confirmation that the pre-budget commitment that you made is going to be delivered on those first 23 schools, including Tawonga Primary School, which is in my area, will, as you have committed, be delivered upon. Is that the commitment?

Mr BRUMBY — Will it be?

Dr SYKES — Yes?

Mr BRUMBY — It was on the list?

Dr SYKES — Yes.

Mr BRUMBY — Categorically.

Dr SYKES — Categorically, okay. Then my question is: is that with or without any additional conditions?

Mr BRUMBY — Sorry?

Dr SYKES — In pursuing this on behalf of Tawonga Primary School — and it is an issue of principle, for which I am using an example, they have been advised that in fact there is a six-stage process through which they

have to go and there appears to be no guarantee that the funding commitment promised, resulting in the relocatables at that school, is going to be delivered upon.

Mr BRUMBY — Chair, to be fair, I cannot speak for every primary school in the state. I visit a lot of them. I cannot — —

Dr SYKES — It is a question of principle.

Mr BRUMBY — I cannot speak for every one of them. On the question of principle: what we promised, we will deliver. On our recurrent side we have 172 commitments; we have begun work on each one of those. On the capital side, we promised a capital program, which ordinarily you would fund 25, 25, 25, 25 — we have actually funded ahead of schedule. If you are asking me, ‘Are schools that are on the list going to get funded in this term of government?’, I have told you categorically yes. And I am told by the secretary of Treasury, who is a former secretary of the Department of Education, that for every school there is a process of, if you like, checks to go through, which have a number of stages to make sure that the capital program entered into drives the right value for money for the state. Tawonga is no different to any other school. You should raise that with the Minister for Education.

The CHAIR — You could take that on notice and pass it to him, Dr Sykes.

Mr PAKULA — I am mindful of Mr Barber’s desire to get in another question, so I will be brief. Treasurer, I refer to page 34 of budget paper 3, in the third paragraph under ‘Land tax’, and the changed land tax quantified at \$508 million over the term. Can you give the committee some sense of what that change will mean for business costs?

Mr BRUMBY — I can. I have a couple of examples here, actually — fortuitously.

Dr SYKES — You just happened to know it was coming, just by chance.

Mr BRUMBY — Just by chance I have a couple of examples. But I will be brief, because I know Mr Barber has only had one question. A hotel in East Gippsland, with a land value of \$2 000 000, the savings to that business will be \$7000 — a percentage tax reduction of 24 per cent. A transport operator in Greater Geelong, with a land value of \$1.8 million — tax savings of 20 per cent, \$2770. A chemical company in Greater Dandenong, with a land value of \$2.8 million — savings in land tax announced in this week’s budget, \$8000, the reduction in land tax is 23 per cent. These are big savings.

We have always had low land tax, at the bottom end of the bracket, for small land-holders. The rate reductions we have provided now mean that between \$400 000 and \$4.5 million we have got the lowest rates of land tax in Australia, and that is where most of our businesses are and most of the jobs are. Again, I am conscious of what I said before in terms of manufacturing businesses, transport, warehousing and all of those. Where they have got cost pressures, this will release significant cost pressures.

Mr BARBER — Treasurer, I would just like to go back to stamp duty relief for motor vehicles.

Mr BRUMBY — Yes.

Mr BARBER — Just by way of background — you can respond to this in your answer, if you like — the passenger fleet is now 1 litre per 100 kilometres less efficient than it was in the 1990s — that is with air conditioners, bigger cars and more features that weigh more. My question is about the modelling that Treasury and other departments would have conducted in looking at this initiative. When you cut a tax, some of it goes to the producer, some of it goes to the consumer, there is some rise in demand, and how much is to do with a range of factors.

You must have modelled the effect of this on your own revenues, and so you would be able to tell me whether that modelling showed an increase in sales of those cars affected by the duty or, I suppose in the alternative, do they end up just putting the money in their pocket — the consumer, that is? What did that modelling show by way of increased sales for those vehicles? Based on that, what did other departments’ advice say, maybe with respect to the impact on sustainable transport, greenhouse gas emissions and so forth — that is, the other departments’ advice?

Mr BRUMBY — Sure. I am not aware of your statistic about the overall fuel use in the vehicle fleet increasing. I must say I am surprised by that, and I would be happy to receive some more formal information on that, if you can provide it.

I think it is generally accepted that newer cars are certainly much cleaner, as I said, much safer and generally more fuel efficient — not all of them, but generally more fuel efficient. For example, I announced this policy down at Toyota in front of its Toyota Aurion, which is a six-cylinder car with a 200 kilowatt engine, but the most advanced six-cylinder engine in the world, which has amongst the very best emissions in the world and uses only 9.9 litres per 100 kilometres in the city and the country. So I think that is a very good example. You can imagine it replacing an old Toyota Crown from 20 years ago. It is a good thing for the environment.

The other thing you asked was: did we model demand-supply responses? We did not do that, and Treasury, in its calculations going forward — we are always fairly neutral in our revenue assumptions going forward — was fairly conservative. We did not assume a demand shift, and we will wait to see what the market does, but we did not build that into the numbers going forward.

The final point I make, from your perspective and with your concerns in terms of fuel use, is that obviously we have terminated a subsidy that is going towards fuel. I would have thought you would say that was a good thing to do if you are concerned about increasing levels of fuel and greenhouse. We think on balance, putting aside the issues of whether the fuel subsidy is passed on or whether it is not, we think on balance this is a better way to use taxpayers money.

It is more transparent, it is more open, and I certainly believe that there will be very positive environmental benefits from getting people out of old, many of them lead-based cars — and I know they put the additives in now — but replacing those and getting them into new cars. Eventually of course, the more new cars you sell, the more it pushes down through the second-hand fleet as well. So we will just agree to disagree on this, because I think it is a positive environmental initiative.

Mr SCOTT — My question relates to budget paper 2, page 68, under the heading, ‘Horizontal fiscal equalisation reform...’ where it states:

The Victorian government considers that the current approach to GST distribution is fundamentally flawed.

Is Victoria still subsidising other states?

Mr BRUMBY — We sure are, and we are subsidising other states to the tune of \$1.3 billion. When you think about it, this is a scheme that started back in the 1920s, really to compensate Queensland and WA for the fact of tariffs. We had all been manufacturing in Victoria and New South Wales, and tariffs have largely disappeared since the 1920s. This program still exists, though. It is antiquated, it is outmoded, it is inefficient, and it does result in Victoria continuing to subsidise other states.

We do not mind subsidising South Australia, Tasmania and the Northern Territory, but we certainly object to subsidising Queensland. It is just a nonsense that we should be subsidising Queensland. We put this view to the federal Treasurer. Regrettably he has been reluctant to embrace reform; to grab hold of the reform baton and make changes which would drive a much stronger national economy. When you think about it, it is penalising us to the tune of \$1.3 billion a year. For every dollar a Victorian pays in GST, we get only 88 cents back. The two larger states, Victoria and New South Wales, are lumbered with this anachronism from the 1920s.

We proposed an alternative model. It is a good model. We are happy to look after the smaller states; we think Queensland should pull its weight as well, and all of the modelling that has been done on this shows that if you did move to a better, more improved system, you would see significant economic benefits for the whole of Australia.

Finally and very quickly, Chair, we have also made progress. Victoria really led the campaign at the Treasurers council to try to clear up some of the administrative operations of the grants commission, and we are making progress doing that. The grants commission is now applying fewer and fewer classifications and criteria to work with their undertaking, and that is an improvement. But, really, this is not a matter for the grants commission, this is a matter for the federal Treasurer, and he needs to bite the reform bullet and do what is the right thing for Australia as a whole.

Mr RICH-PHILLIPS — Treasurer, in your budget speech you refer to \$4.7 billion of water projects, when you said:

... we have invested \$1.7 billion in water and catchment projects, along with more than \$3 billion committed by water authorities.

Can you give the committee a list of those projects, in particular we are looking at what the project is, how much it cost, whether it was committed by government or an authority and in what financial year?

Mr BRUMBY — I am just trying to find it; I have a very long list here.

Mr RICH-PHILLIPS — If you want to go through the major ones and perhaps table or provide the full list?

Mr BRUMBY — I just want to have a look at it. It has got all of the projects. We can get that information to you. Just to reiterate, what I said in the speech was \$1.7 billion towards water and catchment projects — that is, water projects and of course the catchment management authorities which do such an important job in managing those catchments, and the authority. We are happy to do that. I do not think I have the presentation here — I did have a slide in some of my general budget presentations which goes through the huge number of water projects across the state. I do not think I have got it with me today, but we would be happy to get that information for you, and I am sure that the water minister can elaborate on that when he appears before this committee as well.

Mr RICH-PHILLIPS — Are there any larger projects you want to mention now from that list?

Mr BRUMBY — Happily. If you look at it running across from the west of the state — this is just during the term of our government — the project commenced under the former government and completed earlier on in our government was the final stage of the Northern Mallee pipeline scheme. Off the top of my head — I do not know the numbers on that — but I think it was probably a TEI of \$100 million or something-plus to finish that. The Wimmera–Mallee pipeline scheme, which is now, as you know, moving to stage 2 without delay. That is a \$501 million TEI.

In the west of the state there is a huge number of projects. I know I opened the new recycling facility at Hamilton. That is not a big project, I think it was \$6 million to \$10 million or thereabouts. There is one there, one at Portland and a raft of smaller water recycling and sewerage treatment projects. My guess is if you added it up in the regions, just the investment that has gone into water recycling and sewerage treatment, there would be a couple of hundred million there.

Moving across the top end of the state, there is the Woorinen pipeline which has been completed under our government. There is the Tungamah pipeline running across the top of the state, and there are a couple of others, the names of which I cannot recall. In the Goulburn region there have been a number of other projects and I do not know that I have a list of them — I do not think I do, which is a pity.

In the north-east of the state we have done the Wodonga waste water treatment program, which was done early in government. We move down through Gippsland we have obviously got the Gippsland water factory which we funded, which is a TEI now in excess of \$200 million. Around Melbourne there are a number of projects including at Altona, which we visited the other day, and Werribee and further works at Carrum, which are recycling projects.

In the regions we are doing the Bendigo super-pipe, the Goldfields super-pipe and there is the announcement we made in the budget of the funding for the Shepparton project, which is a TEI, as I have said, of \$188 million. In the budget we have a further \$10 million for farms, other recycling projects, for stormwater projects in urban areas and the \$20 million for rebates on efficient households and water products.

There are the contributions we have made towards meeting our targets under the Living Murray scheme. I apologise as I do not have a list of those in front of me. There is the project I mentioned earlier on Tarago, which is being funded by Melbourne Water, and that will be bringing water to Melbourne by 2009–10 — that is 25 gegalitres of new, fresh potable water. On top of that there are a number of projects in industry which together have saved somewhere between 15 and 20 gegalitres of water.

At Leongatha — I have a list of some of these in ‘rural projects’ and they may come up under the regional development portfolio later. Leongatha would be the largest of those, with about 1.6 gegalitres. Australian Paper

recycling and Energy Brix recycling and all the ones we have done in industry have been about 14 gigalitres of water. If you add all of that investment, you start getting some significant numbers.

On top of that you are seeing significant investment in sewerage infrastructure, particularly in places like the Yarra Valley where there was a huge backlog after the Kennett years because Melbourne Water was not able to adequately maintain its effort. That meant inflows into rivers and streams were far more polluted than they should be. There is a big investment that has gone into that area as well.

I will get a list. That is just a quick run around the state. I am sorry I did not have all the projects but you can get an idea of the expansiveness of the programs right across the state.

The CHAIR — As a final question, I ask you to take on notice what resources and staffing costs the department anticipates applying to servicing the Public Accounts and Estimates Committee hearings in the 2007–08 financial year based on experience in the past. I thank the Treasury officials for their participation today.

Witnesses withdrew.

CHAPTER 12: DEPARTMENT FOR VICTORIAN COMMUNITIES

Transcript of Evidence

12.9 Aboriginal Affairs portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 10 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Mr G. Jennings, Minister for Aboriginal Affairs;
Ms J. Samms, acting deputy secretary, people and community advocacy division;
Ms A. Jurjevic, executive director, Aboriginal Affairs Victoria; and
Mr S. Gregory, chief finance officer, Department for Victorian Communities.

The CHAIR — I now welcome Ms Jennifer Samms, acting deputy secretary, people and community advocacy division; Ms Angela Jurjevic, executive director, Aboriginal Affairs Victoria; and Mr Stephen Gregory, chief finance officer, Department for Victorian Communities. I call on the minister to give us a presentation of no more than 5 minutes on the more complex financial and performance information relating to the Aboriginal affairs portfolio. I think you have had passed around a brief summary of the overheads.

Overheads shown.

Mr JENNINGS — Thank you very much. I think I might even be quicker than 5 minutes. It is important for us to understand the gravity of the issues that we are dealing with, and the gravity of the issues that we are dealing with is that Aboriginal people in the state of Victoria are continuing to die approximately 20 years on average below the rest of the population. Many people, when they consider the experience of indigenous people in Australia, forget that we have an issue in Victoria, and that applies to Victorians as much as it applies to other people in other parts of the country. It is certainly something that I spent a lot of time on, convincing the commonwealth government on that issue.

We want to work in partnership with Aboriginal people and have a number of agreements that have been entered into and collaborative arrangements that underpin the work of taking the life experience of Aboriginal people forward by engaging and empowering Aboriginal communities and indeed by an appropriate level of coordination between our efforts and the Aboriginal community organisations' efforts. That culminates in a framework where we have made commitments, through the Victorian indigenous affairs framework, about long-term sustained variation to the quality of life for Aboriginal people, to be measured by the success in those areas over a 5, 10, 15-year horizon.

With the annual budget in Mr Forwood's day I used to say that we continue to have exponential growth within the Aboriginal affairs budget, and probably if he were here I would say it again. That is what it certainly looks like; that is an exponential curve. What I may worry about is that there are a number of one-off elements within that budget and that I may not be able to say this the next year, so I will say it this year. Over the life of our government we have had exponential growth within the Aboriginal Affairs budget, culminating in \$30.8 million in that budget this year.

In outlining these issues I err on the side of crossing over between what I am formally responsible for, which is the 30 million, as distinct from the projects I am about to talk about, but I do play a whole-of-government role in terms of providing for the indigenous affairs framework, coordinating the ministerial taskforce on Aboriginal affairs and playing an active role within those program areas.

I draw to the committee's attention significant investment in this year's budget to deal with the early years of children by providing access for disadvantaged Aboriginal kids to receive free early childhood education. We want to increase the capacity of the early childhood education programs and undertake an important piece of benchmarking work on the wellbeing of indigenous children, so that we can benchmark our efforts now and into the future.

Within my responsibilities is the funding of \$5.1 million over four years to continue to support the capacity of indigenous organisations, particularly through governance and through innovative ways of delivering and coordinating services and providing for the new voices of Aboriginal people through those programs.

In the last year, as I indicated to the committee, we have introduced Improving the lives of Indigenous Victorians as the overarching framework by which government efforts in six key areas will be measured and benchmarked over a 5, 10, 15-year horizon. We have been very successful in rolling out the governance training program, which is designed to support the governance acumen of community organisations that are charged with a lot of responsibilities in their community and also receive significant investment from the public purse to undertake very important community building and community service responses.

We have implemented the commonwealth heritage act, which will be proclaimed shortly and will take effect at the end of this month. We have embarked upon a new regime of community engagement and representation, which is sorely needed in all Aboriginal communities, including those in Victoria. After the demise of ATSIC there has been a malaise in the degree of coordinated voices of Aboriginal people. Regardless of what people think of the relative merits of ATSIC, it provided such a space and an opportunity, and there has been a vacuum on the national political horizon since.

We are undertaking important work in terms of the infrastructure audit and the current state of assets in the hands of Aboriginal communities to try and ensure that they comply with occupational health and safety and fire regulations so that people are working in safe workplaces that provide for well-rounded community services.

The CHAIR — Thank you, Minister.

Dr SYKES — Minister, my question relates to the funding of the implementation of the Aboriginal Heritage Act and concerns raised with me by the Bangerang people. Given that you have agreed to meet with them personally, and also in the interests of keeping it moving to enable Mr Barber to get a couple of questions in, I am happy to have my question taken on notice.

In essence, the question relates to how registered Aboriginal parties will cover their costs in fulfilling their obligations under the cultural heritage act processes and questions in relation to the estimated cost of management plans of about \$15.8 million over the next 10 years. I am happy just to table it.

Mr JENNINGS — I am happy to answer it. In fact interestingly enough, Dr Sykes, as somebody who is asking questions on behalf of the Bangerang, I think you might be sitting next to somebody who might be asking questions on behalf of the Yorta Yorta. You might be balancing one another out.

The substantive point in relation to either Bangerang or Yorta Yorta's aspirations for being a registered Aboriginal party is that they are currently being considered by the Aboriginal Heritage Council which is charged with responsibility for making that determination under the act. The council is very mindful of public and private statements I have actually made to say the aspirations of the people in question should be recognised and responded to and acted on appropriately by the heritage council. The answer applies to anybody who might ask me a question about that.

On the question of how does a registered Aboriginal party maintain sustainability, that is something that is exercising the heritage council and my office greatly and, I am sure, members in the community are concerned about it too. The basic building blocks of the story are that there are a range of activities of cultural analysis and assessment and monitoring that Aboriginal organisations are charged with the responsibility of undertaking under the act.

They will attribute a certain cost structure which is yet to be determined but is being circulated in draft form in terms of the regulatory impact statement where there are suggestions about what the appropriate fee structure should be to be able to provide for a meaningful and professional service by a registered Aboriginal party and enables them to be financially viable. So there is a balancing act between what the costs to a developer may be and for being the beneficiary of that work, and what might be the appropriate cost structure to ensure the cultural heritage program is viable. And that is the balancing act we are trying to achieve. Was there one other element to that question?

The last issue was about the cost within the regulatory impact statement. I draw to the committee's attention that the no-change basis in terms of the commonwealth legislation and its requirements in terms of the assessments and management plans that have not been undertaken but should have been, and of course many costly delays to projects, that in fact the net cost may actually be reduced to Victorian business over the course of the next 10 years because the assessments and approval processes are done up front before planning approval is given rather than being an overlay after construction has commenced when people have realised they should have taken account of cultural heritage and did not.

Mr SCOTT — My question relates to the Victorian Indigenous Affairs Framework, a whole-of-government approach to Aboriginal affairs that you outlined in your statement. What is the expected progress for the current budget in developing and implementing a whole-of-government approach to Aboriginal affairs?

Mr JENNINGS — I thank you for the question, because this is something we have dedicated a lot of our time to in the last couple of years, in getting to this situation involving lots of consultation both with the Aboriginal community and within government to try and make sure there is an appropriate alignment between what the indicators of quality of life are saying about what improvements need to be made for Aboriginal people and the way in which government goes about it in partnership with Aboriginal people.

We have drilled down into the first six areas that we wanted to emphasise. This is not to abrogate any of our responsibilities to provide quality service and access to Victorian Aboriginal people, just as we should provide them for any Victorian citizen. Specifically we go beyond that by trying to find ways to improve maternal and childhood health, literacy and numeracy, year 12 completion or equivalent, and the pathways to employment, that we prevent family violence and improve justice outcomes, we improve economic development, settle native title claims and address planned access issues and that we build six indigenous capacity issues. They are the six areas that are priorities, strategic areas for intervention. Within those, we have a number of specific actions that we require. I will not go through the lot, but I will give the committee an example of them.

In relation to improving maternal health and early childhood development, there are five measures. The first is to reduce reported smoking and alcohol use during pregnancy by indigenous mothers. In this budget there is a corresponding investment in maternal and child health programs. Again, that applies to the second and third indicators which are designed to reduce the indigenous perinatal mortality rate — so those children up to the age of three who die prematurely — and we try to ensure that babies, when they are born, have a high birth weight rather than a low birth weight and so that they are, as a consequence, not at risk of jeopardising their long-term health.

Action number four is increasing the indigenous four-year-old kindergarten participation rate. We have done that in a two-fold way by making sure that Aboriginal people get access to kindergartens just as all Victorian children from low-income families will get access to that. But we have taken that further by providing the same support for indigenous three-year-old children. Indeed we want to reduce the rate of indigenous child protection substantiations.

In my previous presentation to the committee, and in my work as the minister who is responsible for child protection matters, I can assure you that we will be leaving no stone unturned in terms of trying to provide the wherewithal of Aboriginal agencies which are charged with the responsibility of placing Aboriginal children, and that we will provide a lot of impetus and support to Aboriginal families to make them stronger so that their children are not at risk. That applies to the original family of an Aboriginal child, but also those foster families who may receive a child. We want to see the same empowerment, capacity and resilience. In all Aboriginal families we will insist both of them staying at home in the first instance, but if they are out of home, they are to be placed in families that are functioning well, are resilient and can actually cater for the child's needs.

They are very tangible and specific actions that have a direct link back to the budget. I could, if we were here long enough, go through the rest of the framework to indicate where we are taking action in accordance with that framework. We are very determined to turn around the circumstances of Aboriginal people during the life of this government and beyond.

Mr BARBER — Minister, again in relation to the implementation of the heritage act this year, which I am sure will be a major activity for your department, your regulatory impact statement says that the cost to your department, in addition to the processing of applications and so forth, is that Aboriginal affairs will also be undertaking a range of other activities to support the new legislative regime, and that you will 'provide training, guidelines and advice to affected parties' on the new legislative requirements. I am presuming that is correct.

Mr JENNINGS — Yes.

Mr BARBER — Then when it talks about the cost to registered Aboriginal parties, it really just talks about it in terms of the fees. So I think it is a bit light on in that respect. The issues that I think may arise for registered Aboriginal parties, which will come back to your department's support in terms of training guidelines and advice, are things like section 113 of the act, where people actually have to be registered as Aboriginal parties and how that can end up in VCAT, under section 114; again in section 116 of the act; and later, when it comes to the actions of registered Aboriginal parties, in section 150 of the act there is a whole set of requirements for people to demonstrate their status as a registered party, and in some cases proving things that they had to prove as part of their native title claims all over again; and onto section 153 of the act.

In terms of just getting registered and then being able to adequately represent yourself as a registered party when a matter comes up, what training guidelines and advice to affected parties will you provide, and will that advice run to funding them to be able to maintain the advice, to get the advice and to go through the processes that your act has set up?

Mr JENNINGS — As a starting point, we do not want people to reinvent the wheel. In fact I am sure, Mr Barber, you are an astute observer of the building blocks of this legislation and how it differs from the commonwealth legislation. As a building block of our approach there is a far closer correlation between traditional owners, native title aspirants and what the outgoing commonwealth legislation was. So when the Heritage Council makes a decision about who should be a registered Aboriginal party it is obliged under the act to consider what native title determination has been found.

Mr BARBER — Sure.

Mr JENNINGS — Or what is the standing of that claimant group.

Mr BARBER — Yes.

Mr JENNINGS — And in fact for the vast majority of native title claimants there will be no additional documentary evidence of their standing beyond what they may have already undertaken in relation to preparing their native title claim. That does not mean that any of them should have the luxury of sitting back and not forwarding it to the Heritage Council, or that they should comply with the open invitation to ensure that that information is provided to the Heritage Council to enable it to make a decision. Beyond that we recognise that there are some people who have connection to country.

They may not be native title claimants — they may seek to be — or have currently not achieved that level of analysis to be able to provide for that certainty and that confidence. Through the Heritage Council and through Aboriginal Affairs Victoria we have contacted many Aboriginal community organisations and people who may be aspirants to encourage them to be very mindful of what information they may need to obtain and to suggest to them the form that should take, and indeed we are very willing — through the auspices of the Heritage Council — and sympathetic to any potential registered Aboriginal party to assist them in a tangible way to ensure that they can make an application.

I have been encouraging, and I encourage anybody who is interested in this area to say to potential registered Aboriginal parties that they should have a specific conversation with the secretariat of the Heritage Council about this matter to see what assistance may be able to be provided through their auspices.

The ongoing question about people's capacity to pay goes back to part of Dr Sykes' question about the fee structures and the viability of registered Aboriginal parties. Depending upon the volume of work that may be appropriate and that they may be considered in, or depending upon their degree of extra cultural heritage involvement and expertise that may have additional commercial benefit to be able to drive that —

Mr BARBER — And to defend those decisions through VCAT if necessary under section 125.

Mr JENNINGS — I will get there. Part of this financial sustainability — and I have said it at every community event that I have been at, and I have been to hundreds — is to say that the structure of the program should account for the costs of going to VCAT. If it is required that will be something that registered Aboriginal parties may be called upon to fund within the context of defining a sustainable business model for the registered Aboriginal party. At every turn the Heritage Council and Aboriginal Affairs Victoria are very, very dedicated to ensure that we create a viable business model for those registered Aboriginal parties.

In terms of the path to VCAT, we should understand that effectively under the reserve and default powers of a registered Aboriginal party under the act, they will not be going to VCAT voluntarily because the only time that an issue will go to VCAT is when there is a dispute between a developer and a registered Aboriginal party because if a registered Aboriginal party says no to a development —

Mr BARBER — The developer has to challenge it.

Mr JENNINGS — The developer has to challenge it. It is not the other way around.

Mr BARBER — Yes.

The CHAIR — We have got time for two more quick questions. Ms Graley?

Ms GRALEY — Yes, I am mindful of the time. What progress has been made in commissioning the statue of Sir Doug and Lady Nicholls?

Mr JENNINGS — Okay. The importance of Doug and Lady Nicholls is actually something that I hope will be more and more of a feature of the Victorian community whereas in fact probably Doug Nicholls became most recognised and most popular in South Australia, even though he was a very, very important Victorian. And in recognition of the great role that he has played in a whole variety of ways — he came to prominence in the sporting field and beyond that in terms of his pastoral care in the community, but far beyond being a pastor of religion he provided inspiration to generations of Aboriginal people involved in a whole raft of community organisations — this year we are wanting to make sure that we pay due recognition to his significant contribution.

We anticipate it to be on the 101st anniversary of his birth, on 9 December. We have set ourselves a target to try and unveil the statue to mark his life and his beloved Lady Gladys's life for their important contribution. We have provided for a space for it to occur in the parliamentary gardens on Spring Street. It will be one of the first opportunities that there will be access for an indigenous person to be in such a prominent public space within Melbourne. Hopefully it will not be the last; it will be the foreteller of others to come.

Significant preparatory work has been undertaken in terms of getting the land available, and dealing with Melbourne City Council and various agencies within government. An artist has been commissioned to do the work. Louis Laumen — in fact I probably do not do justice to the French pronunciation of that glorious name, and I will provide the spelling to our friends to make sure that we do justice to it — has commenced the work. We are very optimistic that it will be a great community event when we bring his ancestors together to celebrate his achievement and to mark the prominence of Aboriginal people within the state of Victoria. Doug Nicholls is as good as any person to be the personal embodiment of that.

Dr SYKES — And a glorious football player as well.

Mr JENNINGS — Exactly!

The CHAIR — And as a final very quick question, Mr Barber, because I am conscious of your time, Minister?

Mr JENNINGS — Sure.

Mr BARBER — Thank you. You might be able to provide a more fulsome answer on notice, but section 38 of the Charter of Human Rights and Responsibilities Act is going to require a whole range of government departments, including yours, to have its activities in compliance with that act with some deadlines throughout this year.

One of the rights under that act is that for Aboriginal people to maintain their distinctive spiritual material and economic relationship with the land and waters of Victoria, what activities will fall to your department this year to assist public agencies, including your own, but other agencies I am sure, to be in compliance with that part of the act and what costs and requirements will that put on your department? Given that a number of them will probably ring you up straight away when they realise they need to be in compliance with that section of the act!

Mr JENNINGS — It is very tempting to answer this question in a different way, but I will not. I will resist the temptation to answer in terms of what the perception of those public practices may be. But what I can volunteer is that there are many programs designed already in terms of training and immersion in cultural heritage values and understanding. It is more developed in some departments than others, and most of them to deal with land management issues are reasonably well versed, if not very well versed, in cultural heritage.

That does not mean from time to time there may not be some contentious issues that occur within public land, but as a general rule, and in terms of making sure that there is cultural awareness provided there are well-developed and well-integrated opportunities for that to take place in terms of the specific programs under the land and economic development program. As you would be aware, there is a whole emphasis on making sure Aboriginal people are empowered to provide for their own interpretation of cultural heritage matters and their involvement in land management matters, and even though agreements that may not actually be fully living up to their potential, such as the land management arrangements around the Yorta Yorta, as you and I have actually discussed in the Parliament

previously, there are open doors and opportunities available for community aspirations to be expressed and understood, and ingrained within the actions of government.

The CHAIR — Thank you, Minister. I have a question on notice which I will pass to the secretary to convey to you. That concludes consideration of budget estimates for the portfolios of community services and Aboriginal affairs. I thank the minister, witnesses and departmental officers for their attendance today. It has been a very good session. Where questions were taken on notice the committee will follow up with you in writing at a later date and the committee requests written responses to be supplied within 30 days and considered for inclusion in a further report of the committee to Parliament. Thank you everybody.

Witnesses withdrew.

Transcript of Evidence

12.10 Aged Care portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

12.11 Employment portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 7 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms J. Allan, Minister for Skills, Education Services and Employment;
Mr Y. Blacher, secretary;
Ms P. Digby, executive director, local government, employment and adult education;
Mr S. Ward, director, employment programs; and
Mr S. Gregory, chief financial officer, Department for Victorian Communities.

The CHAIR — I now welcome the minister; Mr Yehudi Blacher, Secretary of the Department for Victorian Communities; Ms Prue Digby, executive director, local government, employment and adult education — that is a mixture; Mr Stephen Ward, director, employment programs; and Mr Stephen Gregory, chief financial officer, Department for Victorian Communities. We have half an hour for this. I ask the minister to make a presentation of no more than five minutes on the more complex financial and performance information relating to the portfolio.

Ms ALLAN — Thank you very much, Chair. I will be pretty brief. You have heard me go through my presentations now a couple of times. They are reasonably consistent because it is reasonably consistent, positive news for both the Victorian economy and this year's budget.

Overheads shown.

Ms ALLAN — As you can see from the first slide, since coming to office in 1999 we have seen the Victorian economy and, more particularly, the labour market go from strength to strength. You can see in the chart on the presentation — and everyone has a copy of the presentation — the unemployment rate trending down; the red line is trending down. That is the statewide figure and also — importantly for Dr Sykes and me, in country Victoria — in provincial Victoria the unemployment rate has decreased. Obviously that is a result of the additional 380 000 jobs that have been created across Victoria and particularly the 120 000 jobs in provincial Victoria. I think these figures show that the Victorian economy is going in the right direction whether you are in country Victoria or in metropolitan Melbourne.

If you look at the foundations and the areas that we have focused on as the government, whether it is in that investment in infrastructure — I think this year's budget going forward has an average of \$3.5 billion investment in infrastructure and investment in education and training, which I have gone through in my previous two presentations — our focus is on attracting more people to Victoria, more migrants to Victoria. That is really seeing those strong jobs figures.

In terms of where the employment portfolio sits, we have some particular roles. Since 1999 more broadly, our Jobs for Victoria package, which is a range of different employment programs and initiatives, we have seen more than 7200 people assisted into employment. We have seen Victoria's share of the skilled migration intake increase quite significantly from under 20 per cent when we first came to office to over 25 per cent in terms of the latest figure. Also, we are looking to the future and the work we have done over the last couple of years both in establishing the workforce participation task force, receiving their report, and then looking at implementing a strategy into the future.

For last financial year, just very briefly, you can see there under the Work Force Participation Partnerships program, there has been over 1000 people assisted into employment. Given that we are at a time when, as I said before, the labour market is pretty tight — we have low unemployment but we also have employers seeking particularly skilled people — this is a partnership program that very much matches those people who are looking to head into work into the areas where people are looking for people with particular skills and qualifications. Over the last 12 months we have continued our work in increasing Victoria's share of Australia's skilled and business migration intake. What is going particularly strongly is our Live in Victoria website, which is a very important tool as part of our skilled migration strategy.

I think this is a very important set of figures for us to consider. We often focus on the skilled migration area but the business migration is an important part of the work we do. In this financial year to date we have seen provisional sponsorship; Victoria has supported more than 1300 business migrants who will contribute over \$600 million in investment and in turn create more than 2900 jobs. Those are very strong figures in investment in Victoria. And we did work in regional areas — across 11 regional areas — on our regional skills shortages survey project to help us to get that detailed set of data on skill shortages right across the state.

This year's budget, just very briefly: more funds to continue the good work in skilled migration, including two overseas postings, in the UK and India, two very important key markets. No, I am not putting my hand up for the job but Richard, do you want to?

Mr DALLA-RIVA — Yes.

Ms ALLAN — You were just looking interested all of a sudden.

Mr DALLA-RIVA — You were looking at me, that is all. I do not know which one I will take!

Ms ALLAN — You were looking interested. We have additional funds to continue the Workforce Participation Partnerships program; two new programs helping particular groups of workers — people get into the workplace with mature-age workers and people with a disability; and also support for the Connectus program that helps young people at risk to re-engage with education and training. I might stop there and see if there are any questions from the committee.

The CHAIR — Thank you, Minister. I am sure there will be many questions so I will ask Ms Graley to start off.

Ms GRALEY — As you can see, most MPs are very interested in disability issues. You had the screen up there and talked about the new disability trainee scheme. I am just wondering if you could explain it and outline what it will achieve.

Ms ALLAN — Certainly. As I said before, we know that no matter how low the unemployment rate does get there are particular people in our community who face a range of different barriers to getting into the workforce. That is why we are focusing in on assisting people with a disability in this program. Just briefly, I should just mention that last year the government established the Office for Disability, and also passed the disability act in 2006, which requires that we have the development of disability action plans by all departments, statutory authorities and corporations in place from 1 July this year.

A key element of those plans is also about the removal of barriers to employment for people with a disability. In addition to this specific program you are also seeing work being undertaken across government. Certainly under this program we are seeing \$1.6 million being provided to assist graduates with a disability to find and retain employment. We will see 200 positions become available over four years for people with a disability who have completed a post-secondary qualification and need some assistance in finding employment.

This program has been informed by our workforce participation partnerships (WPP) program, which had job seekers with a disability as one of its key target groups. Through WPP, as at the end of March this year, we have seen \$7 million worth of projects that have helped a further 275 people with a disability make the transition into employment. As you can imagine, it is a new program. It has just come on line in this year's budget, so further guidelines will be developed. In future I would be happy to report back to the committee on how that program is going.

The CHAIR — Terrific. I might follow up a program which is current, namely Workforce Participation Partnerships, which you will find on the same page — 337 — but it is continuing on this year with an extra 2.5 million. How are you going to build on the past and going into the future with this program?

Ms ALLAN — This Workforce Participation Partnerships program has been very successful. The PAEC staff might remember — there are all new PAEC members — back in March of last year when we made significant changes in our employment programs I took the opportunity to brief PAEC on those changes, which were about refocusing our suite of employment programs so it is very much targeted in on helping those people, as I said, with a range of different barriers to finding employment but at the same time understanding what the local industry and skill needs were so we can make that match.

Since WPP has been in place we have seen over 1000 people be placed in sustainable employment. I mention 'sustainable employment' because one of the key criteria for funding under this program is that a certain proportion of funding, I think — Stephen, is it 30 per cent or 35 per cent?

Mr WARD — Forty per cent.

Ms ALLAN — Forty per cent is provided after successful completion of 16 weeks employment. So it is very much weighted towards that sustainable employment outcome.

In this year's budget, alongside a number of other new initiatives that have been introduced by the government, we have provided an additional \$2.5 million to continue this very positive program, because, as I said, we have to continue to support people with a barrier to employment. We have to support them in a very positive way, which is about putting partnerships in place at the local community level, bringing the training providers, bringing the

community organisations that support them, bringing industry and business to the table and putting that partnership in place, which I must say is an interesting contrast to the way the federal government does their unemployment workforce arrangements, which are unfortunately not about partnership, they seem to be about punishing people who are not in employment.

The CHAIR — I assume beyond that is part of this review you are doing overall as well?

Ms ALLAN — Yes.

Mr WELLS — Minister, you use the unemployment rate seasonally adjusted — the ABS — so that would show that over the past three years the unemployment rate has been consistently higher in Victoria than the national average; would that be true?

Ms ALLAN — Well, it has been consistently above. I think when you say ‘higher’ you are making it sound like it is dramatically higher. I think the chart that was up on the screen just before shows that it is quite close to the national rate. At the moment Victoria is at 4.9 per cent and the Australian rate is 4.5 per cent, so it is still quite low. We are talking here about low unemployment rates — very positive outcomes for Victoria.

Mr WELLS — So it is higher than the national average?

Ms ALLAN — But it is a lot lower than the 6.6 per cent when we came to office back in 1999.

Mr WELLS — Which was lower than the national average — the 6.6 per cent?

Ms ALLAN — Yes.

Mr WELLS — Would you agree then that the 6.6 per cent that you just referred to was actually below the national average?

Ms ALLAN — At the time?

Mr WELLS — Yes.

Ms ALLAN — Back in 1999?

Mr WELLS — Yes. It was below the national average.

Ms ALLAN — Okay.

Mr WELLS — All right. So after the last three years we have been consistently higher than the national average in Victoria, which is disappointing. You mentioned the Workforce Participation Partnerships program and the \$24 million over the two years. To date, how many partnerships have been funded and how much funding has been allocated to this Workforce Participation Partnerships program?

Ms ALLAN — As I mentioned before, 1000 people have been helped into employment. The overall target for the program is 2000 people in total. The program is still going on because there are projects under way — as at the end of March, 89 projects have been funded with a total funding of \$24.6 million — and as I said, already 1000 people have been helped into employment, and I think we are well on our way to exceeding the target of 2000 people.

There are some very strong examples of where this project has made a real difference, whether it has been helping migrants find employment or helping people in country Victoria find employment. It has been quite a successful program, and, as I said, it has very much been used as a basis to inform our new programs, such as Experience Counts and the disability trainee program that we were just talking about.

Mr WELLS — It is \$26.4 million for 89 projects? So \$24.6 million has been spent on 89 projects?

Ms ALLAN — Yes, and that has realised over 6100 job seekers. We have already seen 1000 go into a job; our target was 2000, and 6100 have been registered with our WPP projects.

Mr WELLS — So this slide that says 2.5 million for 2007–08, that is in addition to the 24.6 ?

Ms ALLAN — Yes. Well, the 24 has been expended — sorry, it has not all been expended, it has been committed, because as I said 40 per cent of the payment is on successful completion of 16 weeks employment.

Mr WELLS — The question was: how much has actually been spent now on this program?

Ms ALLAN — We have spent 14.3 , but we have committed 24.6 . As I said, I think it is quite important that we emphasise that the weighting of this program is 40 per cent on successful completion of 16 weeks employment. That is seen as a sustainable employment outcome. It is not a notional figure of, say, 10 per cent, which historically other employment programs have provided. It is very much putting a heavier weighting at that end so that we can get people to focus on the sustainable outcome. It is not about just getting people to the front door of the job, it is about getting them to stay on — and stay on for 16 weeks.

Ms MUNT — I refer the minister to page 9 of budget paper 3 and in particular the heading ‘Workforce skills and training’ where it talks about the policy of ‘*Maintaining the Advantage — Skilled Victorians*’. I am interested in how the overall strategy of the workforce participation will contribute to the government’s skills and training agenda.

Ms ALLAN — In terms of our commitment to a workforce participation strategy?

Ms MUNT — That is right — the overall workforce participation strategy as part of that policy.

Ms ALLAN — I mentioned in the presentation earlier that we established a workforce participation task force back at the start of 2005. That was chaired by John Button and had a number of industry and local government community organisations represented on it. They presented me with a report at the end of 2005 and a range of recommendations; a couple of the recommendations influenced the thinking behind the program, such as Experience Counts and the disability trainee one as well, but also the government has made that commitment to develop a whole-of-government workforce participation strategy.

To assist the committee’s consideration, I have another chart, the ‘Projected Growth in Victoria’s Working Age Population’. I am not sure who has the handout, but if that could be handed around. I think this is a pretty clear way of showing why we need a workforce participation strategy because it shows quite dramatically the decline in the projected growth of Victoria’s working age population from today through to 2035. If you look around at the moment, the working age population is expected to increase by 35 000 per year.

When we get to 2035, I think you see it drop off to about 5000 people. That is why we have to do everything we possibly can to maximise the workforce participation of women, of people with a disability, of mature age workers, or people from culturally and linguistically diverse backgrounds. That came through very strongly in the report from the John Button workforce participation task force report and is also why the government has picked it up, because we want to continue to drive Victoria’s economic productivity, and we want to continue to drive our prosperity.

We know to do that we have to get more people into the workforce, and it gets harder and harder the lower the unemployment rate goes down, which is a great thing — 4.9 is a very strong unemployment rate for Victoria, but we have to continue to work very hard to increase workforce participation across a range of different areas.

Dr SYKES — Minister, can I take you back to the graph headed ‘Victoria Labour Market Continuing Strong Performance’. I would like you to perhaps offer some explanation in relation to a couple of things: first of all, the quite violent fluctuation of the provincial labour market in comparison with the Victorian average line, and also in particular could you offer some explanation in relation to the unemployment figure coming down as we head into the tough end of the 1-in-100 year drought?

I guess some things I would like you to comment upon are the figures for the provincial cities of Geelong, Bendigo and Ballarat versus rural; and secondly, whether in assessing employment, in addition to the government initiatives such as the catchment management authority-type work, which has been much appreciated out there, would you by chance be counting feeding stock and carting water as forms of employment that have pulled the figure down?

Ms ALLAN — In terms of the breakdown — and I think I know where you are going with this, because we have seen very strong employment growth in the labour market in our provincial centres, you have seen the population growth figures as well where the latest data shows the four fastest-growing inland cities in Australia are

in country Victoria — Bendigo, Ballarat, Mildura and Shepparton — so we have very strong population growth which is driving that jobs growth in the provincial centres, which has seen the unemployment rate come down.

It is a bit more volatile for your small country towns, as you know very well. A small change in the labour market — a company putting even 5 or 10 people off — can be very difficult for that local community to support, which is why we have a range of programs like WPP to support people, in those circumstances.

As to the precise figures, I might have to take that question on notice and come back to you in terms of provincial Victoria versus rural, but make the point on the way through that regional Victoria's unemployment rate compared to other regional parts of Australia is performing very strongly as well. As I said before, we have had over 120 000 jobs created in provincial Victoria over the last seven years. We now have an unemployment rate of 4.9 per cent, so we have 4.9 per cent statewide and 4.9 per cent for regional Victoria. That is very strong and well below the double digit unemployment rate we saw in country Victoria in the mid-1990s. I think when you have a deliberate program of investing in infrastructure, investing in services in country Victoria that we have had, you will see those sort of results both in population and in unemployment.

Dr SYKES — With respect, Minister, if in fact the PEG has the more detailed presentation, its information shows high figures in the provincial cities, and what I am alluding to — that there may be much poorer performance in the rural areas because of the impact of the drought — the assertions you are making may not carry weight.

The first principle says we are in a very serious drought out there that is having a very severe economic impact. I have people coming to me, young kids, unemployed, because they have been put off. I cannot believe this, it does not match up with what I am seeing in my electorate, so it would be very beneficial to have those figures teased out, and then we can have the discussion about whether your assertion is correct or whether mine might be more accurate.

The CHAIR — Why do we not take those on notice. I want a couple more questions on employment before we finish.

Ms ALLAN — Very briefly, I am happy to have a chat about that because there are a number of employment-related initiatives as part of the \$157 million that is being provided as part of the drought assistance package to country Victoria, and that was very much exactly as you said — we know that the drought is having a huge impact. I think the Treasurer in his budget speech said it has taken 1 per cent off the forward growth in terms of the budget, so that has been factored in. It is having a very strong impact on country Victoria. That is why we have seen that package put in place, where there is a range of employment initiatives that you, Bill, I suspect might know pretty well already, but I am happy to provide some further information on those.

Dr SYKES — You would agree that these figures here do not match up with that policy decision ?

Ms ALLAN — I think you are confusing anecdotal evidence with statistics.

Dr SYKES — I am not confusing the pain on individual faces and the young people who come to me and say they are out of a job because of the drought, and those figures do not match up with those observations.

The CHAIR — We will check that one out.

Mr PAKULA — Minister, I would like you to briefly take us through the skilled migration strategy which is on page 337 of BP 3 and just how you think the strategy will build on the success that we have had over the last few years?

Ms ALLAN — Certainly. I have another chart that shows how we are doing very well year on year, and above the national average. I ask you to hand that one around as well for the committee.

This year's budget does provide, as I indicated, additional funds for the skilled migration program. To go back, we put in place the Victorian skilled migration strategy, I think it was launched back in 2004, with an additional \$6 million of funding, and it has seen us achieve the strong figures. It meant we put in place things like the Live In Victoria website and a range of other supports. This year's budget provides \$8.4 million in funds for the skilled migration strategy, and also complements the \$6 million in funding that was provided in the Provincial Victoria Growth Fund when the \$500 million Provincial Victoria statement was released back in late 2005.

We were able to secure \$6 million in funding, recognising that skilled migration is not just about attracting skilled and business migrants to Melbourne, it is about attracting them to regional and rural areas as well. The competition in this base is really intense. We are not just competing with other countries like New Zealand and Canada and the UK and the like, we are also competing against other states. I think some of us would have seen in the recent media reports, I think, of Queensland and WA and some of the activities they are up to in particular, so we have to continue to innovate, we have to continue to put more funds in this area, and that is what this budget provides.

As I indicated in my presentation, there is funding for the two overseas postings, one in the United Kingdom and one in India. They are our key source countries. They are the countries with the largest intakes, from where skilled migrants are coming. We are also building on the success of our Live In Victoria website.

It is easy to say we have a website, but it is actually quite a sophisticated tool where it is not just about promoting Victoria — when you Google ‘Migration Victoria’, up comes our website. It actually has online, and we are constantly streamlining and automating as much as possible the visa application requirements, and also putting quite detailed information, so in terms of when people click on there and they might be interested in a job in Benalla, they can click on the site and it will come up and it will tell you what schools are there.

Dr SYKES — Will it tell you the name of the their local member?

Ms ALLAN — No, we left that off. We did not want to scare them away, Bill. It puts in place a whole lot more information so when they are coming — it is not just the skilled migrant we are attracting, we are attracting their family as well, and that is why that vital information is provided at the same time.

The CHAIR — A final question on employment. Mr Dalla-Riva is happy to ask Mr Barber’s question.

Mr DALLA-RIVA — Thanks, Chair. In respect of BP 3 at page 249, major outputs/deliverables: employment programs. Just going down — and I will not be specific on each one, but the range across a variety of actuals targets for 06-07 and the target for 07-08. We notice there has been a decline in the quantity and quality outcomes, in particular the government youth employment scheme — you have dropped the target there for this financial year; overseas qualifications unit — client services provided — actual and what is expected is significantly less into this financial year; skilled migration program, which you mentioned in your report, was 62 600 in the average month; you say it is now averaging 56 — a drop again. In quality, the skilled migration program — 92, down to 85, and you are expecting an 85 again.

Turn over the page, Minister. I guess the crux of my question in relation to some of the declines in the performance measures is: we see in 2005–06 there was an actual spend of 27.1 million; expected outcome in fact is 25 million — \$2.1 million less than the previous financial year — and the target that was set for 06-07 was 29.9 and the target for 07-08, in other words the next financial year, is \$4.6 million. Given that there are declines in some of the performance measures and that the total output costs are significantly less than previous years, can you explain, Minister, the reason behind this cut in spending?

Ms ALLAN — Sorry — we have just followed you from the 25.3, 29.9, 27 — you mentioned a 4 there, what was that?

Mr DALLA-RIVA — The target for 06-07 was 29.9 and the target for 07-08 is 25.3. So I am comparing your actuals with expected outcome, and your targets with your targets. So, just trying to work out why there is — I guess it is a twofold question; you could answer it two ways if you wish. Why was there a reduction in the expected expenditure from the previous year, and why is there a reduction of nearly \$5 million in the targeted expenditure from this current financial year into the budget year?

Ms ALLAN — I take it you do not want me to go through all the explanations behind those performance measures?

Mr DALLA-RIVA — No, but it just seems — —

The CHAIR — You can take it on notice.

Ms ALLAN — Okay, because we are happy to provide that information for the committee, and I do not have the chart I am afraid — —

Mr DALLA-RIVA — Well, it is on the record, and you may wish to get those charts to me.

Ms ALLAN — I might ask either the secretary or Stephen to assist, but in terms of the variants from the 06-07 target and 07-08 target — I mentioned before, we have committed \$24.6 million to the Workforce Participation Partnerships program, but not all of it — most of it will have been expended — I think we said 14.3 has already been expended, so it is really about seeing the rest of it go through the system, if you like. So not all of it was expended in the — the bulk of it was expended in 06-07, but there is still some more to be spent in 07-08 — unless, Stephen, you wanted to — —

Mr WARD — Just as a carryover of 4.5 on committed programs into 07-08.

Mr DALLA-RIVA — That is right, but you are still expecting your total output of 25.3, including that carryover?

Mr WARD — The last payment is the bulk of the payment so that is what is being carried over into the next financial year.

Mr DALLA-RIVA — But the 25.3 in the target, that is where that is going into?

Ms ALLAN — Into WPP? Not all of it is, no. There are the new initiatives that are coming on as well — the youth employment scheme, skilled migration. WPP is just part of it but there were more funds allocated and spent to it up to 06-07 than there are in 07-08.

The CHAIR — Okay, we will look forward to the additional information which is provided. Thank you very much, Ms Digby and Mr Ward, for your attendance.

Witnesses withdrew.

Transcript of Evidence

12.12 Local Government portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

12.13 Multicultural Affairs portfolio

Please note the Multicultural Affairs transcript and the Veterans' Affairs transcript are combined into one transcript.

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into 2007—08 budget estimates

Melbourne—3 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr R. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

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Witnesses

Mr S. Bracks, Minister for Multicultural Affairs and Minister for Veterans Affairs;
Mr Y. Blacher, secretary;
Mr S. Gregory, chief financial officer;
Mr G. Lekakis, chairperson, Victorian Multicultural Commission; and
Mr J. MacIsaac, executive director, youth, seniors, veterans and disability, Department for Victorian Communities.

The CHAIR—Right, Premier. I welcome Yehudi Blacher, secretary to the Department for Victorian Communities; Stephen Gregory, chief financial officer, Department for Victorian Communities; George Lekakis, chairperson, Victorian Multicultural Commission; and James MacIsaac, executive director, youth, seniors, veterans and disability, and departmental officers. Premier, I ask for your presentation on your more complex matters regarding multicultural affairs and veterans affairs.

Mr BRACKS—Thank you, Chair.

The CHAIR—You have about 35 minutes for this.

Mr BRACKS—Yes, I will do my best possible. Thank you, Chair. I will deal with multicultural affairs first and veterans affairs second. I think that was the understanding. Achievements in 2006-07: if I can go to that first on the slide presentation—there should be something circulating around committee members—multicultural and multifaith harmony as part of A Fairer Victoria 2, Progress and Next Steps, \$2.1 million was provided over four years to fund initiatives that bring different faiths and community groups together to promote multifaith and multicultural harmony. The Multifaith Multicultural Youth Forum held in July 2006 was the first of its kind in Victoria. It was an important opportunity to improve dialogue between young people from a range of cultural and faith backgrounds, and that was very successful.

Secondly, in 2006-07 the Language Services Strategy, as part of Fairer Victoria again \$3.1 million was allocated to extend the Language Services Strategy for a further four years. The second phase will focus on CALD communities, refugees and mental health clients. We have rolled out the new Australian interpreter symbol and the Victorian interpreter card with over 169,500 distributed by 31 March as well. We have made significant progress in delivering the refugee brokerage program. The projects in partnership with refugee communities, including brokering access for refugee groups to local community recreation facilities, and assisting emerging groups as well. The total number of projects will soon increase to nine.

The VMC grants: I think most members here would be familiar with the grant program. Of course, we have increased the grant program and in this budget we have extra resources for the VMC grants as well. Since 1999 we have increased it from \$750,000 under the previous government to now \$3 million in 2006-07. From July 2006 to April 2007 the VMC provided about 1,575 grants worth more than \$2.3 million. In accord with what I submitted earlier, we will have more efficiency in the delivery of that in the future. The grants program continues to grow in popularity every year. There is no shortage of applicants, I have to say. I congratulate the VMC for the rigour they show in the application of those grants.

The merger of VOMA into the VMC: as you know, we committed in the budget in our commitments for a third term to the merger of the department into the VMC in order to produce a saving and in order to streamline services and facilities to the multicultural communities. The view of the government was that whether it was the Premier or another minister, they will receive from their own department's advice, as they will from the VMC, and we did not require therefore a Victorian Office of Multicultural Affairs to achieve that aim. I am very pleased to see in the budget that that has been—

The bells having rung.

The CHAIR—Thank you, Premier. We need to suspend our hearing again.

Hearing suspended.

The CHAIR—We are back in session.

Mr BRACKS—Thank you, Chair.

The CHAIR—Thank you, Premier.

Mr BRACKS—As I mentioned just briefly, the merger of VOMA into VMC has captured an extra \$1 million which enables us to put that into direct outcomes for the many multicultural communities and the grant program itself. New budget initiatives. Three major cultural precincts to be refurbished: Lygon, Lonsdale and Little Bourke Streets. An \$8 million investment to restore the key laneways, undertake street beautification and boost resources to communities to showcase their cultural heritage. We are increasing the funding of the volunteer Ethnic Communities Council of Victoria. That is going to increase from \$180,000 to \$250,000, and we are establishing a new multicultural centre in Geelong with up to \$1 million in matched funding.

Increased budget initiatives: increasing funding to VMC's—multicultural communities—community grants program; additional funding of \$4 million over four years. Increased funding for community harmony initiatives with additional funding of \$2 million over two years. So, Chair, I think you want me to go onto veterans affairs?

The CHAIR—Yes, please. That would be great.

Mr BRACKS—There is an overarching principle committed to ensuring that ex-servicemen and women are remembered, are honoured and are supported in recognition of the service they have offered their nation. In 2004 I announced that I would assume responsibility for all veterans affairs. Previously it was associated with several ministers; the consumer affairs minister, the health minister and other ministers. I assumed total responsibility for that and I think that has been an important and significant initiative. Since then our key priorities have been to strengthen commemoration, education and support to veterans and to create a more coordinated approach to issues affecting our veteran communities.

We have realised the changing needs of our ageing community, as well as the increased interest amongst young people, are important as a focus for the future. The veterans unit within the Department of Victorian Communities has provided operational support to coordinate activities across government. The achievements in 2006-07. Still, as I reported last year, one of our great achievements has been the Victorian Spirit of Anzac schools competition including an overseas study tour. The third tour has just finished successfully across Europe and into Gallipoli as well.

Restoring community war memorials grant program. I know many members have taken advantage of that. Many communities have utilised that and we are seeing the upgrade of those regional memorials right around the state. Fifty thousand dollars for Anzac Day activities. That is now free travel before, during and after for three days. That enables our veterans to come in for commemoration activities and assistance to support those events. The Shrine of Remembrance and ongoing support. As you know, the undercroft has been redeveloped, the education facilities are in place and we have provided more support operationally and for programs for the education officers to undertake their work. We have had a record number of young people and students going through that centre. It is outstanding.

The Victorian Veterans Council and Victorian Veterans Fund which was a reform that went through our parliament, recognising that we needed to consolidate that and to adhere to the original principles that those funds were created on, and the Veterans Heritage Working Group to protect and display Victoria's related heritage. The key priorities for 2007-08 in the budget—and I will finish here.

Commemoration and education activities: we have in this budget \$2 million over four years to support the continued development of the Veteran Commemorative and Education Agenda and extending the Restoring Community War Memorials Grants for a further four years. There is still some work to be done and I imagine once we finish it there is probably even more work to be done to those we finished in the first round. There is a case to be put not only for the permanent memorials but some of the honour boards, for example, which are not captured by the static memorials in communities. Those honour boards are quite significant in a whole

range of communities, whether you go to Melbourne High School or other schools. You will see those honour boards and there is some work to be done there. We are keen on looking at changes in that area.

The Victoria Spirit of ANZAC prize: the 2007 tour is completed. The 2008 tour will be selected on the basis of every education region for government and private schools. The Shrine of Remembrance: \$200,000 to upgrade the public address system; it is a bit patchy and needs to be improved. New budget measures, and probably the biggest of those is not contained within the Department of Victorian Communities but in the Department of Human Services—and that is, a new mental health facility at Heidelberg that has been roundly praised and supported. It does not say here, but from memory it is about \$10 million that we are providing to that. I know the veteran community have sought that for a long time. If you see it, you will see what needs to be done and I am looking forward very much to that upgrade happening as well. Chair, thank you very much for the opportunity.

The CHAIR—Thank you, Premier. We will take questions on either of the portfolios. Ms Munt?

Ms MUNT—Premier, could you please detail for me what new measures is introducing through the 2007-08 budget to commemorate the service of our veterans.

Mr BRACKS—Thank you for your question. That enables me to elaborate on matters I was not able to cover in that report. The interest from the community in commemorating the sacrifice of the servicemen and women in engagements and conflicts overseas continues to grow; we only have to look at the new records being established for attendance at Anzac Day services each year, and particularly the number of young people involved in the parade, not only in Melbourne but in regional and suburban centres all round Victoria. This interest in our service history is demonstrated by the growing participation of school students. That has probably been the biggest change that we have seen over the last two to three years. The Anzac prize is recognition of that but you will see that involvement in all communities.

In this context there has been considerable interest in commemorating significant anniversaries, such as the 40th anniversary of the Battle of Long Tan that occurred in August last year. We contributed \$20,000 to help the Victorian Vietnam Veterans Association make that commemoration the outstanding success that it was. This year we have another important anniversary, members of the committee should note: the 65th anniversary of the battle for Australia, effectively—the heroic decision made to redirect our troops to defend Australia at Kokoda, which arguably saved the nation by halting the advance of the Japanese from a staging post at Port Moresby—and the Battle of the Coral Sea which brought the war to our doorstep as well. I think that will be a very important and moving event.

In recognition of this interest by the community, the government in its recent election policy committed to invest \$2 million over the next four years to support ceremonial events and commemorative initiatives. We have delivered on our election commitment by allocating this funding in the budget for 2007-08 and the subsequent three years. The funding will be used to support commemorative events and the implementation of a range of initiatives including upgrading the memorial to our World War II commandos at Tidal River, undertaking an inventory of Victoria's war memorials and developing a guidebook to Victoria's wartime heritage. This funding will go for another four years.

The bells having rung.

The CHAIR—We will once again take a break.

Hearing suspended.

The CHAIR—We have reconvened. We have agreed we will finish at six o'clock and if you have any questions, you can put them on notice. We might pass to Richard to ask a question.

Mr DALLA-RIVA—In relation to the \$14 million that you proposed to strengthen multicultural Victoria, you allocated \$8 million for cultural precincts which you indicated earlier. You also suggested \$4 million to boost the Victorian Multicultural Commission's community grants, \$2 million over two years for community harmony. Is that new, additional money or is that existing money that is already in the system?

Mr BRACKS—The money for the ethnic precincts—Lygon Street, Little Bourke Street and Lonsdale Street—is new money because that was a new allocation. In relation to the grants program, as I mentioned before, from the abolition of VOMA we captured \$1 million. In effect, we have a \$1 million extra capacity to put into other programs that we had. The money for the other matters raised there—the matters I have referred you and you have referred to—is new money. The Hope Centre is new money.

Mr DALLA-RIVA—With the \$1 million savings that you are proposing with the merger, how are you planning to gain that money? Are you proposing to make any staff redundant or is it garnered? As a subset to that question, is the merger as a result—my understanding is that VOMA and VMC cannot get on together?

Mr BRACKS—No. It is to do with the fact that, as I mentioned before, myself as Multicultural Affairs Minister, or any other minister, will have from their department advice which they will receive after the Victorian Multicultural Commission would submit its advice as well. That would happen as normal course of business. The whole Department of Premier and Cabinet, for example, is available to me. The whole of the department is also available to Daniel Andrews, the minister assisting me in multicultural affairs. We felt that was a duplication on which we could make a saving and we wanted to put more resources into front-line services to assist our multicultural communities. Those front-line services, including the grants program, included the extra money for the ethnic precincts. We think that is money better targeted.

In relation to staff that were there, we are expanding other areas of the public sector and they have been allocated jobs in other parts of the public sector, so no jobs were lost.

Mr DALLA-RIVA—And they get on well together?

Mr BRACKS—Well, VOMA does not exist, but, yes, they used to get on famously. They used to love each other.

The CHAIR—Thanks very much, Premier. That concludes the consideration of budget estimates for the portfolios of Premier and Cabinet and Multicultural Affairs and Veterans Affairs. There are a couple of questions to take on notice. If they are passed to me, I will pass them to Yehudi. It has been a very useful session. I thank the Premier and Mr Blacher and the departmental officers for their attendance. Where questions are taken on notice, the committee will follow them up with you in writing at a later date and request that written responses to these matters be provided within 30 days and they will form part of one of our reports to parliament. Thank you very much.

Witnesses withdrew.

Transcript of Evidence

12.14 Sport and Recreation portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

12.15 Veterans' Affairs portfolio

Please note the Veterans' Affairs transcript and the Multicultural Affairs transcript are combined into one transcript.

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Inquiry into 2007—08 budget estimates

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Mr G. Lekakis, chairperson, Victorian Multicultural Commission; and
Mr J. MacIsaac, executive director, youth, seniors, veterans and disability, Department for Victorian Communities.

The CHAIR—Right, Premier. I welcome Yehudi Blacher, secretary to the Department for Victorian Communities; Stephen Gregory, chief financial officer, Department for Victorian Communities; George Lekakis, chairperson, Victorian Multicultural Commission; and James MacIsaac, executive director, youth, seniors, veterans and disability, and departmental officers. Premier, I ask for your presentation on your more complex matters regarding multicultural affairs and veterans affairs.

Mr BRACKS—Thank you, Chair.

The CHAIR—You have about 35 minutes for this.

Mr BRACKS—Yes, I will do my best possible. Thank you, Chair. I will deal with multicultural affairs first and veterans affairs second. I think that was the understanding. Achievements in 2006-07: if I can go to that first on the slide presentation—there should be something circulating around committee members—multicultural and multifaith harmony as part of A Fairer Victoria 2, Progress and Next Steps, \$2.1 million was provided over four years to fund initiatives that bring different faiths and community groups together to promote multifaith and multicultural harmony. The Multifaith Multicultural Youth Forum held in July 2006 was the first of its kind in Victoria. It was an important opportunity to improve dialogue between young people from a range of cultural and faith backgrounds, and that was very successful.

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The CHAIR—We are back in session.

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The CHAIR—Thank you, Premier. We will take questions on either of the portfolios. Ms Munt?

Ms MUNT—Premier, could you please detail for me what new measures is introducing through the 2007-08 budget to commemorate the service of our veterans.

Mr BRACKS—Thank you for your question. That enables me to elaborate on matters I was not able to cover in that report. The interest from the community in commemorating the sacrifice of the servicemen and women in engagements and conflicts overseas continues to grow; we only have to look at the new records being established for attendance at Anzac Day services each year, and particularly the number of young people involved in the parade, not only in Melbourne but in regional and suburban centres all round Victoria. This interest in our service history is demonstrated by the growing participation of school students. That has probably been the biggest change that we have seen over the last two to three years. The Anzac prize is recognition of that but you will see that involvement in all communities.

In this context there has been considerable interest in commemorating significant anniversaries, such as the 40th anniversary of the Battle of Long Tan that occurred in August last year. We contributed \$20,000 to help the Victorian Vietnam Veterans Association make that commemoration the outstanding success that it was. This year we have another important anniversary, members of the committee should note: the 65th anniversary of the battle for Australia, effectively—the heroic decision made to redirect our troops to defend Australia at Kokoda, which arguably saved the nation by halting the advance of the Japanese from a staging post at Port Moresby—and the Battle of the Coral Sea which brought the war to our doorstep as well. I think that will be a very important and moving event.

In recognition of this interest by the community, the government in its recent election policy committed to invest \$2 million over the next four years to support ceremonial events and commemorative initiatives. We have delivered on our election commitment by allocating this funding in the budget for 2007-08 and the subsequent three years. The funding will be used to support commemorative events and the implementation of a range of initiatives including upgrading the memorial to our World War II commandos at Tidal River, undertaking an inventory of Victoria's war memorials and developing a guidebook to Victoria's wartime heritage. This funding will go for another four years.

The bells having rung.

The CHAIR—We will once again take a break.

Hearing suspended.

The CHAIR—We have reconvened. We have agreed we will finish at six o'clock and if you have any questions, you can put them on notice. We might pass to Richard to ask a question.

Mr DALLA-RIVA—In relation to the \$14 million that you proposed to strengthen multicultural Victoria, you allocated \$8 million for cultural precincts which you indicated earlier. You also suggested \$4 million to boost the Victorian Multicultural Commission's community grants, \$2 million over two years for community harmony. Is that new, additional money or is that existing money that is already in the system?

Mr BRACKS—The money for the ethnic precincts—Lygon Street, Little Bourke Street and Lonsdale Street—is new money because that was a new allocation. In relation to the grants program, as I mentioned before, from the abolition of VOMA we captured \$1 million. In effect, we have a \$1 million extra capacity to put into other programs that we had. The money for the other matters raised there—the matters I have referred you and you have referred to—is new money. The Hope Centre is new money.

Mr DALLA-RIVA—With the \$1 million savings that you are proposing with the merger, how are you planning to gain that money? Are you proposing to make any staff redundant or is it garnered? As a subset to that question, is the merger as a result—my understanding is that VOMA and VMC cannot get on together?

Mr BRACKS—No. It is to do with the fact that, as I mentioned before, myself as Multicultural Affairs Minister, or any other minister, will have from their department advice which they will receive after the Victorian Multicultural Commission would submit its advice as well. That would happen as normal course of business. The whole Department of Premier and Cabinet, for example, is available to me. The whole of the department is also available to Daniel Andrews, the minister assisting me in multicultural affairs. We felt that was a duplication on which we could make a saving and we wanted to put more resources into front-line services to assist our multicultural communities. Those front-line services, including the grants program, included the extra money for the ethnic precincts. We think that is money better targeted.

In relation to staff that were there, we are expanding other areas of the public sector and they have been allocated jobs in other parts of the public sector, so no jobs were lost.

Mr DALLA-RIVA—And they get on well together?

Mr BRACKS—Well, VOMA does not exist, but, yes, they used to get on famously. They used to love each other.

The CHAIR—Thanks very much, Premier. That concludes the consideration of budget estimates for the portfolios of Premier and Cabinet and Multicultural Affairs and Veterans Affairs. There are a couple of questions to take on notice. If they are passed to me, I will pass them to Yehudi. It has been a very useful session. I thank the Premier and Mr Blacher and the departmental officers for their attendance. Where questions are taken on notice, the committee will follow them up with you in writing at a later date and request that written responses to these matters be provided within 30 days and they will form part of one of our reports to parliament. Thank you very much.

Witnesses withdrew.

Transcript of Evidence

12.16 Victorian Communities portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

Transcript of Evidence

12.17 Women's Affairs portfolio

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2007–08

Melbourne — 7 May 2007

Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Graley	Mr B. Stensholt
Ms J. Munt	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt
Deputy Chair: Mr K. Wells

Staff

Business Support Officer: Ms J. Nathan

Witnesses

Ms J. Allan, Minister for Women's Affairs;
Mr Y. Blacher, secretary;
Mr S. Gregory, chief financial officer; and
Ms F. Sharkie, director, Office of Women's Policy, Department for Victorian Communities.

The CHAIR — I thank the other witnesses for their attendance and welcome Fiona Sharkie, director of the Office of Women's Policy. I ask the minister to give a brief presentation on the women's affairs portfolio.

Ms ALLAN — I will be very brief, Chair, because I am sure we will have plenty of opportunities through questions to talk about some of the new budget initiatives. Can I say at the outset how delighted I am to hold the women's affairs portfolio. It is a great portfolio and provides a great opportunity for me to work with men and women across Victoria to support the whole of the Victorian government's agenda in this area.

Overheads shown.

Ms ALLAN — You can see from the first slide the range of key achievements we have made in this portfolio over the last seven years. They have really been driven by four key themes which are consistent and aligned with the priorities of the United Nations Convention on the Elimination of Discrimination Against Women.

They cover the areas of representation and equity; education, work and economic independence; justice and safety; and health, wellbeing and community strengthening. Whether it is, as you can see, putting single women on boards and committees, celebrating women through the Victorian women's honour roll or the particular work we have been doing in our safety strategy and health and wellbeing strategies, we have had a very strong focus in driving a whole-of-government agenda, working with those key portfolios that deliver services that impact on the lives of women in Victoria.

There has been a range of key achievements in the current financial year in the women's affairs portfolio, particularly against our four themes that I highlighted before, but more particularly the ongoing work this government is doing in the implementation of a family violence reform strategy, an area where we have really seen some very strong policy work being translated into practice on the ground. We have continued working with women to increase their numbers on boards and committees, with a particular focus on supporting CALD and indigenous women in this area — also, through the great activity that is going on around the Queen Victoria Women's Centre, which we are supporting as one of our themes around community strengthening, which I may get a chance to touch on during questions.

You can see on the last slide the government priorities for 07–08, coming largely out of the budget. The new budget initiatives are the final three points — the Safer Families Training program, financial literacy and the centenary of women's suffrage celebrations. The top two are some very important policy work. They are very much the work of the Office of Women's Policy. We do not have so many grant programs or funding programs, it is very much about driving whole-of-government policy, particularly around the broad policy, but especially in key areas like safety, justice and women's health.

The CHAIR — Thank you, Minister.

Ms GRALEY — I will begin where you finished, Minister, with the Centenary of Women's Suffrage celebrations — a very important event for everybody in Victoria. Can you please explain what is planned?

Ms ALLAN — Absolutely. It is a very important celebration, and I have a handout to demonstrate why. It has some facts and figures. The reason we have allocated funds to celebrate the Centenary of Women's Suffrage is because it is a very important milestone in women's equal participation in our democratic society. If you have a look at the information that is provided you will see that Victorian women got the right to vote in 1908. However, of course it should be noted that indigenous women did not get the right to vote until all indigenous people were granted to right to vote — I think that was in the referendum of 1967.

The CHAIR — Forty years ago.

Ms ALLAN — That is right, 40 years ago. If you have a look at the dates that we have provided there you will see that Victoria was the last state in Australia to grant women the right to vote. We did have a bit more of a battle here in Victoria to get the right to vote. It took 18 bills in the Victorian Parliament between 1889 and 1908 before there was success, and I dare not say that it might have been the upper house holding us back during that time, but we certainly did not see success in getting bills through the Parliament to get women the right to vote.

But it then took another 15 years — it took until 1923 — before women got the right to stand for election. So we got the right to vote in 1908, but we were not able to stand at elections until 1923 — and that is still in people's

lifetimes. Maybe we have parents and grandparents who were alive then, and that is why it is important to mark the centenary of granting women the right to vote with some celebrations and commemorations to remind people that it did take a bit of a battle, that there was a lot of work undertaken and to celebrate particularly the men and women who supported women getting the right to vote, but also use it an opportunity to educate people that there are still a number of areas that we have to work very hard on to ensure that women have equal participation in the community, in the workplace, and also address issues such as family violence.

So we have got a range of activities that are being planned — whether they are, as I said, public events or public lectures. We will do a lot of work with schools and use the opportunity to develop some school curriculum materials. Also there will be some community grants for local women's organisations. Then there will also be a particular focus on the induction of the 2008 women's honour roll.

There has also been a piece of public art that has already been commissioned, and with that to be unveiled in November 2008, because I believe it was November 2003 I think — no, November 23rd, 1908 when women were granted the right to vote. So the culmination of the year's events will be around November next year.

It is a very important milestone. If you think of someone who turns 100 next year was born the year women got the right to vote. So really it is not that long ago in terms of the advancement of equal — —

Dr SYKES — A hundred years!

The CHAIR — Thank you, Minister.

Mr BARBER — Minister, some questions about the women's safety strategy where you have done some really good work in justice and you have done some really good work in services. My question is about the Department of Human Services, the health response, if you like. VicHealth says partner violence is the top risk factor in contributing to this in Victoria, bigger than obesity, bigger than anything.

Why has DHS not developed a statewide strategy and policy to ensure that all health providers can address this problem? I think there are some guidelines in place for GPs, but things like making sure health providers can recognise the signs, how to speak to women at that point, all the appropriate referrals and how to do those, which would all be part of this strategy if DHS had that statewide strategy and policy.

Ms ALLAN — Thanks Greg. In terms of your earlier comments around partner violence, I think I mentioned at the very outset a couple of hours ago that family violence is at a cost to the Victorian economy of around \$2 billion a year, so there not only, obviously, the great personal cost and trauma that it causes, but there is also a broader cost to the Victorian economy.

There is a lot of work that has been undertaken since the Women's Safety Strategy was first launched back in 2002 and it is, as I said, a whole-of-government strategy that very much relies on the partnerships that are developed with the major service delivery departments, like health, like education and like justice as well.

In the last couple of years, though, there has been significant work that was initially led out of Victoria Police, and there was a lot of work under Christine Nixon's leadership. They implemented a Victoria Police code of conduct and that has seen a remarkable, I guess, turn around in terms of having Victoria Police both identify and respond to family violence.

Mr BARBER — That is in justice, Minister, I mentioned that in my preamble.

Ms ALLAN — I am getting there. What I am wanting to demonstrate to you is that this is very much a whole-of-government approach, and in terms of DHS's role in terms of its partnership in the Women's Safety Strategy, there is a whole range of areas, and I do not know if you want me to go to through them all, but in terms of child protection —

Mr BARBER — Perhaps provide us with a list; that will do.

Ms ALLAN — They are all available. Actually, I can give you this. I did not mean to hand this out but I was just going to show you that we have a Women's Safety Strategy; this is the updated report from November 2005.

Mr BARBER — Yes, I have got a copy of it right here.

Ms ALLAN — Got it? Excellent!

Mr BARBER — I cannot see anything from DHS, but if there is anything, you could let me know.

Ms ALLAN — In terms of DHS, we can go through; and also if I can just also say the further work that we have got coming this year is the common-risk assessment framework, and that is a piece of work — a whole-of-government piece of work — that I am responsible for as minister for family violence, so there will be work that DHS will be required to undertake as part of that. But we have got things like a resource guide for child protection and family violence services project; we have got research on the safety needs of women in rural areas that DHS is responsible for; a lot of research in recovery from family violence that DHS is responsible for. Support for vulnerable families — there is a range of innovation projects that DHS is responsible for in an ongoing way. There is the women's health and wellbeing strategy which has this as a focus as well. So there is a range of different areas.

The work that DHS does in terms of working with men who are the perpetrators of family violence, particularly in the housing area — that is an important area; the work it does with children who are both victims of and who then in turn become themselves perpetrators of violence, sometimes in the schoolyard, so there is a lot of work going on that DHS is undertaking and I am happy to provide you with some additional information on what some of those projects are, because I want to assure you that it is very much a whole-of-government approach — it is justice. We have a family violence ministers meeting quarterly and there are ministers from DHS, justice, from education, there is myself as the lead minister — I think that covers it — and police, as part of justice. I recognise that is not the end; there is a lot more work to be done in this area; and the common-risk assessment framework is going to be a very important part of that.

Ms MUNT — Across a woman's life, a sense of actual financial independence is vital and key to a woman's security and sense of self — and I tell that to my daughters frequently. I noticed a line item in budget paper 3, page 337, that talks about funding for a financial literacy program, and I was wondering if you could explain what that will provide?

Ms ALLAN — Certainly, thanks Janice. You are absolutely right. All of us understanding what we need to have in terms of financing and our personal finances for our own financial wellbeing is very important, but this is particularly important for women when you consider that 50 per cent of women who have either retired or will retire in the next 10 years will have less than \$20 000 in their superannuation, and another 20 per cent will have less than \$5000 in their superannuation. So when you consider the issues around financial security and retirement, they are going to grow significantly as the population ages, as that proportion of people increases as part of our population.

Last year, late 2005 and 2006 there was a successful pilot where there were 20 workshops held across Victoria on women and money. They were called 'Women and money — workshops for a financially fit future'. We saw more than 500 women participate in these workshops, and they were aged over 40 and 55 plus. The feedback from those workshops was very positive and showed us that 77 per cent of the participants in those workshops had gone on to take action personally towards their own financial planning as a result of that. Anything that increases all of our understandings, but particularly for women given that they historically earn less over their lifetimes and are facing lower levels of superannuation, it is very important that we do all we can to increase the numbers of women who can receive financial literacy training. That is why in the budget last week \$1 million has been allocated over four years for further financial literacy training programs. It is about helping women understand what they need to be financially secure, to help them understand how they could potentially increase their earnings and plan for their retirement. We will also be having a real focus on key groups, whether they be women, indigenous women or women from rural and regional Victoria.

In addition to the workshops we are developing a web-based online training facility. For women who cannot get to the workshops or who are pretty technologically literate, they will be able to participate as part of a self-directed learning tool online. That is really designed to extend the reach of this initiative so we can get to more women in Victoria and really help women to develop what it takes for their own financial literacy. We look forward to working with all members of the committee on how we can promote these workshops to women in our own particular communities.

The CHAIR — They are very good in my electorate.

Mr PAKULA — I have always been interested in the Queen Vic centre because I was a Queen Vic baby!

Ms MUNT — Me too!

Mr DALLA-RIVA — There is a line there, isn't there?

Mr PAKULA — And delivered by a female obstetrician. At budget paper 3, page 243. I am interested how the Queen Victoria Women's Centre is performing against the occupancy target?

Ms ALLAN — Thanks, Martin. We look forward to you participating in our fundraising drive when it is kicked off later this year — and all other Queen Vic babies!

In terms of a bit of history — because I was talking before about the Centenary of Women's Suffrage — it is always important to place these sorts of centres in their historical context. We know the Queen Vic was the first women's hospital in Victoria that was operated by women, for women. It was established in 1897 and had a shilling fund as part of the fundraising drive to set it up. Since the decision was taken back in 1989 — obviously after you were born, Martin! — to relocate the Queen Victoria Hospital site to Monash, there was the opportunity, which was taken up, for the Queen Vic to be put back into a public space. That was a proposal that had bipartisan support at the time. We saw the Queen Victoria Women's Centre Act passed in 1994 for it to be established. It certainly put in place and clarified the independence of the centre, provided a clear and public statement regarding its purpose to really help build the capacity of women and women's organisations. It was opened in February 1997.

Since then we have been able to develop the centre further as a one-stop information hub that supports women and also women's organisations. I am very pleased to report to the committee that the Queen Vic centre now has a 100 per cent occupancy rate for the last year. These are tenants who have a complementary range of services for women, from legal advice to things like breast cancer support as well.

In terms of women who are using the centre — and I think this is really important, because I know the committee is interested in targets and outcomes and the like — we have seen participation by women both either in person or there is — online, of course — the centre has an info-hub website. We have seen so far more than 17 000 women access the centre, and that is up from 3000 people from the same period in 2006. That is quite dramatic, and I think it is a credit to the board of the Queen Victoria Women's Centre, who have worked very hard at getting it tenanted, getting the services connected and also promoting the range of services that the centre provides.

There has been a range of different programs that have been undertaken, which — considering time — I may not go through, but if I can just mention one. I mentioned at the start the fundraising drive; the centre is about to undertake another shilling fund as a fundraising drive. It is a heritage building and they are expensive to maintain and operate, so there is the need to raise funds for the centre, and that will be a feature of the shilling fund, and there will be a lot more publicity around that as that gets kicked off. We also have a new chair being appointed, in Catherine Brown, and further new members to come onto the board. So, as I said, there has been a great period of work that has been undertaken by the board and I think it is now going into a very positive future, considering particularly that it is fully tenanted.

Mr WELLS — How much rent does Emily's List pay, just out of curiosity? I notice they are one of the tenants.

Ms ALLAN — Yes, they are one of the tenants. I can take it on notice. There is a range of really good tenants in the centre.

Mr DALLA-RIVA — I refer to BP 3 — my favourite — page 243, women's policy. I noticed, in reviewing last year's PAEC, your predecessor, the Honourable Mary Delahunty, provided the committee with a breakdown of the women's policy output costs for 06–07. I was just wondering if you could provide us with that information as a question on notice?

Ms ALLAN — Sure.

Mr DALLA-RIVA — It would be useful because it relates to the question that I have in terms of the total output costs. If you cannot provide that maybe that can be forming part of that initial request. In, again, the

expected outcome for 06–07 in total output costs, 2.9, in 2007–08 there is a total output cost of 4.9. I understand that, and you mentioned in one of your answers, the women’s financial literacy is going to be \$1 million alone. I think you indicated that. I did not know if I picked up the Centenary of Women’s Suffrage celebration — what was that?

Ms ALLAN — That was 700 000 — do you want me to quickly run through?

Mr DALLA-RIVA — Yes, it might be worthwhile. That was what was provided last year; I do not know if that would assist.

The CHAIR — Would you like it on — —

Mr DALLA-RIVA — Yes, something similar to what was provided last year.

Ms ALLAN — I can provide the figures now. We can provide it on notice as well, but just what makes up the 4.9; there is 4.95, 07–08: 1.2 is the cost of salaries and the like; operating costs that support a range of things like the Premier’s women’s summit and the honour roll is \$200 000; a couple of grants, one to WIRE — Women’s Information Referral Exchange — 200 000; the Queen Vic women’s centre, 300 000; family violence reform strategy, there is \$1 million next financial year towards that. Just on that point, that is for our coordination role; that is not the whole-of-government contribution; that obviously comes in other departments’ budgets. Women’s suffrage celebrations, 700 000; financial literacy, 250 000 — a quarter of a million dollars over the next four years; and some corporate costs, around 1.1 million. So that is how we get to the — —

Mr DALLA-RIVA — The 300 000, just on the Queen Victoria Women’s Centre, what is that specifically aimed at?

Ms ALLAN — That is for all the good work they do; if you give me a few seconds.

Mr DALLA-RIVA — That is all I need.

Ms ALLAN — If I remember rightly — —

The CHAIR — Administration and maintenance, probably; is it?

Ms ALLAN — Yes, it is. It goes back to a commitment of \$1.9 million that was made in last year’s budget, so this is the 330 000 they receive per annum for four years and then I think in last year’s budget they had 770 000 for capital works. As I said before, it is an expensive building. The recurrent funding is for the building repairs and maintenance to go with the building.

Mr DALLA-RIVA — Thank you.

Ms ALLAN — Also there is a whole bunch of work that needs to go on down there around bringing it up to contemporary standards, so there are some things like improved security, improving the fire and safety equipment, and the like. So a lot of that work has to go on as well.

The CHAIR — Thank you very much, Minister. Just as a final question, you can take it on notice, in terms of what resources in staffing and costs do your portfolio departments anticipate applying to serving PAEC hearings and inquiries in the coming year, based on experience over the past four years. I am sure you will share that with your colleague ministers to come up with a departmental answer in that regard.

Ms ALLAN — Certainly.

The CHAIR — That concludes budget estimates for the portfolios of education services, skills, employment and women’s affairs. I thank the minister, Yehudi and all the other departmental officers for their attendance today. It has been a very useful session. Where questions were taken on notice, the committee will follow up with you in writing at a later date and request that written responses to these matters be provided within 30 days, and they will be included in a report to Parliament in due course. Thank you, Minister.

Ms ALLAN — Thank you. I have the TAFE capital figure, if Richard wants it — 51.4 million this year, in total capital spend. As I said, there are new funds that you identified — of 3.2, from memory, I think it was. It was in the budget paper.

Mr DALLA-RIVA — What portfolio was this, again?

Ms ALLAN — Skills — sorry, training, TAFE. We can provide it to you on notice, but we have it if you like.

The CHAIR — There is a further question on notice regarding the sex industry.

Ms ALLAN — Okay.

Committee adjourned.

Transcript of Evidence

12.18 Youth Affairs portfolio

The transcript for the hearing on this portfolio will be included in a future report of the Committee.

APPENDIX 2: DOCUMENTS TABLED FOR EACH PORTFOLIO

Parliamentary departments

The Presiding Officers provided a joint introductory slide presentation at the budget estimates hearing.

The Chair tabled a letter prepared by him to the Clerk regarding staffing arrangements for the Committee's secretariat.

Department of Education

Education portfolio

The Minister provided an introductory slide presentation at the budget estimates hearing.

the Department of Education and Training's Blueprint for Government Schools showing the future direction for education in the Victorian Government school system;

A report by the Council for the Australian Federation - The Future of Schooling in Australia;

Education Services portfolio

The Minister provided an introductory slide presentation at the budget estimates hearing.

A handout showing growth in enrolments in the Victorian Certificate of Applied Learning

A handout identifying, for the program for students with disabilities 2007, numbers of students by category on the program, funding levels according to the proportion of student numbers and the increase in the aggregate funding for the program over the past five years

A handout showing the movement in the computer to student ratio for primary and secondary schools between 1999 and 2006.

Department of Human Services

Children portfolio

The report of the hearing on this portfolio will be included in a future report of the Committee.

Community Services portfolio

The Minister provided an introductory slide presentation at the estimates hearing.

Health portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
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Housing portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
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Mental Health portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
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Department of Infrastructure

Major Projects portfolio	The Treasurer provided an introductory slide presentation at the estimates hearing
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A letter send from Austexx to Mr. John Phillips of DSE

Public Transport portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
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Roads and Ports portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
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A graphical description of the Monash-CityLink-West Gate improvement program showing areas where improvements are planned;

A news release from the office of the Minister for Roads and Ports 1 May 1997 detailing the share of federal road funding received;

A news article titled ‘Victoria’s hotspots’, *Bairnsdale Advertiser* newspaper, 9 March 2007, p.25; and

A handout providing a graphical description of what can happen if you can get cars off our roads.

Department of Innovation, Industry and Regional Development

Industrial Relations portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
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Industry and State Development portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
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Information and Communication Technology portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
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Innovation portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Regional and Rural Development portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Skills portfolio	<p>The Minister provided an introductory slide presentation at the budget estimates hearing.</p> <p>Graphs identifying how Victoria compares with other Australian jurisdictions in relation to apprenticeship commencements and apprentice and trainee completions over the twelve months to June 2006</p> <p>A handout showing asset investment initiatives supporting industry since 1999 at universities and other educational centres</p>
Small Business portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Tourism portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.

Department of Justice

Attorney-General portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
Consumer Affairs portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
Corrections portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Gaming portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
Police and Emergency Services portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Racing portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.

Department of Premier and Cabinet

Arts portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Premier's portfolio	<p>The Premier provided an introductory slide presentation at the estimates hearing.</p> <p>The Chair, State Services Authority, provided a slide presentation on key aspects of work of the authority.</p>

Department of Primary Industries

Agriculture portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
Energy and Resources portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.

Department of Sustainability and Environment

Planning portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
Water, Environment and Climate Change portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.

Department of Treasury and Finance

Finance, WorkCover and TAC portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.
Treasury portfolio	The Treasurer provided an introductory slide presentation at the estimates hearing.

Department for Victorian Communities

Aboriginal Affairs portfolio	The Minister provided an introductory slide presentation at the estimates hearing.
Aged Care portfolio	The report of the hearing on this portfolio will be included in a future report of the Committee.

Employment portfolio	<p>The Minister provided an introductory slide presentation at the budget estimates hearing.</p> <p>A chart titled '<i>Projected Growth in Victoria's Working Age Population</i>'</p> <p>A document showing year-on-year performance, against the national average, of the Skilled Migration Strategy was provided to Committee members</p>
Local Government portfolio	<p>The report of the hearing on this portfolio will be included in a future report of the Committee.</p>
Multicultural Affairs portfolio	<p>The Minister provided an introductory slide presentation at the estimates hearing.</p>
Sport and Recreation portfolio	<p>The report of the hearing on this portfolio will be included in a future report of the Committee.</p>
Veterans' Affairs portfolio	<p>The Minister provided an introductory slide presentation at the estimates hearing.</p>
Victorian Communities portfolio	<p>The report of the hearing on this portfolio will be included in a future report of the Committee.</p>
Women's Affairs portfolio	<p>The Minister provided an introductory slide presentation at the budget estimates hearing.</p> <p>A handout providing particulars on the centenary of women's suffrage in Victoria.</p>
Youth Affairs portfolio	<p>The report of the hearing on this portfolio will be included in a future report of the Committee.</p>

APPENDIX 3: ACRONYMS AND ABBREVIATIONS

ABN	Australian Business Number
A-IFRS	Australian equivalents to International Financial Reporting Standards
ATNAB	Additions to Net Asset Base
BLA	Business Impact Assessment
BLA	Business Licensing Authority
CAC	Capital Asset Charge
CAF	Council for the Australian Federation
CALD	Culturally and Linguistically Diverse
CAV	Consumer Affairs Victoria
CBD	Central Business District
CFA	County Fire Authority
CLC	Community Legal Centres
COAG	Council of Australian Governments
CPI	Consumer Price Index
CRC	COAG Reform Council
CRWG	Competition and Regulation Working Group
CSESP	Community Safety Emergency Support Program
CSF	Community Support Fund
DFM	Departmental Funding Model
DHS	Department of Human Services
DIIRD	Department of Innovation, Industry and Regional Development
DOE	Department of Education
DOI	Department of Infrastructure
DOJ	Department of Justice
DPC	Department of Premier and Cabinet
DPI	Department of Primary Industries
DPS	Department of Parliamentary Services
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
DVC	Department for Victorian Communities
EBA	Enterprise Bargaining Agreement
ECIS	Early Childhood Intervention Services
EES	Environmental Effects Statement
EFT	Equivalent Full-Time
ERC	Expenditure Review Committee

ETIS	Energy Technology Innovation Strategy
FCP	Family Choice Program
FTE	Full Time Equivalent
GCRG	Government Communications Review Group
HACC	Home and Community Care
ICN	Industry Capability Network
ICT	Information and Communication Technology
IT	Information Technology
LEAP	Law Enforcement Assistance Program
LEDs	Law Enforcement Data System
LOTE	Language Other Than English
MCCA	Ministerial Council on Consumer Affairs
MFESB	Metropolitan Fire and Emergency Services Board
MIFF	Melbourne International Film Festival
NCC	National Competition Council
NCP	National Competition Policy
NLIS	National Livestock Identification System
NRA	National Reform Agenda
NTS	New Ticketing System
OHS	Occupational health and safety
OTTE	Office of Training and Tertiary Education
REV	Register of Encumbered Vehicles
RIRCs	Rural Industry Research Corporation's
RIS	Regulatory Impact Statement
RPL	Recognition of Prior Learning
RSPCA	Royal Society for the Prevention of Cruelty to Animals
RTO	Registered Training Organisation
SBMC	Small Business Ministerial Council
SCAG	Standing Committee of Attorney's-General
SEES	Supplementary Environment Effects Statement
SRO	State Revenue Office
TAFE	Technical and Further Education
VCAT	Victorian Civil and Administrative Tribunal
VECCI	Victorian Employers Chamber of Commerce and Industry
VEET	Victorian Energy Efficiency Target
VET	Vocational Education and Training
VICERS	Vigilance Control and Event Recording System

VicSES	Victoria State Emergency Service
VPS	Victorian Public Service
WAN	Wide Area Network
YES	Youth Employment Scheme

MINORITY REPORT

Minority Report by Opposition Members

Kim Wells, MP

Gordon Rich-Phillips, MLC

Richard Dalla-Riva, MLC

Pursuant to section 34 (2) of the Parliamentary Committees Act 2003

We:

Kim Wells, MP

Gordon Rich-Phillips, MLC

Richard Dalla-Riva, MLC

Submit this minority report:

Minority Report of Certain Members of the Public Accounts & Estimates Committee

The undersigned members of the Public Accounts & Estimates Committee (the Committee) oppose the adoption of the *Report on the Budget Estimates 2007-08* due to its lack of analysis, consideration, findings, and recommendations.

The *Parliamentary Committees Act 2003* (the Act) requires the Committee to inquire into, consider and report to Parliament on the annual estimates or receipts and payments and other Budget Papers, and any supplementary estimates of receipts and payments presented to the Assembly and the Council.¹

Over the last fifteen years, the Committee has earned an international reputation for the quality of its work with respect to the Budget Estimates. In the past the Committee has undertaken thorough investigation and analysis of the Budget Estimates, culminating in the production of an Estimates Report containing numerous key findings and recommendations.

In the last six Estimates Reports for the years 2001/02 to 2006/07 the Committee made 716 recommendations to government, the majority of which were accepted.

This latest report of the Committee contains no analysis whatsoever, no key findings and no recommendations.

The report is inconsistent with the previous work of the Committee and fails to add any value for Members of Parliament in their consideration of the Budget Estimates.

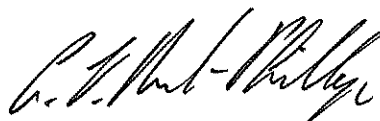
Following adverse findings and criticisms of the Bracks Government by the Committee in previous reports, we are concerned that this report is an attempt by the government majority on the Committee to minimise scrutiny of the government by presenting to Parliament a report which is devoid of critical analysis and recommendations.

This undermines the work of the Committee, and the mechanisms put in place to hold the government to account.

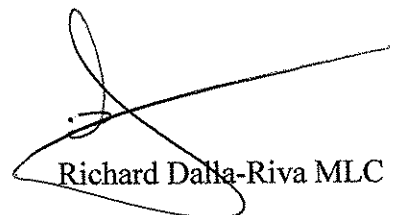
We call on the government members of the Committee to restore the traditional analytical format to the Estimates Report, and in doing so restore proper scrutiny of the government.



Kim Wells MP
Shadow Treasurer



Gordon Rich-Phillips MLC
Shadow Minister for Finance



Richard Dalla-Riva MLC

¹ S.14, Parliamentary Committees Act 2003

EXTRACT FROM THE MINUTES OF PROCEEDINGS

The minutes of the proceedings of the Public Accounts and Estimates Committee show the following divisions which took place during consideration of the draft report. A summary of the proceedings follows:

Monday 21 May 2007

CONSIDERATION OF THE DRAFT REPORT ON THE 2007-08 BUDGET ESTIMATES – PART ONE

1. Motion – That, the series of reports on the 2007-08 Budget Estimates produced by the Committee will consist of three parts and include:

Part One

- departmental reviews based on responses provided by departments and the parliamentary departments to the Committee's budget estimates questionnaire;
- an index of key matters raised at the first 23 budget estimates hearings to 11 May 2007;
- associated questions taken on notice, unasked questions and a list of documents presented by ministers; and
- transcripts of proceedings of the budget estimates hearings to 11 May 2007.

Part Two

- departmental reviews incorporating additional information sought by the Committee;
- an index of key matters raised at the remaining 20 budget estimates hearings to 31 May 2007;
- associated questions taken on notice, unasked questions and a list of documents presented by ministers; and
- transcripts of proceedings for the remaining 20 budget estimates hearings to 31 May 2007.

Part Three

- information relating to responses received to questions taken on notice and unasked questions emanating from the first and second rounds of hearings; and
- analysis, key findings and recommendations relating to the budget estimates for 2007-08

Moved: Mr Martin Pakula MLC

Seconded: Mr Robin Scott MP

The Committee divided:

Ayes: 7

Mr Greg Barber MLC
Ms Judith Graley MP
Ms Janice Munt MP
Mr Martin Pakula MLC
Mr Robin Scott MP
Mr Bob Stensholt MP
Dr Bill Sykes MP

Noes: 3

Mr Richard Dalla-Riva MLC
Mr Gordon Rich-Phillips MLC
Mr Kim Wells MP

Resolved in the affirmative.

2. Motion - That the report, as amended, be the report of the Committee.

Moved: Mr Martin Pakula MLC

Seconded: Mr Robin Scott MP

The Committee divided:

Ayes: 7

Mr Greg Barber MLC
Ms Judith Graley MP
Ms Janice Munt MP
Mr Martin Pakula MLC
Mr Robin Scott MP
Mr Bob Stensholt MP
Dr Bill Sykes MP

Noes: 3

Mr Richard Dalla-Riva MLC
Mr Gordon Rich-Phillips MLC
Mr Kim Wells MP

Resolved in the affirmative.

