

CORRECTED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2005–06

Melbourne — 11 May 2005

Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

Staff

Executive Officer: Ms M. Cornwell

Witnesses

Mr J. Brumby, Minister for State and Regional Development, and Minister for Innovation;

Ms F. Thorn, secretary;

Ms J. Niall, deputy secretary, business development; and

Mr K. Murphy, chief executive officer, Department of Innovation, Industry and Regional Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearings on the 2005–06 budget estimates for the Treasury, State and Regional Development and Innovation portfolios.

I welcome the Honourable John Brumby, Minister for State and Regional Development and Minister for Innovation, Ms Fran Thorn, secretary; Ms Jane Niall, deputy secretary, business development; and Mr Kerry Murphy, chief executive officer, Department of Innovation, Industry and Regional Development, 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 committee hearings. 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. PAEC members who wish to provide documentation to the minister can do so via the PAEC secretariat. 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. All evidence given today is being recorded, and witnesses will be provided with proof versions of the transcripts very shortly.

Before I call on the minister to give a brief presentation on the more complex financial and performance information that relates to the budget estimates for state and regional development and innovation I ask that all mobile phones be turned off and that pagers be put to silent.

The minister has the opportunity to give a 10-minute presentation with overheads. If he wishes to abbreviate that, that is fine. Then we will have questions for 50 minutes on these two portfolios.

Overheads shown.

Mr BRUMBY — I will run through some slides very quickly and will try to focus on three areas — firstly, what the department is doing in terms of internationalisation; secondly, innovation; and thirdly, looking at the development of the whole state. Our output groups within the department now affect those five areas which are listed on the slide.

I just want to go back to mentioning the stronger international focus of the department. You are all aware of the increasingly global nature of the economy and the increased flows of trade in goods and services, so the department has been increasing its effort in terms of its international linkages and exposure. We now have three special trade envoys responsible for North Asia, India and the Middle East. We have opened, since we last met, a new Victorian government business office in Shanghai, which was recently opened by the Minister for Manufacturing and Export. We will also have a new office, recently committed to by the Premier on his visit to Bangalore, opened later this year.

I have released a China strategy, and we have country strategies for India and Japan to follow. I think you are aware of the significant presence we have in Aichi in Japan, which remains crucial to us in terms of our trading relationships. We have also done very well in terms of increasing direct flights in and out of Melbourne. That international focus is important, and we have taken a lot of steps in that direction.

On the investment side, I am pleased with the results of the department. As you are aware from the budget documents, on the measures on private business investment per capita Victoria continues to comfortably exceed the national average. I am particularly pleased that Invest Victoria, which we set up last year, was recently ranked as the third-best investment promotion agency in the world. That was assessed against 178 agencies by a London-based firm. We have recently been successful with a number of major investments. Hawker de Havilland, which was announced jointly with the federal minister Ian McFarlane is a big project for Victoria, and of course there have been others that you are aware of.

On the innovation side — and I am happy to leave the committee with a copy of these slides — innovation is of course a major driver of growth in the developed world. We just took out some statistics the other day to try to benchmark Victoria's performance versus the rest of Australia and indeed the rest of the world. You will see there that whether you are looking at research and development, whether you are looking at the 100 fastest-growing

small and medium enterprises (SMEs), whether you are looking at *BRW*'s top 100, whether you are looking at biotech or whether you are looking at National Health and Medical Research Council funding, Victoria is doing exceptionally well.

I recently made a speech on this to the Davos Future Summit, and again I am happy to make that available to the committee to look at some of these trends over time. It is a very impressive story for our state.

In relation to the innovation agenda, we have a number of programs. We have talked about these before. I guess our biggest single initiative is the science and technology infrastructure (STI) program. The focus is set out on this slide — that is, lifting capabilities, improving infrastructure, focusing on commercialisation, building skills and encouraging new collaborations, particularly internationally.

This slide shows what we are doing. I recently managed the third round of the STI initiative. You would have seen some of the press on that, particularly on the tissue repair centre — that is, the Bernard O'Brien Institute of Microsurgery. We had an open day recently at the synchrotron, and I know that a number of members of Parliament from all sides of the political fence visited. It was a fantastic day. There were 12 000 people there. If ever you doubted the appetite of Victorians for new investment and science and technology, you would certainly put those doubts behind you with 12 000 on the open day. With biotech, I recently visited Israel and while there I announced a \$US6 million — by the way, that is the first Australia-Israel fund in biotechnology or R & D, and it is Victoria that has provided the leadership and the funds.

There are a number of other outcomes in innovation, such as film. When I was here last year, if I recall correctly, I was asked some questions about the new film studios. I am pleased to say that this year more than \$170 million of film production has gone through the studios. Anyone who has been around Melbourne in the last couple of months will know of *Ghost Rider* and *Charlotte's Web* plus local productions. It has been a stunning success, and we have come from close to the bottom of the film league ladder to virtually the top.

There are other initiatives, such as those in environmental technologies and ICT. I will make some points about regional development. Obviously with natural gas we have announced 29 towns which will have natural gas, a huge rollout, literally the biggest in Victoria since the 1970s. Tens of thousands of households have been connected. There are huge savings, and it will have a huge economic impact. I am sure I will be asked about that later.

The other programs include the Make it Happen in Provincial Victoria campaign; the Next Generation food strategy; the Regional Investment initiative; and the Regional Business Investment Ready program, which is a great initiative that I recently launched in partnership with the National Australia bank on its business network; the STI grants program, which shifted more of that effort into country Victoria. One of the programs we promised at the 2002 election — that is, CRISP which is the community regional industry skills program — has been very successful in lifting skill levels for existing enterprises in country Victoria.

That shows the stunning success which is occurring in provincial Victoria. Certainly not all of that is due to government policies, but I think government policies have created a positive framework for growth. On this slide you can see the rates of population growth. In the last year we were at 1.2 per cent. In fact during a number of years in the 1990s, as you can see, it was negative. We see all the outcomes being very positive in the future, provided of course it rains in the next couple of weeks.

This slide shows funding from the Regional Infrastructure Development Fund. Every local government area in Victoria has received funding from RIDF.

Ms THORN — Queenscliff.

Mr BRUMBY — Bar one, which is Queenscliff. It has been a great program.

This next slide shows regional investment facilitated by the department. It goes back over the years. It shows any department investments when the department works with industry and helps facilitate investments. Again this year we have achieved our target well ahead of schedule.

Looking ahead, the priorities are to continue to drive population and jobs growth. Regional Development Victoria also does a great job managing some of the economic impacts. We were probably the key agency after the

bushfires of 18 months ago in getting out there with a program to get confidence, investment and tourists back into country areas affected by bushfires. We have done that with drought as well, and with investment attraction, tourism and economic growth. I think that's it.

The CHAIR — You take the prize for punctuality. Well done!

Mr BRUMBY — Seven minutes!

The CHAIR — My question goes to budget paper 3, pages 8 to 9, where we look at the Victorian government's first home buyers grant. For a start, could you outline what new initiatives come through in this? Sorry. I am excited about the first home buyers grant.

Mr CLARK — As we all ought to be. That is dead right.

Mr FORWOOD — Did you read the wrong question?

The CHAIR — No. He is keen to get into Treasury.

Mr BRUMBY — I will defend the Chair here. It is a major regional initiative because around a third of all the grants have gone to non-metropolitan Victoria. That is the way we have structured it, because you end up with more money in your pocket if you buy a house that is below the median value. Typically house prices in a lot of the smaller country towns and provincial centres and, I am sure, many places in the north-east are below the average median price for the state. You actually end up with cash in your pocket. Fully one-third of all of the grants have gone to non-metropolitan Victoria. So it has been a great fillip to economic growth in provincial Victoria and I think it is an appropriate first question.

Mr FORWOOD — Minister, my question to you is in your capacity as minister responsible for state development and I ask: when did you first become aware that the developer of the Hilton on the Park development was threatening to pull out of Victoria, and how did you become aware of that? Did you discuss the project with senior figures in the Australian Labor Party, and did you receive representations on behalf of the developer?

The CHAIR — In relation to questions on the ALP, that is not relevant to Public Accounts and Estimates Committee. We are talking about state and regional development.

Mr BRUMBY — Let me go through this because I know that the Premier was asked about these matters yesterday. There are no secrets about this. Here is an article from the *Age* of 17 December 2004. It is headed 'Tilting at the Hilton in Melbourne's eastern bloc'. It talks about delays in the project and says:

Peeved at this procrastination, property group Thakral secured the ear of state and regional development minister, John Brumby, who in turn whispered to Ms Delahunty and the deal was done.

That is the newspaper story, but you would not believe everything you read in the newspaper. There have been no secrets about this. The company wrote to me last year on 13 October. That letter in part has been released under freedom of information, as you are aware, Mr Forwood, and the only elements of that which have been deleted are commercial-in-confidence matters which have protected the company concerned. In turn, on the advice of my department I wrote on 14 December 2004 to the Minister for Planning. I am happy to table this letter today, and I said:

I write to seek your agreement to amend the Melbourne Planning Scheme under the powers pursuant to section 20(4) of the Planning and Environment Act 1987, to facilitate the redevelopment of the Hilton on the Park Hotel ...

Et cetera. The reality with this development is that it is not uncommon with development issues across the state, which involve complex planning decisions, for developers to sometimes approach my department whose job it is to facilitate investment. I am sure, Mr Forwood, as you know, many of the staff who work in that department are longstanding. Ian Munro, for example, who heads up this unit has been awarded with Australia Day honours in the past for his efforts in terms of industry development in this state. Developers often do that. They approach the department because sometimes these things, as they do under all governments, get caught up in red tape.

In this case the developers wrote to me. I referred to my department. Ian Munro and the chief of staff in my office, Pam Anders, met with the developers. I did not meet with them. I wrote to the minister urging her to facilitate the

project. I am sure with all of these projects there will be people who support them and people who do not. The fact is it is a good project. That hotel is in a prime position and to be honest it is run down. It is in a location —

Mr FORWOOD — The Hilton you are talking about?

Mr BRUMBY — The Hilton. That is what we are talking about, isn't it?

Mr FORWOOD — And the MCG next door and the high rise next to that.

Mr BRUMBY — When you say high rise, I am not the Minister for Planning but I understand the height which has been approved is less than the height of the Epworth Hospital. It is that correct? I would not describe it as a high rise. It is in a prime position. Cities have to invest in urban renewal. If they do not, people do not visit them and stay at hotels.

I think it was around Melbourne Cup day. I was watching television. I think it was around the time of the Spring Racing Carnival. One of the races I think was either sponsored, or the cup was presented, by someone representing the Hilton Hotel. I remember it because it stuck in my mind from television. They said they were upgrading their hotels in Sydney, Adelaide and Perth. And I went away thinking, 'What is happening in Melbourne?'. The reality is this project had become delayed. It is not unusual for me or my department to make representations to urge projects to be facilitated. It has always been thus under governments of all political persuasions. That is all that occurred in this case. There is nothing new or secret about it. In fact the *Age* reported on the matter in December last year.

As to other elements, it is important to note the issue of the calling-in is now under appeal in the Supreme Court. In a sense some of those matters are sub judice. I have given you a very full, open and frank answer today as you would expect me to do with public accounts, but I probably cannot go into any more detail than that given, that the issue of the actual calling-in which is a matter under people's legal rights is being tested in the Supreme Court.

Mr FORWOOD — Nice try.

Mr MERLINO — Is that the best you have got, Bill?

Mr FORWOOD — Oh no, lots more to go, lots more.

Ms ROMANES — Treasurer, I have a question relating to the energy, technology and innovation strategy. When the government announced this strategy you indicated that the government expected additional funding and support from industry and the federal government by the low-emission technology fund and the development of large pre-commercialisation demonstration plants trialling new brown coal technology. What proportion of capital and operating costs does the government anticipate receiving from industry and the federal government? If this is not forthcoming, will the overall cost of the strategy increase? Could you give us some key milestones and time lines for this initiative?

Mr BRUMBY — Victoria is actually the first state to have put aside money for this program. You will be aware that in the last federal election the commonwealth government promised \$500 million towards a national strategy if it was re-elected. I should say that in the budget last night we were a bit disappointed because I am advised that there was \$177.5 million over four years for the low-emission technology fund. There is no commentary or state breakdown. We welcome \$177 million but I note the election commitment was for \$500 million. It is for a five-year program so presumably that means there will be \$322.5 million in the fifth year. We would prefer to see that, I have to say, brought forward a little.

Having said that, we have put aside \$103 million over five years so we have put aside almost as much as the commonwealth has put aside in four years. We are the first state to set that aside. We anticipate receiving project proposals later this year. Invest Victoria has already sought proposals internationally because this will be a very hotly contested proposition. In terms of greenhouse it offers extraordinary benefits for the state. There is \$83.5 million to explore the development of large pre-commercial demonstration plants which will trial new, clean, brown coal technology. Brown coal is actually a fantastic resource. There is more energy resource in the Latrobe Valley than there is in the North West Shelf. People often think about the North West Shelf and all that gas and they see the big ships go off to China. There is actually more energy resource in the Latrobe Valley. When you burn it, though, it is wet and it emits greenhouse emissions. If you can get the water out of coal, it is a very good low-cost fuel. What we are trying to do is put substantial resources into a large-scale demonstration plant.

Matching that, I should say, we have \$16 million for research and development into alternative energies. We are also funding the Centre for Energy and Greenhouse Technologies. We have been funding that at \$5 million a year and it is a great program. We also included in the budget \$4 million to trial geosequestration in the Otway Basin. If you can produce energy from coal and put carbon dioxide underground, then you have zero emissions. Providing it can be done environmentally, that is a very nice outcome as well. We are actually going to put the money aside and trial that in the Otway Basin. It is a very exciting proposal, particularly in the sense that Victoria can have its cake and eat it too and continue to generate, using low-cost brown coal resources, giving our economy a competitive advantage, but significantly reducing those greenhouse emissions over time.

Mr FORWOOD — Minister, despite your attempts to shut me down through using sub judice, let me ask you this question.

Mr MERLINO — Why do you not ask a question on the budget, Bill?

Mr FORWOOD — I am asking a question of Mr Brumby in his capacity as Minister for State and Regional Development.

Mr MERLINO — You clearly cannot.

Mr FORWOOD — Your letter to the Minister for Planning was dated 14 December 2004. Are you aware that the date of the minister's calling in is the very same date, 14 December. Everybody knows that Mary Delahunty's desk was known as the black hole and whatever went in never came out — —

The CHAIR — We are not talking about the Minister for Planning.

Mr FORWOOD — Could you explain to the committee how you were able to get a same-day turnaround on this particular call-in?

The CHAIR — Before you answer that question, Minister, I am not familiar with what goes on the Supreme Court in detail, but in looking at the reports in today's paper, it states that the case in the Supreme Court is challenging the validity of the claim that the project is of state significance and urgency because of the games. Obviously I have not been sitting in the Supreme Court listening to, I think, Mr Southwell, QC's presentation, but I do caution both members of PAEC and other witnesses that they must be mindful of cases that are before the Supreme Court and any issues in relation to sub judice. I do not know the exact application or what his full presentation is, but I do make that point in relation to what is reported in this morning's newspaper.

Mr BRUMBY — Really, Mr Forwood, I think I gave you a very long and detailed answer before and probably I am not obliged to, if one wants to note that this matter is before the Supreme Court, but you have asked the question and I will answer it. As I said before, the company wrote to me. There is nothing unusual about companies writing to me; they do it all the time. Often they write to say what a great job we are doing in Victoria, and I thank them for that. Sometimes they write and say — —

Mr FORWOOD — 'You are not doing such a good job'!

Mr BRUMBY — 'A project is delayed, can you help us with it?'. That is the job of our department; that is what we pride ourselves on. Mr Murphy is here today as the head of regional development, Victoria and the thing he prides himself on is getting investment projects up and delivered in provincial Victoria. If you spoke to Ian Munro — you probably know him because he worked under the former government as well — you would know that he prides himself on making sure projects are able to be facilitated. He had the meeting with the company. He believed the project was of merit and he had discussions with the Department of Sustainability and Environment. Again, this is quite common across government; departments do talk to each other. So in respect of your question about how is it that this decision was taken on the day I wrote, it is not a surprise at all because the department would have been saying to DSE, 'We see this as a project that should be facilitated and that is our view; and the minister will be writing to you with that view'. And that is what I did. There are no surprises in this. You are trying to make it a surprise. As I said, it is already a matter which has been aired in the media. It is a matter that was dealt with by my department; it is no different to any other planning or regulatory process where sometimes you get delays and it is my job as Minister for State and Regional Development — that is what my title is, 'state development' — and the job of the department to, where appropriate, facilitate investment, and that is what we do.

Mr SOMYUREK — Minister, in budget paper 3 at page 137, DIIRD has a performance measures for ‘Towns with works commenced to enable connection under the natural gas extension program’. My question has three parts. Firstly, how many towns are to be connected under this scheme; secondly, what is the price consumers will pay for gas, once connected; and thirdly, how does this compare to costs for gas in other communities?

Mr BRUMBY — Thank you for that. As you saw from the slide before, we have now connected — well, we have approved the connection of — 29 towns under the natural gas extension program. I should say that we have not finished yet; there are more announcements to come. This has been an extraordinary program in its reach across the state from some of the outer metropolitan fringe council areas right through to some of the more remote parts of Victoria. Port Fairy being connected to gas in turn triggered a substantial investment by Glaxo Smith Kline in Port Fairy at its fine chemicals plant.

On the question of tariffs — and I am pleased you asked that because there has been quite a bit of misinformation about this — the tariff for a residential user under the natural gas extension program will average around \$14 a gigajoule. Some people have claimed, erroneously, that this is — and I quote — ‘more than other Victorians pay’. Let me just give you some examples. The tariff for an average Victorian residential user, including fixed charges, varies from approximately \$10 to \$18. That is the range, \$10 to \$18. The natural gas extension program averages \$14. If you were to fill an 88T, 45-kilogram tank with LPG today it would cost you \$80. The natural gas equivalent to fill that will be \$35. It is a dramatic saving; it is under half the price, so the savings per household will be \$600 to \$1200 a year.

You asked about the price. When we look at other states, and the strength of this in terms of driving the competitiveness of Victoria for our small business and households, Mt Gambier in South Australia was recently connected. The average tariff there is between \$19 and \$21 a gigajoule. In Riverland, again in South Australia, the average is \$18 to \$20 a gigajoule; and in New South Wales, Parkes and Forbes were recently connected and their price is between \$15 and \$17 a gigajoule. The other thing is that in Victoria under this program some towns were connected in the 1980s and 1990s along the Murray River. People connected under our program are paying no more than places like Cobram, Yarrawonga and Rutherglen, and paying less than Mildura. I am pleased you asked me this question. It is a great program.

I was out in the Yarra Ranges the other day and I think there are 6000 households out there — that is a conservative estimate of the number of households. They will save, on average, \$1000 a year. The saving in that area going into that economy in after-tax disposable income is \$6 million a year; it is huge. Plus, of course, you have tens of millions of dollars of investment which is going in from the gas company concerned; so you are going to see job opportunities created, small businesses becoming much more competitive; and probably, from a state perspective, the biggest single increase in disposable income that a state government could ever give a family. These are huge increases for most families — much bigger than Mr Costello’s tax cuts last night.

Mr FORWOOD — Minister, everybody knows that you were the member for Bendigo in the Hawke government, and everybody knows, of course, that Mr Kolomanski was an associate of Mr Hawke in the VITAB fiasco. Everybody knows that Bob Hawke is the door opener for the Labor Party. Right? So come on, Minister. How many times did Mr Hawke speak to you on behalf of Mr Kolomanski in relation to this development?

Mr BRUMBY — I have got to say I read recently you were retiring from politics and I thought that next year’s public accounts would be the last hurrah, but we are seeing it today.

Mr FORWOOD — I will be back next year. So will you. Right?

Mr BRUMBY — We are seeing it today.

Mr FORWOOD — So you are saying you have never spoken to Bob Hawke on this issue.

The CHAIR — He is speaking.

Mr BRUMBY — That is correct.

Mr FORWOOD — That is good for the record.

Ms GREEN — In budget paper 3 on page 133 there is a performance measure for business accessing STI-funded infrastructure. Could you outline for the committee any examples of Victorian businesses successfully tendering for construction contracts to actually build this infrastructure?

Mr BRUMBY — I can, and thank you for the question. I mentioned the open day recently which attracted 12 000 people. This is a great project. We now have something like 3000 scientists who are signed on to use it. We have, as you know, \$25 million of commitments towards the first tranche of beam lines from CSIRO, from Anstow, from Melbourne University, from Monash and from New Zealand. This is a stunning success, and I am pleased to say today one of the examples is a contract of \$5.5 million which has just been awarded to a Cheltenham company, Metaltec Precision International, to supply the key Australian Synchrotron components.

So you are seeing this investment of \$207 million, a huge number of jobs being provided in that and somewhere I have got a list of all of the contracts that have been let to local companies. But let me say about Metaltec, it will supply the special ultra stable pedestals and the girders that will carry the magnets and the associated equipment that are really at the heart of the machine. I forget the number but there are a couple of hundred magnets; something like 200 magnets in the synchrotron. Metaltec was chosen because it had state-of-the-art equipment and a highly skilled work force, and manufactures here in Victoria.

This has been a brilliant project, brilliant for the state, and all of the international visitors who come here know about the synchrotron. It has been great for Australia and great for Melbourne and Monash University.

Mr BAXTER — Minister, sport is obviously one of the key factors in attracting people to country Victoria and you referred to growth. Country football has been struggling a bit over recent years. The Rural and Regional Services and Development Committee of the Parliament made a recommendation with regard to assisting country football clubs. Does this budget include any allocation to meet the recommendations of that committee?

Mr BRUMBY — The government last year allocated, I think it was \$2 million, roughly, for a country football grounds improvement program. If my memory is correct, half of that was provided through my department and I think half through Minister Thwaites's Department for Victorian Communities, and my understanding is that those funds have been largely expended. They were announced, as you will recall, following the drought and before the conclusion of the committee's work to address some of the issues with country grounds, particularly because of the drought, lack of water, the hardness of the surface, the injuries and so on. I remember announcing some of those grants myself. I visited the Golden Square football ground in Bendigo and the Kilmore football ground, which has produced many great footballers over the years, including some great Collingwood footballers but not of recent times. And in relation to the budget and the extra funding, there was extra funding — —

Mr BAXTER — What you have outlined I acknowledge, but as you have acknowledged that predated the committee's recommendation. I am trying to ascertain whether the actual committee recommendations have been taken up and funds have been allocated?

Mr BRUMBY — Can I take that on notice? I should say there is nothing to prohibit or restrict any small town wanting to apply for money for sporting improvements under our Small Towns program, and indeed I have got to say I would like to see some more small towns do that. As you know, we do all sorts of projects under that — that is \$5 million a year; an increasing number of what I would call urban improvement, civic landscape-streetscape in the smaller country towns, and community halls. We have done some in the water area, water recycling for things like golf courses and so on, but I think it would be an eminently appropriate use for the Small Towns funds for improving those facilities. I agree with the nub of your question, Mr Baxter, that sporting facilities and the quality of them are important in terms of quality of life and we do need to keep a focus on that. I will come back to you on the specifics.

Mr MERLINO — Minister, in budget paper 3 at page 136, in those performance measures for new investment facilitated and announced in regional Victoria, do any sectors stand out as marked contributors to job growth in regional Victoria?

Mr BRUMBY — Our target for new investment facilitated in regional Victoria, a target which is set by RDV and endorsed by me as the minister, is \$600 million per annum. I am delighted to say that this year, to the end of March, investment levels have in fact exceeded \$900 million, so after nine months, and we have seen the creation of something like 1320 new jobs. You will recall there was a graph I think I put up earlier which had investment facilitated — that is, the regional investment — if you look at that and have it in front of you, you see at

the dark line at the end, that is for nine months up to May. There is a bit more to go so we will get very close to the record 2003–04 level and well in excess, as you see, of the \$600 million which has been achieved four of the last five years.

If you look at sectors, there has been a range of sectors. The food industry continues to be a very strong industry for us. But the other one that really stands out is the resources sector, and it is interesting to look at the statistics on this. If you go to Bendigo and Bendigo Mining's new Carshalton goldmining project where all of the planning approvals have been provided and work is about to start, that is something like about \$138 million into the local economy with potentially up to 500 jobs in that, and I might say it is also a good example, going back to an earlier question Mr Forwood asked, of a project that has been around for a while. It is a big project which involves complex regulatory approvals. My department has been vigilant the whole way through in making sure that project gets up, gets approved, gets developed, because we think it is a good project and it generates jobs and investment. So if you want to ask me about that one, there are plenty of letters I have written on that one as well to see that project developed.

Perseverance Corporation, the Fosterville goldmine, would be another one, and in fact we worked with that company and assisted them with a grant for water recycling so that it is not using potable water for the goldmine and is using some of the recycled water, and in turn there is water available for local farmers and agricultural use. Perseverance's project is something like 150 jobs. Stawell Gold Mines exploration program, if successful, could be up to 100 jobs.

Of course the other one is *Iluka Resources mineral sands. Again, it is an area where I am delighted to say that Regional Development Victoria has been very active with that proposal. If you look at the mineral sands industry, 20 years ago a lot of it was in Queensland on Fraser Island, then it moved to New South Wales. It is always environmentally sensitive because usually it is sand and it is beaches. Most of the industry at the moment is over in WA but it is being mined out, it is in sensitive areas, and there is no doubt in my mind that we have the possibility of seeing this industry moved to the Murray Basin in Victoria over the next decade if we are good enough to attract the investment and if the right infrastructure is in place.

Iluka made a \$270 million investment; it is doing processing at Hamilton which again we assisted in facilitating. It needs water and a lot of water can come out of the rivers or the Wimmera system or it can come out of recycled water. Under our Regional Infrastructure Development Fund we provided \$1 million for recycling of Hamilton's water supply. It is a major recycling project. It provides class A water which is then able to be used by the processing plant. It is a win-win for everyone. Resources sector has been a huge driver of growth and I think going forward with Iluka there are more possibilities ahead.

On top of all of that you have had record exploration obviously in gas, and I saw some figures on this the other day. Petroleum exploration in Victoria in 2004 was \$104.6 million while private industry mineral exploration expenditure reached \$52.4 million. So we are seeing record exploration, record investment and great prospects going forward. It has been a very strong driver of jobs growth.

Mr FORWOOD — Minister, you would be aware that Bendigo Mining Ltd put together a video when it went on its capital-raising roadshow. The video featured myself as the shadow minister, the mayor and a whole lot of people from Bendigo. Could you explain to the committee why no-one from the government was prepared to participate?

Mr BRUMBY — If my recollection is correct, we put a lot of work into this project over recent years and know the principal of the company, Mr Doug Buerger, very well. As I recall, the issue was whether it is appropriate for a government minister to appear in a video which is used by a company for equity fundraising. The advice I got from my department was that it was not appropriate. So on occasions when the principal of the company brought to Melbourne some potential investors — and indeed I remember having a meeting with some of those investors with the company, I think it was at the Windsor Hotel — I was happy to say that the government supports the project, what we have done to facilitate it and what a good investment Victoria had, but we draw the line at appearing in promotional material which is used to solicit private equity. That was the advice I got, and I think it is sound advice. You can imagine that for someone like me, if I crossed that line I would be spending virtually half of my working week — 40 hours — just doing videos for people promoting investment opportunities.

Mr FORWOOD — Mr Theophanous?

Mr BRUMBY — I think the answer is the same for ministers of the Crown, and I would be surprised if it was not the same under the former government in the 1990s.

The CHAIR — In relation to budget paper 3, page 132, the Department of Innovation, Industry and Regional Development has a performance measure to provide 270 companies with assistance for technology uptake — —

Mr FORWOOD — Excuse me, mine was a follow up — —

The CHAIR — Okay. It was a follow-up. I will move to Mr Clark.

Mr CLARK — Thank you, Chair. My question relates to the synchrotron and to the user groups and to the funding for the ongoing operation of the synchrotron. Last year you told the committee that you had probably well in excess of nine potential user groups, and Ms Niall told the committee that we had more than nine user groups working at the moment. Your target this year is for an expected outcome of nine user groups. Can you tell the committee what the current state is with the number of user groups that are up and running, and do you remain confident that you will be able to secure all of the ongoing operational costs of the synchrotron from sources other than the Victorian government?

Mr BRUMBY — I might ask either the secretary or Ms Niall to add to my answer, but we still anticipate those nine groups. We are ahead of schedule. Those nine groups are essentially the nine beam lines which will be put in place with the opening. I still expect it to be oversubscribed. That is the pattern around the world and all the indications that we are getting from the committees that advise us on this, particularly Professor Frank Larkins, are that that will still be the expectation going forward. As I said in my introductory remarks, we already have \$25 million committed from Melbourne, Monash, New Zealand, the Australian National Nuclear Research and Development Organisation and CSIRO and there are some more to come in the next couple of months. So we are on track.

In terms of longer-term ongoing operational funding it is certainly our view that this is a responsibility for the national government and for user groups; that has always been the case. You might recall that this was originally a project which was proposed by the national government — —

Mr CLARK — And you pre-empted it, if I recall correctly.

Mr BRUMBY — We did not pre-empt — —

Mr CLARK — You jumped the gun on the national bidding.

Mr BRUMBY — That is not correct. On the capital side we committed to a higher level of funding, so it was always a project that the commonwealth said was under a national infrastructure program, and in every country around the world national governments support institutions of this type. So we are not engaging in a public debate about this. We are working through the appropriate channels, through the federal government, through the national advisory bodies, through the science minister, the higher education minister, the industry minister, the chief scientist and others. We have put that view and we understand that that view is being carefully considered. So it is a national facility. As the vice-chancellor of Monash University has said, it would be unthinkable — extraordinary — if there was no federal contribution to a project of this type in the future. So we are working through the channels; we are doing it quite constructively and we are making progress. For our part, our commitment was to build it and to get the nine additional beam lines in place. It is on track to do that.

Just on the operating costs, my understanding is that the annual operating costs are around \$15 million a year. Last year I saw some claims, which I understand were opposition claims, that the operating costs would be around \$55 million a year. That is just not right; it is a lazy assessment. This is a modern facility which is quite different to the older European facilities such as ESRF, Soleil and Daresbury. As I said, the operating costs are a matter which is being pursued. The total national research spend by the federal government is about \$3 billion. This is the most important piece of new national scientific infrastructure in the last two decades. So it has a great fit and it is supported. We now have more than 3000 scientists signed on. It enjoys a high level of support amongst other state governments, the science community and the business community.

At virtually every national scientific gathering that I go to, scientists from right around Australia get up and praise the Victorian government's leadership on the synchrotron. At the recent Clunies Ross awards Dr Fiona Wood, who you might recall treated many of the burns victims after Bali, received an award. She is absolutely fanatical about the synchrotron. She is a Western Australian; she is not a Victorian. She got up in front of 400 people to say that this was the most important thing that has happened in Australia for 25 years. At the recent GlaxoSmithKline national science awards the winner got up and also praised the synchrotron and the leadership of the Victorian government. It is a great thing and we are working through this with the commonwealth. We are not having a public debate, we are having a sensible discussion and we think we will achieve a positive outcome.

The CHAIR — Minister, if we could go to the Department of Innovation, Industry and Regional Development's performance measure to provide 270 companies with assistance for technology uptake. The department claims to be on target to achieve that measure. Could you outline your assessment of its ability to achieve that target, and say how Victoria compares with other states?

Mr BRUMBY — I think we compare pretty well, and I will just find some background information on this.

The CHAIR — In relation to budget paper 3, page 132.

Mr BRUMBY — Which performance measure?

The CHAIR — We are looking at the 270 companies with assistance for technology uptake.

Ms ROMANES — Page 133.

Mr BRUMBY — Sorry, I thought you said page 132. This would be under our VicStart program. We have a number of programs which operate under VicStart. We have \$25 million over four years and it is essentially through that program that we intend to help those companies. There is one interesting facet to that — that is, Victoria historically has always struggled with venture capital. If 10 or 15 years ago you asked where venture capital was based in Australia, people would say, 'Go to Sydney'. According to the ABS, in the last two calendar years, 2003 and 2004, in calendar year 2003 Victoria actually had a bigger share of venture capital than did New South Wales, and in calendar year 2004 we were equal. Both states were on about 33 per cent. So this has been quite a stunning transformation.

What is driving it is a number of things: more buyer tech starts, the limited liability for limited partnerships legislation which went through both houses of Parliament — Victoria was the first to put it through in 2004. It was Mr Lenders' responsibility. We have seen Starfish Ventures start up, for example, a \$123 million fund, and as a consequence we have seen a lot more venture capital actually back projects in Victoria. That is a good thing because we all want to try and turn good ideas into good businesses.

Mr RICH-PHILLIPS — I would like to go back to your answer to Mr Forwood on the Hilton. Can you tell the committee how many times as Minister for State and Regional Development you have written to the Minister for Planning seeking changes to the planning laws for specific projects either in Melbourne or country Victoria?

Mr BRUMBY — I think there would be a number of times. I will take advice on this but I think the correspondence that I have with the Minister for Planning is probably a matter between me and the Minister for Planning. I answered the questions that were asked of me today because they relate to a specific project and it is a public project and newsworthy, so I have answered those.

But there would be quite a few occasions during the year. It is always on the basis of departmental advice. I think people need to understand the process of government. With someone in my position, people are running to me at functions all over the place. I work long hours, I go to lots of functions and they write letters to me all the time, and the department itself is proactive so at any one time there are dozens and dozens of projects across the state where project proponents — whether it is Iluka, Bendigo mining or Perseverance — it is their instinct. In all of those cases those companies came to us to try and facilitate investment. Whether we proposed changes to the planning laws, I do not now. I know in the case — —

Mr FORWOOD — Really? He said never!

Mr BRUMBY — We frequently write to expedite projects as you would expect someone in my position to do but it is always on the basis of departmental advice.

Mr RICH-PHILLIPS — Would you be willing to come back to the committee on notice with the number of occasions and a breakdown between metropolitan projects and rural projects?

Mr BRUMBY — I will take advice on that, but I think the answer is probably no.

Mr FORWOOD — What are you hiding?

Mr BRUMBY — You have had a pretty good run, Bill.

Mr FORWOOD — Not nearly good enough. You keep hiding what you want to hide. Everyone will see you are hiding it.

Mr BRUMBY — Just so we are on this, I might say that the secretary of the department has previously worked in the Department of Premier and Cabinet and for some time has been under-secretary in the Department of Sustainability and Environment. It might be useful for the secretary to explain for the benefit of opposition members how the process works at the DSE end.

Ms THORN — It was not uncommon for the Department of Innovation, Industry and Regional Development operating in support of its economic development initiatives to approach DSE to assist companies to most frequently get through planning but other regulatory difficulties such as arrangements around native vegetation, for example, which is a very complicated area. They would come to DSE to seek to expedite consideration particularly where companies are sitting on a large amount of capital waiting for development, and it may leave the state and go somewhere else.

DSE, as you would know, has a very wide mandate of things to do and it deals with things as they come to it. It was very conscious that it has a role in assisting with state development and when asked to facilitate projects I would regularly as under-secretary be approached to see if we could get through DSE's own processes earlier consideration of very important projects where large amounts of capital are being tied up.

As I said, it was not uncommon and the department was very happy to look at these things and see how they could be put through the processes. There were not any changes to the process; it was just making sure they got considered in a timely fashion. As you would understand, DSE manages a vast amount of applications around planning, around other regulatory issues it is responsible for. By and large with the best will in the world it deals with them seriatim — one after the other. Often I saw my role as making sure the state did not lose economic development because people did not necessarily distinguish one application from another.

Mr BRUMBY — I will just add to this since you are all barking up the wrong tree, but I will give a couple of other examples. Tenix would be a very topical recent example. I am surprised you did not ask me about Tenix because it is such a big potential project for the state. We are directly intervening there to change planning laws. We are changing planning laws to facilitate what we hope will be a \$6 billion investment.

Mr FORWOOD — That is two. How many more have you got?

Mr RICH-PHILLIPS — I have no objection to that but why won't you place on the public record — —

The CHAIR — The minister is responding.

Mr BRUMBY — The GE development at Burnley, where again a very large complex development — —

Mr FORWOOD — That is three. Keep going. How many more have you got?

The CHAIR — One person at a time. Minister, have you concluded your answer? Good.

Mr FORWOOD — Content-free answer!

The CHAIR — Thank you very much. We will move to the other portfolio.

Witnesses withdrew.