

# **CHAPTER 10: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT**

## **Transcript of Evidence**

### **10.9 Planning portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2007–08

Melbourne — 29 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. Madden, Minister for Planning;  
Mr P. Harris, secretary;  
Mr M. Clancy, acting chief finance officer; and  
Ms G. Overall, general manager, Office of Planning and Urban Design, Department of Sustainability and Environment.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2007–08 budget estimates for the planning portfolio. On behalf of the committee I welcome the Honourable Justin Madden, MLC, Minister for Planning; Mr Peter Harris, Secretary of the Department of Sustainability and Environment; Ms Genevieve Overell, general manager, Office of Planning and Urban Design; and Mr Matthew Clancy, acting chief finance officer, Department of Sustainability and Environment. I also welcome departmental officers, members of the public and the media.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review; 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 three working days of receiving the proof version — and I would actually prefer it a little quicker than that, if possible. 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 relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. I now call on the minister to give a brief presentation on the more complex financial and performance information relating to the budget estimates for the planning portfolio.

**Mr MADDEN** — Thank you very much, and I wish everyone a good morning. I will take you to our PowerPoint display. In terms of this year's budget, the 2007-2008 state budget delivers on many of the government's election commitments, building on the achievements of our first two terms, and providing a framework for our future.

We continue to fund and support the implementation of key planning, urban design and heritage policies through this year's budget process. I would like to outline some of those initiatives across the planning portfolio, and some of the major achievements to date on which these initiatives are built. They clearly demonstrate the government's strong commitment to a framework for sustainable and effective planning decisions to benefit all Victorians.

#### **Overheads shown.**

**Mr MADDEN** — This slide provides a breakdown of the budget by output for the planning portfolio; \$169.8 million in output funding was allocated to the planning portfolio in the budget this year. Planning and urban design and housing affordability received \$71.5 million to implement the government's strategies for sustainable metropolitan and regional development, in particular the transit cities program. If you are interested in that, it is in budget paper 3 on page 196. Land administration and property information received \$88.1 million, and finally heritage protection was allocated \$10.2 million.

The next slide shows Melbourne 2030, activities centres, and structure planning. Planning for the activity centres generally contributes to progress well. Around 60 per cent of activity centres have completed structure plans or have one on the way. This year an additional \$3 million has been provided to the activity centres expert assistance program to help metropolitan councils more effectively implement planning for activity centres.

We also continue to work with local government to secure public and private investment. For example, this year the state government provided \$7 million over two years towards Banyule City Council's \$400 million Greensborough project.

There has been major government investment in the transit cities program; \$219 million was allocated in the 2006–07 budget, and a further \$63 million additional funding is allocated this year to kick-start developments in Footscray, Ringwood and Geelong and vital infrastructure in urban design work.

Work on the Melbourne 2030 audit has commenced. The initial focus will be on a stocktake to assess the progress of the delivery of Melbourne 2030 to date. Stage 2 of the audit will commence around the middle of this year and will include opportunities for input by local government, industry and the general community. The audit of 2030 will not involve a fundamental re-examination of the principles and directions. A million dollars has been committed in the state budget to undertake the audit. This will be in addition to the current departmental resources.

The Creating Better Places program, a \$12.5 million, four-year program, has so far funded over 100 projects across the state, and \$7 million has been allocated since the program started in the 2005–06 financial year.

In terms of coastal spaces, a number of coastal councils — Moyne, Colac-Otway and Surf Coast — have begun a process which will see the recommendations of the coastal spaces landscape assessment implemented into their respective planning schemes. This is being done through the assistance of the state government at a cost of \$115 000 through the environmental sustainability action statement. The recommendations will assist councils in guiding and managing growth of settlements and protecting Victoria's valuable coasts.

On green wedge management plans, green wedges represent some of the most valuable land in the state in terms of environment, agriculture and tourism, and it is important that councils have comprehensive plans in place to safeguard these important areas. An additional \$350 000 in direct funding is being provided to selected councils this financial year to assist in the completion of plans.

Good progress has been made in delivering the cutting of red tape in planning program. Actions include a procedure to fast-track removal of redundant planning provisions, initiatives to speed up the planning scheme amendment process and the availability of local planning policy review teams to assist councils.

In terms of rural zones, last year the previous planning minister reported to this committee that just under half the councils with rural zones had completed their rural zones translation. I am pleased to announce that 80 per cent of councils have now completed their rural zones translations. A further \$500 000 has been allocated this year to help councils develop agricultural and rural strategies in response to the changing trends and pressures facing rural Victoria.

In the past year three wind farms were approved by the previous Minister for Planning, bringing the total to 11 approved in Victoria. I recently approved the 64-turbine Mount Mercer wind farm, which is expected to generate around 160 megawatts — that is enough energy to power around about 73 000 homes. Approval of these wind farms not only represents a substantial investment of 1.2 billion in regional Victoria, but the wind farms will result in a potential saving of approximately 2.8 million tonnes of greenhouse gases.

In terms of building activity, 2006 was another record year for the building and plumbing sectors, with total building activity being \$16.65 billion — an 8.9 per cent increase on 2005 — and total building activity in rural Victoria being an additional 3.99 billion worth of building permits. This is a 5.8 per cent increase on 2005.

On sustainability, energy efficiency requirements for new commercial dwellings were introduced in May 2006 as part of the Building Code of Australia. These requirements have been implemented smoothly over the last 12 months. I am pleased to note that Victoria's leadership on the 5-star led to the adoption of 5-star nationally under the Building Code of Australia in May 2006.

On the urban development program, the 2006 annual report identifies that overall there was a total supply of approximately 25 years of residential land and over 25 years of industrial land available across metropolitan Melbourne and the Geelong region. However, deficiencies have been identified with regard to the supply of zoned land in some locations.

Geelong region and the Casey-Cardinia growth area: the Growth Areas Authority is currently working with local councils in the growth areas to get zoned land supplies to a more satisfactory level.

In terms of heritage, the heritage strategy has supported local councils and communities managing heritage places and collection through \$2.5 million in grants. As a result, heritage preservation works have proceeded for many important sites across the state.

Electronic conveyancing is a world-leading initiative that brings the property conveyancing process into the e-commerce world. Additional funding of \$6 million was provided in the state budget to complete the electronic

conveyancing (EC) system. The EC is estimated to result in \$70 million worth of annual savings to Victorian industry and the community by 2012, and this equates to a saving of \$395 per four-party settlement.

In terms of priorities for the forthcoming year, I have identified a number of priorities for the coming year for the planning portfolio. Briefly, high on my priorities will be continuing the implementation of Melbourne 2030 through facilitation of investment in activity centres around public transport nodes, delivering further efficiencies in the planning system through electronic delivery and cutting red tape, building sustainability to support climate change response, providing a greater certainty to councils to assist them in managing change and protecting valued neighbourhood character, and, of course, given we are in the 21st century, increasing the recognition of Victoria's 20th century heritage as well.

I think I have covered a fair amount there, and I am happy to proceed to questions, Chair.

**The CHAIR** — Thank you very much for that, Minister, and thank you also for the response to the department's questionnaire. I might add that as we learn a little bit more about this as we go along, I wonder about the different figures that are often provided in this regard. There seems to be a different figure, for example, in terms of output for the department in budget paper 3 from what you get in budget paper 4 and in your response to the budget estimates questionnaire in regard to the administered statements.

Here it says there are no commonwealth-specific purpose grants, yet in the budget paper it says there are \$98 million worth. Maybe the department can perhaps look at some of these things or maybe we should look at it in terms of getting these things in sync in terms of the responses.

My interest and the committee's interest is an interest in productivity. Productivity is very important for the future of the state. I would like to ask you what impact will your portfolio's spend have on productivity, particularly new initiatives in your portfolio?

**Mr MADDEN** — I suppose in terms of productivity savings, we are always looking for the opportunity to improve productivity and across this forthcoming financial year the department, broadly right across the department, is looking, I understand, for a \$14.8 million productivity savings in terms of what we are currently dealing with. We expect those savings to be delivered through a range of measures.

My understanding is that the department is currently working through the best options to find those productivity savings, but I am confident that can be done. I know that we have a good track record when it comes to productivity, and we look forward to making productivity savings in the future, based on the figures that I am reporting today.

**The CHAIR** — How do you see what you are doing on Melbourne 2030 in planning actually helping productivity overall across the state?

**Mr MADDEN** — In terms of employment, building activity and also just the economy, building is a key driver for that. Whether it is domestic, commercial or industrial, it provides an enormous number of jobs right across the community and is a key driver for the economy right across the community.

So it is important that if we can speed up the process, we can deliver efficiencies. If we can cut red tape, we can deliver efficiencies in the planning permit application process, whether it is the bigger projects that we deal with at a state government level or whether it is assisting local governments at a more local level to improve their efficiency. If we can get projects off the ground sooner, it means there is a great opportunity for increased growth in the economy and more jobs to go with it.

I see one of the priorities in my portfolio as being also to improve that efficiency, and if we can improve that efficiency it means we can bring more jobs online, more productivity right across the community and give people greater confidence not only in the planning and building processes but also to see that translate into the uses of those buildings, whether they are domestic, commercial or industrial. We can bring on board more jobs which flow on from that just by getting these projects brought to fruition by implementing the project sooner, by having a swift and effective planning system.

**The CHAIR** — Thanks very much for that.

**Mr WELLS** — Minister, on pages 212 and 213 of budget paper 3 there is a reduction in the funding for the department, in planning, urban design and housing affordability, and a target in 06–07 of \$73.9 million which has now been cut to 71.5 million. Given what you said in the previous answer, can you explain what sections of your department are going to be reduced, and how much of these line items will be directly related to combating or providing strategies to address the crisis in housing affordability?

**Mr MADDEN** — Thank you very much for the question, Deputy Chair. It is a little bit technical so bear with me as I run through some of the issues in relation to the one which is reported. There are two issues that you have raised: one is the reporting of the department through the budget papers and the other is housing affordability, and I am happy to address both of those.

In 2007–08 the planning portfolio output budget shown in budget paper 3 is \$169.8 million, which represents 14.2 per cent of the total 2007–08 DSE recurrent budget. This is represented by the planning, urban design and housing affordability output budget of 71.5 million, land administration and property information output budget of \$88.1 million, and heritage protection output of \$10.2 million. The planning, urban design and housing affordability output budget comprises \$43.2 million for planning and urban design output, \$18.2 million for housing affordability output, and \$300 000 is dedicated to housing affordability programs with the balance attributed to capital asset charges appreciation and corporate overheads.

There are a number of new initiatives which I have announced, and I am happy to refer to those again. Expert planning teams output is \$3 million over two years; Footscray transit city output is \$13.6 million over four years; Geelong transit city output is \$2.2 million over two years; Melbourne 2030 five-year audit output is \$1 million over two years; regional town development output is \$0.5 million over two years, and the Ringwood transit city output is \$2 million in 07–08, and then the rural zones output is 0.5 over two years. So that is basically the portfolio.

In terms of some of the detail that you want in relation to the differences between previous years, I am happy to refer to that more specifically. The significant movement is due, and it is technical, to the redistribution of corporate overheads — I understand minus 18.3 million — to more accurately reflect the allocation across the department than the original allocation. This removed the historical allocation, and the corporate overhead is now based on a share of the output budget. The land data fees, which were overstated by, I understand, minus — —

**Mr HARRIS** — Nine million.

**Mr MADDEN** — Minus 9 million, when a decision was made to move from a trust account management to a section 29 revenue retention arrangement. This accounting error has been rectified with a downward revision to the estimate.

In terms of housing affordability, Mr Wells, I think we have got a pretty good track record when it comes to housing affordability. That has been reflected by national figures and also even more recently by a presentation to the HIA by its main economist in relation to how we are performing in terms of housing affordability in this state. We have got planning policies that are addressing housing affordability on a number of levels. The success of those policies is demonstrated by the fact that, as I mentioned, we are doing much better than other states in responding to the impacts of strong housing demand on house prices and affordability.

For example, according to the HIA *Land Monitor Report*, the average price for vacant land in Victoria is \$155 000 compared with \$357 000 in New South Wales, so there is a fairly significant difference there even with the sorts of numbers that we have got coming into the state. Victoria is the only state that has committed to maintaining a minimum of 15 years and up to 25 years of land supply. The government established the urban development program in 2003 to monitor land supply and project demand for residential and industrial land in Melbourne and Geelong, and in 2006 the urban development program report confirmed that the government was more than meeting the overall residential land supply target. However, the government is giving priority to increasing zone land supply in Melbourne's south-east corridor and in Geelong.

As a government we have established five metropolitan regional housing working groups, which have now produced their reports on responding to future needs for housing, including affordable housing. The Growth Areas Authority has been given a specific directive to address housing affordability in growth areas as part of its planning processes. Precinct structure planning guidelines for growth areas now include a requirement to provide a variety of housing types, sizes and costs, and priority has been given to streamlining the planning system to reduce delays, as I mentioned before to the Chair, and holding costs associated with residential developments.

This includes targets for reducing the time taken by DSE to process rezoning applications. DSE was given the responsibility after the 2006 elections to lead a whole-of-government policy on affordability in the housing market and with the Office of Housing and DHS to implement the government towards an integrated housing strategy initiative. That is progressing quite soundly at this point in time.

**Mr WELLS** — Can I clarify my original question: so the reason for the reduction in the 06–07 target and the 07–08 target is because of an accounting error and that the corporate overheads have been distributed to other sections? Is that the reason there has been a reduction?

**Mr HARRIS** — Practical effect.

**Mr MADDEN** — I am advised that is the practical effect.

**Mr HARRIS** — If I could, Chair. There is a note on page 196 that supports that. On page 196 you will see those numbers that the Deputy Chair listed run across the page, the lowest line on that table on page 196, and you will see the note (f) which describes this in the same terms.

**The CHAIR** — So that is page 196, note (f) on table 3.8.

**Ms GRALEY** — I have a particular interest in growth areas. I am interested in the establishment of the Growth Areas Authority, which was announced last year with the funding of \$20 million over five years. It undoubtedly has an important role in delivering many of the budget initiatives highlighted in this year's budget papers. Could you please update the committee on what the GAA has achieved to date as a result of the funding it has received and any important future plans?

**Mr MADDEN** — The Growth Area Authority, as I mentioned, is certainly making a significant difference in terms of not only land affordability but also availability, as I have mentioned in my previous answer, to manage the future growth of Melbourne 2030 in particular in trials of the urban growth boundary for the Melbourne metropolitan five designated growth areas.

Melbourne's growth areas, I just highlight to the committee, are Casey-Cardinia, Hume, Melton-Caroline Springs, Whittlesea and Wyndham, and these areas contain three of the fastest-growing municipalities in Australia — Melton, Wyndham and Casey. As well as defining where growth areas are, the government is setting the development parameters for growth areas in a plan for Melbourne's growth areas, which was released in 2005 and which created that new authority, the Growth Areas Authority, to better coordinate development in these areas.

The Growth Areas Authority is charged with ensuring that the building blocks of sustainable new communities — infrastructure and services — are coordinated with new housing planned in the growth areas, and this means providing better access to and the timely provision of infrastructure and services like transport, jobs, shops, open spaces and recreation facilities. Sufficient land has been set aside to ensure the adequate availability of developable land to maintain housing affordability, as mentioned. There are three main tasks before the Growth Areas Authority: coordinating the state development contributions plan to guide, fund and deliver infrastructure; provide strategic advice on precincts to help streamline planning processes; and advising me on development issues in Melbourne's growth areas.

One of the first achievements of the Growth Areas Authority is the release of the precinct structure planning guidelines. Precinct structure plans will ensure new development is well serviced and integrated with existing communities. The structure plans will set objectives for housing yields, choice and affordability; provide for dwelling densities in line with government strategies; provide for reliable public transport, activity centres and services; ensure communities have better access to services, transport, jobs, shops, open space and recreation facilities; and give developers and investors in local communities greater certainty and confidence about future development. The Growth Areas Authority brings together councils, developers and government agencies to plan and negotiate the desired outcomes of precincts. I have used the word collaboration many times since coming into this portfolio, and this is one of those examples where the collaboration will see a direct impact on the ground. The process is focused on providing certainty and speedier decision making.

There are currently 20 precinct structure plans under way, with eight of these to be completed by the end of 2007. In combination, the area of land being planned equates to 5850 hectares, and five of the precinct structure plans — those in the Casey-Cardinia area — will address the projected shortfall of zoned land in the south-east corridor. The

Growth Areas Authority is also working on identifying the components of livable communities, and developing the strategies for faster planning processes in the growth areas. This links to an overall commitment to reducing red tape and improving timing of planning outcomes. So I am looking forward to further achievements of the Growth Areas Authority over the next few years, and I am very keen to report the progress of the Growth Areas Authority and its success stories to the committee in future PAEC hearings.

**The CHAIR** — That would be great.

**Dr SYKES** — My interest is in rural zones. Minister, I noted in your presentation that you indicated 80 per cent of councils had made the transition from the old zones to the new and that \$500 000 has been allocated this year to aid councils with the zoning issues. Just by way of background, when the zoning legislation changed, many councils in fact wanted to use that as an opportunity to review their existing zones rather than just do a direct translation of old zones to equivalent new zones, but they ran into two problems. One was that it was going to cost them about \$100 000 per council to do it, and secondly, there was a lack of planners available to do it.

How will the \$500 000 be allocated amongst councils, and how will it then be used by them? Secondly, given the background I have given you, would you give consideration to increasing the amount of financial assistance available to councils, given the \$100 000 cost for each one, and would you give consideration, or take action, to attempt to increase the number of planners that are available to carry out these tasks?

**Mr MADDEN** — Thank you very much, Dr Sykes. There is a lot in that question, and I am going to spend some time answering it.

**Dr SYKES** — Very simply it is more dollars on the table.

**Mr MADDEN** — That is right. There are a few issues there. First of all, generally the councils have been a very good in making that transition. Members of the committee may not be aware, so I will just give them a little bit of context to where the answer is going. The new rural zones were introduced into the planning provisions in 2004 in response to a wide concern that existing zones did not reflect or protect the right to farm and were leading to land use conflicts by allowing a range of non-farming uses in rural areas. These zones were developed and finalised during extensive consultation with rural communities, farmers and councils over a number of years.

But I do acknowledge some of the smaller municipalities, or those with added complexity, are a little slower in making that transition. Because of that, \$150 000 was provided in 2004 through the Municipal Association of Victoria to support the program. However, a number of those councils, 12 months after that contribution, were still struggling to apply those zones. So we recognise that there are some municipalities that are not making the sort of ground that we would like them to make. I understand there are only 12 councils that are yet to complete that transition, and a number of those I expect will be finalised shortly. The 500 000 we expect will go a long way. We also anticipate that we will work with the Municipal Association of Victoria to make sure that we get the best value for those councils so that they can make a significant impact on the ground.

There are some municipalities where we have got just a little bit of complexity in dealing with that. I will give you an example: yesterday we were in Mildura with the Mildura community cabinet process, and there were issues there. You would appreciate this, Dr Sykes: I was speaking to a local vet, and he had some issues around some of the conflicts of land usage, particularly the definition of where a vet can locate a new development, particularly for large animals, as opposed to a vet who deals with smaller animals. That was a worthwhile discussion, and I am looking forward to being able to accommodate some of those requests from those vets in rural Victoria who need to fit within the respective zones in a way that is applicable to what they do.

For some of those councils, too, they have some of their own local complexities which they have to deal with. An example of that in Mildura was some of the old soldier settlements. You have a different type of use that has historically come to be disaggregated over a long period of time. Some of those councils we will work with in consultation, we will assist them with some advice, but we will also work with them through that funding to make sure we get them over the line in relation to this. As you would realise, the right to farm is particularly important. It is important not only for those to give assistance and assurance to those farmers and to agriculture but also to make sure that we do not subdivide the land to a point where farms are no longer feasible or sustainable — that you have the critical mass to make farming operate.



When you look at some of the old soldier settlements in Mildura, they were nice allocations historically at the time for those who settled in those areas, but, of course, farming practices may not be necessarily sustainable in those locations going into the future, or they may never have been, really. We have to bear that in mind. Within that historical context and also acknowledging some of the technical requirements in some of those local areas, we are conscious that we need to work with councils and support them through the funding.

We are finalising the details of how we will apply that funding, but preference will be given to councils that provide an integrated response to rural issues. That is common to a range of councils. They have to be, in a sense, enthusiastic about the process as well. We would be looking for some complementary contribution in some way to combine with the funding that we are making available. That might, in a sense, grow the critical mass of that funding to a point where it will provide greater opportunities for those councils, potentially through the MAV, in a way to make sure that we get all these councils over the line.

**Dr SYKES** — Is the \$500 000 just going to those 12 councils that have not yet made the transition?

**Mr MADDEN** — We are still working through the detail of that. It has not been brought to my attention that those councils that have made the transition are facing any added complexity, but I will take advice in relation to what is out there in the regions as to either the complexities that some may be facing if they have already implemented it, or the complexities facing those who are yet to implement it. I use the word ‘collaboration’, and this is an instance where I think the more we collaborate on this issue the better result we will get for everybody. Of course there will always be a degree of tension around these matters, but we are eager to make sure that we protect the right to farm and that we also get these other local governments across the line in terms of clarifying the status of the new zones.

**The CHAIR** — Thanks for that.

**Dr SYKES** — Could I just make a comment?

**The CHAIR** — I think we have — —

**Dr SYKES** — Just a comment quickly — —

**The CHAIR** — A very quick comment, please.

**Dr SYKES** — I am just letting you know that the previous planning minister had particularly strong powers of persuasion, and a number of councils felt obliged to comply because of the powers of persuasion that were exerted upon them rather than because they really wanted to, but if you are going to be prepared to look at that, that would be encouraging.

**Mr MADDEN** — Just a quick comment: I appreciate that a lot of councils have shown very good faith to do this. They have recognised and agreed in principle to do it. They have implemented it. We recognise the good faith in which that has been done, and as a minister I am keen to make sure that not only do we get the other councils across the line, but we also have to work with the other councils to make sure that the implementation over and above just the integration of it works effectively. No doubt there will be some teething problems, but we are keen to work with councils to make sure that it operates in the way it is expected to.

**Mr SCOTT** — Minister, I refer to you to budget paper 3 on page 213, where it makes reference to the urban development program. Can you please advise the committee about the urban development program and the benefits it will provide for forward planning in our growth areas?

**Mr MADDEN** — The urban development program was established in 2002. It is a very important tool. It provides us with a better understanding of the land supply relative to demand and the infrastructure requirements of future residential and industrial development in Melbourne and Geelong. We monitor the land supply to ensure that the land supply is not unduly influencing housing affordability in Melbourne, and sufficient planning is undertaken so that the physical transport, education and community infrastructure can be in place as new communities develop and that land speculation is also minimised.

The 2007 urban development program report shows that we have 25 years of broad hectare residential land available for new housing in Melbourne’s growth areas. A recent report released by the HIA and the Australian Property Monitors confirms that Victoria’s track record has been much better than some other states. The report

also cautions that to maintain this position we need to avoid extreme pressure being placed on available land supply. To this end our priority has always been on increasing the total available supply. We are now at a point where there is adequate supply in Whittlesea, Wyndham, Melton and Hume to meet the 10-year zoned land supply benchmark. Action is now being taken to ensure sufficient supply of zoned land in the Casey–Cardinia growth corridor. The Growth Areas Authority is giving this area its full attention. I have also asked the department to look into land supply in our key regional cities, because, as you would appreciate, recent figures confirm that the growth in regional areas is quite substantial, and that growth is exceeding that of metropolitan Melbourne.

My department is working with the City of Greater Geelong to facilitate the supply of zoned land in the Armstrong Creek area. There is also pressure on land, I understand, in Torquay and Bacchus Marsh. The urban development program also tells me about industrial land. In six industrial areas across Melbourne there is an estimated stock of more than 25 years, and overall industrial land stocks are adequate. However, there are localised shortfalls of zoned land in the south industrial node and the north industrial node, and action is being taken to bring these areas up to the 15-year supply of zoned land.

This knowledge allows us to take measured steps to address any shortfalls of residential or industrial land. Importantly the urban development program also allows for us to more rigorously plan the rollout of infrastructure — physical infrastructure such as power, water and sewerage; community infrastructure such as schools, child-care and aged facilities; and of course important environmental infrastructure such as our open space network and paths and trails. This is all set out in *A plan for Melbourne's growth areas*, a plan that would not have been possible without the urban development program.

It certainly places us in a good position in comparison to other states and other cities to have this program so that we can monitor and make that knowledge public and work to ensure that we have sufficient and adequate stocks of land provided for development in the future.

**The CHAIR** — Thank you, Minister. I might note regarding outputs and deliverables, and refer to your budget estimates questionnaire, where the department has provided a brief outline of these changes — the ones we are just talking about in terms of the urban development program report — there has actually been a renaming of that from residential and industrial land supply assessment.

I wonder if the department could actually give us a more detailed response in terms of the changes to performance measures. I know we have at the back of the budget paper the ones which have been discontinued, but where there have been changes, for example, it would be useful if we could have them more clearly set out for us rather than having to find them in footnotes.

**Mr MADDEN** — Would you like me to provide that to you on notice?

**The CHAIR** — On notice, please.

**Mr BARBER** — I am interested in the \$1 million for the Melbourne 2030 audit over the next two years and obviously what that 1 million will deliver. Will it look at the specific objectives of Melbourne 2030 and how they have been delivered — for example, one of the objectives is to have more development around activity centres? Will there be an analysis? You could use the 2001 and 2006 census if you wanted to do an analysis of whether more jobs or more housing are now to be found around activity centres.

**Mr MADDEN** — Thanks for that question. There are a number of elements to that. Melbourne 2030 is no doubt the framework — the plan — for development in Melbourne going into the future. There are a couple of critical issues that are worth bearing in mind with the support for activity centres, so we manage that growth within existing suburbs in a way that does not take us back to the old days of just dual-occupancy development across any suburban block as of right, which was the case for many years prior to us coming into government.

The other element of that is not only the focus on the activity centres per se and the development around that — that is done in order to protect the suburbs that we have, the green leafy suburbs, the elements that we know and love about Melbourne — it is also about ensuring that suburban development on the fringes is managed, and part of that is, as I have mentioned, the Growth Areas Authority so that we are not hamstrung by the focus on the activity centres, so we still provide growth on the fringes but also that we provide protection to the green wedge, as it is affectionately known. That is also necessary for all those other elements that make for good consolidated urban planning.

In terms of the audit that we will be conducting over the next two years and the funding for that — the million dollars — that is basically to examine the extent to which it is being implemented and the success of the implementation. I would like to point out it is not a reiteration of the case for Melbourne 2030. I know there has been criticism from the opposition in relation to this matter. I know that the Deputy Chair himself, in his budget reply speech, has even threatened to dismantle the Melbourne 2030 boundaries. It is all right to make that assertion, but what is the alternative? If you do not have an alternative, and I know the opposition does not have one, it does not have policies in this area, it is vacant in this area, then — —

**Mr WELLS** — That is a bit rich. I thought the election was 2010!

**The CHAIR** — Please, Minister.

**Mr BARBER** — Will the audit be an audit of councils' strategic planning activities, or will it be an audit of the success of the policy's objectives?

**Mr MADDEN** — What we will do is — we are currently undertaking stocktake and that stocktake is basically to find out the relevant information in many of those areas that you are talking about; to critically examine where we can access the information that will assist us on many of these fronts, and then based on that there will be a second stage. I do not want to telegraph those yet, but we will be making announcements in terms of the second stage of that process once we have consolidated that information and done some examination of that information as part of that overall stock take.

**Mr BARBER** — You have telegraphed a million dollars so can you tell us what the million dollars will be spent on?

**Mr MADDEN** — It will be involved in that extensive process. I know that, Mr Barber, you are very keen for the community to be involved in that, and we are very keen for the community to be involved in the process as well. So some of it will be — as I said the first stage is primarily about bringing together information and seeking that information, and consolidating it in a way that makes sense in relation to 2030 — then the next stage will be about hearing from the community or the relevant stakeholders in relation to many of these issues as well.

**Ms MUNT** — Minister I refer you to budget paper 3, page 277, under the heading 'Assets initiatives-government-wide' which details funding for transit cities in 2007-08 of \$17.2 million. Can you please outline to this committee how that funding will be used, and what will be the benefit to Victorians from that funding, now and in the future?

**Mr MADDEN** — There are a number of issues in relation to transit-city initiatives and the status of that. I have responsibility for quite a number of them, but not all of them. Some of the other elements are delivered by other ministers, but there is quite a range between this year's announcements and last year's announcements, as well. I will go through some of those; some of those are more obvious in relation to this year's but also some of the others in previous years.

Basically the intent of transit cities is to make sure that we focus development around many of those older transport stations or transport network areas. What we have seen over many, many years historically, as some of the infrastructure of those stations has got old or was not seen as attractive at the time, although it might look very attractive now because of the heritage values of some of those locations, many of those retail or service centres turn their backs on many of those stations. Rather than link themselves to those stations and have a strategic link, many of those shopping centres, or those local communities, turn their backs on the stations. Rather than draw people from the stations or into the stations, that created a blockade.

You can appreciate today more than ever that the use of public transport is on the rise, and that is a great thing. If people had said four or five years ago that we would see an increase of somewhere between 16 or 20 per cent in the use of public transport, people would have thought that that was not possible, particularly in Melbourne, given people's habits. To see that shift has been a quantum leap, and that is a great result, but of course there are challenges in dealing with it.

Transport cities are a great avenue in which we can focus people's attention around public transport and get more people using the system out of peak as well. We know there is peak demand, but also if we can get people using it

throughout their daily lives over and above just for commuting into the city, then that is a great outcome and transit cities is a great way to do that.

Recently announced, the \$52 million over four years for Footscray, and the project planning is currently under way; Geelong, \$5.8 million over two years and that project planning is under way. The work down at Geelong is also complemented by the relocation of the TAC, and the ability to link the Geelong station as a transit city with the jobs from the TAC down in Geelong will really help drive that.

In terms of Footscray, Footscray is a great initiative because that will complement the regional services that also come through and stop at Footscray. It means that there is a great ability to have a strategic link to the regions and, whether it is the Bendigo, Ballarat or Geelong lines, to link those in a way which forms a strategic link to Footscray and the city as well. There are some great opportunities there.

Given that Victoria University is very keen to expand its campus into the retail precinct and to link that in and around the station precinct, there are some great opportunities for that Footscray transit city to be a model for urban renewal. We are very excited, and you can tell I am very excited about the prospect of that.

In terms of Ringwood, there is \$5.4 million in the 2007-08 budget for project planning. In terms of the previous year's budget, 06-07, for Dandenong there is \$290 million and the projects are currently under way. That is a big project. No doubt people will be eager to see the result of that, but it is not a plan that will take place over one, two, three or four years; this is a long-term project with big parcels of land being redeveloped. It will take some time to come to fruition, but it will happen and the result of that will be quite spectacular.

In Ringwood we have also seen, in the 2006-07 year, \$791 000 over two years to assist council and get projects under way. I want to compliment the council for the outstanding work it has done in really embracing this. In that year as well Footscray received \$1.2 million, a funding deed was signed with council and the Nicholson Street Mall upgrade was commenced. That has been a great result. At Frankston, \$11.6 million over four years, the funding deed was signed with council in June and the project is under way; at Box Hill, \$378 000 in 2006-07, funding deed signed by council, the project is under way; at Werribee, \$855 000 over four years, funding deed signed with council and the project is under way; Epping, \$477 000 over four years, funding deed signed with council and the project is under way; Broadmeadows, \$720 000 over four years, funding deed signed with council, the project is under way; Latrobe-Warragul, \$450 000 over four years, funding deed signed with council, the project is under way; Bendigo, \$369 000 over four years, funding deed is signed — —

**Mr WELLS** — Maybe just table the document.

**Mr MADDEN** — And under way. The last one — —

**Mr WELLS** — Maybe just table the document.

**Mr MADDEN** — Mr Wells, Ballarat, \$11 million in railway improvements — under way. I was very keen to get those on the record, Mr Wells.

**Mr WELLS** — Yes, I know, but you could have just tabled the document and saved us a lot of time.

**Mr MADDEN** — But they are all good stories, and whilst I know that transport and the demand for transport is in the news at the moment, we are making those strategic investments. They need to be on the record; they need to be recognised. What this is saying is that we are making that investment; we are getting communities to work together, particularly local governments. The local governments that have made the quantum leap and have really embraced it and done the strategic work have seen funding come to fruition this year. We look forward to seeing the relationships with many local governments continue to develop in a collaborative way, to see greater investment in many of these areas in years to come.

**The CHAIR** — Thank you, Minister, for the comprehensive reply.

**Mr RICH-PHILLIPS** — Minister, this is the first time you have appeared since relinquishing the Commonwealth Games portfolio, but I am pleased to see the Premier has given you a portfolio where you can maintain your positive relationship with Julianne Bell and the protectors of public lands!

I would like to ask you about the funding for the electronic conveyancing system — firstly, about the contradiction in the information contained in the budget overview which refers to the funding being provided, \$6 million over four years, and budget paper 3, which refers to the funding being provided in one year, being the 07–08 year.

**The CHAIR** — What page is this?

**Mr RICH-PHILLIPS** — That is page 333. Can you just clarify, please, which is correct — the overview or the budget paper? Is it one year or is it four years?

**Mr MADDEN** — I am informed that it is over one year.

**Mr RICH-PHILLIPS** — I understand that is \$6 million in addition to \$24 million that was provided for the land exchange program. Can you tell the committee how that existing money has been expended in setting up this electronic conveyancing system and how the additional \$6 million was spent?

**Mr MADDEN** — I might ask Peter Harris, secretary of the department, to reply to that. I would ask, Chair, that if there are any supplementary questions that they come through me so that I can respond.

**The CHAIR** — That is fine. They always do, Minister; don't worry.

**Mr HARRIS** — In answer to the basic question for the committee's benefit, the electronic conveyancing project has proved to be very successful and has met its technical milestones for being deliverable. If I could just ensure that it is in everybody's mind that this electronic exchange will effectively replace the exchange that might occur otherwise, which would be managed by conveyancers. So when cheques are handed over and titles are provided as a result of a property transaction, this will now be able to occur electronically, with a significant estimated saving for every property transaction of the order of \$300 or \$400 on average.

It is quite an important piece of technological development for the property industry. It has substantial application outside Victoria — it is potentially a national system — and it has generated quite a lot of interest from the kind of institutions that are involved in electronic conveyancing.

In terms of the funding, the project was supplied with funding on an incremental basis, and it has built up by cost over time according to its success. So having met each of its individual technical milestones, this last segment of funding approved by the government budget for this year will ensure that in effect this system is available in Victoria. I believe — I might look across at my adviser at this point — it will be available in the early part of 2008, if not earlier than that.

**Ms OVERELL** — Yes; the middle of 2008.

**Mr HARRIS** — Certainly it will be completed in the coming year. Those savings will then flow on to institutions and obviously on behalf of purchasers who care to use the electronic system. The paper-based system will nevertheless remain available for those who do not want to take advantage of that, and there undoubtedly will be some reasons determined by the individual institutions — banks and the like — as to whether or not they choose to go down this path. But we think the savings are very attractive, and the project is therefore likely to be considered quite a success.

**Mr RICH-PHILLIPS** — I understand the project has been on trial since 2005 and that there have been a couple of trials. I am curious as to why the extra \$6 million is required now, if the project is already to a trial stage.

**Mr MADDEN** — First of all, in terms of the development of this, I understand that it has been ongoing for some time. This is the sort of technology you do not just do on your own. I also understand that you have got to bring people along with you, particularly if you are relying on many of the large financial institutions.

I understand that financial institutions such as Westpac, ANZ, Commonwealth Bank, National Australia Bank, Macquarie Bank and Bendigo Bank are already using the mortgage transaction as part of their electronic conveyancing systems, so it is important that those sorts of stakeholders have confidence in the product and that when the extension of that is fully operating, people can feel completely confident about that.

**Mr RICH-PHILLIPS** — Are there concerns now?

**Mr MADDEN** — Let us also appreciate that this puts Victoria at the forefront of other Australian states and that in actual fact it is a world leader in terms of financial property settlement and lodgement of land transfers and mortgages. This is groundbreaking, and in terms of the intellectual property that goes with this we will see countries from around the world wanting to replicate what we are doing here in this state. I am not sure whether you have any more comments, Peter, in relation to any of those matters.

**Mr RICH-PHILLIPS** — You mentioned the banks that are trialling the system now. Have there been any problems in the trial? Have they expressed any concerns with the system that is currently running?

**Mr MADDEN** — My understanding is that those financial institutions are currently using the system and at this point it appears that they are very supportive of it, so I think all the indications are very supportive. But, of course, I suppose you have to trial these things before you roll them out completely, and that is just the cautious nature of how you would manage something that could have quite profound change and significant implications for the operation of any organisation. As I said, one of the great elements of this is that what we will see —

I do not know if you are aware of the way in which they exchange titles and mortgages and all sorts of things at the last minute. Everyone has to come together at the last minute and often you have four parties involved, sitting around the table, and they all have to find a place to meet, and what you do not want is a glitch at the last minute because not only does it stop that transaction, but because there are a lot of linked transactions often for similar times of the day, people sell one property, purchase, and try to combine the dates so that they are not having to use different forms of credit. So it is important that the operation of this is absolutely sound, and no doubt you would not have the banks supportive of it if they did not feel confident about it, and we would expect that when they take it on board fully, it will be a world leader.

**The CHAIR** — Our family had a transaction last week and it went through very smoothly. In fact it was a day or so ahead of what they originally expected, so I am very grateful for the new system.

**Mr PAKULA** — Minister, in the last question from Ms Munt you touched on the Footscray transit cities program. My recollection is that all up it is a \$52 million investment. I suppose I am interested in some more detail as would you be, Minister, given that we share an electorate. I am interested in the details of the outcomes of that inner Footscray area that we can expect from the transit city program.

**Mr MADDEN** — Thank you for that question, Mr Pakula. I know this is a matter that is very close to your heart, and I know that you are very conscious of the opportunity for urban renewal in that Footscray precinct. If members of the committee have not been out to Footscray I would encourage them to go out and have a look now and get a sense of what it looks like because it will be different over the next few years through this investment. It is a tremendous opportunity waiting to happen, and what we will see is \$52.1 million invested over four years to renew and revitalise central Footscray. The strategic location of Footscray is quite remarkable, and sometimes you forget how well located it is in relation to the ports, the city and many of these logistical aspects. Given the number of trains that come through the precinct as well, it is a fairly substantial commercial precinct, but it needs a catalyst for renewal, and there are some marvellous opportunities there.

The initial work that will take place will include the modernisation of the pedestrian bridge at the station, so basically a new pedestrian bridge, which will take you past the old Olympic Doughnuts caravan; and anybody who has been out there would feel a sense of nostalgia for that caravan. I have not tried the doughnuts recently, but I am told they are very good. The old bridge traverses from one side of the station to the other, and — —

**Mr BARBER** — Termites are holding hands to keep it together!

**Mr MADDEN** — Yes, it is probably a bit like that. It is a pretty old bridge, it needs the upgrade and this will make a significant difference. It will be a catalyst because the bridge is used by enormous numbers of people, and students in particular. Lots of Victoria University students who get off the train move through the shopping precinct up to Victoria University at the other end. There are huge numbers throughout the course of the day, not just at peak times. That will straight away improve the amenity of the precinct. It is also a signpost for those who are thinking about investing in the precinct. The government is committed. We are putting money into this and encouraging people to do the same.

We expect it will facilitate development particularly around a number of strategic sites around the station. We will have to acquire some of those as part of that upgrade. Probably most critically there will be a one-stop shop for the

marketing and development of central Footscray. We are doing this in conjunction with Maribyrnong council. It has been very supportive, and I would also like to compliment the council for the enthusiastic way it has embraced the opportunities here. Of course that has translated into this financial support from the government.

It is likely that I will become the responsible authority for development applications in a defined area of central Footscray, but major applications however will be considered by a planning partnership committee, it is anticipated, with the City of Maribyrnong — again, collaboration. The investment builds on the outstanding work that, as I mentioned, has been done by the City of Maribyrnong in recent years, and that has come about through a shared vision for Footscray's future.

The council also went to great lengths, I understand, to consult on this and really allowed the residents of Footscray the chance to express what they love about the area. They are very keen to not lose either those diverse qualities or the eccentricities, in some ways, that make Footscray different from many other centres. So we are looking forward to making sure that we retain that but also renew it.

**Mr DALLA-RIVA** — They would like a pool, I think.

**Mr MADDEN** — I also expect that there will be an increase in affordable housing and sustainable options, reinforcing the safety of public transport and the creation of, most importantly, as I mentioned, a sense of place. That does not come overnight, but it will come eventually.

Again, in terms of the strategic location of Footscray it has unique opportunities. It is less than 10 kilometres from the Melbourne CBD, it has great transport options, it has a really large shopping precinct and civic district, and as well as that Victoria University is a world-class educational institution. The university is also committed to engaging with the local community so that it is not just a stand-alone university but is connected to the community and works through this process to make sure that it is well and truly embedded in the whole urban renewal.

It is also one of the most culturally diverse communities in Melbourne, and we are committed to trying to maintain that. We expect that we will be able to do that. We are committed to stimulating investment in the centre but most importantly improving employment options and providing the facilities for such a unique community. This will be a wonderful example of urban renewal. I am particularly excited about it, as you can tell, and I know Mr Pakula will be able to sing its praises as this progresses.

**The CHAIR** — I can see the Council members are very excited by this. We will take a break for a few minutes and Mr Dalla-Riva will then have the call.

**Mr DALLA-RIVA** — Minister, I refer to budget paper 3, page 327. You referenced it earlier in relation to the Melbourne 2030 five-year audit. I see the five-year audit has only an additional two years of funding, so I thought that three years had already been audited, but that is not the case. Can the minister detail how the money will be allocated — that is, how many staff will work directly on the audit, the facilities, reports, printing et cetera? What is the final reporting date of the audit? Will it be made public and, if not, why not? Who will be overseeing the audit?

Will you be engaging any external consultants, as part of the expenditure of the \$1 million, to assist in the audit? Will they be advertised appropriately under the normal terms of employing consultants? In part of that process of consulting with the community, my understanding is — you may correct me in this — that as part of the \$1 million that is going to be used for the five-year audit there are no architects, councils or community groups involved, just the MAV and a few Labor-friendly groups. Can you just clarify what the \$1 million is, in the context of all those questions?

**The CHAIR** — There are quite a lot of questions there. I should note I think that the five years reflects the fact that it has been around for five years, not in terms of the budget matter.

**Mr MADDEN** — In relation to Mr Dalla-Riva's question, there are obviously quite a lot of questions there and I am happy to try to answer as many of those as I possibly can. I know and we know that the Liberal Party does not support Melbourne 2030 — —

**Mr DALLA-RIVA** — No, no — —

**Mr WELLS** — We want to know what you want.

**The CHAIR** — Thank you.

**Mr WELLS** — Is there a problem with the question?

**Mr MADDEN** — There is no problem with the question; I am going to answer it.

**Mr WELLS** — Let's get to an answer.

**The CHAIR** — Can we have the minister's — —

**Mr WELLS** — He is inciting interjections.

**The CHAIR** — I wish you would ignore them.

**Mr MADDEN** — Thanks, Chair. It is always interesting after the half-time break — —

**Mr DALLA-RIVA** — We are coming out a bit stronger after three-quarter — —

**The CHAIR** — On with the answer, please.

**Mr MADDEN** — On Melbourne 2030 we have said we are committed to undertaking a review five years after its implementation. We are at that stage, and we are committed to doing that. As mentioned, we have committed \$1 million to that audit, and basically it will take place in two stages. The first stage of the audit is a stocktake, and that is led by DSE to assist the progress on the delivery of Melbourne 2030. The stocktake is being informed by meetings with key stakeholders. Stakeholders have so far confirmed widespread support for the principles of Melbourne 2030 and emphasised the importance of focusing on the implementation of Melbourne 2030. Even in my meetings with stakeholders aside from this audit, when very early on I met with them in relation to this portfolio, what was reinforced to me, which was not prompted in any way, was the broad support of the many, many stakeholders for Melbourne 2030. Now what — —

**Mr DALLA-RIVA** — So what is an example? Is it architects, Minister?

**The CHAIR** — You have asked that question. Keep going, Minister, please.

**Mr MADDEN** — The implementation of Melbourne 2030 is what is being reviewed or audited or assessed through this process. It is anticipated that I will announce the details of that second stage of the audit by the middle of this year, and it will include opportunities for input by local government, industry and the general community. This is an election commitment and we will fulfil that commitment. Again I reinforce that the audit of Melbourne 2030 will not involve a fundamental re-examination of the principles and the direction. I will say that again. The audit of Melbourne 2030 will not involve a fundamental re-examination of the principles or the direction. I know the opposition would like — —

**Mr DALLA-RIVA** — Keep focused, Minister.

**Mr WELLS** — Do not lose your place. We are going to be here all day if you lose your place.

**Mr DALLA-RIVA** — Focus.

**The CHAIR** — Minister, please.

**Mr MADDEN** — They are very sensitive, Chair.

**Mr WELLS** — No, we are concerned about you losing your spot.

**Mr MADDEN** — We will concentrate on finetuning it and making it work better. So the audit will focus on whether new development on the ground reflects the policy intent of Melbourne 2030; whether the initial implementation plans have been completed and effective; and what new initiatives need to be completed over the next five years to continue to effectively implement the plan.

The audit will fully utilise the \$1 million allocated in accordance with our election commitments, and any extra requirements will be funded within existing DSE resources. This will ensure that we continue our focus on creating



a more sustainable, prosperous and livable Melbourne. We will not abandon our commitment, as I suspect the opposition is prepared to — —

**Mr DALLA-RIVA** — No, no. Focus, Minister, you are doing all right. Keep focusing.

**Mr WELLS** — Is that actually writing on your sheets?

**Mr MADDEN** — To keeping Melbourne as one of the world's most livable cities, Mr Wells.

**Mr WELLS** — What about we table the document so we can have a look at what is actually written there?

**The CHAIR** — Can we have the answer, please, Deputy Chair? We need to have questions and answers and not necessarily interjections and responses to the interjections. The clarifications have been made.

**Mr DALLA-RIVA** — I am surprised that he has actually gone down the path and answered the questions, except for the final one. When will the results be made public as a result of that stocktake and audit?

**Mr MADDEN** — I seek clarification of your question, Mr Dalla-Riva.

**Mr DALLA-RIVA** — You are undertaking that you are spending \$1 million of taxpayers money on an audit. Are there going to be any expectations that the money that has been spent will be as part of that audit and that the results of that audit and stocktake on Melbourne 2030 will be made publicly available?

**Mr MADDEN** — This will be a public process. I mean, it is a public process.

**Mr DALLA-RIVA** — I understand that. You have answered that.

**The CHAIR** — Let the minister answer please.

**Mr MADDEN** — We have already committed to it being a public process.

**Mr DALLA-RIVA** — The final report, Minister, that is all.

**Mr MADDEN** — The Melbourne 2030 report will be released, and we will make a statement to it. That is the whole idea of the whole review. It is not — —

**Mr WELLS** — The audit?

**Mr MADDEN** — It is not a review. Yes, the audit.

**Mr WELLS** — It is going to be made public?

**Mr MADDEN** — The audit — we will release the audit as a response. The audit is a response to what is happening on the ground, and we will release that. I mean it is not intended that this is as you might like to portray it.

**Mr WELLS** — The results of the audit?

**Mr MADDEN** — You might like to portray it as some grand conspiracy.

**Mr DALLA-RIVA** — No!

**Mr MADDEN** — This is not a grand conspiracy, Mr Dalla-Riva. I hate to disappoint you, but it is not and it will not be.

**Mr DALLA-RIVA** — I am surprised you mentioned it.

**Mr MADDEN** — I have had the misfortune of having to listen to many of your speeches in the Council chamber.

**The CHAIR** — We are not in the Council chamber now.

**Mr MADDEN** — They are often premised on conspiracies, Mr Dalla-Riva.

**Mr DALLA-RIVA** — So you will make them public — the results of the audit?

**The CHAIR** — We have an answer from the minister, Mr Dalla-Riva. I also ask you, Minister, whether in terms of employing any consultants of people to do this you will employ them and do it in the normal processes of the public sector?

**Mr MADDEN** — There will be people involved in this process, the second stage, and I will release those details in relation to that second stage when we get to that point. But can I just say that the current work, the stocktake, is being done within DSE. The next stage will involve external experts of one form or another, and I will make public the details of that when we get to that point.

**The CHAIR** — Thank you, Minister. I just refer you to page 266 of budget paper 3 regarding Labor's financial statement 2006 output initiatives. Under 'Planning' you have got 'Expert planning teams'. Certainly in my local area we always like to see more expert planning and resources, because it is something that people are very interested in. Can you give us some details on how you are wishing to implement this particular initiative?

**Mr MADDEN** — Basically the planning system, as it works, has local government predominantly delivering the vast majority of the planning system at a local level. I understand there is in the order of about 55 000 planning permits issued each year, and the vast majority of those, of course, are done through local government. So local government is really the coalface of the planning permit process. We have councils that do an excellent job; some do a very good job, and some struggle a bit for various reasons.

That is not to lay the blame for any particular reason, but where we can assist a local government in doing a more effective job, then we are eager to do that. Some of that may be capacity, it might be their own strategies, it might be the zone — there are a whole lot of reasons or elements where certain local governments can be more effective in delivering the planning system. As I said, the more effective, the more efficient the planning system, the better in terms of productivity efficiency right across the building sector and the housing sector, and the more economic activity and jobs that go with it. So the better the system, the better the outcome.

We realise we need to assist our local governments with expert assistance from time to time, and of course Melbourne 2030 is our blueprint for development in metropolitan Melbourne and regional cities. Major elements of the plan include accommodating growth in our growth areas. Whether one likes it or not, Melbourne's reputation as a liveable city draws people to the city. Of course that will be a challenge — to accommodate that growth — and we have to do that bearing in mind we have to accommodate growth in our growth areas, protecting our green wedges and directing growth into established areas to activity centres and around principal public transport networks.

We have worked in partnership with local councils to implement Melbourne 2030, particularly around establishing appropriate development parameters in activity centres. Since Melbourne 2030 was released the government has provided councils with more than \$23 million support for strategic planning. As mentioned in my presentation, around 60 per cent of principal and major activity centres now have completed structure plans or they are significantly under way. I am proud of the work of many councils, but I would like to single out a couple.

I would like to mention Manningham council and its plans for Doncaster Hill, and the Banyule council and its work in relation to Greensborough. Both Doncaster Hill and Greensborough plans contain all the elements that government expects in good activity centre planning — a long-term vision that the council passionately believes in; a holistic approach to the planning and promotion; local government infrastructure and community services funding; public seed funding; and a healthy dose of private investment.

It is worth remembering these are 20-year plans and improvements will not just happen overnight. But the councils have made significant progress. It is this work that gives certainty and confidence to private companies such as Westfield and LendLease to invest substantially in those activity centres. The development industry has told us that the structure planning process is at times hindering investment in activity centres, and the best way we can help is to hasten the finalisation of the plans to allow both developers and councils to get on with business.

Up to \$3 million over two years is provided in the budget to help metropolitan councils finalise and implement their structure plans for activity centres. The Melbourne 2030 activity centres expert assistance program has been

developed to support councils with specialist technical advice to progress structure planning in activity centres and work with councils to identify blockages or gaps of knowledge or expertise that are hindering the completion or implementation of activity centre structure plans.

The expert assistance program will include advice about commercial feasibility, transport planning, community consultation, built form and 3D design. The type of advice required will vary, depending on where councils are up to in their structure planning. Whilst the specifics of the new program are still being finalised and are yet to be announced, councils will be selected for the program based on a demonstrated commitment to revitalising their activity centres where there is scope for significant further private investment and development, and I have indicated on a number of occasions that I am committed to working with councils and the development industry to identify barriers to private investment and ensure that planning frameworks are as simple, certain and transparent as they can be.

The expert assistance program will work in partnership with local councils over the two years of the program to deliver real improvements in activity centres, build long-term planning capabilities and exemplary outcomes of Melbourne 2030 activity centres.

**The CHAIR** — Thanks, Minister. I hope that part of this process will also be to push down into the neighbourhood activity centres as well, particularly if councils are at that stage?

**Mr MADDEN** — Yes, very much so. I think we will have some good news on that front, Chair, in the not too distant future.

**The CHAIR** — I know there is a lot of interest in my area in that regard.

**Mr WELLS** — Can I just clarify a point on the same question: will the guidelines that they work to —

**The CHAIR** — Is this your question?

**Mr WELLS** — No, I just want to clarify a point on the same issue. Who will these expert planning teams report to, and what guidelines will they have to work to?

**Mr MADDEN** — As I said, Mr Wells, we are still finalising the implementation of that. I have used the word ‘collaboration’ on a number of occasions. This is not going to be a one-sided approach. I would expect that councils would work collaboratively and positively in good faith, as we would, with those councils to make sure that the outcome is well supported by councils as well as by the state government.

**Mr WELLS** — Who would they report to?

**Mr MADDEN** — We will work through that process. If the outcome directly relates to me, then no doubt I will have to consider the structure. It might be one thing for me to determine what the effect might be, but if councils have to implement it, then they need to be supported as well. In the long term they may well report to me. That is yet to be finalised, but I would expect that the outcome would have to be a positive experience for both stakeholders — state government and local government — throughout the process.

**Mr WELLS** — So that is not determined yet? My question is in regards to heritage planning protection, which is a similar question to my first one, on pages 214 and 215 of budget paper 3. We have had a target of 12.3 million. This year it has been reduced to 10.2 million. What is the reason for the reduction? Is this another accounting error, or is it another redistribution of overheads?

**Mr MADDEN** — You would appreciate our government’s commitment to heritage. I personally feel very strongly about heritage issues. In a sense, you cannot celebrate your future unless you know the present and understand it and also unless you recognise what has taken place in the past. We have to draw upon our heritage not only to maintain and keep that heritage but also to understand and interpret that heritage as well.

Many of the funding grants that have been announced — and I have announced a number just recently — were in relation to supporting many of the community groups who work at a local level in terms of heritage. It is worth bearing that in mind because, whilst we sometimes look at magnificent collections or we look at magnificent buildings, much of the support for or the driver of the maintenance for that is very much based around local community groups.

Significant amounts of funding in recent times have been provided to those community groups to make sure that they are well supported. We are eager to not only ensure that we maintain and restore the built form, the fabric or the collections — whatever it might be that comes under the definition of ‘heritage’ — but we also support those who seek to be actively involved in heritage maintenance.

I made some of those announcements recently. I made a visit to Clunes earlier in the year. The local community in Clunes have done a marvellous job of looking after their local town hall, and they were at a point where they had quite a unique interior. The stage and the stage curtain — made by a local, hand-painted, absolutely magnificent — were deteriorating. They were very keen to look after that, and we gave that group funding to restore the interior of the stage and the setting as well.

That grant acted on two fronts. It was not just about the restoration or the upgrade of the facility but it also complemented members of the community who had for so long worked particularly hard to find a proper use for the building. Now what is happening — —

**Mr WELLS** — Minister, the question is actually about the reduction in expenditure, not examples of an increase in expenditure.

**Mr MADDEN** — Yes, I will get there. The great outcomes of that are that we have seen increased use of that hall to the point where now the local community is able to attract weddings into the Clunes area. So some of the students who might have been at the school camp up there — —

**Mr WELLS** — Wesley.

**Mr MADDEN** — The Wesley school camp. They were telling me the story that a number of those students are now coming back and having their weddings in Clunes and using the old Clunes town hall as a reception area. A little grant can go a long way to build economy activity in a community, and we are committed to continue doing that.

In terms of the technical question about the funding amounts, I refer you back to my answer earlier on in terms of the reporting mechanisms. That is a technical one, I understand, Mr Wells, in relation to the overheads we distributed across the department in the expression — —

**Mr WELLS** — Is this another accounting — —

**Mr MADDEN** — The redistribution of the corporate overheads more accurately reflects the allocation across the department than the original allocation. So on the ground it will not make any difference. It is just a technical expression, an accounting expression in relation to that allocation, so it will make no difference at ground level.

**Mr WELLS** — So this is another accounting error and a redistribution of overheads?

**Mr MADDEN** — My understanding is it is not accounting error; it is an accounting treatment, Mr Wells. I do not profess to be an expert in the technicalities of accounting, but on the advice I received from the department, it is a more accurate reflection of the required accounting treatment within the department.

**The CHAIR** — We would like the minister to ask the department to provide us with more details of that, because it does not just occur in the two that Mr Wells has mentioned, it also occurs elsewhere. A fuller explanation on notice I think would be very useful for the committee.

**Mr MADDEN** — Chair, I am happy provide it, because I know from time to time, having come to the Public Accounts and Estimates Committee across a number of years, if there is a different treatment from year to year, there needs to be a recognition of the change in consistency of approach so that the members of the Public Accounts and Estimates Committee can fully understand the difference from year to year in relation to the treatment.

**The CHAIR** — That would be very useful. I must admit that I notice from the chapter of the department that there is a much fuller description of outputs than for many other departments. We obviously appreciate the fact that the committee has good information.

**Ms GRALEY** — Minister, in budget paper 3 on page 212 it is stated that your department will implement strategies for sustainable metropolitan and regional development. There has been a lot of media talk around about sea changes. I ask you to inform the committee what initiatives are being implemented in coastal areas to help councils manage development and growth? It is a big issue out there.

**Mr MADDEN** — It is, thanks for the question. As I mentioned before, people are flocking to Victoria in droves. We have seen enormous growth not only in the Melbourne metropolitan area but also across the regions. We are also not only attracting growth but also getting a shift in growth, in a sense. So we are getting many people who are very eager to move to coastal regions, and, I suppose, there is not only the sea change but also the tree change. Of course the great challenge of that is accommodating that demand and growth, so in a sense we — and I have used this term before — do not love our coast to death, but we are great risk of that if it is not well managed.

The coastal initiatives — the coastal space framework was launched last year, and it identified settlements capable of sustainable future growth as well as those with limited capacity to accommodate growth. Over \$2 million in funding was provided to coastal councils to help them develop coastal settlement framework plans. Many are well advanced. The Gippsland councils in a regional initiative are working together with a common strategic approach, and I want to compliment them on that. The framework plans have developed with their communities and have been adopted by East Gippsland and Bass Coast shires.

The City of Greater Geelong, the Borough of Queenscliff and the Surf Coast Shire all have done significant work to develop framework plans. Overall 19 per cent of towns already have coastal settlement boundaries in their planning schemes. A further 58 per cent have framework or structure plans completed. Only 15 per cent are still in development, with 8 per cent not yet started. Whilst good progress has been made, I am keen to see that the settlement plans reflected in planning schemes are a key to local decision in these towns, so I intend to facilitate the planning scheme amendment process so that the coastal settlement boundaries can be put into planning schemes more quickly.

For those councils that are not well progressed we will focus the remaining funding on the completion of strategic work. I have also asked my department to provide specialist advice and skills to assist. The completion of coastal settlement boundaries work will enable councils to be firm about the developments that are clearly outside the boundaries and that are stand-alone developments. The coastal spaces landscape assessment study has now also been completed, and the study provides strategic identification of significant landscapes and advice around siting and landscape management, particularly for areas between settlements. It will play an important role in preventing the fragmentation of non-urban coastal landscapes.

The coastal spaces landscape study now needs to be implemented through local policy and controls in individual planning schemes. Recently I announced \$115 000 for funding to Surf Coast, Colac-Otway and Moyne shires to support implementation of the recommendations into planning schemes, and this funding forms part of the \$600 000 allocated to implementing findings of the coastal spaces landscapes study.

standing order a lot of work has been done and there is still a bit to do, but this will no doubt assist local governments, particularly in those coastal regions, to give clarity to what can and cannot happen in their regions. We are eager to support local governments to make sure, as I mentioned earlier, that in a sense as a community we do not love the coast to death.

**The CHAIR** — Thank you very much, Minister. I am sure Dr Sykes will be interested in that particular answer, although I think all the National Party seats are landlocked, except for your leader's. Is that correct?

**Dr SYKES** — The member for Lowan goes from the New South Wales border to the coastal communities.

**The CHAIR** — That is right. He does, too. I forgot about that one.

**Dr SYKES** — Minister, I have got an interest in Lake Mokoan. I am aware that you have chosen to call in the planning aspects of the government proposal to decommission the lake, and I presume that you are aware an alternative proposal is being put forward by local irrigators assisted by Murrumbidgee Irrigation.

Does your calling-in process allow for the possibility of the minister accepting the irrigators' alternative proposal in preference to decommissioning, and are you prepared to work with the local community to achieve the best possible outcome for the future use of that site?

In particular, do you support the government-appointed Future Land Use Committee's request to the government that the government underwrite the first \$15 million of a \$23 million or \$33 million project to restore the wetlands, because that has budgetary implications for yours and the other departments we have?

**The CHAIR** — Minister, insofar as it relates to the budget and in terms of particular things in the past you do not need to answer it, but in terms of how it affects your budget and estimates, please — the protocols.

**Mr MADDEN** — Dr Sykes, the last two questions that you posed, can I ask you to repeat those? I got most of it, but it was a fairly comprehensive question.

**Dr SYKES** — Does your calling-in process allow for the consideration or the possibility that the minister will accept the irrigators' alternative proposal rather than the full decommissioning? Secondly, there is a recommendation by the government-appointed Future Land Use Committee that the government underwrite the first \$15 million of a \$23 million to \$33 million restoration of the wetland. Do you support that recommendation?

**The CHAIR** — Minister, your answer, insofar as it relates to your portfolio and with your processes.

**Mr MADDEN** — That is quite a substantial question, and I would not want to give you an incorrect answer.

**Dr SYKES** — I am happy to have it taken on notice.

**Mr MADDEN** — Given that some of that will probably reflect on the minister for the environment and his portfolio as well as any planning authority decisions I may have to make within my portfolio, I am happy to take that on notice and give you some answers in relation to those questions.

**Mr SCOTT** — Keeping with the regional theme that the question from Dr Sykes touched on, I refer you to budget paper no. 3 at page 327 and the item about regional town development plans. Could you provide the committee with further detail of what is involved with these plans and how they will assist, during the estimates period, regional councils plan for future growth?

**Mr MADDEN** — There are quite a few issues there in terms of regional plans. Of course the regional issues are quite a theme to what is taking place out there in the community. As I mentioned before, we have got substantial growth right across Victoria, and that is not a bad thing; but that growth also places a lot of pressure on local communities about how that is managed, how that is dealt with. As you would be aware, some of the regional areas in Victoria are growing faster than Melbourne. For the first time since 1986-87 we have seen two consecutive years of faster growth in regional Victoria than Melbourne, with growth to 30 June 2006 at 1.4 per cent.

**Ms MUNT** — That is great!

**Mr MADDEN** — That is pretty impressive really. It says a lot about people wanting to be in the regions. Of course all the flow-on effects for that is really quite substantial. It also reinforces this government's investment in the regions too. The regional fast rail, whilst I know it is much bemoaned by — —

**Dr SYKES** — The what?

**Mr MADDEN** — The regional fast rail. I know it is bemoaned by some. It has obviously complemented the growth in the regions and I think it has provided a greater vision for what can take place in the regions. Given that we have got provincial cities located, in a sense, so close to Melbourne, what we have seen is a natural growth in those areas. Victoria is in a sense geographically a small state in terms of land, and our regional cities are nicely located in a strategic sense in terms of being able to operate effectively with Melbourne, and vice versa. So we need to complement and help key regional centres plan for and attract the growth, and we are supporting this for a continued growth that we have seen.

In the budget \$500 000 has been allocated for town development plans in Geelong, Ballarat, Bendigo, Latrobe Valley and Wodonga. This delivers on commitments made in the 2006 state election. The objective of the program

is to enable land to be bought to market more quickly, through faster rezoning processes, ensuring that shortages are avoided, and any flow-on effect or impact on housing affordability is limited. The funding will provide customised assistance to councils for technology, training and land supply, and demand assessment. It is also intended to build council capacity to provide reliable land supply information, and monitor growth in the future.

The funding dovetails nicely with the audit of industrial land in provincial Victoria. That is a project funded under the Provincial Victoria Growth Fund. This project is gathering baseline data about the supply of and demand for industrial land in 177 towns in provincial Victoria. The urban development program, the program to monitor supply and demand of residential and industrial land, will be extended to regional cities so that both the councils and the state have the best possible data on which to base decisions about priorities for planning and investment in new urban development.

As a priority, however, my department is working very closely with the City of Greater Geelong to address the city's shortage of residential-zoned land. With financial support from the state, their efforts were focused on completing the planning and rezoning processes for the Armstrong Creek development area as quickly as possible. When planning is completed this area will provide residential growth for the next 25 years or more. So the great work this government has done in terms of focusing on the regions, celebrating the livability of the regions, celebrating the opportunity there and complementing that with the connectivity to Melbourne has really seen this tremendous growth in the regions, and we need to assist councils to manage that in a way that is compatible with the demands, the aspirations and the intentions of people in those communities. It is one of those great news stories of this government.

**The CHAIR** — Thank you very much, Minister.

**Mr BARBER** — In relation to cutting red tape, which you mentioned in your opening presentation — and I am now going back to the Carbines report of August 2006 — one of the recommended actions, action 15, was to free up the way councils charge fees for planning applications. Obviously it is a bit silly that the cost of the application would be the same for me if I put in an application for a pergola as for someone who puts in for a multimillion dollar shopping centre development. In relation to the recommended actions and the key milestones, the report says:

Compile the data needed to support an examination of planning fees so that the system is fairer for all stakeholders.

The key milestone is February 2007. Has the data been compiled? Is there an examination of planning fees under way or completed? And would we, in this coming year, expect to see some freeing up of those planning fees?

**Mr MADDEN** — That is a very good question on a number of fronts, Mr Barber. The cutting of red tape process, or the Carbines review, which has been referred to on a number of occasions, has been very successful in a number of ways. It has identified the red tape that often planners, or the planning process, get bogged down in. I know that earlier Dr Sykes mentioned demands for planners, or the resources for planners in country Victoria.

Where you have got planners who spend an inordinate amount of time dealing with, in a sense, the rats and mice of the planning system, the small-scale stuff, it stops them from being freed up to either do the strategic work or the bigger project work which, no doubt, is of great consequence in a community. From time to time planners will no doubt deal with the smaller stuff because they can, and some of the bigger, more complex stuff, because it is complex, might be put aside for a little while.

Sometimes that might also impact on the ability to consult with the community on these matters. So if planners or the system are dealing with the small-scale stuff — the aerials on roofs, or the palings on fences, or the painting of a fence, or a cubby house, or a shed or some of these sorts of things — and if the system is bogged down in the smaller stuff, then the big stuff that is important often cannot be dealt with in the degree or complexity that it needs to be.

In relation to your specific question, my understanding is that the process started in February in relation to that matter. I am advised that its anticipated completion is July. The study will advise what type of data needs to satisfy, I think it is, the regulatory impact process and how it needs to be obtained if it is not available already.

One of the — and I just extend the answer a bit too — critical elements about working collaboratively with local government, and for us to be able to recognise complexities or difficulties on a number of these fronts, is to have

the information, but also have a way of getting that information from local governments. That information to a local government may not provide any specific purpose to that local government other than be something they may already know or they could get from one of their personnel. But if we could compile that across a number of local governments, and other information like that, we could read that in an analytical and strategic way that would allow us to improve the planning process statewide.

Some local governments, no doubt, have their own idiosyncratic complexities or problems, and some regions have it more than others. So if we are able to amass this information on a number of fronts — not just this, but other fronts — and analyse it that can provide us with a loop or information that we can deal with in a more strategic way and improve the efficiency of the system.

We have also got to develop those systems in consultation, conjunction and collaboration with local governments so they do not feel threatened. Sometimes local governments may think that we are trying to access high levels of information to make their life more difficult, but in actual fact we would like to access some of their information and make their life easier. If from time to time councils or their planners are defensive about some of this information, which is understandable I suppose, it might make it difficult for us to access that information. We are interested in getting that sort of information.

I have just been provided with some information about the fees and the regulations. I understand that review is still some time away. We are trying to get ahead of the process. It is probably not as timely as we might like, but again we have to get the support of many local governments, and that is often not easy to do if we are trying to collaborate with them on that. We want to make sure that those new fees and any fees that are set are based on proper data.

We want to free up those little things in the system that should not need planning permits so that there are not any fees. If there is still small-scale stuff that does need a planning fee and that is in the planning process, we want to make sure that that reflects — as you have mentioned — the scale of the project and the scale of the resources that local governments have to apply to it rather than having a big project that does not sort of sit pro rata with a smaller project in terms of the fee. Recognising your concern and your interest in it, we are concerned, and we are eager to get this matter processed and resolved as quickly as we can.

**Mr BARBER** — Did I hear you say that by July you think you will have the information needed to start a regulatory impact process if you decide that is what you need to do?

**Mr MADDEN** — My understanding is there is a scoping of the sort of data that is needed. My understanding is we will have an understanding of the scope by about July, then we will have to access that data or try to get councils to supply that data, which no doubt will need some negotiation. Then we would expect to have a regulatory impact review done, and hopefully we would get that completed within the next year or two.

**Ms MUNT** — Minister, I would like to follow up on red tape as well. As we know, everyone hates red tape, and I know some other government departments have already put in place some measures to try to cut red tape, in particular in small business, I understand. I also understand that some initiatives have already been put in place following the Cutting Red Tape in Planning report.

I refer you to page 212 of budget paper 3. Now that those initiatives have been put in place and some red tape has been cut, how do you think planning scheme amendments and planning permit activity numbers will be affected by those changes?

**Mr MADDEN** — Thanks for that question. Based on my previous answer to you, red tape occurs probably in two ways. One of them is just cumbersome and time consuming, but also for anybody who is making an application for a planning permit, if they have got a small-scale project they still have to make the same sort of application. But as well as that, in a planning department or a planning office in any local government they have to deal with that as well and go through the process of having to administer or process it; and if we can free up the system and reduce the workload on those offices, then they can go about the work that they need to do on some of the bigger stuff.

I mentioned earlier that somewhere between 53 000 and 55 000 permit applications are made annually, predominantly through local government. I know that the former minister, Rob Hulls, took the first step and slashed the need for planning permits on a number of minor matters, and that will reduce the number of applications by



about 4000 annually. I am currently exploring ways to reduce the annual amount, and I expect that I will be able to remove or simplify the process for a further 5000 permits each year.

Therefore, I am looking forward to making some announcements, and that is great for mums and dads who are trying to make minor improvements to their homes. It allows them to make changes more quickly and with less expense. It is also good for councils because it frees up their personnel for more difficult applications involved with strengthening their planning schemes.

We have now made it easier for councils to be master of their own planning schemes. We have cut out unnecessary or redundant requirements through a fast-track planning scheme amendment process. Moreland City Council and Melbourne Water were the first to use the new process and greeted it with great enthusiasm. They commented that what used to take months can now be done in a matter of weeks, and I welcome councils taking up the opportunity because it can remove controls from a large number of properties and relieve the burden of unnecessary regulation quickly.

A number of councils already have fast-track proposals in the pipeline. I have written to all councils to advise them of this service and they are all, I understand, busily examining their planning schemes to remove outdated requirements.

It is not just councils that I am asking to improve their performance but also my own department, the Department of Sustainability and Environment. DSE has just released a protocol with two key performance measures for planning scheme amendments. There is now a 15 business-day performance target for requests for authorisation of an amendment, and a 30-day business performance target for approval of planning scheme amendments, and I am very pleased to report that departments are performing very well against these.

There are a number of other projects that are progressing in cooperation with councils, with the aim of cutting red tape even further. We have completed trials of a simpler process for assessing straight forward planning applications, known as Code Assess, and this new process will save time and resources for both applicants and councils.

The trial suggests that it will be of most benefit to greenfield, industrial or commercial permit applications. We are now developing the detailed processes to implement the new approach in the system. I have appointed an expert working group to examine ways to improve the effectiveness of local policy, and I am due to receive that report shortly and will be giving careful consideration to its recommendations.

I am pleased that local government has made a positive contribution to this project, both through its members on the working group and its submissions. I have also provided an opportunity to local government to strengthen and clarify its local policies. Councils can ask for an expert team to improve their policies, as I mentioned earlier, so they can be clear, concise and unambiguous, and this is a service we are providing at no cost to councils.

I know councils have now volunteered to have expert teams review their local planning policy, so you can see there is a busy program of cutting red tape in planning, and I am pleased to be working with councils towards this objective and hope that together we can contribute to making progress in improving the performance of the planning system.

**The CHAIR** — One last question from Mr Dalla Riva.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3, pages 212, 213, 214 and 215, which are the performance measures and outcomes for the liveable cities; responsible development; effective property markets and living cultural heritage. In the first range of questions we spoke about planning, urban design and housing affordability and the total output costs and the variation there, and I think you used the words — that there was an accounting error.

We then had a subsequent question in relation to heritage protection on page 215, where you indicated that there was an accounting adjustment or ‘an adjustment’ were the words you used — —

**Mr MADDEN** — I am not sure I used the word ‘error’. I think I might have used ‘treatment’ — an ‘accounting treatment.’ I am not an expert on accounting so we take advice from accountants in relation to these matters.

**Mr DALLA-RIVA** — Then I get to the middle one — Land administration and property information — and again the same issue is related to the accounting treatment to be adjusted or the accounting adjustment to be treated or whatever the words were that you may have used, but again there is a reduction there. Does that relate to the same issues in the other two total output costs in that there is an adjustment there, or a treatment?

**The CHAIR** — Thank you, Mr Dalla Riva. I must admit that I already asked, in respect of the accounting treatment, that the question be taken on notice and given a detailed answer. In so far as there are other elements with regard to that section on land administration and property information with regard to the bottom line, could you answer that please, Minister?

**Mr MADDEN** — Chair, I might ask the secretary, Peter Harris, to answer that — but I think it is just a flow-on effect.

**Mr HARRIS** — It is exactly that. We have reallocated corporate spending across the department according to output, as the note says that I drew attention to earlier at page 196, table 3.8, the last line, note (f):

2007–08 budget has decreased as a result of the reassignment of administrative support costs to other outputs which have been pro rated, based on budget share.

What that means in practical effect is we are saying that this output group previously had historically too much of the corporate responsibility the department allocated to it, so all of the cuts that have actually occurred, that you are drawing attention to on pages 212, 213 and 214, are a cascading effect of that \$18.3 million being taken out of the major output group, so that each of them are otherwise sub-output groups.

The difficulty in tracking that, obviously, from 18.3 to each group depends on how other additions have gone up, because 212, 213 and 214 include increases that the government has put in place.

Perhaps the best indication of the overall position of the planning output group are the numbers for the budgets, if I can just go back — you will not have these in your budget papers, but we have them here. For this output group the total output budget in 03–04 was 123.9 million for this group; the next year it is 134.3 million for this output group — that is 04–05; 05–06, 146.3 million for this output group. You can see it going up just in a standard sort of marginal way.

The revised 2006–07 budget without that additional corporate overhead effectively misaligned inside the department's accounting processes for 06–07 is 156.5. So if I just read them in sequence — 123.9, 134.3, 146.3, 156.5 — you can see it is the standard what I might call growth of activity that is quite consistent, and there has not been any shock, horror, major slash-burn cut.

In this year, predicting the budget for 07–08, 169.8, so again it is consistent with that what you might call for an output group standard incremental — a slight shift depending on how much additional initiatives the government is putting into those budget areas. So we have a one-off problem of a misallocation of corporate overhead, which we are affecting here, and that is the explanation.

**Mr MADDEN** — Just reinforcing, it is an accounting treatment — —

**Mr WELLS** — We have got misalignments, we have got misallocations — —

**The CHAIR** — Thank you, Minister. We will get some detail on that on notice.

**Mr MADDEN** — Sure, we are happy to provide that on notice.

**The CHAIR** — I know, for example, under statutory activities in environment protection, which is the responsibility of another minister, the obverse is occurring. So if we could get the detail there.

**Mr HARRIS** — It has to go back the other way.

**The CHAIR** — I have a question on notice in terms of green wedge planning management. I notice in table A.17 on page 327 of BP 3 there is some funding for green wedge planning management which actually comes out of this year's budget. Could you provide details of which councils have provided assistance under this line item.

I would also like the department, if I have not asked it before, to detail for us under the department's expenditure what it expects to allocate to supporting this committee in 2007–08 based on experience over the last couple of years.

I thank you, Minister, for your consideration and for answering our questions on the budget estimates for your portfolio. I thank witnesses and departmental officers for their attendance today. It has been very useful. Where questions have been taken on notice the committee will follow up with you in writing at a later date. We ask that those written responses to these matters be provided within 30 days, and they will form matter for consideration for inclusion in a further report of this committee.

**Mr MADDEN** — Thank you very much, Chair, and I thank the members of the committee. I always enjoy attending, I always look forward to attending, and I look forward to attending next year as well.

**Committee adjourned.**

## **Transcript of Evidence**

### **10.10 Water, Environment and Climate Change portfolio**



# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2007–08

Melbourne — 15 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. Thwaites, Minister for Water, Environment and Climate Change;  
Mr P. Harris, secretary;  
Mr M. Clancy, acting chief finance officer;  
Mr D. Downie, general manager, Office of Water; and  
Mr K. Love, deputy secretary, Department of Sustainability and Environment.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2007–08 budget estimates for the portfolio of water, environment and climate change. On behalf of the committee I welcome the Honourable John Thwaites, MP, Minister for Water, Environment and Climate Change; Mr Peter Harris, Secretary of the Department of Sustainability and Environment; Mr Matthew Clancy, acting chief finance officer; Mr David Downie, general manager, Office of Water; and Mr Kevin Love, deputy secretary, Department of Sustainability and Environment. I also welcome departmental officers, members of the public and the media.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. 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 who speak at the hearing will be provided with proof versions of the transcript. The committee requests that verifications be forwarded to the committee within three 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 not more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the water, environment and climate change portfolio.

#### **Overheads shown.**

**Mr THWAITES** — Thanks, Chair, and thanks to the committee. The 2007–08 state budget builds on the Bracks government's commitment to securing our water supply, protecting our environment and tackling climate change. In broad outputs, you will see set out some 228 million in relation to water — a substantial increase from last year; healthy and productive land, 643 million; less waste, less pollution, clean air and a livable climate, 155 million — also a substantial increase from last year.

In relation to water, I turn to some of the projects undertaken around the state: in the west of the state, the Wimmera–Mallee pipeline — the largest rural water project in the country; the goldfields super-pipe; and the Bendigo recycling project, which is already in operation. Bendigo will be one of the first places to be recycling up to 100 per cent of its water.

The Lake Wendouree recycling project; the Eildon Dam wall upgrade, which is complete; major upgrades to irrigation systems in the Goulburn; and in the east of the state the Snowy environmental flows project; the recycling at Mt Buller and Mt Hotham; the eastern treatment plant upgrade; and the Gippsland Water Factory. So a very substantial investment in water infrastructure has been undertaken.

In terms of this budget, what we have announced are a number of new initiatives including rebates for household water-saving products, upgrading water quality in small towns, helping industry and councils use alternative water supplies, improving on-farm efficiency, community and industry programs to save water, promoting interconnections, a grid, improving the efficiency of the Shepparton irrigation system, and recycling projects in Leongatha and in Melbourne. All of that is consistent with the fundamental policy that we have adopted since 2004 under Our Water Our Future of water conservation — to save water and water recycling — to reuse it, boosting supplies through a grid and connecting our water system, and looking after the environment.

In terms of some of the details in relation to water, there is a substantial investment in water recycling — \$39.6 million of investment, major projects in Altona, Western Port, Frankston and Leongatha. There is a \$10 million extension to the Stormwater and Urban Recycling Fund and \$10 million towards the Werribee Vision.

In relation to direct incentives for industry and for homes, we are continuing our very successful rebate programs so people are able to get rebates for things like water tanks and the like. We are also co-funding with industry a range

of water saving programs, and there are real opportunities to reduce water use in industry. One example is cooling towers. Currently cooling towers can use quite a lot of water. The way in which you reuse and recycle the water as part of the cooling process can save significant amounts of water, and we will be working with industry to achieve that.

Together with industry and commercial laundries there will be a requirement that all of the top 1500 water users in industry develop water management plans. We are installing smart water meters so industry is able to determine how much water it is using, and we are expanding the WaterSmart program to reduce household water use. That is a comprehensive program.

On farms, as well as our irrigation upgrades and the major investment in the Wimmera–Mallee pipeline there is a major investment in the Macalister region in Gippsland. On farms we are working directly with farmers to become more efficient on farm. Obviously that provides extra efficiency, which I know is something the community is very concerned about. It provides extra access to water for farmers. It sets an example for other farmers, and it provides co-investment because the government provides funds, and the farmers does that also.

I think for many Victorians fire has become an increasing concern; that is certainly so for regional Victorians who had to live through the fires last year and in 2003. Last year's fire season was one of the worst we have faced, with more than 1 million hectares burnt.

We were well prepared for what was going to be an extremely tough season. We took on extra seasonal firefighters, and we hired them early. We took on extra permanent firefighters as part of our overall investment of some \$168 million of extra investment in fire. We put on extra air support, including an extra air crane, which we announced prior to the season, knowing that we were likely to have a bad season, and we are very glad that we did that; and of course we were able to work with the CFA and its volunteers who did a magnificent job working alongside CFA employees, DSE, DPI and Parks Victoria in fighting those fires.

Despite the fact that more than 1 million hectares were burnt, around 50 000 hectares of private land was affected, and there was minimal loss of property. There was only one death, which was not directly part of the firefighting effort. It demonstrates the increased skill now that we see in the fire effort — not just fighting fires, but in prevention.

As to the advantage of fuel reduction burning, for example, at Woods Point, I visited the area and could see where the fire went and around where the fuel reduction burning occurred, that they were able to protect the town. As part of our continued investment, we are maximising our efforts in fuel reduction burning, and I am pleased to be able to say that we will achieve our target. We have already achieved 97 per cent of our target fuel reduction burn to date — some 131 000 hectares of fuel reduction burning this season — so it has been a good effort.

**Dr SYKES** — Plus the million — you are well head of target!

**Mr THWAITES** — We do not count that. With climate change and, as minister for environment and climate change, I know that the increased risk of fire has to be seen as one of the key consequences of climate change. That has also required us to invest in bushfire recovery and, as a government, we have put in place a \$138 million package, 31 million of that being for essential infrastructure and rebuilding and land recovery issues associated with my portfolio.

The sorts of things we are talking about include rebuilding roads, parks and forests, rebuilding Craig's Hut, assisting volunteer groups with those efforts and, very importantly, land recovery. It is obviously not only the physical infrastructure that has been damaged by the fire; it is also the ecosystem, the land, and we are going to need to work on regeneration of fire-affected forests and better weed and pest control.

In terms of parks and tourism, the budget contains substantial investment in parks and tourism, which is one of the things Victoria is famous for and which is a great attractor of interstate and international as well as Victorian visitors. We have extended the additional 50 rangers we announced in 2002 and put on an extra 15, which is an investment of some \$25 million additional over four years. We are also investing in camping and recreational facilities in national parks, expanding walking and bicycle paths, upgrading piers and jetties, which are amazingly popular according to how many people use the piers every year, and protecting beaches.



Finally, climate change has a dramatic effect on Victoria, on Australia and on the world. There are specific initiatives in this budget, including rebates to help families save on and reduce their greenhouse gas emissions. There is funding for the CarbonDown project, which is a partnership project with business, so that business can help business reduce their emissions; funding to boost the government's purchase of green power from 10 to 25 per cent; funding for solar panels for schools; and funding for research, understanding that this is all on top of the major initiatives that we announced last year for VRET, which will provide very substantial incentives for renewable energy. It is not directly budget-funded, it is nevertheless funded through the electricity system.

**The CHAIR** — Thank you very much for that, Acting Premier. I would like first of all to concentrate on the issue of productivity and to ask you what will be the expected impact on productivity of portfolio spend, particularly any new initiatives?

**Mr THWAITES** — In terms of the environment portfolio, the key productivity issue is resource efficiency — that is, how we use our resources in the most efficient manner so that we maximise their value, reduce the negative impact on the environment and improve our lifestyle.

There are a number of good examples of how we are improving productivity through this budget. One obvious one is the Shepparton irrigation project. That will make the Shepparton irrigation system more efficient by some 50 billion litres of water a year. That is water that is now otherwise not used as efficiently as it might be. Of course our irrigation industry is a key economic industry for the state. Assisting irrigation to be as efficient as possible is a key productivity target for me and for the government. That is one good example.

Another important one in agriculture is salinity and the work that we do on salinity programs. By reducing the impact of salinity we look after the land, but we also enable land to be used more productively, so that is another productivity benefit.

In terms of water use generally, productivity is going to be assisted by more efficient water use, and that means not wasting water, and reusing water. This budget continues our policy, which I previously indicated, of water conservation and recycling. Examples of the recycling include the major recycling project which I launched today with BlueScope Steel down at Hastings, and also projects with Qenos, Australian Vinyls and other companies which are able to become more efficient by utilising their water in a more efficient manner. That is another productivity benefit. Another important one is the requirement, which receives budget backing for all industry that uses more than 10 megalitres a year, to have a water conservation plan. In many cases industry has not to date given sufficient emphasis to having that water-saving plan. Big industry has; the top 200 have all done it, but now we are talking about the next 1300. By working with industry to have water-saving plans is another way that we can improve productivity.

**Mr BARBER** — Did you mean gigalitres there, Minister?

**Mr THWAITES** — What did I say?

**The CHAIR** — You said 'megalitres'.

**Mr THWAITES** — And what was the figure I used?

**Mr BARBER** — Ten.

**Mr THWAITES** — It is 10 gigalitres; sorry. Another example is CarbonDown, which is a program working with business to reduce their energy use and become more energy efficient. Energy efficiency is one of the major resource efficiency measures that we ought to be targeting, so that is another example. If you look right across the portfolio, being more efficient with the way we use our resources is one of our key objectives that is better for the environment and it is also better for the community and boosts productivity.

**Mr WELLS** — Thank you, Minister. I have a question in regard to major water infrastructure. I refer you to the Melbourne Water website which states that it would cost \$1 billion to build a new dam equivalent to the Thomson Dam. It actually says:

The cost of a new dam, equivalent in size to the Thomson Reservoir, would be approximately \$1 billion. Such a huge cost cannot be justified when there are many low-cost opportunities to use our available water more wisely.

So it is using a cost argument in relation to that. I also refer you to the Treasurer's speech in which he stated that the government is looking into four main water infrastructure options, which I note are all costed at \$1 billion or more. So I have two questions: why is building a new dam not being considered as an option, given the cost for a new dam would be the same as two of the options and cheaper than the other two options — that is, the desalination plant, eastern water recycling, stormwater recycling and the north–south pipe plan? The second part of my question is: what is the contingency plan that you have in place if it does not rain?

**The CHAIR** — The first one, with respect to the estimates.

**Mr THWAITES** — In relation to the question of dams, I can say a number of things. First, Melbourne already has nine dams — very substantial dams. We have a very large total storage. The problem that we face at a time of climate change is not the volume of storage, it is the amount of stream flow into the dams. At a time of climate change it makes sense to be seeking alternative ways which are more efficient in their use of water rather than relying on rainfall as the sole source. That is the first thing to say about dams.

Second, very specifically in relation to Melbourne, having another dam on the Yarra or the Thomson would not increase the amount of water available to Melbourne because those rivers, which are the two rivers that supply Melbourne, are already fully allocated. If you wanted to get more water from those rivers, you would not have to actually build another dam, you would just divert more water into the existing dams. So spending more money for another dam on the Yarra or the Thomson would not create the extra water that you seek.

What you need to do, if you have a dam, is to divert water from a new river that is not already dammed or is not fully allocated. In relation to Melbourne, one of the alternatives — and some would put it forward — is the Mitchell River. The Mitchell River is obviously a very great distance from Melbourne. The costs associated with damming the Mitchell River would be substantially more than the figure that you have indicated, because of the distance involved. The Mitchell is also a river which is part of a national park, and, as I understand, no party in Victoria supports damming the Mitchell River for Melbourne. That is the Mitchell.

The other river that has been put forward is the Maribyrnong River. The Liberal Party put forward the Maribyrnong as an option. The amount of water that would be available from that is estimated by Melbourne Water to be about 6 gigalitres of water, but that would not be available in a dry period. So, as we speak, it is likely that there would be zip — zero — water available from a dam on the Maribyrnong, and a dam on the Maribyrnong would come at not only a substantial economic cost but at a great environmental cost, a very significant environmental cost. Just to put that 6 gigalitres that you might get from the Maribyrnong into perspective, since we commenced our water-saving effort, our program, Melbourne has saved the equivalent of more than 100 billion litres a year — 100 billion litres a year!

**Dr SYKES** — How many gigalitres is that?

**Mr THWAITES** — It is 100 gigalitres.

**Dr SYKES** — Just use one unit. Don't confuse us — we're simple country boys.

**Mr THWAITES** — It is 100 000 megalitres a year — more than that — in savings. Just to put that in perspective, that is 16 times the amount of water that would be obtained, at times, from a dam on the Maribyrnong. If anyone is in any doubt about that, just go and have a look at the existing dams on the tributary to the Maribyrnong, because there is one, and see how much water there is in there. It is not sufficient to supply. So people who make broad comments about dams need to be specific about which river they are proposing to dam and how much water it will produce.

The alternative that Melbourne Water talks about and the government talks about is to be more efficient with the water that we have, through conservation and through recycling. Examples of efficiencies include upgrading irrigation systems, which can be done, upgrading the efficiency of factories and industries, and utilising modern technology. So there are some clear ways forward to get substantial extra water, which is the government's policy. Finally, I should say in relation to dams that the government is reconnecting the Tarago Reservoir. The Tarago Reservoir was decommissioned under the previous government. We are reconnecting it, and that will provide around 20 gigalitres of extra water a year, and that water is available water.

**Mr WELLS** — Can I clarify just two points? The second part of the question you have not answered: what is the contingency plan that you have in place now, if it does not rain? The other point is: are there no dams, apart from the Tarago being reconnected, being considered in Victoria?

**Mr THWAITES** — No, what we have said is there are no dams for Melbourne because of the reasons I have indicated: that they would not provide any extra water for Melbourne, because the problem is not lack of dams, it is lack of stream flow. In the rest of the state we have not ruled out dams if it can be shown: one, that they provide substantial extra water; and, two, it is at a reasonable environmental cost. There could be some mid-system storage in the Murray system that we would look at in terms of the overall management of the Murray. That is an example of one that is a possibility. But apart from that, any additional dam that is built — for example, in north-east Victoria — while the government has not ruled them out, it has to be within the Murray-Darling Basin cap. On building a new dam, people say, ‘We will just raise the wall of Eppalock’, or we will do this or that. That can be considered, but you have to understand that if you raise the wall of a dam or build a new dam, you are taking the water from downstream, so people who access that water downstream, and the environment, miss out on that much water. That is why there is a Murray-Darling Basin cap that puts a limit on that and ensures that if you are going to do that you have to buy the water from someone downstream. So there may not actually be any benefit in doing that.

In relation to the other question, I know the Chair has ruled it out in terms of the questions here, but I am happy to answer. We have already announced substantial contingency planning which includes the better pumping of water out of the Yarra and out of the Yarra system, the better calibration of the environmental flows and the other flows into the Thomson, which together over two years produces about 40 gigalitres — the measures that we announced in January. We have also indicated that dependent upon what happens we will go on tougher restrictions from 1 August. We have also announced that we will be making an announcement about augmentation for Melbourne in coming months. So there is a very complete suite of contingency plans that we have. You say if it does not rain at all. We expect some rain, but obviously we have to plan for all eventualities ends, and we are doing that.

**The CHAIR** — Thank you, Minister. As someone who used to be involved in a research centre on river basin management at Monash University before I was elected to Parliament, a Maribyrnong dam certainly would be flood mitigation rather than storage.

**Ms GRALEY** — Minister, I want to pick up something that you briefly touched on in your slideshow and that is in BP 3 as well. I must say when I am out in the community people like to talk about water and climate change, and they like to tell me how much bucketing they are doing and the shower fittings and gadgets they have attached to their laundry and whatever. But the issue they always raise with me is: what is the government doing, or going to do, to reduce industry water use?

**Mr THWAITES** — Thanks for that question. Certainly that is one of the key objectives that the government has had, not just now but over our whole water saving program.

If I can start by indicating that industry has on a per capita basis under our government saved around 25 per cent, which is actually a greater saving than the residential sector. Overall under our government we have achieved a total saving of 22 per cent per head prior to the recent tough restrictions. That is as it was in 2005–06. Just to be a little bit more specific about the amounts in terms of industry, the total amount of industry use — and when I say industry, this includes all non-residential use: hospitals, sporting facilities et cetera — has come down from 142.3 gigalitres in 2000 to 117 gigalitres in 2006. That is a 25-gigalitre reduction in non-residential use under our government. That follows a very comprehensive program that our government has introduced to work with industry to reduce its use.

We have had a program with the top 200 industrial users. They have done water-saving plans which they are implementing, and they are saving water. A great example of that is Qenos, which was one of the biggest water users in the city. Qenos’s total water use, I think — and I could be corrected — was around 4 gigalitres for one company. They have already saved well over 1 gigalitre. They have had a 30 per cent reduction to date. With the initiatives we have announced in this budget they are going to save even more — around another 1.5 gigalitres — so that by the end of that process they will have reduced their water use by more than 70 per cent. That is a good example of how industry and government can work together to make very significant savings. Another example from today is BlueScope Steel, which will be reducing its water use by 60 per cent by using recycled water.

In addition to that there are some regulatory things the government is doing. It is requiring all businesses that use more than 10 megalitres a day to have water-saving plans. We are working with industry on issues like cooling towers and laundry use so that industry very much plays its part.

Finally, I should indicate that the water authorities are responsible for developing proposed water pricing schemes, and they are approved and oversaw by the Essential Services Commission. Those pricing schemes will come into effect from next year. In developing those schemes the water authorities are very mindful of the need to provide incentives for business to save water, and pricing will be an important part of the water conservation effort through sending the message to business that it pays to save water.

**The CHAIR** — Thanks, Minister. I have a project in my electorate which can save up to 200 000 litres a day, so I am sure we will be knocking on your door.

**Dr SYKES** — I wish to ask a question in relation to the equal share in the paying of reduced water supplies. Just before I do, to touch on the new dams issue, I am pleased that you have not ruled out the possibility of new dams. I would just like to clarify something. North of the divide we have to work under the Murray–Darling Basin cap. The cap is on allocation of water, not on storage, so a cap per se does not prevent the construction of a new dam, as long as the construction of a new dam or an increased capacity does not result in further allocation of water. You have to do trading of water allocation if you are going to shift usage?

**Mr THWAITES** — That is right. So you need to trade. What I am saying is that if you were going to do that you would have to purchase water from someone downstream, or upstream even, but somewhere in the system.

**Dr SYKES** — Yes. Except, say, if it is Wangaratta that has an allocation, does building Big Buffalo to improve the security of the supply of water to deliver that allocation impact on the Murray–Darling Basin cap?

**Mr THWAITES** — That is a specific issue on which we are seeking advice from the Murray–Darling Basin Commission. But what needs to be understood is that whenever you build another dam or increase the wall on an existing dam you have an impact on the downstream users and the environment. In getting less spills, that means less water for the environment, and the environment actually relies on spills for its health. So as we do the Living Murray initiative, part of that has to take into account the need for floods at times. Floods are a good thing when it comes to the environment.

**Dr SYKES** — Yes, but the counter to that is — and you use that with Lake Hume at the moment — there is actually environmental water stored in Lake Hume and released to top up seasonal floods so that you get your environmental effects. You can use your upstream storages as an environmental management tool, so it is not necessarily upstream storage equals bad news for the environment.

**Mr THWAITES** — No.

**Dr SYKES** — It can be a plus?

**Mr THWAITES** — That is absolutely right. What we are seeking to do is store some of the saved water from these efficiency projects in storages — and it could be an upstream or it could be a midstream storage — and then release that at a specific time. That is what we did last year with the river red gums along the Murray, which was very successful. That was done the year before in the Barmah forest; all the scientific evidence is that that has been really successful. With climate change we are going to have to do more of that because the total amount of water in the system will drop substantially. The CSIRO has already advised that there will be a very substantial drop in the amount of water in the Murray–Darling Basin because of climate change. That means to protect the environment we will need to store the environmental water and then release it at specific times and, if you like, mimic flood conditions.

**Dr SYKES** — Sounds like a great argument to increase Big Buffalo, but I will not go there!

**Mr THWAITES** — And for Lake Mokoan decommissioning.

**Dr SYKES** — No, for a midstream storage, Minister. That is for another day. My question — —

**The CHAIR** — Quickly, please; you have already had one.

**Mr THWAITES** — My apology; I interrupted.

**Dr SYKES** — It was just a point of clarification; the minister chose to — —

**The CHAIR** — Okay, quickly.

**Dr SYKES** — My question relates to the equal sharing of paying with reduced water supplies. In the case of irrigation water is there an allowance in the budget for the government to pay water charges for those who will not receive their full water allocation next season, if the drought continues, as it did for this season? And for householders is there a budget allocation to extend the \$1000 tank rebate that currently applies only to houses with reticulated water to households that are not on reticulated water supplies?

**Mr THWAITES** — Last year, as you state, we announced a very substantial drought package. It was, I think, around \$140 million in total. A substantial part of that was our support package for irrigators, which provided a rebate on their water bills up to around \$5000. That provided a full rebate to, I think, 75 to 80 per cent of irrigators. That program was — of course some people want more — widely supported. Indeed the Prime Minister, at the national water summit, commended the program and urged other states to follow. So I think it is fair to say that Victoria had the program to support farmers that was certainly best supported by the federal government.

What we have indicated this year is that at this stage it is too early to say what the water situation will be. We need to see what happens with the winter rains and the early spring, and we will assess the situation at that stage, and the Treasurer has indicated that. If you recall last year the funding for that package, the drought package, and the funding for the water rebates was not in the budget. It was announced by the Treasurer and the Premier out of the contingency funds that we have for events like that. That is what you have contingencies in the budget for. So yes, there is a contingency should that occur, just as if there were a major disaster or other incident. Good management of your budget ensures that you set those things aside. But as for whether we will make that decision, of course it depends entirely on the circumstances.

**Dr SYKES** — And the tank rebate?

**Mr THWAITES** — The tank rebate would be the same thing. There has been a very good take-up of the tank rebate. It has been a major assistance in the Wimmera. I might say that in the Wimmera region, of course, we are now investing very substantially in the Wimmera–Mallee pipeline, which we are accelerating. For many people in that region that will remove the need to cart water, which will be fantastic.

**Dr SYKES** — But is the tank rebate going to apply to non-reticulated households in other parts of the state? At my place I have to cart water, and I take it from the town supply. I, as an example, am not eligible for the tank rebate, whereas my friend in Benalla is.

**Mr THWAITES** — That is a different question. We have had a tank rebate for farmers that are part of the drought and that need it for water carting for the drought. The general issue of whether there should be a rebate for water tanks on non-reticulated systems — that is, for people not connected to town water systems — we have been very clear that that is not the purpose of the rebate. The purpose of the rebate is to reduce the pressure on town water systems, which people pay for through their bills. By having water tanks we are reducing the need to have new or additional infrastructure in those systems. It is an efficient thing to do, to have water tanks. That argument does not apply for people who are on non-reticulated systems in the same way.

**Dr SYKES** — It does, Minister, because when I run out of water I get a truckload of water from the reticulated supply in Benalla — and thousands of people have done that.

**Mr THWAITES** — This has been an ongoing discussion. We have had many other programs and rebates that substantially assist on farms — for example, smart farm grants. Those ones do not apply to urban areas, so we have — —

**Dr SYKES** — Those from the community of Tatong which are not on farms, are not on reticulated water, have to get their water from Benalla. It places a burden on the Benalla reticulated supply, but those people pay \$200 to cart it out to Tatong and they do not get a tank rebate. It is not equitable.

**The CHAIR** — I think that is the third time you have done this. We might give you a miss next time, if you keep doing this. Mr Pakula?

**Mr PAKULA** — Chair, I thank Dr Sykes for giving me a go.

I am just going to change the subject a bit, Minister, to beaches and foreshores. I think the budget has an allocation for the regeneration of beaches and foreshores. I know that issues like breakwaters and groynes are pretty controversial and they always get a bit of an airing amongst locals where they are built. But what are the key issues or key measures in the budget to deal with the regeneration of beaches and foreshores?

**Mr THWAITES** — Thanks for that. There are a number of elements. One of them you mentioned, piers and jetties. Sometimes people's eyes glaze over; you think, 'Piers'. I was absolutely amazed at the number of people who visit piers. Just the St Kilda pier in my electorate, I think a million people a year visit, but if you go right around the state, there are extraordinary numbers. So right around the state there are a lot of piers that are very important parts of our infrastructure. In this budget we have allocated \$10 million to assist in upgrading of a number of piers, including the Mornington pier, the Flinders pier, the Frankston pier, Queenscliff and Rosebud. So there are some examples of piers that are already subject to budget funding, which will be I think of real benefit.

More generally in relation to beaches, there is \$8 million of funding towards beaches and that is a continuation of the programs that we have been supporting over a number of years. It does provide funds for regeneration of beaches — that sort of work — groynes and the like. That builds upon a number of projects that we are already undertaking. There are about 25 beaches around Port Phillip Bay which currently are abutting the foreshore and potentially could be subject to coastal erosion, so they are the sorts of beaches that we would be looking at targeting as part of this program.

**The CHAIR** — Mr Barber?

**Mr BARBER** — That was quick.

**The CHAIR** — No, it was very good.

**Mr BARBER** — Minister, this is a chart of weekly water consumption for the Melbourne Water area and how it moves over the year, so that is why the horizontal axis goes from 1 to 52 — it is 52 weeks. Obviously there are five years there, and part of this year. That is just to illustrate the question I am going to ask you, I guess. Mid-winter water use, which, I guess, is largely indoor water use, has never really fallen below about 7500 megalitres a week, whereas in January, February and March you can clearly see the impact of different restrictions at different times. But the problem is that our week-in, week-out use is around about 7000 megalitres — that is, baseload use, if you like, and that is actually where 80 per cent of our water is used. So really what I am seeing is that in five years we have not had a reduction — take out the capita growth — —

**Mr THWAITES** — Sorry, I missed your last point there.

**Mr BARBER** — The last five years we have not had a reduction in the amount of water that is used mid-winter. It has always been around about the same; about 7500 megalitres a week. Eighty per cent of our water usage is actually in that baseload. It is year in, year out; it is not affected by water restrictions, which are mainly about outdoor use. So my question is: in relation to budget estimates, what measures have you got in this year's budget that will reduce water use permanently on an ongoing basis, and how many megalitres do they add up to?

**Mr THWAITES** — There are a number of aspects to your question. First, in fact on these figures there has been a reduction in winter use as well. If you look at even this year, we are well below where we were last year. Having said that, look at the overall picture for Melbourne. What we have seen is that prior to these restrictions we have had a 22 per cent reduction in water use per head. That is the first point.

**Mr BARBER** — All of it due to water restrictions; that is my point.

**Mr THWAITES** — No, not at all. This was prior to the water restrictions. Last year, 2005–06, we were not on water restrictions. If you look at our figures there, they are 22 per cent lower than the amount that we were using per head in the 1990s.

**Mr BARBER** — That is prior to your being in government too. I am asking about the last five years.

**Mr THWAITES** — That has been the success of the program we have run to drive down water use — 22 per cent reduction per head compared to the 1990s.

The second point to make is that, of course, we have had a substantial increase in population over that time. Therefore you would expect, as the population has increased, that our water use would rise in winter and summer, but it has not because of the measures we are taking inside the home as well as outside. In terms of what are those measures inside the home, for example, first, we are now requiring all new homes to have water-efficient appliances and shower heads. Now any new home has to have a water-efficient, 5-star shower head. Your taps and things have to be water efficient. On top of that, in terms of retrofitting, we are now putting out an extra 270 000 shower heads for inside-the-home use, each of which saves, I think it is, 30 000 litres per shower head.

**Mr BARBER** — So we will save 30 megs this year?

**Mr THWAITES** — I am going through every one. You asked the question; there is not just one answer, there are a number of answers. We have got the water-efficient appliances and shower heads et cetera — compulsory in new homes, a major retrofitting campaign. We have also had a major behaviour change campaign, with the advertisements and others, which encourage people to use less water in their washing machines, less water around the home. The result of that is that we are seeing a reduction.

We also have in this budget funds for a behaviour program to continue into the future of some \$3.5 million, once again, driving down in-home use. In fact it has been an extraordinary success story. I might compare that with other cities, because there is a bit of concentration now about what has occurred, say, in Brisbane or Sydney. In the years between 2000 and 2005 we were driving down water use; in Brisbane there was almost no change at all. To give a demonstration I would just like to show you this. It is quite interesting. If you have a look at that slide there, you will see between 2000 and 2005 Brisbane made almost no difference in its total water use. Look at Melbourne; it is the best in the country.

**Mr BARBER** — That is a per capita basis; that is what I am asking you.

**Mr THWAITES** — Of course. You cannot have it both ways. You are saying, what are we doing? We are driving down water use per capita.

**Mr BARBER** — I did not ask about per capita. I asked about total water use in light of your other policy which is to increase Melbourne's population — fair enough?

**Mr THWAITES** — The per capita water — I will go through the actual water use, which has come down too, in a minute — if you just have a look at that, that is the kilolitres per household, in Melbourne there has been a very substantial reduction in those periods. Before water was the front-page story we took the action. Before certainly some of the commentators now were raising water, we were out there saying it is a big issue cutting water use. Just have a look at Sydney where there has been a marginal cut; Adelaide is well above us; Canberra and Perth are all using far more than Melbourne. That is because we took the action six years ago to start this program. As I say, to go through things like rebates on water-saving devices, we have rebates on low-water-use washing machines; we have had the shower roses; we have had the low-water-use appliances, which are now compulsory. We are going to be introducing legislation so that when houses are sold the water-use appliances, such as the shower roses, must be efficient. It is actually an incredibly comprehensive picture which has led to these savings. On top of that you put the industry savings — —

**Mr BARBER** — So that does not include industry?

**Mr THWAITES** — It includes industry.

**Mr BARBER** — That is household per year.

**Mr THWAITES** — Sorry, that is household. Industry is the same picture basically.

**Mr BARBER** — That includes outdoor obviously?

**Mr THWAITES** — Sorry, that is household. If you look at the picture including industry, and you just compare us to the total consumption in litres per person per day, including industry, between 2001 and 2005, we came down from 404 to 329 per person per day. Brisbane went from 726 to 717 — so almost no change. Victoria,

not just Melbourne but the whole of Victoria, has made a major effort in water conservation. To put it in perspective, because some people sometimes say water conservation does not matter, it does not make much of a difference, we have saved more than 100 billion litres of water a year. That is the equivalent of two times the amount of water from the Perth desalination plant — two times.

**Mr BARBER** — My argument, Minister, is that all the heavy lifting has been done by outdoor water restriction, and that is quite clear. This chart shows the same thing yours shows, that per capita is going down, but what I am saying is that total consumption outside outdoor water restriction periods is pretty much the same for the last five years.

**Mr THWAITES** — No, let me come back. You said the heavy lifting; in fact the heavier lifting has been done by industry which has had, on a per capita basis, a bigger reduction than households. That has had a very substantial reduction. In addition to industry, though, households have played a major role. Has there been a bigger impact from the outside use than inside? Yes, there has. Is that surprising? No, because there is greater discretionary use of water outside the home than inside.

**Mr BARBER** — My point is you are running out of savings you can make.

**Mr THWAITES** — We are talking about drinking water; we are talking about toilet water, showers and those other items. It is harder to make the level of savings. But if you look at the fact we have actually made savings inside the home, despite the increase in the population, that is a significant effort. Are we going to do more? Yes, we are doing more, which is why we want to keep our behaviour change campaign going; that is why we have got rebates; it is why we require new homes to have these water-saving devices.

**Mr SCOTT** — My question is in regard to energy-efficient hybrid cars, which is referred to in the budget paper 3, appendix A, pages 299 and 300. Minister, what is the government doing to increase incentives for the purchase of energy-efficient hybrid cars?

**Mr THWAITES** — Certainly the government supports a range of measures to reduce petrol use. Hybrid cars are a key part of that. In this budget we have reduced the registration fee for hybrid cars by \$50 a year from 1 May 2007. That will make it cheaper for people to use those hybrid cars. It is a demonstration also of the government's support for those vehicles. I mean, we would obviously be very pleased if at some time we could see the manufacture of hybrid cars in Australia. That would obviously be a great initiative if that were able to be achieved. Having said that, there are more and more people interested in hybrid cars. We believe that there will be more of a secondary market. There was uncertainty about whether there would be, but I think now people are seeing that yes, there will be a second-hand market in it as well. I certainly see that over coming years that will be very much the way of the future.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the four major water projects that the Treasurer spoke about in the budget speech. I note that in your slide presentation of 15 minutes you did not touch upon them. Of the four projects in the speech, the first was the desalination plant. The Victorian government white paper *Securing Our Water Future Together* referred to feasibility on desalination being completed by the end of —

**Mr THWAITES** — Sorry, which was that?

**Mr RICH-PHILLIPS** — The white paper, which refers to feasibility on the desalination being completed by the end of 2006, which I understand has not been met. You have made public comment in the newspapers that it would be 2015 before it would be operational. In relation to the eastern water recycling proposal, the feasibility study for that proposal indicates it will take approximately seven and a half years from the business case approval for that proposal to be operational. On stormwater recycling the central region water strategy action to 2055 refers to the feasibility for that proposal not being completed until 2009, with, obviously, the project actually being implemented some time after that. More recently we have heard about the north-south plan, for which I understand there is yet to be a feasibility study. My question to you is: when one of these projects is eventually chosen by the government, what is the earliest that we can expect to see it online and providing additional water to Victoria?

**Mr THWAITES** — Can I start by saying that you made a number of statements in your question which are factually incorrect.



**Mr RICH-PHILLIPS** — They are out of your documents.

**Mr THWAITES** — That is just completely false, what you have said. For example, in relation to desalination you have alleged that the report is late. In fact, that is incorrect. What we committed to in the our water — —

**Mr RICH-PHILLIPS** — ‘Is expected to be completed by 2006’.

**Mr THWAITES** — Just read what it says. It says:

The government will investigate the environmental, social and economic costs and benefits of large-scale application of desalination. The investigation is expected to be completed by 2006.

We have done that and it has been completed. We did investigate the environmental, social and economic costs and benefits of large-scale desalination. We carried out that investigation. We, as a result of that, established it is something that is potentially available for Melbourne. We carried out the investigation to determine those matters — the environmental, social and economic costs. Now we have indicated that we are undertaking a feasibility study for particular sites that could supply Melbourne. The Premier and the Treasurer have indicated, as I have, that we will be making announcements about major augmentation in coming months. We will do that. We are considering desalination, we are considering the eastern water recycling project, we are considering the north of the Divide proposal by that group of irrigators and we are considering stormwater. We are considering those projects. It is appropriate that we do.

These are projects which have very substantial social, environmental and economic costs. They are big decisions for Victoria and for Melbourne and it behoves us to ensure that we get that decision right and not jump in and make the sort of unprepared statements that the Liberal Party has made. It has announced a dam on the Maribyrnong which everyone concedes would not provide any substantial water, or where even on desalination the Liberal Party, when it made the announcement, just picked two sites and without doing any feasibility — —

**Mr WELLS** — We are in opposition. We made the announcement. You criticised the desalination plant; now you are boxed into a corner — —

**The CHAIR** — Minister — —

**Mr WELLS** — And now you are going to do exactly the same thing.

**Mr THWAITES** — You said — —

**The CHAIR** — The minister to answer the question please.

**Mr WELLS** — What is the point?

**Mr THWAITES** — The point is that you have to do the study properly, not jump in. Even on the sites that you claim to have announced, I see your leader was on television the other day saying that a desalination plant had to have an ocean outlet, which is inconsistent with what you announced during the election. It just demonstrates that you have to get it right.

**Mr WELLS** — So you are going to come on board with a desalination plant though — that is the point.

**The CHAIR** — Okay.

**Mr THWAITES** — As we have indicated, all of those matters are under consideration.

**The CHAIR** — We are waiting for a decision in the next couple of months.

**Mr RICH-PHILLIPS** — What is the earliest — —

**The CHAIR** — I think — —

**Mr RICH-PHILLIPS** — The minister has not answered the question.

**Mr THWAITES** — In relation to that, that is — —

**Mr RICH-PHILLIPS** — Is it 2 years, 5 years, 10 years — —

**Mr DALLA-RIVA** — Never.

**Mr RICH-PHILLIPS** — Twenty years? I just want to know when is it going to come online.

**The CHAIR** — The minister to answer, please.

**Mr WELLS** — Answer the question. It is an easy question.

**The CHAIR** — Can you let me chair this please, deputy?

**Mr THWAITES** — It is a little rude.

**The CHAIR** — Thank you. Minister, quickly and then we will move on to the next question.

**Mr THWAITES** — This is obviously a key part of the consideration that is being undertaken.

**Mr RICH-PHILLIPS** — You cannot give us any indication at this stage?

**Mr THWAITES** — That is a key part. Once again, are you able to say — —

**Mr WELLS** — No, you are the minister.

**Mr DALLA-RIVA** — No idea.

**The CHAIR** — I think the minister has answered the question. Next question.

**Mr WELLS** — No, he has not.

**The CHAIR** — Mr Dalla-Riva, next question

**Mr DALLA-RIVA** — In a 2006 budget press release issued by you, Minister, on 30 May 2006 you announced, and I quote:

The 2006-07 state budget will deliver an extra \$160 million for vital water projects as part of the Bracks government's statewide plan to protect Victoria's water supplies for future generations.

That was in the forward estimates for that year. In the 2007 budget you released a press statement on 1 May, and I will quote from it. You had a lot of intelligence on this; I think you just used copy and paste. It says that the 2007–08 state budget delivered an extra \$136 million for vital water projects generating water savings as part of the Bracks government's plan to secure Victoria's water supplies for future generations. My question is: given the sense of urgency and the water crisis in Melbourne and in rural and regional Victoria, which we all appreciate, why is there a decrease in the allocation of funding for water projects and infrastructure when you compare those two press releases over the years?

**Mr THWAITES** — There are a number of answers to that. The first is that the overall output for water has substantially increased this year. There is a very substantial increase in the output for water, which I can give you.

**Mr DALLA-RIVA** — I have got that. It is in budget paper 3, page 199. My specific question was not about — —

**Mr THWAITES** — Hang on — —

**Mr DALLA-RIVA** — Your press release headings relate to vital water projects, so while you can talk about outputs which discuss a range of other issues, I am just curious why there is that reduction in major water projects.

**Mr THWAITES** — I will come to that, but you have raised the issue. The output for water has increased from 162 million to 228 million.

**Mr DALLA-RIVA** — I can read that, Minister. That was not my specific question.

**Mr THWAITES** — That is a very substantial increase in the output — —

**Mr DALLA-RIVA** — But that was not my specific question in relation — —

**Mr THWAITES** — In relation to — —

**Mr DALLA-RIVA** — Vital water projects. They are your words.

**Mr THWAITES** — Hang on.

**The CHAIR** — The minister to answer please.

**Mr DALLA-RIVA** — Thanks, Chair.

**Mr THWAITES** — There is a very substantial increase in the output on water this year. The second and important point is that water projects are not all announced in the budget, and a very good example of that is the announcement that we made in, I think, October last year for the Ballarat super-pipe where we made a significant commitment of \$70 million outside the ordinary budget process to that project. So we as a government have indicated — and we have indicated also that we will be making announcements in coming months about augmentation for Melbourne — that you cannot simply compare one budget press release with another. You have to look at the whole amount of the things you do over the course of a year. This government has very substantially increased funding to water and we will continue to do that. It is quite misleading to just take one figure in one press release and another and say, ‘That is the whole picture on water’. I have indicated, first, that the total water output has increased substantially, and second, there will be more funding, as there has in past years been, as we proceed through the years.

**Mr DALLA-RIVA** — This is public accounts and estimates, Chair, where we are trying to estimate future expenditure, and we are just hearing from the minister saying that projects are going to be on the hop because he does not quite know, so there is no real allocation that he has got planned into major projects. That is what I want to get on the record.

**Mr THWAITES** — You keep trying to paraphrase things incorrectly. That is not what I said. I gave the example of last year where we made a substantial extra commitment. It was not announced on budget day, so you cannot compare simply the announcements on budget day; you have to look at what occurs through the whole year.

**The CHAIR** — I think it was pretty clear from budget day that there were announcements made with respect to water, and there were also announcements made by the Treasurer — —

**Mr DALLA-RIVA** — Thank you, Chair, but we are looking at forward estimates, and there are no forward estimates.

**The CHAIR** — I think would be a good opportunity now to have a cup of tea. We will have a break for a couple of minutes.

Minister, in regard to climate change — as you know I have got a strong interest in this and actually was involved in some of the first studies in the Asia-Pacific on this 15-odd years ago — what funding have you got in the budget for strategic and economic research into climate change impact, and what is the purpose of this funding?

**Mr THWAITES** — Thanks, Chair. Obviously climate change is one of the biggest issues that not just Victoria is facing but the whole world. As a government we see this as a whole-of-government issue. I am minister for climate change, but we have also established an office of climate change in the Department of Premier and Cabinet and put a whole-of-government approach to climate change. That means that within this unit they will be coordinating policy work and research on not only the environmental aspects of climate change but the economic and social aspects as well.

There is funding in the budget for that. It is not directly in the DSE portfolio, it is in Department of Premier and Cabinet, but that work will give us a much better strategic position as a state to tackle climate change. In terms of some of the specific areas it will include support for our work on emissions trading, and Victoria with New South

Wales has led the push for a national emissions trading scheme. We now have an agreement from all the states to implement emissions trading by 2010 if the federal government fails to do so. If we are going to do that we have to undertake a very substantial amount of work in understanding the various costs and benefits of different aspects of the scheme. That means things like what the level of caps should be; the way in which permits for emitting carbon dioxide should be allocated; the time frame for those permits; and what should happen to the funds, if any, which are produced by optioning or allocating those permits. There are a range of very important issues that need to be determined, and the office of climate change will be leading that, working with departments like DSE and others.

We are also giving support in Victoria to the economic work that is being carried out by Professor Ross Garnaut, which is part of the national study which, in a sense, is doing for Australia what the Stern review did in the UK. We will be supporting the work that is being undertaken by Professor Garnaut. All of that is occurring. We are also looking at some of the vulnerabilities of key sectors — for example, various sectors of society and the economy and how vulnerable they are to climate change; the effect on infrastructure; and the effect on biodiversity and on the land. All of those issues are subject to this research.

**The CHAIR** — I hope some of that research comes before the Parliament as well.

**Mr THWAITES** — It is certainly proposed that we will have legislation to back up what we are doing. We will have the energy efficiency target legislation.

**The CHAIR** — Good.

**Mr THWAITES** — That will provide a direct support for energy efficiency around the home. We will need to work with retailers to ensure that, wherever possible, people in their homes are more energy efficient. That is an example of legislation. That will follow our VRET legislation which we introduced last year, which is building up renewable energy.

**Mr WELLS** — You have mentioned a couple of times your Top 1500 Industry Program. I refer you to budget paper 3, page 327, and the output initiative of the Top 1500 Industry Program and \$1.2 million — —

**Mr THWAITES** — Sorry, which is this one? Is it page 327?

**Mr WELLS** — Yes, it is the output initiative Top 1500 Industry Program, \$1.2 million spread out over four years.

**Mr THWAITES** — Yes.

**Mr WELLS** — Can the minister explain why it has taken three years to allocate funding for industry to write a water-saving plan, and now industry has a further four years to actually write this plan?

**Mr THWAITES** — There are a few answers to that. First, we have already implemented plans for the top 200, so that has been put in place. We announced that we would now proceed with a top 1500. That is sensible; you start with the biggest users, you do their plans, and then you move to the other users, the top 1500. In terms of those plans, they will be done over the next 12 months, not over the next four years. The funding is to support a range of initiatives arising out of the plans, not just to do the plans — so the plans themselves will be done over the next year. We are working with the water authorities so that they can accelerate the work with that industry. It is a major undertaking; we are working with 1200 or 1300 companies to do their plans, but we will do it.

In the meantime I should emphasise that we have been working with industry of all sizes over the last seven years driving down water use, and that is why we have got those lower water-use figures compared to other states. It is why we have seen a 25 per cent reduction in the per capita water use of industry since we came into government. That is something that certainly was not achieved under previous governments. It has been achieved under our government because of our approach, firstly, to the importance of water, and secondly, to working with industry to achieve these things.

**Ms GRALEY** — Minister, I was talking before about how everybody is trying to do their little bit. I am wondering if the minister can outline what initiatives are in the budget to help families, especially low-income families, tackle climate change.

**Mr THWAITES** — That is a key part of our strategy — to understand that climate change will have a particular effect on low-income families, remembering that for lower income families the proportion of their total income that is spent on energy is higher than for wealthier people. We have a number of plans to work in harmony with lower income Victorians and social welfare groups to achieve that. One of the really good programs is the Energy and Water Task Force program, which is funded by \$2.1 million. That assists low-income Victorians to save energy and water by improving the energy and water efficiency of their homes. It basically involves an audit of the home; then following the audit, simple energy-saving measures can be introduced — it can be sealing doors and windows, it can be pelmets, it can be a range of things.

With the Chair, we launched and delivered a really fantastic program in his electorate where we worked in the ministry of housing area implementing energy retrofits for the homes there. The other great thing about this project is that it is also a job-creation project, where we in many cases are able to work with people who have otherwise been unemployed, who get skills in doing this home auditing and energy efficiency work. This is a real win-win program. It helps low-income Victorians cope with energy issues and it reduces greenhouse gases. It is something that we are also looking at maximising in our rebate program. We do want to see that our rebates are targeted in a way that low-income Victorians get the benefits.

Recently I launched the Phoenix fridge program with the Brotherhood of St Laurence. Under that program, people are able to bring in their old bar fridges, which often are absolute shockers when it comes to greenhouse gases if they are sitting out in the garage.

**Dr SYKES** — As long as they have got cold beer in them, there is nothing wrong with that!

**Mr THWAITES** — They can be about 70 per cent more inefficient than modern fridges. What we are doing is setting up this program where they are brought into the Brotherhood of St Laurence. Some of them are recycled or upgraded so they do not use as much energy, and then they can be shared out to low-income people who cannot otherwise get a fridge. That is another practical example. We have a range of programs. Overall one of the biggest challenges we are going to face in climate change is how to make sure that the impact both of climate change and action on climate change is not disproportionate on poor people. That has to be one of the key criteria in emissions trading in all actions that we take — that is, asking how can we have a system that is not disproportionately difficult and unfair on low-income Australians.

**The CHAIR** — You do not want the J-curve effect.

**Mr THWAITES** — That is right.

**The CHAIR** — Dr Sykes, with economy, please.

**Dr SYKES** — My question relates to bushfires and asset protection, but just in a brief digression I would like to acknowledge the outstanding efforts of the DSE staff under fellows like Johnny Kneebone, who are still out there working very hard in their rehabilitation activity when others are trying to move on. Minister, my question relates to the imposition of maintenance of permanent containment lines as you put in place for the Thomson Dam. In conjunction with increased fuel reduction activity, are you intending to have more permanent containment lines to protect other assets and in particular local communities? If so, what are the general guiding policies, and what is the budget allocation for more permanent containment lines?

**Mr THWAITES** — Thanks for the question. I should, since we are being so nice to each other, thank the member for his role during the fires, which was very positive in working with communities that were under unbelievable stress in places like Benalla, Mansfield and right through that region. In relation to fire prevention efforts, we are now implementing a major fire prevention program, and it has a number of aspects to it. One is fuel reduction burning, where we are committed to maximising the amount of fuel reduction burning. We have a target this year of 134 371 hectares, and we have already done 131 000. We believe we will exceed our target this year, and that is because we have had good weather conditions to achieve that — —

**Dr SYKES** — That is the thing about drought — the lovely sunny days, Minister.

**Mr THWAITES** — The dryness has actually been a problem, because it is very dry, but the lack of wind has meant that we can do more fuel reduction burning. That is the first thing.

The other thing is that we have put on staff for longer periods, so we have seasonal firefighters now on for a longer period, who are helping with the fuel reduction burns. We are also coordinating the CFA so that they in future can provide some additional support and backing for that fuel reduction effort, and there will be more work done on that. We are also investigating how we can extend that fuel reduction burning season even further into winter. Obviously the major problem there is if it rains, but given the weather situation we will seek to maximise the opportunities.

In relation to firebreaks, we have already announced that we will be leaving in place some 350 kilometres of firebreak that was put in during the fires. That will be a permanent firebreak protecting essentially the Yarra and Thomson catchments, but also of course it acts as a firebreak protecting the area into Melbourne from fires. Those firebreaks have already been built as part of the fire effort. What we are doing now is ensuring that they are properly built so that they can be long-term, permanent features, and that means partly revegetating and partly clearing to make sure that we maximise the natural values while at the same time having the firebreak. Why do we do this? Because it forms the basis on which we can back-burn during a fire. In some cases the firebreak itself can assist the stop of the fire, and it is also a staging point from which we can mount our operations towards the fire. Along most of this route there is a road anyway, so it is not as though this is simply all native bush. There is a road along there, but it is widened out to make a much more practical firebreak. In relation to the rest of the state, we have said that we would consider leaving in place some of the firebreaks and having some firebreaks around strategic assets. We are looking at some particular areas, and in the Otways we have already started to implement that. In the Otways we have recently built that. When was that?

**Mr HARRIS** — We have done clearances throughout the late part of summer, but now there is an assessment for how we would actually put a strategic firebreak across the Otways.

**Mr THWAITES** — So the Otways is another area that we are doing. In relation to other parts of the state, we are investigating that. It is, as you say, something that you do around strategic assets. It is a way to ensure that you have quick access during a fire and also to use it as the basis for back-burns.

**Dr SYKES** — I hope you would be using local knowledge, as I believe has been the case. I would hope that you are not rehabilitating existing fire containment lines, only to go back and re-establish them in two years time or something.

**Mr THWAITES** — And that is part of the thinking. The number of fires that we are getting now has increased so that where once you might have expected a fire season like that every 10 years, here we have had it once every 3, so it does make sense to keep some of those firebreak lines rather than rebuild them every time you have a fire.

**Mr PAKULA** — You mentioned in your presentation the recycling program at Qenos, which as you know I am well aware of, but there was also I recall in the presentation mention of Australian Vinyls. I am assuming that is the Laverton facility, which is also in my electorate. I am just keen to hear some of the detail of that particular project.

**Mr THWAITES** — This is another important project. In the budget we provide funding towards the project at Australian Vinyls' Laverton plant. That will save about 300 megalitres a year in addition to about 1.4 gegalitres, 1400 megalitres, that Qenos will save. Essentially, what they will be doing is reusing water on site, so it will be a reuse on site project. The budget has provided funding for that as part of the \$4.3 million towards recycling in the Altona area.

Australian Vinyls has already managed to reduce its water consumption by 29 per cent, despite the fact that they have increased their production, so again it is an example of industry reducing its water use, which is part of our plan that we implemented when we came into government. This will provide additional water savings for Australian Vinyls of some 300 megalitres a year. The other benefit of course is that it reduces the outflow to the bay as well. So you get reduced outflows, more water available for households and more efficient use by industry — good project, good local member!

**Mr BARBER** — This one is in relation to the valuation of commercial native forests on DSE's accounts. In 2003 they were worth 258 million, today they are worth 78 million. My question in relation to the estimates is: are we likely to see any more write-downs this year? You and I know what is going on. A lot of them went up in smoke. There has been massive over-cutting for years, and you continue to reassess downwards the amount of

forest that is actually out there that is available and suitable for logging. In previous reports — and you now do one a year on sawlog yield — you have already flagged further reductions to sustainable yield due to the 02–03 fires. Are you able to tell me in relation to this year’s accounts whether there will be any further reductions to sustainable yield and any further write-downs in the valuation of these forests?

**Mr THWAITES** — As you indicate, there have been some major changes since 2003, the figure that you first gave. First there was Our Forests Our Future. Under Our Forests Our Future we reduced the amount of sawlogging in the state by over one third, so that obviously writes down the value. That was a program that was aimed at ensuring that we had much more sustainable forestry in this state. I would agree with you that prior to that time the level of forestry was greater than was sustainable. That is why the government implemented Our Forests Our Future, why we funded it with around \$90 million to assist workers and industry in the transition, and why we reduced the total amount of forest.

In addition to that we have had the fires of 2003 and the more recent fires. The area that is affected by the fires is still being precisely ascertained, so we cannot give you a specific answer as to how much less forest there will be available. We know that the total area affected was more than 1 million hectares, but of that only a portion was part of the area that would be subject to forestry. We are now doing quite a sophisticated mapping of the whole area to determine what part of that forest that has been damaged by fire should be subject to salvage logging, what cannot be logged at all and what would be logged in the future. So there is a sophisticated mapping process that has been under way. That was actually funded by the bushfire recovery task force. In addition to that, during the election we announced a further reduction in forestry in East Gippsland and some of the major old growth areas we took out of the area to be logged. So essentially the point you make is right; the total amount of area subject to logging is being reduced, and that will have an effect on the total asset value.

**Mr BARBER** — So in a qualitative and quantitative sense can your CFO here give us an explanation of where those forests went?

**Mr THWAITES** — No, I have just given it. I answered the questions — —

**Mr BARBER** — In terms of dollars. Because three-quarters of them have gone in the last three years. It is now worth \$70 million. I could just about buy them off you if I got the right backers. That would be the end of all our problems for logging, right?

**Mr THWAITES** — I am not sure what your income levels are, I will leave that to you. But obviously if you take an area of forest out of the area that is subject to logging, which we did — no more than 30 per cent — then that will have a substantial effect. You then — —

**Mr BARBER** — There will be further cuts to sustainable yield; that is my point.

**Mr THWAITES** — No, I am saying what has happened. You have said, ‘How is it reduced?’. We have then substantially lost areas through two major fires. That obviously has a net effect.

**Mr SCOTT** — Minister, my question relates to national parks, which there is reference to in budget paper 3 on pages 23 and 270. What is the government doing to increase tourism in our national parks?

**Mr THWAITES** — Our national parks are obviously fantastic places for tourism. If you look at places like the Grampians, the Great Ocean Road — all of these areas — they are really some of the most important places in terms of tourism for Victoria. In 2006 the government committed nearly \$50 million over six years to renew park assets and to upgrade and improve our parks. In this budget we provided additional funding for a range of upgrades to national parks, such as Port Campbell, Wilsons Promontory, the Grampians and the Alpine National Park. All of them will receive additional funding — things like the Lochard Gorge, the Twelve Apostles, Tidal River and the Grampians National Park. That is in terms of infrastructure in those places. As well as that, there are additional funds for park rangers in the national parks. We are also introducing a new junior ranger program to encourage young people to get involved in national parks. There is funding for the Otways, because we will be getting out of all logging in the Otways in 2008; there is funding to assist workers in that transition. We also announced in the election that we would be creating a new national park, the Cobboboonee national park, and a forest park outside Portland. In the future that is another initiative that I am sure will be very popular.

**Mr RICH-PHILLIPS** — Minister, the budget for 07–08 provides just under \$10 million for water recycling projects. There is Altona, at \$5 million, the Frankston sports facilities project at 2.2, Australian Vinyls and Qenos at 2.1, and stormwater and urban recycling at half a million.

**The CHAIR** — This is water recycling you are talking about?

**Mr RICH-PHILLIPS** — Yes, totalling 9.8 million. Last September the Auditor-General produced a report on government advertising and he commented on the Our Water Our Future campaign, which was the one where the Premier flew over a reservoir in a helicopter, told couples to shower together, told little old ladies to cart buckets to their gardens — —

**Mr THWAITES** — Really? You keep making statements that are just completely wrong.

**Mr RICH-PHILLIPS** — According to the Auditor-General, the cost of that campaign to May 2006 was \$12.9 million, so my question is: why is the government spending more on advertising about water recycling than on actual water recycling projects this year?

**The CHAIR** — In respect of the estimates, not in respect of past activities.

**Mr THWAITES** — The member has made a number of statements that are completely incorrect. In terms of water recycling, the government and water authorities are investing very substantial funds in water recycling projects — for example, the Werribee water recycling project, which has required an investment of around \$160 million in upgrading the western treatment plant. The result of the — —

**Mr RICH-PHILLIPS** — Nothing in 07–08.

**Mr THWAITES** — In your question you were using information that had nothing to do with 07–08; you were talking about the past and why people were talking about recycling and I am indicating the investments that have been made.

**The CHAIR** — And also into the future, please.

**Mr THWAITES** — The Werribee recycling project is a very substantial project. Without that recycling the farmers at Werribee would have very little water at all this year to irrigate their crops. This year in excess of 6000 megalitres of water is being recycled for farmers down there. As I indicated, that required a very substantial investment in the Werribee treatment plant. I think it is around \$160 million in upgrading that, as well as the cost of the particular recycling scheme. To the east of Melbourne you have the eastern irrigation scheme, which is now also recycling more than 5000 megalitres and delivering for the first time recycled water to homes. That also has involved very — —

**Mr RICH-PHILLIPS** — Yes, but there is nothing in 07–08.

**Mr THWAITES** — Because the investment has already been made in that and the majority part of that investment is made by the water authorities, which is obviously part of their job, in recycling. They receive some assistance from government in some cases, but the majority of the expenditure on recycling, as all infrastructure in the water area, is that of the water authorities. So you have the eastern recycling scheme — more than 5000 megalitres. It is now recycling to homes; it is recycling to industry as well. That is a very positive scheme. If you look around the whole of Melbourne, under our government we have increased recycling from a few per cent under the previous government to now in excess of 14 per cent of our water being recycled — more than, once again, other places like Brisbane and other cities around the country because we got in early and started that recycling. So it is important. It is important that we continue to do it. In relation to the behaviour change campaign that you referred to and the Auditor-General, if you recall, the Auditor-General actually supported that campaign in his report. He said it was the sort of thing that funds should go towards because it changes people's behaviour and — —

**Mr RICH-PHILLIPS** — That is not what he said.

**Mr THWAITES** — It changes people's behaviour and changes their attitude to water. The advertising campaign was directed at doing the very thing that I think Mr Barber was talking about before, which was changing



people's attitudes, including attitudes inside the home. So in fact the Auditor-General backed that campaign. It is sensible. It does mean that we — —

**Mr DALLA-RIVA** — He just said it met the guidelines. There is a big difference.

**Mr THWAITES** — You have purported to argue — —

**Mr RICH-PHILLIPS** — You spent more on that campaign than you are spending on recycling this year.

**Mr THWAITES** — Hang on. You have made a whole lot of statements. I am just pointing out — —

**Mr RICH-PHILLIPS** — You spent more on that campaign than you spent on recycling in 07–08.

**Mr THWAITES** — I am just pointing out the fact which you find somewhat — —

**Mr PAKULA** — A lot better than spending 55 million on IR.

**Mr THWAITES** — The fact that you find a little bit concerning is that the Auditor-General actually supported that campaign and said it was the sort of thing that — —

**Mr DALLA-RIVA** — Met the guidelines.

**Mr THWAITES** — He said more than that.

**Mr RICH-PHILLIPS** — It cost more than you are spending this year on recycling.

**Mr THWAITES** — Anyway, but can I emphasise — —

**The CHAIR** — Minister, conclude the answer, please.

**Mr THWAITES** — I will conclude it. That a sensible thing to do — to have a behaviour change campaign, and we will continue to do that.

**Mr DALLA-RIVA** — Minister, I refer you to budget paper 3, page 333, and to 'asset initiatives', table A.18 — —

**Mr THWAITES** — Sorry, where is this?

**Mr DALLA-RIVA** — Budget paper 3, 333. In relation in particular to the Continue Werribee Vision, the \$10 million TEI project for additional recycled water being supplied to the Werribee irrigation district, I note in some previous correspondence or in news items in particular the concerns about the yellowing lettuce, the wilted lettuce and the like. Given the recent news report, as I have sort of indicated, on the yellowing and stunted growth of vegetable crops from the trial scheme, does this allocation of funding mean that it has been concluded safe to be continued?

**Mr THWAITES** — Sorry, I missed the last part of your question.

**Mr DALLA-RIVA** — Minister, in respect of that particular line item, does this allocation of funding, the \$10 million over the four years and given the recent news reports on the yellowing and stunted growth of vegetable crops from the trial scheme, mean that it has been now concluded safe to be continued and therefore the funding or the allocation of moneys is going to be put forward?

**Mr THWAITES** — Certainly the government supports the Werribee irrigation recycling scheme. Without it, as I indicated, there would be very few, if any, lettuces at all that could be grown in a year like this. It has been the saviour for many of the farmers there. We certainly support the continuation of the recycling scheme. That recycling scheme is overseen by Southern Rural Water. It works with the farmers to ensure that it is efficient and profitable for the farmers, and we will continue to do that.

**Mr DALLA-RIVA** — The recent new reports, I guess, have been dealt with so that the \$10 million that is allocated will be money well spent, given those concerns about the stunted crops that have been reported?

**Mr THWAITES** — The money will be spent. It is an important thing to do, not only to provide the water but also to reduce the amount of outfalls into the bay. It is a project that is very important, and we would want to continue with it.

**The CHAIR** — Thank you, Minister. On the same page, which is budget paper 3, page 333, in regard to Solar Panels at Schools, which is a new initiative: can you tell us a bit more about this particular initiative, which obviously seems to be a highly commendable one, and I know that it will be very popular with schools in my electorate and, I am sure, in Benalla and elsewhere.

**Mr THWAITES** — I thank the Chair for his question. This project will install solar panels in 500 schools and community buildings. The budget provides some \$5 million TEI to support 500 schools and community facilities to install the photovoltaic power systems and also to provide education around that. Part of the idea is to try to use this not just for saving energy but also use it as an educational tool and potentially encourage other families to install photovoltaics. That program is going to start on 1 July this year. Schools will be eligible to get funding of up to \$15 000. The program will be implemented by Sustainability Victoria, and we will be also able to leverage in with the commonwealth government's recent announcements on its photovoltaic rebate. We would hope this would provide a greater leverage overall. The program will be organised through Sustainability Victoria, and it will be able to link in with the schools and make sure that we get the best program.

**The CHAIR** — I hope in doing that it is well organised in respect of the people who install them. I certainly have a concern over the federal government water tank one, where there seem to be quite extensive costs in regard to the installation of this over and above the actual cost of the tanks. I think that is something that you really need to look at so that there is no sort of price gouging in terms of the installation costs of those solar panels.

**Mr BARBER** — Reconnected?

**Mr THWAITES** — Yes, that would be the idea, and I will certainly follow that up.

**The CHAIR** — Thanks very much.

**Mr WELLS** — How much in the way of dividends will be paid by water authorities over the forward estimates period, and will the dividends being paid by the water authorities be going into consolidated revenue or into major water infrastructure projects?

**Mr THWAITES** — I thank the Deputy Chair for that question and indicate first, dividends are a matter for the Treasurer. In the budget papers, overall dividends are allocated through Treasury — so that is the first point; they are collected altogether. So the actual dividend will depend upon the circumstances at the time and under the Council of Australian Governments rules there are rules for how dividends generally would be considered. Under COAG these enterprises are meant to operate on the basis of providing a return on investment at the same time that they run efficiently. That is part of the overall rules.

Having said all that, it is worth noting that dividends have come down very substantially under our government compared to the previous government. Under the Kennett government dividends were very much greater from the water authorities than they are now under the Bracks government. Just to give an indication of that, if you look at regional and rural water authorities under the Kennett government in the last year, the total dividends were around \$11 million. Under the Bracks government last year they were less than \$2 million — that is, about an 80 per cent reduction in the dividends from the rural and regional water authorities. In relation to the Melbourne metropolitan water authorities, they came down from around \$271 million in the last year of the Kennett government to \$207 million in 2005-06 under the Bracks government. So there has been a substantial reduction in dividends under our government.

**Mr WELLS** — They go into consolidated revenue?

**Mr THWAITES** — All dividends do, but from that there is very substantial expenditure on water projects and in managing the water catchment. We have significantly boosted expenditure on water, water infrastructure and projects. Things like the Victorian Water Trust — \$320 million; the Wimmera-Mallee pipeline, a major undertaking, around \$170 million; the Ballarat super-pipe, \$70 million; the Bendigo one, \$30 million. You look around the state and there has been a major boost in water spending under our government. At the same time there has been a reduction in the amount of dividends compared to the Kennett government.

**Ms GRALEY** — Minister, I would like to refer you to budget paper 3, page 22, under the heading ‘Tackling climate change’ and also page 267 of BP 3 where you talk about the Clean Coal Authority. I wonder if you could let the committee know what initiatives are in the budget to support the development of clean coal technology in the future.

**Mr THWAITES** — Thanks for that question. For Victoria, we need to have a comprehensive approach to climate change that includes boosting renewable energy, being more energy efficient and ensuring that where we use coal and fossil fuels, that we drive down as far as possible the emissions from that. Victoria has a very substantial resource of brown coal which apart from the climate change impact is a relatively clean fuel and provides a source of jobs and prosperity for much of the state. For our government it is critical that we do invest in research and development of clean coal. This budget continues the efforts in that. We have made a commitment to provide \$7 million for a clean coal authority in the Latrobe Valley to develop new clean coal industries in Victoria and investigate carbon capture and storage technology. We have also committed substantially to innovative clean coal projects through the ETIS strategy — the energy, technology and innovation strategy — and funding has been provided to the Cooperative Research Centre for Greenhouse Gas Technologies. Through that we are doing a demonstration of carbon capture and storage in the Otway Basin. As a government, part of our overall climate change portfolio is investing in research and development for clean coal.

**Dr SYKES** — Minister, my question relates to the so-called north-south pipeline. That pipeline, if it was to eventuate, would involve transfer of wealth generation potential from the Murray–Darling Basin to Melbourne. Related to that is that part of the appeal of the national water plan is that the savings generated by the national water plan would remain within the Murray–Darling Basin. Would you care to comment on the issue of the wealth transfer? Secondly, would you care to give us an update on negotiations with the federal government in relation to the national water plan?

**Mr THWAITES** — The Treasurer, the Premier and I have indicated that we are considering that proposal. It is a proposal that was put forward by irrigators in the Goulburn region. We have indicated, and it is the fact, that we are considering it. That will be considered along with the other potential major augmentations, and we will be making an announcement about that.

In relation to the national water takeover by the federal government, we have indicated that we are certainly prepared to give the commonwealth more power over the Murray–Darling Basin but we do not support a total constitutional handover of water powers which would undermine the security of our water allocations and our water rights and would potentially undermine the environment, because there are no clear indications of what the environmental targets are under this plan. We are negotiating with the federal government now. We are also talking to other states. We put forward what we believe is a better approach, which gives the commonwealth power to better enforce caps where they have been breached, but at the same time does not destroy the best things about the system in Victoria. We are really at the stage now where we are waiting to see the commonwealth’s latest draft of legislation. They have provided some legislation. It had a number of gaps. It was not at all consistent with the sorts of objectives that we had, so it would need to be substantially changed for us to be in a position to reach some form of agreement. Certainly we are getting strong support for our position from the irrigation industry and from farmers. But we are also getting support from water experts and a number of people in the environmental movement who are saying that we should not settle on this proposal when there are so many uncertainties. It is so important that we have got to get it right.

**The CHAIR** — I think we might conclude that, Minister. I have a couple of questions I would like you to take on notice. I would like, in respect of your portfolio department, if it could take on notice a question about what resources, in terms of staffing and funding, does the department expect to spend in 2007–08 servicing this committee and its inquiries, based on experience over the last few years. Also there is a question on notice from Mr Barber in terms of what progress can we expect in regard to the native vegetation permit tracking project in the coming financial year. That concludes the consideration of the budget estimates for the portfolio of water, environment and climate change. I thank the Acting Premier, witnesses and departmental officers for their attendance today. It has been a comprehensive session. Where questions were taken on notice, the committee will follow up with you in writing at a later date. The committee requests that written responses on those matters be provided within 30 days. They will form the basis for consideration of a further report of this committee to Parliament. Thank you very much.

**Committee adjourned.**