

MINORITY REPORT

REPORT ON THE BUDGET ESTIMATES 2007-08 (PART THREE)

Minority Report by Opposition Members

Kim Wells MP
Gordon Rich-Phillips MLC
Richard Dalla-Riva MLC

Pursuant to section 34 (2) of the Parliamentary Committees Act 2003

We:

Kim Wells MP
Gordon Rich-Phillips MLC
Richard Dalla-Riva MLC

Submit this minority report:

Minority Report of Certain Members of the Public Accounts & Estimates Committee

We, the undersigned members of the Public Accounts and Estimates Committee (the Committee) have decided to submit a Minority Report and thereby formally oppose the adoption of the *Report on the Budget Estimates 2007-08 (Part Three)*.

It is our firm belief that there has been little or no independent analysis or consideration of the 2007-08 State Budget and Estimates outcomes during the review period. Similarly, the Report's key findings and recommendations are weak and have little or no substance.

Despite our shared concerns having been raised in previous Committee meetings and in Parliament that this Report would be nothing more than a whitewash and a rubberstamp, no meaningful effort to independently analyse and consider the 2007-08 State Budget and Estimates outcomes eventuated.

The credibility of the Committee rests with ensuring that fair and reasonable analytical reports are tabled in Parliament. The Parliament also demands of the Committee that ministers and departments are properly held to account. If that is not done, Victorians will lose confidence in the parliamentary system.

In this instance, we believe that the Committee's Part Three Report lacks independent analytical vigour and therefore, a Minority Report was deemed necessary. Due to the dearth of independent analysis, we are not convinced that this year's report is of the same quality as previous years' reports on the Budget estimates.

The Committee has simply relied on the Budget Speech of the Treasurer, Australian Labor Party (ALP) election policy documents, government media releases and departmental responses, much of which has been presented as findings of the Committee.

The manner in which this Report has been undertaken departs significantly from the role of the PAEC as outlined in the *Parliamentary Committees Act 2003* (the Act). The Committee is required to inquire into, consider and report to Parliament on the annual estimates or receipts and payments and other Budget Papers, and any supplementary estimates of receipts and payments presented to the Assembly and the Council.¹

As stated in a previous minority report, in the past the Committee has undertaken thorough investigation and analysis of the Budget Estimates, culminating in the production of an Estimates Report containing numerous key findings and recommendations. In the last six Estimates Reports for the years 2001/02 to 2006/07 the Committee made 716 recommendations to government, the majority of which were accepted.

In contrast, this latest Report of the Committee largely contains no proper analysis and key findings and recommendations which are weak and of no substance.

We wish to draw to the Parliament's attention, the following examples within the Report where there has been virtually no analysis or consideration undertaken: -

- Chapter 2: The Committee chose not to investigate whether the Treasurer's statement in relation to the State Budget delivering all of the Government's output and asset commitments was factual or not.
- Chapter 5: During the budget hearings, the Treasurer repeatedly and incorrectly claimed that unallocated capital of \$2.9 billion was available over the forward estimates period, despite the Budget Papers showing only \$1.6 billion. Consideration of this matter in Chapter 5 contains absolutely no references to the misleading statements made by the former Premier and then Treasurer that the Budget contained this amount when the forward estimates clearly revealed that only \$1.6 billion in unallocated capital was available. The fact that there are references to press releases everywhere else in the Report, but not in this particular analysis, is noticeable.
- Chapter 7: In relation to Key Finding 7.1, we voted against the findings of the Committee. The Auditor-General's September 2006 Report on Government Advertising concluded that the Government had not taken up the PAEC's recommendation in April 2006 that government departments should provide information on advertising and promotion so as to ensure the Government was being transparent. The government members of the Committee took the position that because the government had accepted the PAEC's recommendations, "in-principle", that was good enough. We disputed this and point to the fact, as detailed in Chapter 7, that five departments did not develop a central budget for communications, advertising and promotional activities. In-principle support is simply not sufficient.
- Chapter 8: We believe that the continued reduction in Budget Paper output measures, as detailed in key finding 8.1, has eroded transparency and accountability of government reporting. The statement by the Committee that 23 fewer outputs and 114 fewer output measures will result in a "clearer and more focussed set of measures" is not substantiated. Changes to output measures should occur to improve accountability not to diminish the opportunity for proper scrutiny.

¹ S.14, *Parliamentary Committees Act 2003*

- Chapter 9 (& Chapter 13): Several references throughout the Report refer to ALP press releases and policies as evidence of fact; - for example, in Chapter 9, footnote 146, there is a reference to the ALP talking about regional Victoria initiatives while in Chapter 13, footnote 189, the ALP policy, *The Victorian Schools Plan* is cited.
- Chapter 9 (& others): There is no criticism of the delay on a range of issues – for example, Table 9.2 relating to Provincial Victoria projects is all about proposals well past the next Election period and yet there is no criticism by the Committee as to the delay in previous projects.
- Chapter 9: - Key Finding 9.6 - We note that this key finding also featured in last year's Estimates Report, however, we still find it difficult to believe that the Committee would claim 9.6, to be a key finding. Totalling the number of questions and calculating how many related to rural and regional Victoria is clear evidence that the Committee was struggling to identify key findings of any real substance.
- Chapter 9: In relation to Key Finding 9.6, despite a number of questions put to him by the Committee, the Treasurer was at the time unable to explain his water policy for rural and regional Victoria.
- Chapter 12 (& Chapter 4): In comparing Chapter 4 with Chapter 12, a significant amount of evidence was related to Australia's productivity and comparing Australia to places including Ireland, Greece and Finland (Page 64). Yet, in Chapter 12, under Thriving Economy, which has a very clear connection to world exports and trade, the issue of comparative analysis with other States or internationally is silent.
- Chapter 12: We find it extraordinary that the export sector has been highlighted by the Committee as a key factor in Victoria being a thriving economy. ABS figures for Victorian exports reveal that the state economy is struggling not thriving. The Government set a target of \$12 billion worth of food and fibre exports by 2010. Presently food and fibre exports have stagnated at \$7.2 billion, which is less than the \$7.5 billion it was in 2001-02. In fact, Victoria's total export volumes have now fallen 16 per cent since 1999 and its share of national exports has now slumped to 12.0 per cent, an historic low from 20 per cent in 1999. The dollar value of our exports has also fallen - by \$2.8 billion, or 12 per cent to \$20.3 billion annually.
- Chapter 12: We also find it extraordinary that the decline in the proportion of freight transported by rail was dismissed by the Committee as being due to seasonal and economic factors despite the lack of investment in rail infrastructure since 1999. The Government promised rail standardisation worth \$96 million back in 2001-02 - yet not a sleeper has been laid or a spike driven. The Government's 30 per cent target for rail freight is set as a proportion, therefore, changing the mode of transport from road freight to rail freight is not volume dependent. The fact is, the Government has simply failed to attract new business to rail from road and is attempting to lay the blame elsewhere.
- Chapter 13: In detailing expenditure for Victoria's two largest portfolios of health and education, there is a total commentary of only six (6) pages. This is nothing less than disgraceful – more so for the fact that it referenced Budget Papers and old reports. Equally, the recommendations for these significant portfolios total three (3) with no recommendation at all in the portfolio of Health. This reveals bias by the government members of the Committee in not wishing to express any criticism of their Health Minister.

- Chapter 13: No analysis was undertaken nor evidence offered to support Key Finding 13.2. No analysis was presented by the Committee to conclude that the reduction in four year old kindergarten participation is solely due to increased use of long day care centres. Other possible factors, including the cost to parents, have not been considered. The fact that the Government has failed to act in addressing the issue of long day care centres not offering state funded kindergarten programs, with the number of centres offering kindergarten declining from 420 in 2002 down to 347 in 2006, was given only scant regard.
- Chapter 13: The 2007-08 Budget Papers reveal an apparent shortfall of \$1.3 billion in capital funding for the Victorian Schools Plan over the budget outlook period to 2010-11 with only \$555 million of an estimated \$1.9 billion capital program having been allocated. No explanation or analysis was provided to detail why such a shortfall in funding existed in the forward estimates.
- Chapter 14: There is no indication of the impact, in a financial way, of the \$5.5 million to be spent for the establishment of the Office of Climate Change (reference Page 155). In 14.4, under *Melbourne's Water Use*, there are references to the Government's Budget Paper and the Minister's transcripts. The facts are that, in the three (3) pages of commentary on the significant issue of water, there is absolutely no analysis about the Government's proposed water infrastructure plan to deal with the current and looming water crisis and its financial impact on the State Budget, businesses and consumers.
- Chapters 15 & 16: The paucity of analysis in relation to the sections, *Caring Communities and Vibrant Democracies*, is glaring. With respect to housing affordability, we note with interest the criticism of the interest rate rises on Page 164 - yet on Page 165, relating to Footnote 223, there is no criticism by the Committee of the significant increases in land tax, stamp duty or the property developers' tax on new estates by the State Government.
- Chapters 15: There is simply no analysis of the impact of state taxation on housing affordability, despite Victoria still having the highest stamp duty in Australia on a median priced owner occupied home of \$420,000, even allowing for the Government's recent modest cuts.
- Chapters 15: No analysis has been undertaken on the impact of the State Government's *Melbourne 2030* planning policy and other restrictive planning practices on housing affordability.
- Chapter 15: Recommendation No. 48 - We find that the statement, made by the Committee regarding applying a "significant portion of any budget surplus in excess of the initial prediction" to be used to increase the level of public housing, is extraordinary. No supporting evidence or analysis is provided to reach such a conclusion.
- Chapter 16: On the contentious issue of public transport and overcrowding, there are only (5) pages of commentary. We note particularly, the table on Melbourne public transport patronage, as presented. The government members of the Committee repeatedly stated the increase in patronage was 20 per cent over the last two financial years, whereas the fact is there has been a 44 per cent increase in the Government's own figures in train use since 1999. There is absolutely no analysis of this and no criticism of the Government's failure to deal with the problem. To suggest that the increased patronage has only been noticeable over the last two years is grossly misleading. This same analysis can be done for tram use and indeed the total

figure of increased usage has been 27.9 per cent since 1999. It is a disgraceful selected analysis at the extreme.

- Chapter 16: We believe that the Government's \$360 million investment is totally insufficient to relieve train overcrowding, the time lags involved of benefiting from new trains are substantial and the measures do little to address increasing demand. Yet the Committee has stated that this funding is sufficient to "address this situation".
- Chapter 16: The Committee's recommendation that frequent surveys of train passengers be undertaken is nothing less than a joke and a sad indictment on how out of touch the government members of the Committee are on the real problems facing Victorians today. Rather than wasting money on pointless surveys on stranded, frustrated commuters, the money would be better spent on providing more trains, infrastructure and improving overall efficiency of the public transport network.
- Chapter 17: We note with interest on Page 188, recommendation 52(c) that, responses provided by Ministers wherever possible "*should uphold or corroborate the information provided*". It is thus rather fitting that this, being the last recommendation of the entire Report, had absolutely no evidence or corroboration other than extracts from the Budget Papers, from press releases and even from the ALP. This is a good example of where even the recommendations are a joke.

The forgoing examples are representative of the Report which substitutes government spin and rhetoric for critical analysis.

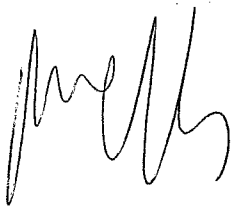
It is our considered opinion that this Report is the result of an attempt by the government majority on the Committee to shut down critical analysis and consideration of the Budget Estimates thereby undermining proper scrutiny of the Government's performance and agenda.

Consequently, this Report contributes nothing to improving the transparency, openness and accountability of the State Government.

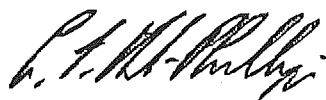
Collectively, we are incredibly disappointed with the Report. We believe the Committee has produced a lacklustre and biased Report which has been so blatantly used as a rubberstamp for the Government.

To have supported the adoption of the Report would have meant breaching our responsibilities as duly elected representatives of the people of Victoria in ensuring the government of the day is held to account in the most open and transparent manner possible.

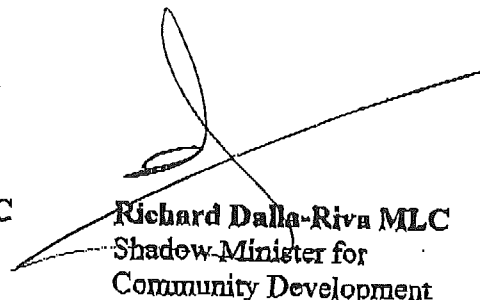
Future Estimates Reports must adopt the traditional analytical format to restore proper scrutiny of the State Government.



Kim Wells MP
Shadow Treasurer



Gordon Rich-Phillips MLC
Assistant Shadow Treasurer



Richard Dalla-Riva MLC
Shadow Minister for
Community Development

**Public Accounts & Estimates Committee (PAEC)
Report on the 2007-08 Budget Estimates**

Minority Report – Bill Sykes MLA, Benalla

I wish to congratulate the PAEC staff for their efforts in preparing the PAEC Report on the 2007-08 Budget Estimates within a very tight time frame with very limited resources.

However, I am unable to endorse the final report as I believe that there has been insufficient critical analysis of statements by Ministers and Government Departments.

For example in *Chapter 4 – Productivity – Impact of new initiatives and portfolios spending on productivity in Victoria* it is stated, “The Shepparton irrigation project illustrates how productivity is improving through the budget, whereby that irrigation system will be more efficient by some 50 billion litres a year”.

A technical discussion paper prepared for the local Water Services Committee, using the Government's own figures on water losses, clearly demonstrates that substantially less than 50 billion litres of water savings will be available in dry years, the time when savings are most needed.

Critical analysis would identify this significant error of fact and lead to different conclusions on the economic, social and environmental impact of the project, in particular the availability of “water savings” for Melbourne via the North-South pipeline.

In *Appendix 4 – Response to questions on notice*, a ministerial response to a question regarding the level of funding for non government schools in Victoria is reported.

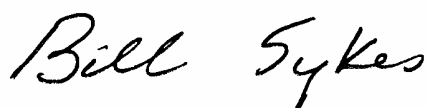
The response refers the reader to the 2005 National Report on Schooling in Australia website rather than reporting the specific information.

Why is the specific information not included in the report? Is it because the tables show that Victorian non Government schools are very poorly funded in comparison with non Government schools in other Australian States & Territories?

Finally, at time of announcing the Budget the then Treasurer and Treasury staff pointed out that the predicted rate of economic growth was reduced by around 20% due to the impact of the prevailing drought. It was stated this effect was predicted to disappear during 2007/08. The budget estimates are based on this improvement in conditions.

Given the current seasonal conditions it would be reasonable to re-assess the continuing impact of the drought and modify key projections accordingly.

The PAEC must retain its independence to ensure that it is able to fulfill its responsibility to provide thorough critical analysis of future budget estimates and to generally hold the Government accountable.



Bill Sykes MLA, Benalla

17 September 2007