

**CHAPTER 6: DEPARTMENT OF INNOVATION,  
INDUSTRY, AND REGIONAL  
DEVELOPMENT**

**Transcript of evidence**

**6.1 Industrial Relations portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 3 June 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr R. Hulls, Minister for Industrial Relations,  
Mr H. Ronaldson, Secretary, Department of Innovation Industry and Regional Development, and  
Mr T. Lee, Deputy Secretary, Industrial Relations Victoria.

**The CHAIR** — I welcome Howard Ronaldson, Secretary, Department of Innovation, Industry and Regional Development and Tim Lee, Industrial Relations Victoria, and I call on the minister to give a presentation of not more than 5 minutes on the industrial relations portfolio.

**Overheads shown.**

**Mr HULLS** — Thank you, Chair. I have a few slides. The first slide talks about the role of Industrial Relations Victoria. It advocates industrial relations frameworks that encourage high-performance workplaces in the public and private sectors, and it is about minimising industrial disputes. It develops policy, provides advice and delivers programs relating to industrial relations and workforce participation. It has primary responsibility for developing policy, administering workplace legislation and managing programs generally aimed at establishing a fair, cooperative, dynamic industrial relations environment here in Victoria. Its budget decreased from 12.5 million in 07–08 to 11.7 million in 08–09, principally due to savings of \$100 000 and the reallocation of output costs covering general departmental and corporate costs of \$600 000.

The next slide talks about the key achievements in 07–08 and a number of pieces of legislation. The Victorian Workers' Wages Protection Act provides that employers must not deduct amounts from employees' pay without their permission and also work closely with other agencies on the Equal Opportunity Act, which now protect employees from discrimination if they raise concerns with their employer about entitlements. We have commenced a review of our child employment laws to offer a whole-of-government approach to the protection of kids and remove red tape where we can. We have also established a Working Families Council, which was promised in 2006. It held its first meeting in August of last year and comprises members of industry organisations, unions, community organisations, businesses, academia and government. It is about promoting work-family balance, implementation of a social marketing campaign to promote work and family balance and also pay equity. It also has an employer recognition program.

The next slide deals with the workplace rights advocate, which continues to investigate illegal, unfair and otherwise inappropriate industrial relations practices. It has investigated over 100 matters involving a broad range of issues arising out of the WorkChoices environment. These include offering of unfair, unlawful or inappropriate Australian workplace agreements, any sham contracting arrangements, underpayments, non-payments, incorrect payment of wages and the like. Because of the death of WorkChoices, I have asked IRV to assess the role of the WRA, including the type and level of service provides. It will be subject to an assessment that is undertaken by Tim Lee and IRV. It will consider in that assessment a number of things, including how the change, obviously, in the federal government has impacted on the role of the workplace rights advocate. Obviously with some federal legislative changes that have already come into effect the role of the WRA has changed. For example, the workplace rights advocate, following the passage of the Public Sector Employment (Award Entitlements) Amendment Act, will no longer conduct fairness assessments of Victorian public sector agreements. That is now a responsibility of the federal authority. I think it is important that we have a review of the WRA, and that has already commenced, or is about to commence.

The last slide shows key initiatives and priorities of 08–09, and they are set out in dot point there. IRV is working very closely with the commonwealth. In fact the commonwealth set up a high-level officers group, I think it is called, to look at its transitional legislation, but also to look at the main legislation, so there has been substantive work done by IRV in relation to that. Obviously IRV has played a key oversight role in relation to public sector negotiations and will continue to work with other agencies in implementing our better work and families agenda. Thank you, Chair.

**The CHAIR** — Thank you, Minister. Mr Noonan? We have got a couple of people here who have a strong interest in industrial relations.

**Mr NOONAN** — Minister, broadly you talked about the role of the workplace rights advocate and that review. Within the context of the activities that you have dot pointed out on the slide, I wonder whether you could talk more extensively about the review that you have requested into the operations?

**Mr HULLS** — Yes. Thanks very much. The workplace rights advocate was created in March 2006 after we were forced to pass legislation to protect Victorian workers from unfair and unbalanced WorkChoices legislation. There were some outlandish claims that were made at the time about it being illegal, about it being

unconstitutional, about it being unworkable, about it being impractical and about it being a complete disgrace and the like. I think all those allegations have proved to be unfounded.

**Mr RICH-PHILLIPS** — What about it being political?

**Mr HULLS** — All of those have proved to be unfounded.

**Mr RICH-PHILLIPS** — And now you are getting rid of it.

**Mr HULLS** — I think there were some allegations that it was political as well. Again, completely unfounded allegations.

**Mr WELLS** — No. There was a different set of rules if you were a union mate — an ALP mate.

**The CHAIR** — Concentrate on the answer, please.

**Mr HULLS** — I think it has proved to be completely unfounded — outlandish and outrageous comments were made at the time. We believe that the workplace rights advocate — and I think everyone believes it now — was an absolutely appropriate response to the unprecedented and unfair WorkChoices legislation. It is worth remembering that WorkChoices removed penalty rates, it removed award entitlements, it destroyed job security and introduced unfairness into the industrial relations system that had never been experienced in this country before. To his credit, Joe Hockey last year specifically stated that the problem with WorkChoices was ‘... we just went too deep. It was a mistake’. So even Joe Hockey, to his credit — —

**Mr PAKULA** — Saw the light.

**Mr HULLS** — He admitted that WorkChoices was wrong and saw the light. But you asked about the role of the workplace rights advocate. It has provided nearly 9000 Victorians with information and advice, handled more than 11 000 queries about work-related issues, prepared a whole range of fact sheets to inform Victorian employers and employees about their rights and entitlements in the workplace, investigated over 110 matters highlighting a broad range of issues, and conducted a formal inquiry in relation to the impact of WorkChoices on employers and employees in the retail and hospitality industries.

Most of us would remember that there was an election held in November of last year — a federal election — and that, thank goodness, that result forever really repudiated WorkChoices, and fairness is being restored to our industrial relations system. The commonwealth government, for instance, has reinstated a proper no-disadvantage test and the like. As a result of the change in the federal environment, and the fact that just last week — I think it was — the Public Sector Employment (Award Entitlements) Bill passed both houses of Parliament, therefore removing from the workplace rights advocate the obligation to assess public sector agreements against the fairness test, that role having been restored by the federal government to national regulation, it is absolutely the right time to undertake an assessment of the ongoing role of the workplace rights advocate. I think it has done a great job. I think it is widely regarded out there in the community, widely respected and greatly utilised, and it does continue, I might say, to provide important services to Victorian employers and employees, including, for example, assistance, information and protection for Victoria’s most vulnerable workers. But it is time to assess now the role of the WRA. I noticed the interjection that was made — —

**The CHAIR** — Ignore them, please.

**Mr HULLS** — Which I totally ignore, but I do not intend to pre-empt the outcome of that assessment, and I look forward to being briefed on that outcome once it is concluded.

**Mr PAKULA** — I might say that, like the member, Minister, I have utilised the Office of the Workplace Rights Advocate and it has been extremely satisfactory. Page 155 of budget paper 3 refers to the advocating and delivering of programs aimed at establishing fair, cooperative and dynamic work environments. In that context I would ask the minister to outline the outcomes from workplace relations ministers councils that have been held since the last estimates process.

**Mr HULLS** — I can tell you there is a difference between Workplace Relations Ministers’ Council now under the new federal government and Workplace Relations Ministers’ Council under the previous federal government. The main difference is that the federal minister now turns up. Under the previous government the

federal minister, particularly Joe Hockey, did not attend any meetings of the federal Workplace Relations Ministers' Council. That is the first difference we have noticed. We have those meetings now and — guess what? — a federal minister turns up, so that shows a new era of cooperation and collaboration. Under the former government —

This is no secret. I have made clear that there was no consultation with Victoria in relation to the WorkChoices legislation. Despite the fact that under the Kennett government we handed over our powers in relation to industrial relations, you would have thought as the biggest user of the federal system there would be consultation with Victoria, but there was none.

**The CHAIR** — Sure, but on to the answer.

**Mr HULLS** — But now the Rudd Labor government, and in particular Julia Gillard, in relegating WorkChoices to the scrap heap, has decided to have fair dinkum consultation in relation to workplace laws federally. The new Workplace Relations Amendment (Transition to Forward with Fairness) Act came into effect on 28 March. There was extensive consultation with this high-level officers group that I spoke about earlier, and as a result that legislation prevents the making of any new AWA and allows current employees on AWAs to make individual transitional employment agreements, available only for limited use during the transition period. It introduced a new no-disadvantage test and new collective agreements, and it enabled the Australian Industrial Relations Commission to start modernising awards.

Symbolic in this new IR era, the Workplace Relations Ministers Council, which is the peak forum for industrial relations ministers across the country, has already met twice since the federal election. At those meetings there have been full and frank discussions, including, as I said, the establishment of the high-level officers group, which comprises commonwealth, state and territory bureaucrats — and they have met on a number of occasions also. It is a very constructive forum. We actually do work at these Workplace Relations Ministers Council meetings. There is no political game playing; it is all about getting the national legislation bedded down. So improved is the cooperation that the federal minister is actually prepared, on a confidential basis, to show draft legislation to high officers working groups and ministers as well, for scrutiny.

This is an opportunity now that we have to grab, because it is only available, in my view, to have a truly national system of industrial relations that is fair for Australia workers — the window of opportunity will only last, probably, or could only last — as far as the next state election, wherever that is. You do not know what is going to happen at the next election. We now have Labor governments in every state and territory and federally, so I keep stressing at these meetings that we should not allow this opportunity to go by without implementing fair dinkum, long-term reform in the interests of all Australians — but the window of opportunity is only small.

**Mr WELLS** — Minister, listening to you, you would think that everything was rosy now that we have Kevin Rudd in place. But I am just wondering, when you look at the latest ABS data on industrial disputes, Victoria was responsible for more than two-thirds — that is two-thirds — of all days lost due to industrial disputes in the calendar year 2007, and in the December quarter alone it was responsible for 86 per cent. When you break down that figure for the December quarter, it shows that over 80 per cent of the working days lost were in education, health and the community services sector. Would you agree that this shows that Victoria's current high rate of industrial disputes is due to the way that the government is handling the public sector, and what are you putting in place to improve that relationship with the public sector, to ensure that the number of industrial days lost for calendar year 2008 is a significant improvement on 2007?

**Mr HULLS** — I think the premise of your question is wrong. We have an absolute commitment in Victoria to promoting cooperative workplace practices, improving the business environment and delivering benefits to all Victorians. We developed a workplace rights standard that we believe will deliver a fair system of industrial relations, getting the balance right for employers and employees and providing an appropriate safety net for Victorian workers. The most common cause of disputes, of course, is enterprise bargaining. As you would know, all bargaining in Victoria takes place under the commonwealth Workplace Relations Act. The new commonwealth government has commenced a process to reform that act and make it fair to employees. The sad fact of the matter is that for 11 years the previous commonwealth government presided over an industrial relations system that actually discouraged the resolution of disputes and promoted — or if not promoted, certainly encouraged — industrial action.

In Victoria we fully support an IR system that facilitates timely dispute resolution, including a requirement that parties bargain in good faith. The role of government should always be, in my view, to promote a cooperative workplace culture with all parties, not to take sides in industrial disputes. That is certainly the role that the Victorian government has undertaken. You spoke about working days lost due to industrial disputation. I have to say that they have actually continued to decline, from 30 per 1000 employees in 1999 to 9.1 per 1000 employees in December 2007. So since the dark, dark days of the Kennett government — —

**Mr WELLS** — Minister, are my figures wrong? Is that what you are saying, that two-thirds of industrial dispute days lost in Australia were not here in Victoria?

**Mr HULLS** — What I am saying to you — —

**Mr WELLS** — No — is that right or is that wrong?

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

**Mr HULLS** — I am giving you the answer.

**Mr WELLS** — No, you have not.

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

**Mr HULLS** — I am giving you the answer: since the dark, dark days — —

**Mr WELLS** — No. Are two-thirds of the industrial days lost in Australia, are they lost here in Victoria? It is a simple yes or no answer.

**The CHAIR** — You have asked your question. The minister, to answer.

**Mr HULLS** — I am giving you the answer to your question, and that is: since the dark, rotten days of the Kennett government — —

**Mr WELLS** — Are you going to get him to answer the question?

**The CHAIR** — He is answering the question.

**Mr WELLS** — No, he is not.

**The CHAIR** — It is up to the minister to answer — —

**Mr HULLS** — Industrial disputes in Victoria have — —

**Mr WELLS** — It is simple and straightforward: are the ABS figures right or wrong? Are these right or wrong?

**Mr HULLS** — They have continued to decline, I repeat, from 30 — —

**Mr WELLS** — So the ABS figures are wrong?

**Mr HULLS** — Are you saying my figures are wrong? From 30 — —

**Mr WELLS** — Are the ABS figures wrong?

**Mr HULLS** — From 30 per 1000 employees in 1999 to 9.1 per 1000 employees in December 2007.

**Mr WELLS** — So these figures must be right, that two-thirds of industrial days lost in Australia were actually taking place here in Victoria?

**The CHAIR** — Let the minister answer; one at a time.

**Mr HULLS** — Guess what?

**Mr WELLS** — Are we going to get some answers?

**The CHAIR** — The minister is answering.

**Mr WELLS** — Are you, as Chair, going to get him to answer some questions?

**Mr RICH-PHILLIPS** — He is talking about a different issue.

**Mr WELLS** — Are you going to get him to answer some questions?

**The CHAIR** — He is answering the questions about the incidence — —

**Mr WELLS** — He does not need your protection, so get him to answer the question.

**The CHAIR** — I am not providing any protection, thank you very much, and I actually resent that comment. I am trying to get the minister to provide a commentary in response to your question on the incidence of days lost.

**Mr WELLS** — We do not want commentary; we want some answers.

**The CHAIR** — It is the same thing.

**Mr WELLS** — We do not want the commentary; we want the answers.

**The CHAIR** — It is the same thing as the answers.

**Mr WELLS** — No, it is not.

**Mr HULLS** — Guess what! That is a reduction of 70 per cent — a huge reduction in days lost through industrial disputation. It is true that there has been a number of disputes in relation to public sector EBAs. There is always colour and movement in relation to EBAs, particularly in relation to the public sector, but the outcomes that were achieved for police, for nurses, for teachers we believe will be of enormous benefit to not just the teachers and the police and the nurses but for the Victorian public more generally. I repeat: the highest level of industrial disputation in Victoria was during the days of the Kennett government. The average days lost per quarter due to disputes was 112 000 for the life of the Kennett government. That has dramatically decreased since 1999. That is not to say that you will not have days lost, you will not have disputes due to EBAs; that is the nature of bargaining, but we will continue to bargain in good faith and continue to achieve outcomes for the benefit of Victoria generally.

**Ms MUNT** — Budget paper 3, page 155, mentions the working families agenda. I have a keen interest in work and family balance; I am trying to find one. My kids think the balance is best when I am nowhere to be found, when I am out of their hair! That is quality family time for them; when I am not around! I was wondering if you could detail what initiatives the government has introduced to promote work and family balance.

**Mr HULLS** — I always find it interesting when politicians talk about work-family balance, because the nature of our job is such, particularly if you got young kids, that it is often very difficult to get the work and family balance right. I have got a number of very young kids, nonetheless it is part of my portfolio to continue to address issues of work-family balance, and I am more than happy to do that. We are committed to supporting working families and their employers to improve work and family balance. That is all about allowing businesses of course to retain quality staff. We did set up the Working Families Council, and I think that recognises the importance of making work and family balance a reality for all Victorian workers. As I said at the outset, that council is made up of reps from industry associations, small business, academia and trade unions. That council is headed up by Jill Hennessy, who would be known to many here. She is very highly qualified to head up that council.

That council, since the last PAEC meeting, has met on four occasions and consulted a wide variety of stakeholders, including industry and community groups, with a view to promoting the value of flexible workplace practices for both employers and employees. It has been established for a three-year term, from 2007 to 2010. It has a very ambitious work program during this period. It will be promoting employment practices that allow workers to better manage the stresses that you referred to: of juggling work commitments with spending quality time with family and friends. And work-family balance is not just about spending more time with the kids; as we have an ageing

population, of course, people want to spend more time with their elderly relatives and the like, and they have carer responsibilities, so it is important that we look at strategies to address those issues.

Council members will be engaging in a number of opportunities to publicise the work of the council and champion issues of relevance to Victorian working families. They recently actually developed a submission to the 2020 forum, providing a number of principles that could guide governments in this area. They are also working up an online tool kit, which will be the first of its kind in Australia, to provide practical online advice to employers and employees about their responsibilities and opportunities in this area. The smartest businesses are the ones that can retain the best staff. The best way to retain the best staff is to get that balance right. It is absolutely crucial, and we will continue to work with the council to implement innovative work-family balance initiatives.

**Mr SCOTT** — I refer the minister also to budget paper 3, page 155, to the outputs under the heading ‘Industrial relations’. My question relates to equal opportunity. I ask him to outline how the Victorian government is helping employees through the Equal Opportunity Act in the estimates period.

**Mr HULLS** — That, I guess, gets back in part to the question that Janice asked about work-family balance. One of our priorities has been the promotion of family time in the area of employment. We have made amendments to the Equal Opportunity Act to assist in that regard. We do not think that employees should be discriminated against at work for trying to find a decent balance between their work and any family responsibilities they have, whether it is looking after kids or a carer status that they may have. That is why from 1 September of this year discrimination by an employer unreasonably refusing to accommodate a worker’s parental or carer responsibilities will be unlawful under the equal opportunity amendments that we made. We had a mandate, we believe, to introduce this change as part of the 2006 election commitment to assist parents with young kids to return to work by including family responsibility as a ground of unlawful discrimination.

The Act will certainly help working parents and carers by requiring an employer to not unreasonably refuse to accommodate the family responsibilities of an employee. An employee’s responsibilities may be accommodated, for example, through working part-time, through flexible starting and finishing times and also from working from home, for instance. It is about getting the balance right. We think it is an important amendment to the equal opportunity legislation.

IRV is working with the Equal Opportunity and Human Rights Commission to develop guidelines to provide information, recommendations and assistance to employers and employees about implementing the new requirements that came about as a result of the changes that you spoke about. I understand that the federal government is looking at what we have done here in Victoria. I expect it will follow our lead as well in this particular area.

We also met our election commitment to protect employees from discrimination where an employee queries or raises concerns with their employer about their employment entitlements. That amendment to the Equal Opportunity Act came into effect on 31 March of this year. We were criticised by some who said that this was just more red tape and more opportunity for questionable claims, but I think that misunderstands the changes that we implemented. The amendments do not protect employees seeking a pay rise or more generous terms and conditions of employment. It protects reasonable requests for information and genuine employee concerns about employment entitlements. We believe that an employee should be able to approach their employer about these types of issues without fear or recrimination or penalties. There are a couple of amendments we have made to the Equal Opportunity Act. We believe they are appropriate. In relation to the work and family balance we expect the feds will follow our lead.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the workplace rights advocate’s information sessions, which are shown on page 155 of budget paper 3. It shows that in 06–07 there were 74 sessions held and for the current financial year that has fallen to 30. Can you explain why the number of sessions has halved between the two years? With respect to the 07–08 year, how many of those 30 sessions were held prior to the federal election and how many have been held since?

**Mr HULLS** — Sorry, just the last bit of the question, just say it again.

**Mr RICH-PHILLIPS** — How many of the 30 for the current financial year were held prior to the federal election and how many have been held since?

**Mr HULLS** — I will have to take that aspect of the question on notice and make some inquiries about that. But more than 8000, almost 9000, Victorians actually obtained information and advice via the workplace rights advocate's dedicated telephone advice line. It has conducted a number of information sessions, it is true, around the state, but that is not its only role. Its other roles, of course, include investigating complaints. The telephone advice line raised more than 11 000 complaints and queries. I think over 20 000 Victorians have actually logged into the workplace rights advocate's website and been able to download information about their rights at work.

This provision of information and advice has been crucial for employers and employees, particularly in the context of the former federal government's very complex WorkChoices legislation. The workplace rights advocate has also — and I assume at these information sessions and outside the information sessions — distributed a range of publications and fact sheets designed to inform employers and employees, particularly young employees, I have to say, and their parents and women about their respective rights, entitlements and obligations in the workplace. The workplace rights advocate has also investigated over 110 matters which have highlighted, amongst other things, the unfairness that employees suffered under WorkChoices. It also conducted a formal inquiry into the impact of WorkChoices in the retail and hospitality industries. As well as the issues you raised about the information sessions, as you can see it has been fairly busy in providing information and advice to Victorians through a whole range of other mechanisms as well.

It has commissioned a whole range of projects, some of which examined the impact of WorkChoices on employers and employees. It also had a role, until recently, of assessing a number of proposed public sector agreements to determine whether or not they passed the appropriate fairness test. How many of these information sessions have been held after the federal election, I am not aware of — it is an independent authority. But I can find out for you.

I can get that information to you. Although I note that in the workplace rights advocate annual report it reports on presentations which it has given. At page 12 of its last annual report it says:

Following its establishment the OWRA developed and implemented a statewide speaking program, delivering relevant and informative presentations to a diverse range of groups. These presentations have principally focused on the OWRA's roles and functions and industrial relations arrangements in Victoria including WorkChoices.

... During the reporting period the OWRA has actively participated in 80 such presentations, 21 of which have been undertaken in rural and regional Victoria.

And then it talks about the types of presentations it has presented. Then it goes and talks about its regional activities. I do not know how many it has presented since the federal election. I will find out and get back to you.

**Mr NOONAN** — I wanted to say that the work done in the owner-driver and forestry contractors area has been really quite outstanding and of course has had support from industry stakeholders in terms of creating new laws in Victoria. But there is another group of workers in the Victorian community broadly labelled as outworkers. I wonder as part of the future going forward what the Victorian government might do to support broadly this group of workers in particular in the context of this budget.

**Mr HULLS** — Outworkers certainly are an extremely valuable group of workers in our community. They are, to be frank with you, a largely invisible workforce. They are predominantly migrant women and many of them are working alone from their homes. As a government we were quick to recognise this. We made a commitment to do what we could to seek to improve the lives of this cohort of workers and their families.

We introduced, some time ago now, the Outworkers (Improved Protection) Act to ensure that outworkers in the clothing industry received their lawful entitlements. In 2005 we made amendments to that legislation to strengthen those protections. We legislated to ensure that the terms and conditions of all outworkers were protected regardless of whether they were called independent contractors or employees. A lot of these people were being deemed to be independent contractors and were being ripped off as a result, so we changed legislation to ensure that did not occur. We also stepped in to shield outworkers from many of the federal government's unfair laws by ensuring that Victorian outworkers received the same wages and conditions as federal award employees in a post WorkChoices environment.

We also established the Ethical Clothing Trades Council of Victoria some three years ago to advise the government on an ongoing basis in relation to helping outworkers. It recommended we develop a plan to help outworkers in their current employment and to facilitate their move into the broader workforce by upgrading their skills. That

council identified a number of barriers really to outworkers who were keen to seek alternative employment and training, including difficulties with English, lacking tertiary qualifications, overwhelming family responsibilities, lack of confidence due to prolonged social isolation and the like.

In partnership with a number of Victorian government agencies, employers, unions, community organisations and training providers, we developed a program which sought to assist outworkers to overcome many of these barriers. The result was a series of education and training courses which focused on areas of skill shortage and locations of interest to outworkers. I have to say that this has been of enormous benefit to this very disadvantaged group of workers. Students in these courses undertake six-week training programs in subjects such as hospitality, commercial cookery, child care, pattern making, aged care, dry-cleaning and the like. When they are finished they are provided with post course employment opportunities.

I was fortunate enough to attend a graduation ceremony for outworkers who had undergone retraining at William Angliss Institute of TAFE and who were helped into employment opportunities in the hospitality industry. This strategy is a win-win strategy. It is a win for the outworkers affected by a downturn in some of the industries in which they work, and a winner for industries that cry out for skilled staff. We will continue to do what we can to assist the lot of outworkers. They are a vulnerable group within Victoria. We have done a lot, but we will continue to monitor the reforms that we have already implemented.

**Mr PAKULA** — From an IR perspective the Victorian building industry has always received a lot of attention. Can you give the committee some information about how competitive that industry is right now and look to the forward estimates period. I have got a particular interest in it, given that my dad still works in the Victorian building industry so I would be interested to hear some outlook on that.

**Mr HULLS** — I am happy to. It will allow me to get back to the issue that Kim Wells first raised about industrial disputes in Victoria. Our building and construction industry, as your old man would know, is robust and continues to flourish as the momentum from a record-breaking 2007 has laid, I think, the foundations for a very prosperous 2008. The fact is that the Victorian building industry, the Victorian construction industry, is highly competitive. The most recent building industry comparative index independently prepared and then verified by Econtech confirms that Victoria remains a national leader in the commercial building sector. That index examines a number of variables, including tender price, cost per square metre, taxes and duties, cost of materials, labour disputes and supply, and also incidents in industry.

That index shows a number of very interesting things. First of all Victoria's building industry has improved by 20 index points since 2002. Victoria has the lowest tender prices relative to all the other eastern seaboard states. Industrial disputes remain at historically low levels, with 20 days lost to strikes in the half year to June, down from 343 in June 2000, and Victoria has the lowest injury incident rates in the nation, with 18.9 injuries per thousand employees. Recent case studies of five major projects, including the synchrotron, Holden engine plant, Melbourne Airport runway, Southern Cross building, GE and Botanica show that construction companies in Victoria, their workforce and their unions can collaborate to get on with the job in a positive manner and deliver projects on time and on budget. The index also shows the value of building permit activity reached \$18.3 billion during the 2007 calendar year, which was an increase of 10 per cent on 2006 figures. Since 1999 the number of working days lost per 1000 employees in the Victorian construction industry has steadily declined. Days lost to disputes in the Victorian construction industry declined from 635 per 1000 employees in 1999 to 28.9 in 2007.

If this good news was not good enough, there is even more good news and that was of course in the latest budget which provided a further 5 per cent reduction in the average premium rate for WorkCover, which is great news. Basically the building industry is going very well. We should never be complacent, but this is an independent assessment of the building industry in Victoria compared to other jurisdictions, and the building industry is going very well in this state.

**Mr DALLA-RIVA** — Just following on from your discussion in terms of the improvements, do you think those improvements are as a result of the Australian Building and Construction Commission's work and do you support moving forward the abolition as proposed by the ALP at their recent conference?

**Mr HULLS** — No, I do not think it is as a result of the federal body that was set up by the previous federal government. I think it is because of the enlightened, collaborative and cooperative approach we have here in Victoria.

**Mr WELLS** — You said that with a straight face.

**Mr HULLS** — You asked me what — —

**Mr PAKULA** — He asked the question with a straight face, which is even more amazing.

**Mr HULLS** — You asked me what my view was and I think the body that was set up here in Victoria — the Building Industry Consultative Council which I set up some years ago — has been the catalyst for a more cooperative, collaborative approach to the building sector here in Victoria. I think as a result those figures that I quoted can be, if not directly, indirectly attributed to that new cooperative approach in the sector here in Victoria. Why did we set it up? We set it up because it is true that the sector had a pretty bad name. It is true that there was at least a myth out there that it was too difficult to undertake construction projects here in Victoria. Myth and reality become the same thing unless the facts are put on the table, and so the index that has been established is an independent evaluation of the construction sector in this state and it puts the facts on the table. I have cited those facts to you in relation to the answer I just gave to Martin. We do not believe the ABCC has had a great role to play.

The second part of your question is a motion that was moved at the state conference, a resolution I think calling for the immediate abolition of the ABCC. The federal government went to the last election with a commitment in relation to the ABCC and this commitment was that it would retain the ABCC until 30 January 2010. I am a very strong supporter of Forward with Fairness and will work very closely with the federal minister with a view to implementing Forward with Fairness. Some areas of Forward with Fairness are silent and obviously there is room for negotiations and discussions in relation to how those gaps can be filled. But the federal government was pretty clear in relation to the ABCC, and I support Forward with Fairness and will support Julia Gillard in implementing her policy.

**The CHAIR** — Thank you, Minister. We have just about finished our questions. I was going to ask you about how the 10 point plan is going, but I am sure it will probably take a long answer.

**Mr HULLS** — Next year.

**The CHAIR** — Maybe we might leave it at that for the moment. Minister, I thank you very much for your presentation today. That concludes the consideration of budget estimates for the portfolios of Attorney-General, racing and industrial relations. I thank the departmental officers as well as you for attending, Minister. The committee has a couple of issues to be followed up with and we would appreciate the information requested for the matters on notice to be responded to within 30 days. That concludes the session today. In fact it concludes all the estimates hearings for 2008–09.

**Committee adjourned.**

## **Transcript of evidence**

### **6.2 Industry and Trade portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Theophanous, Minister for Industry and Trade,  
Mr H. Ronaldson, Secretary, and  
Mr B. Foskett, Deputy Secretary, Department of Innovation, Industry and Regional Development.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I welcome to the committee Ben Foskett, deputy secretary of the Department of Innovation, Industry and Regional Development. Minister, I understand you are going to give us a presentation, which I hope is acceptable to the committee, on both industry and trade, which will be a brief one, and on information and communication technology. Then we will have 40 minutes of questions for industry and trade, and then we will have half an hour on ICT.

**Overheads shown.**

**Mr THEOPHANOUS** — Thank you, once again. Let us move to the first slide. I think the first thing that would be of interest to the committee chair is the integration of new responsibilities for DIIRD. DIIRD has become a much bigger department than it ever was in the past. It has increased its budget from \$276.9 million in 2006–07 to \$2.1651 billion in 2008–09. It is a very significant increase and it is because there has been an integration of some new responsibilities into the department. There are new responsibilities for skills, ICT, film and TV that have been added to workforce participation, major events and, most recently, major projects has also been drawn into the department.

DIIRD now supports six ministers across nine portfolios and I am the coordinating minister. As the committee can see from the list there are a number of other ministers as well — tourism and major events, regional and rural development, skills and workforce participation, industrial relations, small business and innovation. Obviously that means DIIRD is a much bigger department than it ever has been before. I might say it is part of a deliberative strategy by the government in order to try and have in one department the responsibility for what is essentially delivering on the economy, delivering on jobs and delivering on our economic future, as well as building infrastructure that supports that economic future. This is an important development that is a major change over the last year or so.

I now turn to the priorities of my portfolio area. Investment attraction and facilitation remain of critical importance as a driver of economic growth, job creation, innovation, skills technology, transfer and so on. Export development is also a high priority as the global economy becomes increasingly integrated with some significant challenges in the export area, including the rising dollar and so forth. A key focus in the context of creating a competitive business environment is the development and management of strategic projects and major economic assets of the state, such as the new convention centre that I have mentioned before. Reflecting Victoria's rich diverse industrial base we are also developing a specific sectoral focus addressing these particular challenges and unique opportunities that each individual industry that I am responsible for faces. We have a whole-of-economy approach which is mirrored in our international activities, including initiatives such as the establishment of an international coordination office, reform and expansion of the Victorian Government Business Office network and other initiatives that will strengthen our international engagement, avoid duplication of effort and promote the state brand overseas.

I want to just show a couple of slides in relation to how this is going. This is the investment attraction and facilitation. We have a strong record in investment attraction, and it is demonstrated, as you can see, in the chart where in 2006–07 we had a significant increase on previous years. The 2007–08 figure will, of course, once again achieve the annual target of 1.6 billion and we think it will actually surpass that target significantly.

I will move on to the next one. This is the investment attraction and facilitation in terms of total exports and exports of services. As you can see, there has been a modest increase in the export of goods, and goods and services together. We are coming back again to the 2001 total and starting to get past that total. We have gone through a bit of a dip in 2003, but we are coming back again strongly. A lot of this is driven by export services where, as you can see in the second graph, service exports have grown by close to 60 per cent since 2000, including in the areas of education and tourism. In fact there was a 12 per cent rise in 2007 alone, and education services increased by 25 per cent to 3.9 billion. They have more than trebled since 2000, so you can see that education is a big part of our exports going forward.

I am turning to ICT achievements. I have only one slide on ICT. This is an important sector for us. It employs almost 85 000 Victorians — sorry, it employs almost 24 000 Victorians.

**The CHAIR** — Third time: 84 600.

**Mr THEOPHANOUS** — It employs 84 600 Victorians, an increase of 24 000 over the last four years. The annual revenue is now \$24.4 billion; it has grown by \$4.2 billion over the last four years as well. And there are

\$1.8 billion per annum exports and revenue gained from overseas operations. To put this in perspective, that level of exports in the ICT space means that it is bigger than our wine industry in terms of exports and many other industries as well. It is an up-and-coming industry, but it is also an enabling industry, and I will be happy to answer questions on it. It is not only an industry in its own right but it employs a lot of Victorians, and it is an industry which enables other industries to perform better than they otherwise would. In fact some figures suggest that more than a third of productivity improvements over the last 20 years have been as a result of ICT improvements. This is a space that is very important to us.

I want to mention some key investment wins we have had, and I want to thank the department for its work in it as well. They include Satyam. Satyam will result ultimately in a 2000-job facility at Geelong. It is a phenomenal achievement to get Satyam to make this investment, because it reverses the traditional notion that Indian ICT companies are places which are taking ICT jobs away from Australia. In fact this is an example of an Indian company bringing 2000 jobs into Victoria and trying to gear itself up into the more value-adding high-quality jobs in this space.

There are a number of others listed there. I will not go through each of them, but I am happy to answer questions. We have been very proud of the way we have been able to help increase the size of this sector. It is a very important sector for our economy.

**Ms MUNT** — In the Treasurer's speech he noted that we have to rely on our people to build the Victorian economy. Can I refer you to budget paper 2, page 79, the second paragraph, that actually refers to the Victorian schools plan to rebuild government schools. Education, of course, is an important part of the capital of our people. Could you please outline how Victoria's human capital — of course that is not just our men but our women who are an important part of our manufacturing sector in our competitive local environment — is all coming together?

**Mr THEOPHANOUS** — Thank you for the question. Some years ago many people had given up on manufacturing. It was described as a sunset industry, and described as an industry without a future. I am pleased to be able to be a part of a government that has taken up the challenge in relation to manufacturing to build capacity. We did not give up when we could have given up. What we did was we recognised that we had to do things smarter if we were going to survive. Even in the export area where you saw the graph coming down in goods exports, they are coming back up again as we build our capability. If you think about this, manufacturing now contributes almost \$30 billion to Victoria's economy and employs 330 000 Victorians. This is a huge industry and it accounts for 50 per cent of all expenditure that takes place on research and development. This is what has allowed us partly to grow our GSP by an average annual rate of 2.9 per cent, which is the highest of the non-resource states, and achieve all those other things that I mentioned earlier.

How have we done this? We have done this with innovation. We have done it, and you are aware that the Premier has put great stock in our capacity to innovate. That is how we have been able to do this achievements: innovation to deal with the challenges of climate change, for example, which we are currently seeking to do; innovation through research and development; innovation to be globally competitive; and alongside of innovation, developing skills in education and our capacity. We have had to learn to do things in a lean, clean and green way if we are going to stay ahead of the game in manufacturing.

I am happy to talk about individual parts of manufacturing, but I do make the point that two of the traditional areas of manufacturing — the TCF industry and the automotive industry — I am pleased to say still provide a significant amount of employment in this state. They are very important industries for us going forward and we look forward to being able to build our manufacturing sector even further in the future.

**Mr PAKULA** — Minister, I refer you to page 146 of the *Service Delivery* budget paper 3, and the section headed 'Sector development'. There is a line item there 'New investments facilitated in financial/shared services'. I want to know what has been the performance of Victoria's financial services industries since 1999, and what policies do you have in place to further develop that sector?

**Mr THEOPHANOUS** — Mr Pakula, it is an infamous statement made by the previous Premier at one point when he said that we had some strengths in Victoria and the financial services sector was not one of them. It was one that ought to be given over to Sydney and that we should concentrate on some other areas instead.

One of the things that I think the Bracks and Brumby governments can be proud of is the way in which we have developed this sector, the financial services sector. It now is the third largest economic sector of Victoria. It

contributes nearly \$18 billion to our GSP and it employs over 106 000 people, so by any standards this is a huge sector. And how it has been developed? If you think about it, it has happened through new infrastructure. Infrastructure, you know, is not just something which government's build. The private sector builds them as well. We see a brand new National Australia Bank building down at Docklands, and the commencement of construction of a new 6-star ANZ building down at the Docklands as well, so that we have two of the four biggest banks now centring themselves squarely in Melbourne in the Docklands area. We see the Future Fund being put into Melbourne as a major financial institution, and we have our own Victorian Funds Management Corporation which itself has about \$40 billion that it manages. To look at all these things developing and to see this industry go from strength to strength with an annual growth rate of 9.2 per cent since 2000, you can see how that has built an industry. We now have 7 of the top 10 funds management players in Victoria.

I think this is the untold story of how Australia has been built. You might remember, and I am sure you do, Mr Pakula, because you would have been one of the big supporters of this when the Keating Labor government decided that superannuation was going to be compulsory, which was a very brave decision back then. But let me tell you what it has resulted in. It has resulted in Australia now having more than one trillion — some estimates put it as high as \$1.2 trillion — of funds under management, and those funds are building Australia. They are building new infrastructure. It is the fourth largest amount of money as funds under management in the world, and this is in a country of 20 million people. This was, by any stretch of the imagination, a forward looking decision by the then Keating government that has had long-term ramifications.

What it means for Victoria is that we are now in the space of trying to position ourselves as having the expertise to do funds management in a comprehensive way. We are doing this not only now in Victoria but also we are trying to export our expertise into Asia and into other parts of the world as well, and we do it through a range of activities. Recently I launched the Melbourne APEC Finance Centre and we gave them \$1.4 million, again to help position us as an international financial services centre.

Our vision is to make Melbourne the premier place for funds management and a finance centre of the Asia-Pacific region. We want to be the Boston of the Asia-Pacific region, if you like, and I think we can do it. We are well on our way to doing it, and it has been partly because of decisions that have been made both at a federal level by a federal Labor government and the fantastic commitment that has taken place under the Brumby government and the Bracks government.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about investment facilitation incentives. The budget bill notes that your department obtained \$500 000 from Treasurer's advance for Jetstar International. Can you tell the committee please what requirements were imposed upon Jetstar to obtain that grant and, in a similar vein, what incentives were offered to Tiger Airways?

**Mr THEOPHANOUS** — Thank you for your question, Mr Rich-Phillips, and I guess the answer to your question is that yes, the government does provide a range of facilitation to companies to bring them into Victoria. We make no apology for that. That facilitation takes a number of forms, in fact. It can be facilitation in joint marketing programs, it can be facilitation in developing R and D, it can be facilitation in skills development or in a range of other ways that we may assist companies in establishing themselves in Victoria.

It is a highly competitive space, however. You mentioned Tiger Airways, which I was directly involved in getting into Melbourne; Jetstar occurred before I became minister so this is just part of an existing arrangement in relation to Jetstar. But Tiger Airways was one that I got into Victoria with the help of a terrific department that works in partnership with the minister. The way this works is that if you want to get the business you have got to go and develop a personal relationship with the CEO. That is the first thing. And you need other people in the department to do the same thing with other members of the same company. So getting to know Tony Davis was absolutely critical to getting Tiger Airways to come into Melbourne. It was not only me that did that, but people within the department and at lower levels within it. Let me tell you, there were facilitation packages which they had access to from South Australia, from Queensland and from New South Wales. Now you are either in the space and you find ways to get the business or you do not. Around the corner from Tiger might be another airline that might want to come in. It might be an Etihad, it might be a Korean Air, it might be some other airline that wants to come into Australia, and is trying to make a decision about whether it sets itself up in Melbourne or somewhere else.

The last thing you want Queensland to know, South Australia to know, New South Wales to know or Western Australia to know is what kind of package we put together for Tiger Airways. Whilst I am happy to talk about the

fact that we do put such packages together and we provide an overall figure of investment assistance to companies, our policy is not to provide individual figures in relation to specific companies and the break-up of the type of assistance that we provide to those companies.

**Mr RICH-PHILLIPS** — How is that different from the figures provided for Jetstar international then for \$500 000 listed as Treasurer's advance?

**Mr THEOPHANOUS** — This is a special case because in this instance it came out of a different package of funds; the Treasurer's advance is different. There is a different fund which is available for investment attraction. I think there is another number in the budget for that this year. I cannot remember what it is; it is some millions of dollars.

**Mr RICH-PHILLIPS** — But the point being whether it came from TA or whether it came from appropriation, the Jetstar figure was publicly disclosed. You are saying that the Tiger figure cannot be publicly disclosed. What I am asking you about is the difference.

**Mr THEOPHANOUS** — I do not think the 500 000 you were referring to is the entirety of the Jetstar package. I think this was disclosed because it was required as a Treasurer's advance and therefore it was put into the budget. But it is an unusual circumstance in that sense. It certainly does not reflect the entirety of the arrangement with Jetstar international. I think that was simply from the point of view of accountability the Treasurer had to put it in because it was a special Treasurer's advance. But in the normal course of events, we would not disclose and have not disclosed. I would give you exactly the same answer if you asked me about Satyam or if you asked about a range of other ones, like Pilkington or Ford, or other companies we have managed to provide this kind of assistance to. I could not give you the numbers for the reasons I have outlined.

**Mr SCOTT** — I refer you, Minister, to budget paper 3 on page 10 where it refers to the Victorian industry and manufacturing strategy which will aim to be:

preparing Victorian industry for the global challenges ahead.

I note Ms Munt's earlier question when she reflected on the fact that employment in this area is not just for men but for women as well. I also note your response that while some see a darker future in this area, the Victorian government is much more proactive in this area in its view. Minister, could you please explain to the committee further how Victoria industry is dealing with these challenges?

**Mr THEOPHANOUS** — I have to say to you that the Victorian industry and manufacturing statement has probably been a bit later in coming than what we would have liked. We would have liked to have done this statement a bit earlier. In fact we had some concerns from the Australian Industry Group about the timing of this statement. But a couple of things happened which meant that we needed to consider the timing of this particular statement.

One of the things that happened was that the federal government decided to do a number of reviews, including a review of export policies and programs, a review of the automotive sector and a review of the textile, clothing and footwear industries. Those three reviews are due to report on 30 July. We took the view that rather than put out a statement before those reviews were made, which would not encapsulate the findings of those reviews, we would look to put out a significant and substantial statement in August of this year or at least following these reviews. That is the trajectory we are on for what will be a very significant statement. It will have funds attached to. It will set out the future and how we are going to meet the challenges in manufacturing and maintain and improve our productivity and performance while dealing with multiple pressures.

Those pressures include environmental issues. Environmental issues are both a cost and an opportunity, and we have to work out how we are going to take up the opportunities and how we are going to minimise the costs; how we are going to work in the face of an increasingly strengthening Australian dollar; and how we are going to deal with skills shortages going forward, because what is happening in manufacturing, of course, is that increasingly it is based on highly skilled people. To cite one example for you, the automotive industry employs in the order of 30 000 people; 4000 people out of the employment in the automotive sector are designers and engineers — 4000 people.

I was amazed when I went up to the Ford factory a while ago. If you go across the road from the Ford factory where it has its design and engineering facility you will find 4000 people working on all sorts of designs for motor vehicles and engineering on motor vehicles some of which in fact are never going to be built in Australia. Ford designed its four-cylinder Indian vehicle and its four-cylinder South African vehicle out of Ford Broadmeadows. The space we are occupying is increasingly in manufacturing reliant on highly-skilled people doing things.

**Ms MUNT** — I think George Polites was a major part of that turnaround out at Ford Broadmeadows too. He has recently passed away.

**Mr THEOPHANOUS** — That is true, and it was a sad occasion.

We have to work out how to maintain and get the right skills into the right places to keep manufacturing running. We have to work out how to minimise the rising input costs, and those input costs are significant. The Victorian government has done a lot to reduce input costs. The WorkCover reductions that have taken place, which are now very significant, are increasing the competitiveness of this sector. The reductions in payroll tax are also increasing the competitiveness of this sector. But it is always a balance. For everything we do to try to reduce input costs, something else comes up. Petrol is a major cost factor at the moment for these industries, and so we need to work out a way overall to remain globally competitive and to have a plan for the future of our manufacturing industry, and we will be doing that through the VIPP statement later in the year.

**The CHAIR** — Thank you, Minister. You were practically waxing lyrical on that. You will be becoming poetic and using iambic pentameters or quoting from *Ode on a Grecian Urn* or something.

**Mr NOONAN** — Minister, I wonder if I could stay with the automotive review, and it is the Bracks automotive review that I am referring to. I wonder whether you can outline how the Victorian government stands up for the local industry, given it has been a significant contributor to the Victorian economy and employed, as you say, tens of thousands of people for quite a considerable period of time. I am interested in the submission to that review, and also whether you will be appearing before that review to present the government's case?

**Mr THEOPHANOUS** — Thank you, Mr Noonan. I know you have a big interest in this area as well. The automotive industry has gone through a significant set of changes over the years. Over the last few years it has gone from an industry which produced cars for the Australian market to one now which produces half of the cars for export. It is a huge export earner for Victoria; in fact it is in our top three export earners. This is an important industry for us. That means it has got to remain internationally competitive. If you want to produce a Pontiac and send it to America you have got to be able to produce that Pontiac and get it over there at a lower price than they can do it over there, and that is what we are doing at the moment.

But there are cost pressures, and one of them is the question of tariffs. The current tariff level is 10 per cent. Bear in mind that years ago it used to be 70 per cent, so there has been an enormous reduction in tariffs. That has forced the industry to become internationally competitive. The question now is: do we drop those tariffs from 10 per cent to 5 per cent in 2010? We do not just think it because we think it is a good idea; we actually went out and did some economic modelling. Lateral Economics and Monash University did some economic modelling for us, which showed that the economic benefit of going from 10 per cent to 5 per cent is absolutely minimal and that the optimum level is something different to that. It has come back to me, as a matter of fact, with a final number. This is a preliminary economic estimate. But based on their preliminary advice we decided that we would support a position of holding at 10 per cent, not only because of that economic factor but also because our other competitor nations were not dropping their tariffs below the 10 per cent level. So we decided that we would support the retention of 10 per cent through to 2015.

I must say that I was very surprised to hear the opposition manufacturing spokesman, Peter Ryan, say on radio, or reported on radio as saying that he thought Australia's economy was strong enough to absorb any job losses caused by further tariff reductions, which is a pretty incredible statement to make. You might expect this from a right-wing, rabid sort of economist working for the Institute of Public Affairs, but you would not normally expect it from the National Party, which has had a tradition of wanting to protect Victorian industry. They have come out with a statement like that and gone on to criticise the government because we wanted to have it both ways. They cannot call us on the one hand globally competitive, and yet on the other to be wanting to change the structure in relation to this tariff, which was put in place after a number of reviews. I do not know whether this is the official

policy of the opposition, but if they are saying that they will drop the tariffs or advocate the dropping of tariffs, then they should turn up to the Bracks review.

**The CHAIR** — Minister, on the question please.

**Mr THEOPHANOUS** — I am intending to turn up to the Bracks review and give a point of view on behalf of the government, which is the one I have outlined. But if their view is that tariffs should drop, they should have the courage to go to the Bracks review themselves and put their view that they should drop from 10 per cent to 5 per cent.

**Mr DALLA-RIVA** — Minister, I refer you to your second overhead about the total budget for DIIRD, which has increased from 276 to 2.1 billion. Just looking at the investment support program, the ISP, and the TA for 06–07 was 26.9 million. Will the ISP now, given that there has been a substantial increase, be of the same sort of figure into the forward estimates, or are you anticipating that the call on the TA will not be as high for these types of programs under DIIRD? Where do you see it falling, given the growth?

**Mr THEOPHANOUS** — Again, one of the reasons you have a TA as part of a budget structure is to do what might be the unexpected, Mr Dalla-Riva. I cannot tell in advance, 12 months in advance, who is going to come to the Victorian government and put up a proposal to do something in Victoria. But if a big company was to come along and say it wanted to do something in regional Victoria which was going to create 5000 jobs down in the Latrobe Valley and it was going to be billions of dollars of investment and so forth, and it wanted some Victorian government support in the form of infrastructure, or something else that we might need to do in order to help it make that decision, I would be in there fighting for it. It might mean that the TA might have to increase as a result of that. So this is one of those issues with investment attraction where you can put up a figure as being the approximate figure that you think you might need for the coming year, but ultimately it will depend on how good we are at attracting big investments. In a funny sort of way, the more successful we are — the better we are at it, and the more large investments we get into the state — the more draw there is probably going to be on this particular line item.

**Ms MUNT** — Minister, you briefly mentioned that you were involved in bringing Tiger Airways to Victoria. I was wondering if you could just outline if there are any other opportunities to develop aviation in Victoria. It is very important for our tourist industry. It is important for the economics of the state, and I was just wondering if you could let us know if there was anything else on the horizon?

**Mr THEOPHANOUS** — Thank you, Ms Munt. Aviation services is a huge industry, and it is an important industry for us. It is another one of those big policy questions, just like the automotive industry where policy decisions are going to be made at a federal level. This is another one that falls into that category. The history up until now has been that there has been a policy of protection of major airlines, and that policy of protection has resulted in a less than optimal situation for Victoria. It can be seen by the figures that we have collated, where at the present moment 15 per cent of Victorians who travel overseas are forced to fly through Sydney. We think that is an unacceptable situation. If you just look at one of those routes, the Pacific route, it is even worse. On the Pacific route through to America it comes in at about 38 per cent of passengers forced to go through Sydney. This is an unacceptable position from the point of view of the Victorian government.

We would like to see an opening up of the skies. We cannot see how increased competition can do anything but good. It does good not only in terms of the fact that people do not have to fly through Sydney, I have to tell you; it does one other very important thing: it reduces prices.

We have an extraordinary situation at the moment where the overseas flights are just totally packed out. It is very difficult to get seats. One way of increasing capacity is to open the skies up. Just let airlines, if they want to fly into Melbourne — so long as they meet the regulatory requirements — do so. We have been a supporter of an open skies approach, alongside of trying to attract these airlines in. We have been fairly successful. Tiger is only one of the ones we have managed to get to come to Victoria. Korean is another one from an international perspective that is coming. I went on the inaugural flight, as a matter of fact; it is good. Even Qantas, through this kind of pressure, has increased some of its flights. Cathay Pacific has increased its Melbourne to Hong Kong services from double daily to triple daily. Emirates has increased its services from double daily to triple daily through to Dubai. We are getting incrementally more direct flights into Melbourne, but we think a lot more can be done — particularly if there was a change of policy, which resulted in an open skies to approach.

**Ms MUNT** — I cannot understand why airlines go through Sydney anyway. Is there some particular reason why they come through Sydney?

**The CHAIR** — Particularly with a curfew.

**Mr THEOPHANOUS** — I can tell you one thing: it is not distance, because it is actually closer to fly to Singapore from Melbourne than it is from Sydney.

**Ms MUNT** — We have an integrated domestic-international terminal and capacity.

**Mr THEOPHANOUS** — And our airport is cheaper to fly into. It is an integrated airport; it is a curfew-free airport.

**Ms MUNT** — It has an extended runway.

**Mr THEOPHANOUS** — It has an extended runway. We have got a lot of competitive reasons why they should be flying into Melbourne, but there is a bit of history to this. I can tell you we are working very hard to reverse it. One of the reasons of course is the one I mentioned about lack of competition.

**Mr RICH-PHILLIPS** — Does the Victorian government still undertake joint marketing with Qantas?

**Mr THEOPHANOUS** — I do not want to be wrong on this — we are certainly doing it with Jetstar, which of course is Qantas's subsidiary. I am not aware of anything with Qantas, but I am happy to come back if that is the case.

**The CHAIR** — We can ask the minister for tourism on Tuesday.

**Mr PAKULA** — The federal government is conducting a review on Australia's export policies and programs. Given the chairman waxing lyrical before about iambic pentameters and Grecian urns, I am wondering whether cultural exports might be our next big thing. But more generally, I am wondering whether the state government is going to be addressing the issue in the forthcoming industry and manufacturing statement and making a submission to the federal government review.

**Mr THEOPHANOUS** — Yes, we are. We are going to do submissions into all of the federal government reviews, at least the ones that come under my portfolio responsibilities, and this is one of the important ones for us. This export review will look at a range of export policies. How it comes out in the end will have a significant effect. We have some real interests here. One of our big interests is that, particularly in the negotiation of free trade agreements, which the federal is responsible for of course, we do not get a circumstance where so many non-trade barriers are established, even when there is an FTA, that those non-trade barriers make it impossible for Australian products to be exported to those countries.

To cite some examples for you, there is one particular country which decided that you could not send in a four-wheel drive unless it was of a certain length. It was subject to a different tariff based on the length. One of our products, the Ford, was one inch too long. It made it so uncompetitive that it meant it would have cost more than the Mercedes in that particular country. Or another example is where the engine size is used for similar purposes to protect a local manufacturer. We are very concerned about that. There is also myriad free trade agreements across different nations and how that is affecting our export capability. We are very keen to protect our exports.

To cite another example, our exports of Toyotas, which is huge into the Middle East, is subject to a 5 per cent tariff at the moment. If a third country were to develop an FTA with the Middle East where they could send Toyotas into the Middle East with zero tariff, that would make life very difficult for us. How this comes out is going to have a very significant effect on our export capability. We are very keen to make a submission.

**Mr DALLA-RIVA** — In the *Service Delivery* budget paper, pages 150 and 151, I note the actuals across the exports for 2006–07, and if you look at the actual spend for that period, it was \$8.1 million, and the anticipated in the forward estimates is 11.6 million — so there is an increase there. Yet if you look in terms of the quantity, the outcomes that are proposed, the targets, on four of the six targets measured there is actually a drop, even though the budget has gone up. Do you want to explain exactly why that would be the case in the forward estimates with an increase in budget yet a decrease in quantity?

**Mr THEOPHANOUS** — Which ones are you referring to exactly?

**Mr DALLA-RIVA** — Companies provided with export assistance — you had 4266, and you are now going down to 3250; exports facilitated and imports replaced, 1.5 billion to 739; number of firms participating in individual export-specific programs, 1283 down to 800; trade fairs, 36 down to 29; and then, if you look at page 151, the total output cost in 2006–07 was 8.1, and in the forward estimates it is 11.6.

**The CHAIR** — So you are comparing the actuals for 2006–07 with the targets for 2008–09.

**Mr DALLA-RIVA** — Yes, the forward estimates.

**The CHAIR** — There is also 2007–08 to consider.

**Mr THEOPHANOUS** — I guess the point I would make, Mr Dalla-Riva, is that there are two sets of figures there: one is the targets and the other is the actual outcomes. What happened in 2006–07 is that we achieved actual outcomes far in excess of what our targets were. We revised the targets upwards as a result of that, so in some of the figures you have quoted there, such as the number of firms participating in individual export-specific programs, our target is 800 when it was 700 last year; so in fact our target has gone up relative to last year's target. However, it is true to say we had a very good year in 2006–07, and the actual outcome was well in excess of the targets. I am hopeful that the new increased targets on the previous targets for 2008–09 will similarly be exceeded significantly by the actual outcomes for 2008–09.

**Mr DALLA-RIVA** — We will ask you that question next year.

**Mr THEOPHANOUS** — I look forward to it.

**The CHAIR** — This committee has often commented on the fact that in terms of output measures and deliverables realistic targets and outputs should be set, so I am sure the secretary will look at these in the coming years.

**Witnesses withdrew.**

## **Transcript of evidence**

### **6.3 Information and Communication Technology portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Theophanous, Minister for Information and Communication Technology,  
Mr H. Ronaldson, Secretary, and  
Mr R. Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

**Necessary corrections to be notified to  
executive officer of committee**

**The CHAIR** — I welcome to the table Mr Randall Straw as we now ask questions, up until 4.15, on the information and communication technology portfolio. Minister, I know this is a very important area, certainly in terms of job creation. I know it is not an industry which is just for men but also for women, as demonstrated at Box Hill TAFE with the programs it has of encouraging girls to do ICT. But I want to focus on one thing first of all. You mentioned with a certain amount of enthusiasm Satyam coming to Victoria. I am not too sure whether your interest in India relates to your ancestors marching with the Grecian armies of Alexander the Great into India, but certainly we do understand your strong interest in this matter. I am just wondering whether you could address the investment attraction facilitation and tell us a bit more about this investment going into Geelong and how it is going to drive further ICT investment in this state? You will find it in BP 3 at page 150.

**Mr THEOPHANOUS** — Thank you, Chair, and thank you for your introduction. I did find it interesting when I was in India comparing Greek philosophy with Hindu philosophy, and I would be happy to give you a dissertation on that instead of answering your question, but I cannot find a budget paper for it. As a matter of fact I was given an education about how the Indians had invented zero, that the Greeks had never quite got to inventing zero in their maths.

**The CHAIR** — That is pretty important for IT, since it is based on 0 and 1.

**Mr THEOPHANOUS** — It is very important for IT because in IT you have 0 and 1, and you would not be able to do much without the zero, I can assure you.

Chair, can I try and tell you a little bit about this important project, the Satyam project. The first thing I would like to do is to commend Multimedia Victoria and the ICT section of DIIRD for the work they have done in getting this important investment into Victoria. This investment will result in 2000 new jobs, and as you are aware and for the benefit of Mr Rich-Phillips — I am sure he would be interested in this — when we do investment attraction of this sort it is always linked to a set of milestones that have to be reached and benchmarks that have to be met and so forth, so we are looking forward to those 2000 new jobs materialising over the next few years. I know that Deakin University is very excited about this because the expectation is that hundreds of new graduates out of Deakin University will be able to be taken up in that facility right next to Deakin University in Satyam, and work in the ICT sector.

This is a sector which is burgeoning in Victoria and which is creating a lot of value for us. It is not only in the software, incidentally; we are doing quite a lot of basic research in hardware as well — some of which is very exciting. And it is not only Satyam; we have a range of other players that have come in as a result of the government's activities. Even from the point of view of Indian companies, Infosys, which is another Indian company, has 600 staff in Melbourne. Birlasoft is an other one which has got 120. Beyond that, TATA Consultancy Services has 160 staff as well and it set up a global delivery centre in Melbourne in 2002. IBM is centred in Victoria. It is in Ballarat; its Ballarat staff is 800. It is hugely important from the point of view of Ballarat and regional Victoria. You can see that what we are trying to do is not only build capability but build it in specific areas, and we see Ballarat as being one of the IT centres in regional Victoria. Now we see Geelong as developing into an IT centre in that technology park that will be next to Deakin University.

**Mr SCOTT** — Minister, I refer you to page 148 of BP 3 and the section headed 'Science and technology'. Having studied some science at uni, I have a specific interest. Can the minister advise the committee what the state government has done for the ICT skills initiative in building on ICT skills for the future?

**Mr THEOPHANOUS** — In July 2006 the Victorian government launched the program ICT: Start Here. Go Anywhere. It was a very successful campaign, and it was so successful that it was adopted nationally. Again, this is another example of Victorian leadership which finishes up going national. That campaign aimed to encourage young people to study ICT and to undertake ICT courses. I think we have around 19 000 students in ICT.

**Mr STRAW** — About 34 per cent or 35 per cent of all enrolments of IT students come out of Victoria.

**The CHAIR** — Is that right? Are the numbers going up or down?

**Mr SCOTT** — What sorts of courses are classified as ICT, and how broad is that classification, or is that a question to take on notice — just as a clarification?

**Mr THEOPHANOUS** — Do you know the answer to that?

**Mr STRAW** — There are a broad number of courses at tertiary institutes around IT. There are obviously dedicated IT courses within science faculties and IT faculties. There are also a lot of double degrees around IT as well which work in other faculties as well, so it is certainly spread across a number of faculties at university.

**The CHAIR** — There are also a lot of courses at TAFE, too.

**Mr STRAW** — Yes.

**The CHAIR** — Particularly their post-degree diploma courses. Some specialise in them

**Mr THEOPHANOUS** — There are a lot of different courses, and the government has put in a lot of programs as well to try and deliver on this. Apart from the Start Here Go Anywhere project, we have also done Upload Your Future, which is another program we have across Melbourne and regional Victoria, which has involved 3600 students in years 9 to 12. It is about getting in earlier at the secondary level and getting kids to understand that ICT is not just about sitting in front of a computer but involves some exciting possibilities. The games industry, for instance, is a huge industry that is developing in Victoria arising out of the ICT capability. We are very confident that this industry will continue to evolve. Just to answer another question that was asked of me earlier, the Victorian government has also a number of initiatives involving women in this space, with the Victorian ICT for Women Network, which is designed to encourage more women into ICT careers.

**The CHAIR** — Thank you, Minister, not just for men but also for women.

**Mr RICH-PHILLIPS** — Minister, the government's election promises were partially funded through various government efficiencies, one of which was \$20 million in savings through integrated ICT projects across government, listed on page 282 of BP 3, which required savings of \$5 million per year from integrated ICT. Can you tell the committee what level of savings was achieved in 2007–08 through what initiatives, and what initiatives will be implemented over the forward years?

**The CHAIR** — I am not sure if you can do this year, but certainly forward.

**Mr THEOPHANOUS** — I am not sure that I can give you the information that you seek, Mr Rich-Phillips, because the implication of the cross-government ICT savings is not actually my responsibility but rather the responsibility of the minister for finance. However, obviously we are involved in the sense of consultancy and of being consulted, but the responsibility for the savings rests elsewhere. Did you want to comment any further; is that your understanding?

**Mr STRAW** — Certainly when the machinery-of-government changes happened at the last election and the savings initiatives were put in place, from my understanding, certainly those savings were apportioned across the component parts of IT — some, obviously, within Treasury and Finance; some certainly within DIIRD when functions came to DIIRD. The DIIRD allocation of those savings has been achieved — they have — and they will continue to be achieved in line with the government forward estimates.

**Mr RICH-PHILLIPS** — What types of initiatives were they to achieve those savings? What specific initiatives were undertaken?

**Mr THEOPHANOUS** — That is more of an overall DIIRD question, because it is not really an MMV question. MMV is the specialist ICT agency within DIIRD, but it is not responsible for finding all of the ICT-related savings within DIIRD. That is an overall responsibility. I do not know whether you want to comment at all, Howard, as to how those savings were achieved.

**Mr RONALDSON** — Without going into detail, the big driver for significant savings for this initiative is a common desktop environment. What is really driving it is getting like software and hardware across the service, with savings really being generated out of procurement practices. That is the essential driver for savings, at least behind these figures.

**Mr RICH-PHILLIPS** — So have those savings been achieved? Presumably those savings would occur at the time you roll out new hardware or new software. Has that occurred since those saving targets were set?

**Mr RONALDSON** — The best way to put it is it is gathering momentum. It really has not hit its stride yet. But you are right: the substantial savings in that whole line across the forwards really are yet to be achieved and will be achieved by procurement once there is standardisation of the desktop environment.

**Mr RICH-PHILLIPS** — And that is standardisation across the whole of government or just your department?

**Mr RONALDSON** — No, across the whole of government.

**Mr RICH-PHILLIPS** — What sort of time frame would you expect that to occur — that standardisation?

**Mr RONALDSON** — Now you are asking me outside my expertise, but I imagine it would take some years to get a standard desktop environment.

**The CHAIR** — You can take that one on notice.

**Mr THEOPHANOUS** — We can take it on notice. The only thing I would add is you know that the budget does allow for a Services Victoria business case. One that we are examining at the moment is really in its infancy, but it is part of us wanting to develop a more efficient way of delivering access to government for citizens, not only in relation to the way we deliver that access in terms of the worldwide Net but also in terms of other ways of delivering access over the phone and so forth where we may be able to achieve some additional savings. That work is going to be done out of Services Victoria. I am looking forward to the development of some business case arising out of that to see how we take that project further.

**Mr RICH-PHILLIPS** — You do not see that feeding into that line item — the whole-of-government efficiency line item?

**Mr THEOPHANOUS** — No. It is not contained within that line item. This is in budget paper 3 at page 331, where it identifies an allocation to undertake this work. I think it is \$4.4 million.

**The CHAIR** — Thank you for that. I might add the DIIRD did respond in terms of efficiencies and savings to our questionnaire. You will find it at pages 113 and 114 in the report which we tabled yesterday, and \$2.02 million was identified in terms of integrated focus on ICT.

**Mr NOONAN** — Minister, I want to ask you a question about broadband. I note on page 148 of budget paper 3, 'ICT policy reviews under way' which relates, in part, to broadband. I wonder whether you can outline what the state government has done to advocate strong competitive outcomes for broadband?

**Mr THEOPHANOUS** — One of the things we have done in relation to this area is that we, before a lot of the other states, took action to deliver broadband into many parts of regional Victoria, particularly into our schools. We entered into arrangements with Telstra in order to deliver broadband to all Victorian government schools. It has been a fantastic project, but a very expensive one I might say. We have spent overall in delivering broadband technology around the state \$300 million, and it has put us ahead of other states. I guess one of the things that will happen is that the commonwealth, in its expenditure of \$4.7 billion — one of the things it is doing is ensuring that broadband is delivered to all schools across Australia. From one point of view I suppose those states that did not take that action might benefit beyond what Victoria does. I do not know if you already know this, but we used the railway lines that were there in order to run the fibre and take it into country Victoria. Victoria acted when no-one else was willing to. We have infrastructure in place. I do not think we are going to get a discount for it from the federal government I am afraid.

**Mr NOONAN** — You will not ask?

**Mr THEOPHANOUS** — It has not stopped us asking for it, I can assure you of that!

**The CHAIR** — It is always worth asking.

**Mr THEOPHANOUS** — I do not know how receptive they are going to be to it. The point here though is that more important than even that of the construction of the infrastructure, and I made this point at the recent meeting of ministers in Canberra very strongly, is that our central point to this is competition. If it emerges that we

get a broadband network, an NBN — a national broadband network — which does not have an adequate level of competition, that will be a huge drawback in relation to our competitiveness going forward.

I explained to you how important it is for us to be competitive in industrial terms, in manufacturing and in a range of industries. We will not be competitive if there is not adequate competition in broadband delivery, so the question of how this finishes up in the end is of huge relevance to Victoria. If there is one integrated business — a vertically integrated business — and it is not subject to adequate competition, that is not a good outcome from our perspective, so we want to see very open access rules for other players to be able to come in and use whatever network is there. We want to see, ideally, even competition at the infrastructure level. But we certainly want to make sure that that competition is present, because if it is not it will affect our competitiveness going forward.

I will give you an example. The Tasmanian minister was scathing in Canberra when we met, because they pay about six times as much for the same amount of data to be delivered into Tasmania. That is because there is a single provider and one tube going down there. They can basically be charged whatever that provider wants to charge. We cannot allow ourselves to be in that circumstance.

**Ms MUNT** — You briefly touched upon ICT investment in Geelong. I was wondering if you could give me a greater level of detail of what that actually is involving?

**Mr THEOPHANOUS** — ICT investment in Geelong of course is going to be led by Satyam and the development of Satyam down there, but we do not want it to be exclusively related to Satyam. Satyam is going to build a facility of about \$75 million in Geelong next to the university down there, and it will employ 2000 jobs. But the vision for Geelong, from our perspective, is to try and get a hub — a technology hub — which involves ICT. I think it is probably premature to talk about a Geelong Silicon Valley, but that is the vision that Deakin University has. We would like to help them to achieve that vision. Part of it might be also surrounding the cultural precincts, where we might like to do something in that cultural precinct which relates to some high-tech things and showcase some of the capability in that region in ICT. The answer to your question is that Deakin University needs to develop its capability as an ICT training centre, and then with Satyam and a number of other players going down there we are hoping we can build a hub in Geelong which is going to be an ICT hub.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about Project Rosetta. As you know, the Auditor-General released his report yesterday. In relation to the operating recurrent costs of the project, you said that the project had exceeded its budget by 107 per cent. You had allocated, or MMV had allocated, 700 000 a year for four years — \$2.8 million — and the actual costs were \$5.8 million. Can you tell the committee what the recurrent budget for Rosetta operations is over the forward estimates period?

**Mr THEOPHANOUS** — I cannot answer your specific question, because the project is actually under the minister for finance. But I can speak more generally about the Rosetta project. This was a whole-of-government initiative. It was 2002 to 2006, so it was during that period. The responsibility was with the minister for finance.

**Mr RICH-PHILLIPS** — Sorry, Minister, can we just clarify that point. Previous ministers for ICT have claimed ownership of it. Has it transferred since it was completed, or —

**Mr THEOPHANOUS** — It was transferred from the minister for ICT to the minister for finance, and from Multimedia Victoria to the Department of Treasury and Finance, in January 2007, officially. The Auditor-General found that the initial project into implementation estimates were not realistic, as you are aware and you have referred to that. However, he also found that no significant cost or operational implications that the project was delivered from the expected capital cost. He also found that Project Rosetta was delivered successfully, that it delivered the planned functionality of a whole-of-Victorian government enterprise directory and a uniform set of electronic directories to the core 10 departments and that the project can be used as a foundation for future ICT projects across government.

It was a foundation project. I have mentioned also to you before that we are now looking to the future through Services Victoria in what will be the next stage of a whole-of-government approach to this important area. Services Victoria will look to — of course again as I mentioned we are looking at not just the Web but also a single contact number potentially going forward on a model of New York. You might know that in New York there is 311 number — there is a 911 but also a 311 — which is for access to government through a single number. We are investigating a range of those potential innovations for the Victorian government through the Services Victoria project.

**Mr RICH-PHILLIPS** — I will take it up with the minister for finance.

**The CHAIR** — That is a task for our next hearing. That concludes consideration of budget estimates for the portfolios of major projects, industry and trade, and information and communications technology. I thank the minister and departmental officers for their attendance today. The committee has a couple of issues we will follow up with you, and there may be some questions forwarded to you in writing at a later date. The committee asks that written responses to matters be provided within 30 days. I thank Hansard as well.

**Committee adjourned.**

## **Transcript of evidence**

### **6.4 Innovation portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne— 23 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt

Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr G. Jennings, Minister for Innovation,  
Mr H. Ronaldson, Secretary, and  
Mr R. Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

**The CHAIR** — On behalf of the committee I welcome to the table Howard Ronaldson, secretary, and Randall Straw, deputy secretary. I now call on the Minister for Innovation to make a brief presentation of no more than 5 minutes on the innovation portfolio.

**Overheads shown.**

**Mr JENNINGS** — Thank you, Chair, for the opportunity. I will be very quick with this presentation because I do not want to prevent the committee from asking me questions about how we go forward with the innovation agenda, but it is important for us to know where we have been in terms of the journey, because sometimes members of the Parliament are not as aware of the innovation agenda as they might well believe that they are. This is actually built on a number of outstanding commitments of our government on deliverables in the community. The innovation portfolio has seen significant investment in science and technology, and the STI grant program has been a major builder of that; \$620 million has been invested, and it has facilitated a large degree of private sector investment and seen significant benefits in terms of Victoria's scientific capacity.

Beyond the science of the STI element we are wanting to make sure that we build on Victoria's design capacity. We actually will try to make sure that design is the feature of the innovation and productive capacity of Victoria, the various ways in which design can support manufacturing right through to what might be seen as the graphic arts, or anywhere in between, in terms of its permeating the potential for economic activity in Victoria, which is very important.

Consistent with our commitment to science has been our investment in Healthy Futures. One of the major successes of innovation has been biotech space supporting new capability in terms of health investments and expenditure. That has been a major achievement of the government so far and has led to a momentum for Victoria to be at the heart of developing a national framework for innovation going forward. What has that actually meant in a tangible way? What we have seen is that there have been significant investments in infrastructure, of which the synchrotron is the most famous, in terms of its underpinning a capacity that drives international research. It has proven to be an attractor of scientific endeavour from way beyond Victoria's shores in terms of some of the best scientific minds around the world being interested in using the beam lines that have been established there, and we believe that will be a feature of that research effort going forward.

In terms of biotechnology there have been a number of significant investments made to underpin our biotechnology strategic plan. We have seen a significant take-up of investment opportunities that have come off those investments, or that capability. There have been more than \$4 billion worth of deals and partnerships established during the life of the program and there has been a significant raising of capital that has come into Victoria. Indeed that is a hallmark of our investments in the creative industries by creating the film studio and the associated activity there. Significant investment has come into Victoria and lead to a great degree of productive capacity, so the creative industries are worthy of our consideration in this agenda going forward.

I may apologise in advance to PAEC in terms of perhaps not being able to share with you in all its glory the next iteration of the Victorian innovation statement. As budget paper 3 on page 10 indicates, there will be a significant rewriting and reformulation of the Victorian innovation statement going forward, and there are certain contingencies within the budget to account for that. But in terms of the direction that builds on our momentum in building the biotech sector, the Healthy Futures sector, of actually underpinning our research and development capability, of driving design further, trying to actually see how innovation underpins our export-oriented industries, how indeed we leverage off a renewed commonwealth interest in innovation, these will be features of a statement that will be issued during the course of 2008, and when that statement is issued there will be associated output.

This is an important issue in terms of the output considerations, because I want to foreshadow to PAEC, as we start, in terms of output measures that are associated with the innovation statement, that they will be developed and delivered during the course of the year, and the Victorian government will be happy to be accountable for both the way in which the allocation of funds will be disbursed and the way in which we will measure the output effectiveness. So we will work on those and deliver them subsequently to PAEC during the course of the year as we issue the statement.

**The CHAIR** — And that will include the 11 million?

**Mr JENNINGS** — The 11 million is part of this budget presentation.

**The CHAIR** — Okay, but it will be further explained in the statement, will it?

**Mr JENNINGS** — Yes.

**Mr PAKULA** — Minister, I am looking at budget paper 3, page 10, under the heading 'Innovation'. In it the government has signalled that it will be renewing its innovation policy and its investments over the course of the year and will be particularly building on investments like the science technology innovation initiative. I would be pleased if you could expand on that to some extent and explain how the interest of the new commonwealth government and investment in this phase will affect states' investment decisions over the course of the budget.

**Mr JENNINGS** — Thanks, Mr Pakula, for the opportunity to expand on how I introduced the subject in my presentation. I will not go over the same territory; I will just take up the momentum from your question. What we have actually seen, through STI, for instance — the \$620 million investment program — is over 62 strategic science and technology programs being funded. We have seen through that 58 infrastructure programs that actually support the development and capability of the sector.

In terms of leveraging the results, by being a government determined to be an early investor and to stimulate a private sector leverage, we have seen a leverage factor of 3.6-to-1, in terms of the return to the government. What has it meant for our scientists? We have actually seen 326 scientists — PhDs that have actually been achieved — through those STI projects. We have actually seen over 400 businesses' researches assessed for STI funding infrastructure. The Allen report that has been undertaken indicates that the Victorian gross state product will increase by a cumulative \$3.9 billion-worth of investment, thanks to the program, by 2014, and that real investment will have over \$1.2 billion of additional investment, increasing more than 1700 jobs. All of those things are great in terms of our scientific capacity and capability in Victoria. They have been great for the economic performance of Victoria and place Victoria at the leading edge of innovation across the country.

As I indicated to you, the commonwealth government is currently undertaking an innovation review. For the first time, after that review is completed we believe Victoria is an essential part of that. An officer of the Department of Innovation, Industry and Regional Development, David Hanna, is chairing one of the important working groups in relation to supporting the work of that review. We believe Victoria will be well placed to leverage outcomes to take the combined focus of Victorian investment and commonwealth investment to get an even better return than we have had previously.

**The CHAIR** — I hope we get our fair share of any federal investment, too.

**Mr WELLS** — Minister, can I ask you about the synchrotron? How much are you expecting the synchrotron will cost from the forward estimates, and how much funding has been received or promised from the private sector? I notice the nine beam lines by 2009. Is that the maximum? Has there been an agreement between the commonwealth government and the state government to share costs moving forward?

**Mr JENNINGS** — Just going back through those to try to do justice to the sequence of the question, can I say that at the moment it is planned for nine beam lines. That is not necessarily the physical restriction of the development. In fact over time there may be opportunities to extend on the nine beam lines. In fact the Minister for Health, Daniel Andrews, and I turned the sod for a new beam line that will be dealing with life sciences issues and hopefully supporting our efforts in cancer. That is a long beam line and we turned that sod, and work is under way to deliver on that beam line. In terms of your question about an agreement between the commonwealth and the state, yes, there is an agreement between the commonwealth and the state. Mr Dalla-Riva has previously asked me in Parliament whether in fact that — —

**Mr DALLA-RIVA** — Me?

**Mr JENNINGS** — Yes, I give you credit where credit is due. You asked me a question in the Parliament about whether the commonwealth's commitment to provide funding was deliverable or whether it was subject to budget considerations by the commonwealth. My answer to him — and my answer to you — is yes, they have committed to funding to provide ongoing certainty to underpin the investment going forward. What it means is that both the Victorian government and the commonwealth government have committed \$50 million each over the forward estimates period. The allocation of that money is in a trust fund that will be released on an annual basis to

the Australian Synchrotron Company, subject to my approval for the release of those funds. It is anticipated that the operating expenditure will be in the order of \$20 million a year.

**Mr WELLS** — The other part about the private sector; how much is the private sector chipping in?

**Mr JENNINGS** — In terms of support beyond that provided by the state, the commonwealth and other partners to the agreement, which make up the other jurisdictions, the only level of investment or support actually comes by those companies that bring specific projects to the synchrotron. The synchrotron's value will be in its ability to underpin ongoing science and science capacity and capability and indeed to support technological breakthroughs from a whole range of areas that may straddle medicine right through to metallurgy and anything in between. In terms of the financial benefit to companies, there will be a financial benefit. In terms of what was a reasonable expectation by this synchrotron, or any synchrotron around the world, a private investment in this infrastructure is not a usual phenomenon.

**Mr WELLS** — So the only private investment will be that on a user-pays basis?

**Mr JENNINGS** — Ultimately the answer to your question now is the decision making of the Australian Synchrotron Company, which is made up of representatives of all jurisdictions, including the commonwealth, and which includes Victoria and headed up by an independent board. They would be in a better place to answer your question rather than me.

**Mr NOONAN** — Minister, in your presentation you touched on the new design strategy, and there were a couple of dot points about the State of Design Festival, the role of RMIT and also an MOU with Singapore, and also reference on page 147 of budget paper 3, the design sector initiative targets. I wonder whether you can explain the rises for the 08–09 period and how they feed into the Victoria strategy in this part?

**Mr JENNINGS** — As I briefly introduced it in my presentation, I thank you for providing me with the opportunity to talk about it. Design is a significant contributor to economic activity. Currently somewhere in the order of 67 000 Victorians undertake design as a professional discipline, and some 3000 firms provide that design capability. We estimate that somewhere in the order of \$4.8 billion worth of economic activity is generated in the state of Victoria through design, and Victorian design products contribute about \$600 million in export to the Victorian community. So design is not small bickies in relation to its contribution now and what it will be going forward. As I indicated in my presentation, it can permeate all aspects of productive capacity, systems and processes and products, and it is permeating a great deal of community life on a daily basis. We actually see great architects, we see great environmental management designers and we see great people who design aesthetic products for around the home. These smart solutions that design often brings to technical problems are a feature of our economy going forward.

So we have tried to actually create a momentum for that, and the RMIT brief is to develop Victoria's capability to see design as an industry sector in its own right, so we try to make sure that we have capability. We try to pick international best practice and attract it to Victoria. We try to make sure that our businesses can identify the opportunities that design brings, and create a mechanism, so that businesses can actually start to see how design may assist in their productive capacity or their commercial benefit. They are the things that RMIT is charged with, bringing our strategy together to underpin that. It will be very visible in terms of our emphasis on design. We have a state-supported State of Design festival, which will be happening in July. It will be trying to showcase best examples of our design. It will be trying to develop a marketplace where people come from not only around Australia but internationally to be exposed to our designers and the outcomes of their work. It will be crowned, in a sense — sorry I have used that phrase. It will be showcased, highlighted by a Premier's award for design.

**The CHAIR** — Crown Casino, is it?

**Mr JENNINGS** — It will not be at Crown Casino — I am sorry I used 'crown'. But nonetheless it will clearly highlight and showcase the fantastic capability we have in designers. The Premier's award will, as part of the festival, demonstrate that we have great talents and capacity in Victoria.

**The CHAIR** — I have been to some of the furniture design awards and we really have some great talent in Victoria.

**Mr DALLA-RIVA** — Minister, I refer to the service delivery budget paper pages 148 and 441. We are looking at science and technology and some of the areas associated with your area. Just as an aside, I understand there was also a Deloitte report released?

**Mr JENNINGS** — Eighty one?

**Mr DALLA-RIVA** — Four forty one and 148.

**Mr JENNINGS** — Yes.

**Mr DALLA-RIVA** — Rumours abound that there was a first draft of it sent back to Deloitte with alterations. No? No knowledge of it?

**The CHAIR** — I am not sure that — —

**Mr DALLA-RIVA** — No, I was just curious.

**The CHAIR** — Okay, you have made a statement. I do not think it is a question, so just ignore that one.

**Mr JENNINGS** — I just want you to know that I was very relaxed with the question, wasn't I?

**Mr DALLA-RIVA** — It was very relaxed, but it seems to me that people from DIIRD get very sensitive if they are criticised. That aside, the discontinued performance measures here, I am just curious — —

**Mr PAKULA** — Mr Dalla-Riva just likes getting these things into Hansard. It does not mean it is true.

**The CHAIR** — Question and answer please.

**Mr DALLA-RIVA** — I notice in expected outcome on page 148 is \$140.2 million set on a target of 127. You are now moving into this forward estimates of 124. It references, I guess, to the reason I draw you to page 441, that there are a range of STI-funded projects. When you look at the foot notes, they say that the STI program is ceasing. I am trying to get clarity on the difference between the current year and the obvious increase and the forward estimates. Has that had an impact with some of those programs ceasing, moving forward?

**Mr JENNINGS** — In fact one of the reasons why I pulled up and drew everyone's attention to my presentation — and that is okay, Mr Dalla-Riva, it is a fair enough question; I am very happy to answer it. But one of the reasons why I drew attention in my presentation was the fact that the details in terms of output measures — so what you have referred to on page 441 are discontinued output measures because the STI program has lapsed. What I foreshadowed is that there will be a replacement program — it may or may not be called exactly the same program — as part of the Victorian innovation statement that we release subsequently during the course of the year. When we release that I am very happy to prepare and to share with PAEC any output measures that relate to that. So in terms of the budget change that is on page 148, that is chalk and cheese in relation to — no, sorry, it is small bickies in relation to what it means on page 148.

**The CHAIR** — So when you announce a statement you will send us a letter with the new output measures for the department relating to those.

**Mr JENNINGS** — Yes.

**The CHAIR** — Just a final question. In relation to biotechnology, on the same page that Mr Dalla-Riva has pointed out, your biotechnology program is under way. I notice you actually have changed some of the output measures in this regard.

**Mr JENNINGS** — Yes.

**The CHAIR** — But I am on the board of one of the medical research facilities, so I always have a strong interest in biotechnology and medical research. Could you give us a quick minute or two on where we are going with biotechnology going out to 2010 and the Healthy Futures program?

**Mr JENNINGS** — Thank you for that declaration of interest, and hopefully we are not conflicted. I do appreciate the opportunity to talk about how we try to take Victoria's already great track record in relation to

biotechnology forward. We have achieved great things in terms of strategic investments, and I have outlined some of those in terms of our infrastructure and our capability. We have actually supported, through the three iterations of the biotech strategy, a significant level of investment.

We have set ourselves a target to be one of the top five destinations for biotech in the world, and there are a number of ways in which we could say that that has a tangible meaning rather than just being an ambit claim. We have actually seen partnerships under the program — more than \$4 billion worth of partnerships and deals that have been leveraged through the program.

Research and development has increased by 66 per cent to be more than \$500 million in the sector. We have actually seen \$387 million worth of capital raised in the sector which is a significant element of the national total, 43 per cent of the national effort. In relation to your question before about Victoria getting its fair share, this is one area where Victoria, in terms of NHMRC grants, gets far beyond its share and that is partially because we have the talented people and we have the capability and we have worked on it assiduously to cultivate that, and those returns in terms of research dollars that are coming back to Victoria have been enhanced.

What does it mean going forward? The Premier will be going to BIO in San Diego. It is my intention to be there as well, and we will try to support the connections between our research capability, our businesses, our start-ups in terms of what is one of the largest marketplaces in the world. We will be trying to make sure that we continue to build on the strategy that we have already created to create the business capability and those international connections so we can actually see investment and collaboration occurring from around the world to support our sector here.

In terms of healthy futures and in relation to regenerative medicine — it is connected with what we have been talking about — our support for stem cells, and Victoria has great capability in relation to stem cells, whether they be applied in regeneration or whether they be through looking at some of the most bedevilling health issues that our global community is confronting. There is a great centre of gravity of scientific endeavour in Victoria, and we will be wanting to move forward with that through our strategy going forward and hopefully doing it in collaboration with the commonwealth.

**The CHAIR** — Thank you, Minister. Perhaps you can email or give us a copy of your overhead on innovation so we can circulate it to the members of the committee who have expressed strong interest in it. That concludes consideration of the budget estimates for the portfolios of environment and climate change, and innovation. I thank the minister and departmental officers for their attendance today — there are a number of issues to follow up which we have mentioned — and the committee requests written responses to those matters be provided within 30 days. Thank you very much to everybody; and thank you, Hansard.

**Committee adjourned.**

## **Transcript of evidence**

### **6.5 Regional and Rural Development portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Regional and Rural Development,  
Mr H. Ronaldson, Secretary,  
Mr J. Hanney, Chief Executive, Regional Development Victoria, and  
Ms L. Corbett, Executive Director, Infrastructure, Regional Development Victoria, Department of Transport.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2008–09 budget estimates for the portfolios of regional and rural development, and skills and workforce participation. On behalf of the committee I welcome Ms Jacinta Allan, Minister for Regional and Rural Development, and Minister for Skills and Workforce Participation; Mr Howard Ronaldson, Secretary; Mr Justin Hanney, Chief Executive, Regional Development Victoria; and Ms Lea Corbett, Executive Director, Regional Development Victoria. Departmental officers, members of the public and the media are also welcome. In accordance with the guidelines for public hearings I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in this room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. There is no need for evidence to be sworn. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript, and the committee requests that verifications be forwarded to the committee within three working days of receiving the proof version. In accordance with past practice, the transcripts and PowerPoint presentations and anything else which is tabled will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off. I invite the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of regional and rural development. Thank you, Minister.

#### **Overheads shown.**

**Ms ALLAN** — Thank you very much, Chair, and thank you to PAEC members for the opportunity to present on the regional and rural development portfolio. As is clear from the budget and will become clear throughout our discussions this morning, this is a budget that continues the Labor Government's very strong support and very strong investment in regional towns, communities, businesses and industries. It is the approach that we have taken over the past eight years that has delivered over that period of time an additional 134 000 new jobs in regional and rural Victoria, and also \$8.9 billion worth of new investments over that time.

As members will be able to see, the slide outlines the Government's new facilitated investment that has been undertaken in the current financial year. You can see there that we have reached \$813 million of new facilitated investment — that is, year to date at 22 May — which is well above our annual target for this financial year of \$750 million. With that facilitated investment come new jobs, and you can see there 2435 new jobs as a result of this investment. There are some great examples of the sorts of projects that have been attracted to our regions as a result of this investment. There is the major investment in Geelong by Satyam, which is an international IT firm that is building its facility alongside Deakin University; the new woodchip mill through Midway; Gekko Systems in Ballarat, making additional investments; and Mortlake Employment Services, which is developing an export-accredited meat boning plant, and I will hopefully have the opportunity to talk a bit more about those throughout our presentation.

The next slide — and I will go through the next few pretty quickly — shows the jobs growth that I have already mentioned — 134 000 extra jobs over the past eight years in comparison to the 40 000 jobs that the previous government was able to invest in regional Victoria over the previous seven years. Looking at it in a different way, region by region, you can see how the unemployment rate has dropped quite dramatically in every single region of our state. Overall the unemployment figures have gone from 7.7 to 4.7 per cent over the past eight years. So it has been a remarkable turnaround in our employment figures in every single region over the past eight years.

Also we have seen very strong population growth over the past eight years. We now are experiencing population growth only behind Western Australia and Queensland, and we all know the story about how those states are growing very strongly. Regional Victoria is certainly performing very strongly as well. Over the past eight years we have seen an extra 92 400 people call provincial Victoria home. Over the past statistical period regional Victoria has had the four fastest-growing inland cities of regional Australia, being Bendigo, Ballarat, Mildura and Shepparton.

Regional building approvals are also going very strongly. We have seen a doubling of building approvals to \$4.47 billion since 1999. Also, to capitalise on the strong building growth and recognising that for many people there is a great allure of country living and country lifestyle, we have established the Make it Happen in Provincial Victoria campaign which is bringing together for the first time all 48 local government areas in regional and rural Victoria under the one umbrella, under the one brand to promote provincial Victoria to the rest of Victoria and to the rest of Australia. That is also delivering great results.

This slide just shows very quickly — and I am sure I will have more of an opportunity to talk about this — the Regional Infrastructure Development Fund that has been a huge success; it was the very first piece of legislation that the Labor Government introduced into Parliament when it won office in 1999. It is the first fund of its kind in Australia that is totally dedicated to building and investing in infrastructure in regional areas. Since its inception over the past eight years it has directly committed \$400 million to 172 projects right across the state of Victoria that have leveraged additional investment of \$1.19 billion. Of course that has also created thousands of new jobs. RIDF is well recognised as being one of the key factors behind the revitalisation of our regional areas.

I just want to briefly touch on a couple of what we call ‘events’ but they are quite significant events that RDV has played a role in over the current financial year. Of course there were the floods; they were back in June and July of last year but RDV led the whole-of-government efforts in delivering the \$72 million relief package. Then of course there are the ongoing impacts of the drought and RDV has played its role in delivering drought initiatives that are listed there on that slide.

Finally, budget initiatives for this financial year are there before you and I am sure I will get the opportunity to talk a little bit more about them, but again it is around delivering investment, delivering infrastructure and looking at supporting our regional industries in a couple of key areas. Chair, I might finish there, given the time.

**The CHAIR** — Okay. That has taken a lot of time but we want to maximise the time for questions and about 55 minutes has been allocated for questions on the rural and regional development portfolio. Just coming back to your overhead, and I also refer you to budget paper 3, page 152 regarding the Regional Infrastructure Development Fund, and you mentioned that this has been a great success. I refer to page 152, which talks about the various targets over the years and the expected outcome for this year. It seems to be something where it exceeds targets. Can you just tell us about the fund and the projects funded for this year in terms of against the target and what you are looking to do through the estimates and the budget process in the future?

**Ms ALLAN** — Yes, as I said in our presentation, the Regional Infrastructure Development Fund has been one of those key policies, one of those key programs, that this Labor Government has introduced that has made a key difference in attracting jobs, people and investment in regional Victoria. In the current financial year we have announced more than \$30 million in funding for 26 significant projects right across the state. Those 26 projects had leveraged more than \$195 million worth of new investment. So you can see there that that is a very strong result, once again, in this current financial year for the Regional Infrastructure Development Fund and really reflects that it is a fund that is geared towards being able to deliver the sorts of infrastructure that communities and businesses need in our regional areas.

You will note from the budget papers that the department has exceeded the targets that have been set for this financial year. That has really been as a result of a number of sub programs that are very important that sit under the Regional Infrastructure Development Fund and are able to deliver a large number of smaller projects that are important for regional communities. I will mention a couple of key projects in the current financial year that have been supported. There has been \$6 million provided for a new proof of concept building at Deakin University. Deakin is working very hard at creating a biotechnology precinct at its Waurin Ponds campus. The Brumby government has provided \$6 million through RIDF as part of a \$13 million expansion of the Geelong technology precinct at Deakin. That is going to create an estimated 400 direct and indirect jobs and inject around \$48 million additional activity into the local Geelong economy.

There has been just over \$1 million for a new industrial estate at Bacchus March which is looking at leveraging around \$15 million worth of new investment and 134 new jobs. There has been a local ports program — a \$4 million local ports program — helping to upgrade ports at Port Fairy, Port Welshpool, Port Albert and in the Gippsland Lakes.

We have provided \$1.4 million in grants to regional airports through RIDF including Stawell airport, Latrobe airport and Mallacoota airport. We established a water for industry fund under RIDF which has funded a number of projects at a number of different businesses across regional Victoria that, interestingly, has been able to reduce demand on urban water supplies by over 10 000 million litres per annum.

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

**Ms ALLAN** — It is 10 000 litres, Bill, would be — —

**Ms MUNT** — It is 100.

**The CHAIR** — It would be 10 000 million litres.

**Ms ALLAN** — Ten thousand million litres would be 10 gegalitres.

**Dr SYKES** — Just say gegalitres.

**Ms ALLAN** — You can say gegalitres, I will say litres and let us call it a day. You say potato, I say potato.

**Dr SYKES** — One hundred litres? Is that the savings project that you announced yesterday in Parliament? One hundred litres?

**Ms ALLAN** — That was one of the projects; I mentioned one of the projects in Parliament yesterday.

**The CHAIR** — For the benefit of Hansard and also for a smoother running of the committee, we will concentrate on the answers and the questions.

**Ms ALLAN** — There has also been funding to support regional arts infrastructure which is a very important factor that makes up the livability of our regions. We have funded infrastructure to the Eastbank Centre in Shepparton and various art facilities in Portland, Casterton and Heywood, and there is also funding to support our rural showgrounds. So you can see the breadth of the sorts of projects funded under the regional infrastructure fund that make up some of those 172 projects which have been funded over the past eight years. It really is a fund that is delivering on the expectations that it set when we first introduced the legislation back in 1999. We deliberately set up a dedicated fund to invest in infrastructure in regional Victoria. We knew we had to do this as a part of our overall efforts to rebuild and revitalise our regions. Eight years on it is very pleasing to see. I have a bit of a map here; if I can pass it around to the members of the committee.

**The CHAIR** — Was it on the overheads as well?

**Ms ALLAN** — It was on the overheads but, this will assist people to read it a bit more easily. It does give you an idea of the breadth of projects in terms of type and the spread of them across the state. So you can see those 172 projects. Some of them are highlighted on that investment map. But it really shows that every single local government area in regional and rural Victoria has benefited from the Regional Infrastructure Development Fund. That has also been a key contributor to its success.

**The CHAIR** — Maybe you can give us a list on notice of the 172 projects, which would probably be helpful.

**Ms ALLAN** — I should also point out that in terms of — —

**The CHAIR** — Including which years they are.

**Ms ALLAN** — Yes. So the committee is aware as part of our reporting against RIDF, each year they are listed in the annual report of regional development. I am happy to provide the committee with a consolidated list. For future reference they are listed in the department's annual report.

**The CHAIR** — I know. We commented on it in our last outcomes report as well, the section, not only on drought, and on rural and regional outcomes in our last outcomes report.

**Dr SYKES** — My question relates to the fund you have just been espousing the virtues of. You said in Parliament on Wednesday that the government had committed \$585 million to this fund over the 10-year period

through to 2009–10. The actual expenditure so far is in the order of \$260 million to \$276 million. Can you commit that the government will fully spend the \$585 million that you have committed by 2010?

**Ms ALLAN** — To assist, in anticipation of this question coming up, I have another slide to hand out to the committee — —

**The CHAIR** — Question and answer, please. Minister.

**Ms ALLAN** — This is a good opportunity to get some facts on the record because The Nationals have unfortunately been peddling a fair bit of misinformation.

**Dr SYKES** — Just to make it clear, I only want a simple answer: do you commit to delivering the outcome?

**The CHAIR** — Thank you, Dr Sykes, the minister is answering.

**Ms ALLAN** — As I was saying, The Nationals have been peddling a fair bit of misinformation about the true nature of the Regional Infrastructure Development Fund.

**The CHAIR** — Refer to it in neutral language, please.

**Ms ALLAN** — It is important to note that, as I indicated on the handout, the government has committed over a 10-year period \$585 million to the Regional Infrastructure Development Fund. To date we have, against that allocation, committed to \$400 million worth of projects.

**Dr SYKES** — How much have you spent?

**Ms ALLAN** — Sorry, Chair, is this a new practice of being interrupted while answering questions?

**The CHAIR** — I know. I have said twice already that it is question and answer it. Both members of the committee and the minister avoid getting into any sort of political slanging matches we will go much more smoothly.

**Ms ALLAN** — As I was about to say, we have committed \$400 million to 172 projects. That is funds that have been committed. As most people who are familiar with how infrastructure projects are both funded and delivered know, there is always a lag between the commitment of the funding and the delivery of projects. Any responsible government will only deliver the funding for that project against certain agreed milestones, which is why we have contracts that are entered into, agreements that are entered into, with organisations that receive this funding. There is from year-to-year going to be a lag between the amount that is being committed to and publicly announced and the actual amount being expended. That is why you see that difference — the \$585 million that is being committed overall; \$400 million that has already been announced against the 172 projects and then the \$262 million, which I think is the figure the member for Benalla just gave, that has been actually expended.

Have no doubt that the projects that have been committed to will be expended to, taking into account, unless obviously from time to time the project may change. We have seen some projects, because of the drought, either not be delivered or have to be put on hold for a period of time. What happens in those circumstances is the organisations come to government and say, 'Can we renegotiate on our time lines and our delivery?'. It is pretty straightforward. I must say that this was something that had been raised previously by The Nationals with the Auditor-General and the Auditor-General dismissed those inquiries because of those reasons I have just outlined. There is always a lag between the announcement of funding for infrastructure projects and the actual delivery of the funding on completion or against those agreed milestones.

**The CHAIR** — This committee obviously looks at estimates, which is dealing with future expenditure as well as with outcomes, and we ask for reporting on both of those at different times of the year. In order to facilitate information flow, could you provide us on notice with the expenditure pattern at the end of the third quarter for this year? I understand, of course, the annual report is not yet available and will become available. We did comment on this in the last outcomes report, and indeed, as you have already said, there were a couple of projects which actually did not proceed for various reasons. It might be useful with this table of the 172, was it, that you actually record expenditure to date, particularly to the end of the third quarter, which is the closest reasonable day to today. Are you happy with that, Dr Sykes?

**Dr SYKES** — Thank you for your assistance, Chair. Minister, I will hand you a table that has been prepared based on the budget papers over the past number of years. Basically it has three columns: expenditure, target for the coming year — expected expenditure as reported in budget paper 3 — and then actual. One of the interesting things is that the announcements in the budget about expected targets seem to be generally substantially higher than both the actual outcome — for the reason you have explained — but also what is reported in the budget paper. I will just hand it to you. It shows that there seems to be a consistent announcing of X and actually spending half X.

**Ms ALLAN** — Chair, just for the record, this is a table that I am familiar with; it has been tabled in Parliament previously. It is a different interpretation — The Nationals interpretation — of the budget figures in the presentation. If it is the same table it involves a double counting of carry forward against the budget year-on-year expenditure. As the secretary just highlighted, the budget only reports on what has been expended not, as you say, against what has been announced and is going to be expended into the future. Just going back to your previous comment about third-quarter expenditure — —

**The CHAIR** — I was just using that as a good marker.

**Ms ALLAN** — Yes. I have some additional information I can provide to the committee. Of the 172 projects that have been announced to date 156, so 91 per cent of those, have commenced construction; 54 per cent of them — 93 — have actually been completed, and legal agreements are being negotiated or finalised with the remaining 16 projects. It is a fund that is well on track in delivering the funds that have been committed.

**The CHAIR** — Thank you, Minister.

**Ms MUNT** — Minister, can I refer you to budget paper 3, page 145, table 3.4 — output summary. There are a number of outputs listed there: industries and innovation; investment and trade; regional development; skills and workforce; and marketing Victoria. Could you please expand on what those programs are and what they are delivering for regional Victoria?

**Ms ALLAN** — These are new budget initiatives. Thank you, Janice. The output summary that is detailed in the budget paper list indicates funding for a range of different projects that the government has committed to in this year's budget through the regional development portfolio. I only flicked very quickly over them on the slide presentation earlier, so with the committee's indulgence I would like to provide a bit more detail on each of those initiatives that make up the regional development portfolio's budget allocation for this financial year.

There is the Geelong Innovation and Investment Fund. We have allocated \$6 million to this fund. Committee members will be already familiar with this fund. It was initially announced earlier in this financial year following the announcement that Ford would be closing its engine plant in Geelong by 2010. The federal and state governments and Ford combined funds to create a \$24 million Geelong Innovation and Investment Fund, and the state government has committed \$6 million to this fund. It is a fund that is designed to create additional investment into Geelong, not only to help compensate for the jobs that have been lost, but to go beyond that and create additional jobs in Geelong. It is important to note that as a region Geelong is performing incredibly strongly, and through government facilitation alone, over 4400 jobs have been created in Geelong over the past eight years.

The Geelong future city master plan project is another initiative of \$7.9 million which is looking at continuing the development of a master plan for the Geelong precinct. This involves working with the Geelong Performing Arts Centre, the library heritage centre and the Courthouse Youth Arts Centre, which are all projects that are under this master plan project. It is an area where we will be working with Major Projects Victoria and the Department of Planning and Community Development to deliver this initiative.

There is \$850 000 which has been allocated for a regional innovation program, which is about continuing the delivery of a number of innovation projects in regional Victoria. The budget provides \$1.08 million over three years — or \$350 000 for this year — for a program supporting Victoria's organic food sector. This is an initiative that comes under the umbrella of the Future Farming statement that I am sure the Minister for Agriculture has already briefed the committee on. There is also in this year's budget the ongoing delivery of a number of other initiatives, whether it is the hugely successful Regional Infrastructure Development Fund or the Provincial Victoria Growth Fund, which are under the umbrella of the Moving Forward work, which of course was a \$502 million action plan that was released in late 2005.

**Mr RICH-PHILLIPS** — Minister, I would like to take you back to the Regional Infrastructure Development Fund. It follows on from Dr Sykes's question. The RDV annual report has previously reported on commitments made against RIDF. What I am interested in is how you report upon actual expenditure and actual outcomes from RIDF. I know the Auditor-General, in his 2005 report, commented on the need for RDV to provide more information on the operations and outcomes achieved by RIDF in its annual report to Parliament. What improvements are you planning to make to the reporting of actual outcomes from RIDF, either through the budget or through the annual report?

**Ms ALLAN** — In terms of how we report, it is obviously reported expenditure through the budget. As part of the previous discussion we were just having, the budget table outlines the allocation that is made year on year for RIDF — —

**Mr RICH-PHILLIPS** — Project by project.

**Ms ALLAN** — And then the allocation. As I have said earlier, the project-by-project funding is detailed in the annual report. So every year that has been provided for in Regional Development Victoria's annual report.

**Mr RICH-PHILLIPS** — Could we just clarify: that is the actual commitment or the actual spend by project?

**Ms ALLAN** — Yes, in the annual report we detail the projects that have been committed to over that past financial year.

**Mr RICH-PHILLIPS** — Yes, but what the Auditor-General was referring to was actual spend on projects.

**Ms ALLAN** — And that is what we put in the budget.

**Mr RICH-PHILLIPS** — But you do not break it down in the budget by project?

**The CHAIR** — The minister has promised to give us a breakdown.

**Mr RICH-PHILLIPS** — Yes, but issue is: how is it publicly reported. That is what the Auditor-General was getting at.

**Ms ALLAN** — It is in the annual report. The annual report announces — just so I can clarify — projects that have been allocated to and projects — —

**Ms CORBETT** — Projects and the amount.

**Ms ALLAN** — And any expenditure against those.

**Mr RICH-PHILLIPS** — So I could go to your annual report for this year and see that you have actually spent \$1 million on the Lakes Entrance port upgrade? It will actually report that you have committed X dollars and that you have spent X dollars?

**Ms CORBETT** — No, sorry, the annual report does not record expenditure to date; it records the commitment that has been made against individual projects.

**Mr RICH-PHILLIPS** — Where do we find the actual expenditure to date?

**Ms CORBETT** — The expenditure is in the budget papers.

**Ms ALLAN** — In the budget papers.

**Ms CORBETT** — But it is not on a project-by-project basis.

**Mr RICH-PHILLIPS** — So where can we get it on a project-by-project basis?

**The CHAIR** — The minister has already said that she will supply that.

**Ms ALLAN** — For the projects year to date.

**Mr RICH-PHILLIPS** — But in terms of publicly reporting, it is fine for the committee to ask for it, but what the Auditor-General recommended was that it be made available publicly. Is that going to be the case?

**Ms ALLAN** — I will have to go back and have a look at the Auditor-General's report. It was before my time as minister for regional development. So I will take that on board.

**The CHAIR** — It will certainly be reported through this committee and indeed we commented on it in the last outcomes report. I do not have a copy of the outcomes report. Does anyone have one? No. We have certainly covered it extensively in that chapter.

**Mr PAKULA** — Minister, I refer to pages 152 and 153 of budget paper 3. There is a heading under the performance measures, 'Regional Economic Development Investment and Promotion'. With that in mind it would be useful if you could outline for the committee initiatives that are being developed, delivered in the budget, under the provincial Victoria statement, Moving Forward.

**Ms ALLAN** — As I briefly mentioned before, the Moving Forward statement is a \$502 million action plan that was released in November 2005 that has quite a diverse range of programs. We have about 72 initiatives that respond to the range of desires from regional communities and across a range of different areas. It delivers new actions over five years and it is looking at how we can continue to deliver strong economic growth in our regional communities, how we can continue to support economic growth and development and of course bring more jobs to regional communities, but it also touches on that very important area of livability — how we can continue to support regional communities to attract more people, to attract more investment, and that makes up the livability of a region alongside its productivity. So that is where you see under Moving Forward there are two funds: there is the \$100 million Provincial Victoria Growth Fund, and \$200 million was allocated through Moving Forward to the Regional Infrastructure Development Fund, and there is another \$202 million of other activity. Just to give you an idea of the range of different programs and some information to date on how those projects are tracking, because of course they are tracking very well. And you have heard me talk already at length about the Regional Infrastructure Development Fund, so I do not need to go back on that. So I will just touch on some of our highlights under the Provincial Victoria Growth Fund.

The first has been the formation of the Small Towns Victoria project. The inaugural Small Towns project was held in August 2007 — so in this current financial year. This is a group that is coordinated through the Municipal Association of Victoria. It brings together the 38 smaller rural councils in our state and gives them quite a strong voice in terms of highlighting their needs and their issues to government and other organisations.

There is a \$27 million package of support for tourism that includes the delivery of a new regional marketing program which is under way and also looking at how we can do things like improve road signage in our key tourist areas. Installation of some of that is scheduled for later this year. Also, under a category of helping communities plan for growth and change, \$13.5 million has been allocated under that project. To date we have supported 46 projects across the state with more than \$4 million to help our local councils, whether as an individual council or on a subregional level, to undertake a more strategic regional planning approach, looking at the needs of their region and helping them to assist with some of those planning challenges. We know some of that is coming as a result of growth — of population growth and business growth — but some of it is responding to some of the challenges of population decline and disadvantage as well.

There has been the incredibly successful Make It Happen In Provincial Victoria campaign, which is, as I said before, bringing together all 48 local government areas under one umbrella, promoting provincial Victoria to the rest of Victoria and Australia. That continues to go very well, and as at the end of March this year, we have seen that \$2.95 million has been expended against that program. There is also another program I wanted to highlight, which is the Provincial Victoria Key Regional Events Program. This is where we can provide some small levels of assistance to those types of community events and programs that can make a difference to a local community.

So far we have provided \$2.24 million towards 119 projects — things like the Stawell Gift, the Shepparton Food Bowl and Building Expo, the Kyneton heritage and jazz festival and the Clunes Booktown festival; they had 10 000 people in Clunes a few weeks ago for their Booktown fair. Those are the sorts of things that with a smaller amount of funding support from the government we can help with promotion, and we can help with organisation

for small local communities under this fund. So that has been a great success. As I said, there are 72 initiatives, so I do not know if the committee wants me to go through all 72!

**The CHAIR** — No.

**Ms ALLAN** — There are certainly a lot of projects that go to helping particularly the dairy industry and building arts and cultural facilities. So the key areas of the Moving Forward program are tracking very well. We are expending the funds. We have delivered a range of different programs already, and it is contributing to that overall jobs growth and population growth that I mentioned earlier in my presentation.

**The CHAIR** — I just note for the record that in our outcomes report recommendation 54, which the government will respond to I am sure in due course, says:

Regional Development Victoria should include in its annual report, a detailed breakdown of expenditure on each of the initiatives ...

**Mr WELLS** — I would like to ask you about the Provincial Victoria Growth Fund, but I just want to clarify a point first. What is the government's no. 1 priority?

**Ms ALLAN** — I will say it is regional development, but I think you will find that in my next presentation I will talk about it being education and training.

**The CHAIR** — The question, please.

**Ms ALLAN** — Education and — I'm not sure — —

**Mr WELLS** — So it is education?

**Ms ALLAN** — We have been saying that for eight years.

**Mr WELLS** — So when you said yesterday, 'Supporting Gippsland has been this government's highest priority', you did not really mean that?

**Ms ALLAN** — No, Kim, I think — —

**The CHAIR** — Can we get on to the outcome?

**Ms ALLAN** — We are referring to what happened in Parliament yesterday.

**Dr SYKES** — Did you say no, you did not mean it, Minister?

**Ms ALLAN** — No, I said, 'No, Kim, I don't think that's the point that I made'.

**The CHAIR** — I am sure there is education in Gippsland. Mr Wells, a question?

**Ms ALLAN** — That is right, as opposed to the 10 schools you closed in Gippsland over the previous seven years.

**The CHAIR** — Can we confine ourselves to question and answer in respect of the estimates?

**Mr WELLS** — Schools have been closed in my area; Ferntree Gully High School has been shut.

**Ms ALLAN** — We are talking about Gippsland; there are 10 schools that were closed in Gippsland.

**The CHAIR** — Deputy Chair, a question, please.

**Mr WELLS** — I am just wondering how much of the funding allocated to the Provincial Victoria Growth Fund in 07–08 and 08–09 is going to be allocation for other government departments? The reason I ask that is that I notice the total allocation in 06–07 was \$11 million — well short of the \$18 million. But the funding seemed to be going to other government departments, like Victorian Communities, 1.7 million; Human Services, 50 000; Infrastructure, 390 000; Primary Industries, 1.187 million and so on. I am just wondering how much of this fund is actually going to go to the actual growth in provincial Victoria rather than other government departments.

**Ms ALLAN** — You are right, Kim, Moving Forward is a whole-of-government action plan, so by that very definition, it means we work with other government departments. If I can just refer to my other portfolio of skills and workforce participation, the workforce participation area is responsible for delivering two initiatives under the \$42 million that is tagged for the skills range of programs. There are funds that we have provided to Tourism Victoria to help with its tourism initiatives, funds to DSE to assist with the ports initiative.

Yes, you are right, we provide funding to other departments, but that is reflecting that this is a whole-of-government initiative, that all our government departments have ranges of different experiences and expertise in delivering services to regional Victoria. Under the Moving Forward umbrella, through the Provincial Victoria Growth Fund and other initiatives, we are making sure that we deliver the range of services and the range of investments and infrastructure that regional Victorians need — whether it is in straight-up economic development through RIDF investments and jobs creation, through the factors that make regional areas a great place to live, and that is some of the tourism initiatives, the arts initiatives. Then of course there is the sustainability of our regions, which brings in departments like DSE and DPI. Under the Future Farming statement, for instance, RDV is funding some of the initiatives under the Future Farming statement. We take our approach to supporting our regional communities on a whole-of-government basis.

As Minister for Regional and Rural Development, Regional Development Victoria is the key lead agency in terms of coordinating some of that activity. That is being delivered through the Moving Forward framework. I think it is a terrific approach that we are taking across the whole of government in regional development to support regional communities.

**Mr WELLS** — Minister, how much would you estimate is spent on bureaucracy and how much is spent on actual growth in provincial Victoria?

**Mr BARBER** — Is this a second question?

**Mr WELLS** — No, it is just a clarification.

**The CHAIR** — It is just a clarification, but I am not sure there is a complete disjunction there. Minister?

**Mr WELLS** — I am talking about the same issue.

**Ms ALLAN** — Sorry, I missed that last bit.

**The CHAIR** — Can you repeat the clarification please, Deputy Chair?

**Mr WELLS** — The clarification is: of the money that is being spent in this fund, how much is being spent on bureaucracy, and how much is being spent on actual items that will promote growth?

**Mr HANNEY** — Minister, if I could respond, the \$100 million growth fund is broken down where it funds. It goes directly to councils, some of it goes directly to businesses, some of it to government departments, some of it to industry and some of it community programs. The vast amount of that goes directly out into community programs, businesses and industries. We can provide a breakdown of that fund if that is available.

**Mr WELLS** — That would be good.

**The CHAIR** — I am not sure it is the view of this committee that funding spent on public servants is actually a negative thing.

**Mr WELLS** — Who was suggesting that?

**The CHAIR** — I am not saying that. I am just making clear what I think the view of the committee is as we look at the expenditure going on programs across the board, without any disjunctions.

**Ms ALLAN** — You do need a level of public servants to be able to deliver those programs.

**Mr WELLS** — Absolutely; no-one is denying that. We just want to know what is spent on it.

**Mr SCOTT** — Minister, I refer you to budget paper 3, page 152, and I note the section headed 'Regional Economic Development Investment and Promotion'. I ask: could you outline the initiatives relating to support for

Victoria's food industry? I note there is a new measure that has been introduced, projects to support growth in Victoria's food industry, in the 2008–2009 budget.

**Ms ALLAN** — The food industry is an incredibly important industry to the economies of our regional communities. Martin is nodding his head. He knows his food very well from a previous life experience. Victoria is an outstanding performer in the food industry area. We produce 30 per cent of Australia's food produce from just 3 per cent of our nation's arable land. It is an industry that is worth \$16.5 billion to the state's economy. It produces around \$5.6 billion worth of exports.

Given that a large amount of this activity in the industry happens in regional Victoria, it is very important as an employer in regional communities and in terms of ongoing investment and support. That is why, through Regional Development Victoria, we have a program called the food industry for a regional sustainable tomorrow — FIRST, which is the acronym that someone has very cleverly thought up. This is a \$3 million plan that is coordinating our activity to looking at how we can stimulate further jobs and further investment and improve infrastructure and services to make our food industry continue to grow very strongly. Again this is in addition to some of the other whole-of-government activities that go on in other departments, most notably DPI.

I just wanted to briefly make mention of our food innovation clusters. We have an innovation clusters program. We fund about 20 clusters under this program, and 8 of those are in the food industry. The clusters are all voluntary — the people who participate in our clusters do so on a voluntary basis. What this does is brings together a range of different businesses, in this instance the food industry, within a particular region or within a particular food type or particular area, and looks at how you can drive advantages through developing some synergies, whether it is around marketing, manufacturing, looking at how you can reduce costs to businesses through shared services, looking at commercialisation of new products and looking at how waste products can be dealt with in a different way.

Just last Friday I met with the chairs of our food clusters, and we are getting some exciting initiatives being delivered, whether it is, as I said, looking at how they can reduce waste or looking at using waste for alternative products. Interestingly, the northern poultry cluster is looking at how it can create a biowaste energy generation facility out of its industry. The Geelong food cluster is looking at developing an organic fertiliser from its seafood waste. There is a whole range of different activity going on in that area.

I mentioned before that the export area was worth \$5.6 billion. Victoria accounts for around a quarter, or more than a quarter, of Australia's food exports to Japan, the USA, New Zealand, Singapore and the UK, which are amongst our largest export markets. As I said, it is a really important industry and we need to look at how we can continue to support it, particularly given the increase of the Australian dollar, which is putting some pressure on our industry. I will just mention briefly one initiative that will particularly support our food industry growth, particularly in the Goulburn Valley region — that is, of course the \$2 billion food bowl modernisation project. By saving water, by upgrading and modernising the infrastructure and by delivering more water to food manufacturers that are located in the nation's food bowl across the Murray-Goulburn Irrigation District, not only will it generate greater water security for those producers that are already there but it will be a terrific attractor. We are looking at how RDV has a role to play, as the food bowl modernisation project is being delivered, and how it can make sure it is undertaking those investment attraction strategies to make sure businesses are capitalising on that greater water security. In a few years time this will see a terrific boom within the food industry in the Goulburn Valley region of our state.

**Mr BARBER** — Just in relation to your earlier requests, Chair, if we are going to get a breakdown of this chart, do you think we could also — —

**The CHAIR** — Do you want the map as well, do you?

**Mr BARBER** — No. I was going to suggest we could get a breakdown in the other three-quarters of the money, in terms of who provided it.

**The CHAIR** — I see what you mean, yes.

**Mr BARBER** — It is 2 billion of new investment, of which 400 million — —

**Ms ALLAN** — One billion.

**Mr PAKULA** — One point two.

**Mr BARBER** — One point two billion, that is right. So, maybe just whether it was the government, local government, private, whoever the partner was, basically.

**The CHAIR** — So the other two-thirds of the money.

**Ms ALLAN** — It is a program that we deliver in partnership. Whether they are local councils, private businesses or local community organisations, the nature of it is a partnership fund, so it should not be a problem.

**Mr BARBER** — It would be nice to know who the other guy was. I was going to ask, though, about page 152 of budget paper 3. Down the bottom it refers to 'Regional economic development, investment and promotion'. Where it says jobs created, new exports facilitated and new investment facilitated, how many projects are we covering there; and what is the sort of threshold whereby your department claims to have created or facilitated the investment?

**Ms ALLAN** — What was the last bit of that question?

**Mr BARBER** — What was the threshold by which you guys claimed some credit for having created or facilitated the project?

**The CHAIR** — You mean the size of the individual project. They may well go by ABS figures.

**Ms ALLAN** — Facilitation means — —

**Mr BARBER** — Because government does not create jobs.

**Ms ALLAN** — Yes, government does. I take exception to that. Government absolutely creates jobs.

**Dr SYKES** — Yes, more public servants.

**Ms ALLAN** — The policies and programs the government puts in place absolutely create more jobs.

**Mr BARBER** — If someone rings up and says, 'Can I have the number for Shepparton council?', you do not claim that you have created or facilitated that investment?

**Ms ALLAN** — No. You are talking about the threshold and the role we play. We have a range of different programs where, through some funding, we are able to facilitate that investment going into a region. A couple of months ago, back in March, I participated in the opening of Unilever's dry food manufacturing plant at Tatura. This was a company that quite openly was looking at going overseas. It came to government and said, 'We have to weigh up our choices here'. As a result of our programs we are able to provide funding, whether it is for training of staff or whether it is helping with some infrastructure that has broader community benefits, and if we are able to make an investment, that secures that investment in that region. What we have seen in the case of Unilever is that it has opened \$58 million new plant at Tatura. It has not only saved the jobs that were there, it has created 134 new full-time jobs in the region. That is a significant investment that came out as a result of government facilitation. We do play a significant hands-on role in terms of government facilitation through direct funding of projects. But then there is the enormous amount of work that goes on in terms of working with companies. We set up Regional Development Victoria as a statutory agency back in 2002, with its very deliberate mandate for being proactive and going out and attracting investment and facilitating investment in regional communities. That is the whole purpose of Regional Development Victoria. That is why I take exception to your comment that government does not create jobs. It absolutely does when it has the right structures and programs in place.

**Dr SYKES** — The drought takes them away.

**Ms ALLAN** — It does when it has the right programs and structures in place to be able to provide funding and assistance. You should not also underestimate the importance of being able to provide assistance. You referred to giving someone a phone number, but being able to sit down in a room and bring together local council, local businesses, local organisations and other government agencies that can all provide assistance to a business investing in a region is absolutely a critical role that government plays. It is the proactive role that this government is playing, and you are seeing the results. I think it is about 16 000 jobs that have been created as a result of government-facilitated investment over the past eight years.

**Mr BARBER** — We got pretty close to getting the answer to my question, but in relation to these 1000 jobs or these 150 — you will have to compare to last year — is the threshold that you gave them a grant? Is the threshold that you convened a meeting along the lines of the one you described? How do you define it to say ‘Yes, we facilitated that’?

**Mr HANNEY** — That is correct, Minister, there must be direct involvement. So it is either through some type of grant or some type of interventionist approach by the department.

**Mr BARBER** — The question was about the type. If they are able to give us how many projects that was and the descriptor, that would be great.

**The CHAIR** — Okay, insofar as that is possible.

**Mr BARBER** — I questioned what type, and the answer came back ‘some type’. I just want to know what it was that was done in each case.

**The CHAIR** — I am not sure they will be able to do it in every case, because it is almost like giving thousands of files. We are not going to ask for that much information.

**Mr BARBER** — It is in the budget.

**Ms ALLAN** — There is a whole list of funding programs. We can provide a list of funding programs.

**The CHAIR** — Business Victoria has a whole lot of programs to facilitate exports.

**Ms ALLAN** — Yes.

**Mr BARBER** — If it is a grant, that is fine.

**Ms ALLAN** — We can give the list of — —

**The CHAIR** — If it leads to that sort of facilitation, that is fine, insofar as it is reasonably possible. This committee has no wish to ask for hundreds of pages.

**Ms ALLAN** — No. We can give the list of funding programs that we make funds available from to help facilitate investment. As you point out, Chair, it is part of that brokerage role that RDV plays, and not all of these programs sit under RDV. They will sit under small business or they will sit under other parts of the Department of Innovation, Industry and Regional Development.

**Mr NOONAN** — Just a follow-on from Mr Barber’s question in relation to the exports facilitated, and going to the table on page 152 of budget paper 3. The output for the 07–08 period is obviously expected to far exceed the target, and of course the 08/09 target has been adjusted up. I just wonder whether or not you can explain why DIIRD is expected to exceed that target by such a great number this year and subsequently going forward, and where those new exports might be facilitated from.

**Ms ALLAN** — It does indeed go to the previous question, and part of the reason why — or a major factor in the reason why — we have exceeded the target is the role that Regional Development Victoria plays. As a statutory authority its role — and it has a legislative role — is to attract investment and jobs to regional Victoria. That is the day-to-day job of the department — to go out and bring more jobs and bring more investment, and of course part of that will be jobs and investment that are related to the export market as well.

Just going back over some of those figures, we have already exceeded our annual target of \$750 million for this financial year. As at 22 May we have reached \$813 million of facilitated investment to provincial Victoria. That has created the 2435 jobs that I mentioned earlier, and that is two-and-a-half times the jobs target you will see there in the budget papers of 1000 jobs.

I have — again, with the committee’s indulgence, anticipating this question — a chart that breaks it down by region. We can smile about the charts, but it does break down by region. I anticipate that the estimates committee always welcomes additional information being provided. You will see there how since 1999 that investment is broken down by region, so you can see that there has been jobs investment across every single region in our state. If

you recall the presentation I gave at the outset, there was a chart on unemployment figures and how the unemployment rate had dropped in every single region across regional Victoria since 1999. That is largely attributed to the fact that we have directly facilitated \$8.9 billion worth of investment that has created over 16 000 jobs and has made up the 458 private investments over that period of time. These are significant numbers of investments and jobs, which is, as I said earlier, a result of the hard work that RDV does on a day-to-day basis — going out there, working with businesses, working with local communities and working with local councils to make sure we have the right circumstances in place.

Just on that, one of the things we do through the Regional Infrastructure Development Fund is fund industrial estates. One of the challenges in attracting investment to regional areas is the supply of appropriately serviced industrial land. Under the Regional Infrastructure Development Fund we have a fund that helps local councils develop industrial land and develop industrial estates. I mentioned the \$1.01 million to the Bacchus Marsh industrial estate earlier, and we have funded industrial estates across the state. I opened one in Kerang back in September of last year. As a result of that government investment being able to bring other utilities to the site, the councils have appropriately serviced land, and they can then go out and work with companies to bring those companies to that site. That is part of the framework, if you like, across the department that we work on where we can bring together the funding programs and the people to be able to bring this sort of new, facilitated investment into regional Victoria.

I mentioned some of the investments earlier in my presentation. You can look at a company like Gekko Systems in Ballarat, where the Premier and I were recently announcing some funding under our community regional industry skills program to assist it with the training of its staff. It is looking at putting in place a new processing equipment plant of \$3.7 million. It is going to create 22 new jobs in Ballarat. Gekko is a great example of a local, regional company that is looking at putting innovation into its production line. It develops specialised equipment for the mining industry. Ninety-five per cent of its product goes to the export market. That is a great success story in terms of a company, and most importantly it is located in a regional area, so it is providing ongoing, sustainable employment in our regional communities. That is just one of a number of examples, some of which I mentioned earlier, where with some government assistance we are providing not only increased investment in jobs but also sustainable jobs for those communities into the future.

**The CHAIR** — I might note on behalf of the committee that in respect of your outputs and deliverables you have got three in terms of increased targets for next year, but there are quite a number of them whereby you are consistently achieving or overachieving. For example, in the table you have just given us there is an average of jobs of about 2000 per year. You might wish to consider looking at those outputs and deliverables in terms of providing targets that are more up to date, I guess, on the basis of your experience over the last few years, which seems to be quite positive.

**Dr SYKES** — My question relates to drought funding, but I would just like to clarify a comment on the earlier discussion about claiming credit for job creation. I recognise the excellent work done by RDV. Often the work that it does is done in association with private enterprise, but also the commonwealth government, such as the very successful commonwealth Regional Partnerships program. I would hope that it was getting due recognition of its contribution to the job creation as well. In relation to the drought, Minister, has your budget been done on the basis that the impact of the drought is continuing, or was it done on the basis that we are returning to normal conditions and the drought is effectively over?

**Ms ALLAN** — The drought is definitely not over.

**Dr SYKES** — Good.

**Ms ALLAN** — For those of us who live in regional Victoria — and I travel the entire length of regional Victoria consistently — it is very clear that the drought is not over. The government's entire budget is set within the framework of taking into account the impact of drought and what it is going to do in reducing the state's output over the coming financial year. From memory — and I think, Chair, you have budget paper 1 in front of you —

**The CHAIR** — I have budget paper 2.

**Ms ALLAN** — I think we do talk about it.

**The CHAIR** — You will find it on pages 34 and 35, and Dr Sykes has pointed this out several times with several other ministers.

**Dr SYKES** — It says it is expected — Or perhaps you could read out the third paragraph?

**The CHAIR** — The third paragraph on which page?

**Dr SYKES** — Page 34.

**The CHAIR** — It states:

It is expected that a return to more normal climatic conditions will contribute to a further recovery ...

**Mr DALLA-RIVA** — It's over.

**Ms ALLAN** — No.

**Mr DALLA-RIVA** — The other minister said it is over.

**Mr WELLS** — So it is not over?

**Ms ALLAN** — No.

**The CHAIR** — Also on page 35, if you will allow me to finish:

The rural sector has only partially recovered from drought conditions. The economic projections assume a return to normal seasonal conditions in 2008–09, but should poor conditions continue in the rural sector, this will place downward pressure on economic growth.

**Ms ALLAN** — We acknowledge that the drought is not over, but there may be a chance of returning to normal climatic conditions. There is no surprise there. Indeed there are parts of the state that are experiencing better rainfalls than other parts of the state. I have been in Gippsland twice in the last three weeks, and it has very different experiences to my part of the state in northern Victoria.

**Dr SYKES** — Given that you accept that the impact of the drought is continuing, albeit it is not clear in the budget estimates, have you got any specific allocations that target drought assistance measures in this year's budget?

**Ms ALLAN** — We do.

**Dr SYKES** — Can you assure me that they are new allocations rather than bringing forward of existing projects or rebadging of money that was already allocated?

**Ms ALLAN** — We have a number of different programs that we are responsible for delivering. There is the business transitioning program, which is \$1 million to help drought-affected businesses to look at strategies for changing what they do. We have a lot of work going on across government in terms of helping farm businesses manage the change. In my other portfolio, as I mentioned before, we have a skills program where we are looking at helping people who have been working on farms look at transferring their skills into off-farm job opportunities.

There is some funding under the Small Towns Development Fund that has been specifically earmarked for projects that look at having water savings and water efficiency outcomes. Again it is very important in drought-affected communities that we look at having water-saving programs that reduce the call on a township or a community's potable supplies.

Under our Planning for Change initiative we have allocated funds to support planning, looking at how communities can plan to change activity or looking at how they can capitalise on other opportunities that might arise in a different area. I have already mentioned in my other portfolio a program called Rural Skills Connect, which is supporting people to get off-farm skills.

Another important initiative that we have been funding has been \$300 000 for a tourism marketing program. One of the unfortunate consequences as a result of the drought and the reporting of the drought is that it has had an impact on our regions' tourism. Some people think — wrongly — that they need to stay away from a region, so that is why we have allocated funds to the Murray region, the high country, the Grampians, Daylesford and

Macedon Ranges for specific tourism activity to promote into Melbourne and encourage people to continue to come and spend their recreation time in our regional areas, because tourism is such an important industry to our regional economies. There has been the successful Wind Down campaign on the Murray, encouraging people to come to the Murray River and not to stay away from it, because tourism is very important to those local economies, and we do not want to have the double whammy of a downturn in tourism and a downturn with the drought having an impact on those economies.

**Dr SYKES** — I just want — —

**The CHAIR** — We need to finish off.

**Dr SYKES** — Minister, can you assure me that money that you announce as being for drought initiatives is new money, not for fast-forwarding existing projects or rebadging other — —

**Ms ALLAN** — They are part of the \$100 million.

**Dr SYKES** — Okay. Right.

**Ms ALLAN** — Sorry. Can I maybe finish my answer before you jump on to the next question?

**The CHAIR** — Okay. We need to finish off this session as well.

**Ms ALLAN** — Those initiatives that I mentioned are part of the \$100 million drought initiatives that were announced by the government in October 2007, so we had on top of the — I think — \$305 million that was announced the previous year, last October we announced a further \$100 million worth of initiatives, and those programs that I ran through just before come under that umbrella of the \$100 million in new Government funding for those initiatives. Again, obviously RDV is partnering with DPI and DSE — it is that whole-of-government activity in terms of tackling the drought and supporting communities through the period of the drought.

**Dr SYKES** — Have you read the report on the 2006–07 financial and performance outcomes done by the Public Accounts and Estimates Committee?

**Ms ALLAN** — That was tabled this week.

**The CHAIR** — No; that was tabled in April.

**Dr SYKES** — About three weeks ago, Minister.

**Ms ALLAN** — No; I have not had the opportunity to, Bill, but I am sure you are going to read part of it to me.

**Dr SYKES** — I encourage you to read it, because in relation to the question I just asked I draw your attention to pages 252 and 253 of that document. There appears to be allocation of money that is badged as drought response, which in fact is simply rebadging of funds previously committed in your projects. So I ask you to have a look at that, and you will understand why I asked the question as to whether what you announced as being drought money is new money or whether it is simply rebadging or fast-tracking.

**Ms ALLAN** — My previous answer to your previous question remains.

**The CHAIR** — Okay. We also had other answers from other ministers on that one. I thank people for that. We will have a short break while we do the changeover to the other portfolio.

**Witnesses withdrew.**

## **Transcript of evidence**

### **6.6 Skills and Workforce Participation portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 30 May 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms J. Allan, Minister for Skills and Workforce Participation,  
Mr H. Ronaldson, Secretary,  
Ms P. Neden, Deputy Secretary,  
Mr S. Ward, Director, Workforce Participation, and  
Mr P. Clark, Executive Director, Skills Policy, Department of Innovation, Industry and Regional Development.

**The CHAIR** — On behalf of the committee I welcome to the table Ms Patricia Neden, Deputy Secretary, and Mr Stephen Ward, Director, Workforce Participation. I now call on the minister to give a brief presentation of not more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the skills and workforce participation portfolio.

**Overheads shown.**

**Ms ALLAN** — Last August with some of the machinery of government changes that occurred at that time the skills and workforce participation portfolio was established. This portfolio brings together the activity in vocational education and training and the adult and community further education sector; it supports the higher education sector in the state; and we look at initiatives around increasing labour market participation and labour supply and skilled migration through our workforce participation area. You can see how my portfolio in this area brings together a multifaceted approach to ensure that Victoria has an adequate supply of skilled labour into the future.

Just highlighting some of the key factors in the skills area, I am very proud to say that Victoria's vocational education and training system continues to lead the nation. We have the highest participation rates of any Australian state, and in the particular area of apprenticeships and traineeships we have the highest level of completions of any Australian state, and that is obviously very important when you are looking at future labour supply needs.

*The Maintaining the Advantage — Skilled Victorians* statement that was released in March 2006 continues to be an important part of the portfolio's activities, and its implementation has been progressing extremely well. Hopefully during the course of our questions I will get the opportunity to highlight that a bit more. However, just for reference, we are going well against establishing four technical education centres in Ballarat, Berwick, Wangaratta and Heidelberg, and we have 300 enrolments at the TECS in Ballarat, Berwick and Wangaratta. Also we have already established 12 of the 13 skills stores that were announced under *Maintaining the Advantage*, with the thirteenth to be operational in metropolitan Melbourne by July 2008.

2007–08 has also been a year of quite good achievements in the workforce participation portfolio, and given that we are experiencing a tight labour market — we talked earlier about how the unemployment rate has dropped for regional Victoria, and that is obviously the experience for Victoria as a whole — through workforce participation we are helping employers address their skill and labour needs by helping them to access people to fill those occupations. But importantly we have a key focus on helping disadvantaged jobseekers into employment, and of course to supplement this activity we have our skilled migration program. So far through our workforce participation program we have supported more than 3000 disadvantaged job seekers into sustainable employment, and this program sits alongside a suite of other programs, including the skilled migration program that I mentioned earlier.

If we look at the key achievements in the adult community and further education area, we see that the ACFE area plays a really crucial role in helping people access education and training programs at a range of different community providers. We have 48 000 people participating in government-funded education through our adult education providers. A longitudinal study was undertaken in 2007, and it found that more than half of the learners in this environment went on to some form of education and training, so it does perform very well in providing a pathway to people for further education and training. We are supporting this sector, and this financial year invested \$2 million as part of a \$4 million program of equipment grants in ACFE providers.

However, we do need to also have a look to the future in making sure that Victoria has the appropriate numbers of people with skills at the appropriate levels, and so that is why looking at how we reform Victoria's skill sector is a very significant part of the work that the government will be undertaking in the years to come. I put on the slide there some of the key challenges that we face as a state, whether it be the changing economic environment and how that impacts on the slowdown in productivity or the changing of the demographic, with the ageing of the population and the contracting of the working age population.

All those factors lead to what we know is occurring now with skills shortages, but we also know that into the future there will be challenges in having people skilled at the appropriate levels. That is why on 30 April I released a discussion paper outlining the government's thinking in terms of looking at how we need to reform the state's

training sector, and the reforms centre around key areas of investment, choice and contestability, capacity and information.

In conclusion, the slide provides a snapshot on the 2008–2009 budget that has a range of different initiatives. There is a further boost to TAFE capital; there is additional funding for the apprenticeship completion bonus; there is a further \$20 million for maintenance of our TAFE institutes; further funding for new workforce partnerships, which is the participation partnerships program; funding for the innovative green plumbing training centre in Brunswick; support for indigenous young people to find employment; and some support for our TAFE institutes to work with their student management replacement system. I am sure we will get to talk about some of these initiatives a bit throughout the morning.

**The CHAIR** — Before I defer to Ms Munt, I note that anything you can do to reduce the red tape for ACFE and neighbourhood houses would be greatly appreciated.

**Ms MUNT** — Minister, in your presentation under key challenges you referred to our TAFEs and our VET sector, and that is also mentioned on page 80 of budget paper 2 under vocational education and training. In recent years our TAFEs have been fulfilling a large role in providing a skilled workforce for our businesses. Other roles have included becoming a pathway to university for many students, but there are challenges to our TAFE system with the increased requirements that are coming through them. You did mention that there is a reform process and that changes are being proposed for our TAFEs and our VET sector. I wonder if you could detail those for us and indicate where we are up to.

**Ms ALLAN** — In looking at the reform of Victoria's training sector it is important to actually reflect on where we have come from over the past eight years, because education and training is the government's no. 1 priority — —

**Dr SYKES** — As distinct from the highest priority.

**Ms ALLAN** — We backed that up with funding in the training area in particular of more than \$1.2 billion of additional investment into Victoria's vocational education and training system over the past eight years, and that includes an additional \$399 million as well for TAFE capital works. That has been an investment that has paid results. I mentioned before that our VET system leads the nation. It is not just me saying that; the former federal minister, Andrew Robb, identified Victoria's VET system as the leading performer in the country. We have the highest participation rates in the Victorian training system and, as I mentioned, the highest number of apprenticeship and traineeship completions. However, where we are tracking currently we know we have to look at changing what we do in order to meet the skill needs of the future. We do risk going backwards if we do not look at reform and if we do not look at change.

If you refer back to the slide that we had in the presentation that identified key challenges, this is really what is guiding the government's thinking and work in this area. The training system that we have in place in Victoria today was designed within a very different labour market. We are experiencing lower levels of unemployment; we are seeing competing demands for labour, particularly at the higher levels of skills and qualifications; and we are seeing a shift, particularly in Victoria, away from our traditional manufacturing base into more high-level occupations. This comes at a time when we know we are going to experience slowdowns in productivity, which is also a key priority for our federal colleagues in Canberra. It comes at a time of the ageing of the population, which means that the new supply of people entering the labour market is contracting, and this all leads to some imbalances in industry and business being able to access skilled workers.

Whilst all this is happening in an economic sense, at the same time in Victoria we have more than 1.4 million Victorians without post-school qualifications. That is 1.4 million Victorians who are either unemployed and outside the labour market or underemployed. So there is a responsibility on government to look at how we can do more through our training system to support those people to have access to training, to get into the training system and then to go on to higher level qualifications. At the same time, too, according to some research that was undertaken out at Monash University — I mentioned before the challenge of having people at higher level skills — over the 10 years to 2015 on a no-change basis we are faced with a shortage at a diploma and an advanced diploma level qualification of 123 000 people.

We have some twin challenges there: we have to look at how we can train more people, get more of those 1.4 million Victorians with a higher level qualification, and we have to train more people to a higher level. That is

why, through the discussion paper, I have proposed an ambitious reform proposal that is looking at making significant changes in the areas of investment, looking at increasing choice and contestability within our training sector, but at the same time looking at providing ongoing support for our TAFE and adult community further education sectors, and also looking at how we can make it easier for people to navigate their way through the training system. It has been pleasing to see that this discussion paper and these directions have been broadly welcomed. There have been, of course, some elements of the package that some people will have questions about, and that is why I have released the discussion paper, to engage in that community debate and dialogue so we can make sure that the final package of reforms is best shaped by people's thoughts and opinions throughout this process.

Broadly, this reform approach is being supported. I refer to a comment that Peter Ryan, who is the director of Goulburn Ovens TAFE, is reported to have said in the *Shepparton News*. He said that this sort of reform is definitely welcomed to address the widespread skills shortage, and that it is pleasing to see an input at both a state and federal government level. I mention the federal government because it is also looking at what needs to happen at a national level on making reforms to ensure the country has appropriately skilled labour, so the reform approach we are taking is consistent with the thinking and approaches that the federal government is looking at undertaking. The opportunity is there right now to make sure we reform the training system so that it is providing people with the skills and qualifications that the economy needs and that business and industry needs. It is good for the economy and it will help with our productivity, but for individuals, if our economy is growing strongly, of course, that is very important to the individual's own well-being.

**The CHAIR** — I forgot to welcome Mr Phillip Clark, executive director, skills policy, to the table.

**Mr DALLA-RIVA** — Minister, I refer you to the service delivery budget paper at page 154, which talks about skills and the workforce. It is talking about trying to build capacity and competitiveness across Victoria. I put it in the context of what has been happening in Bendigo in the last week with some of the issues surrounding the call centre Excelior, and I am trying to find some clarity in terms of the forward estimates of how you are dealing with call centres, given some of the issues they are confronting.

You spoke in 2001 in the Parliament about the success of the regional call centre attraction policy, and I am trying to see if there is some association with skills and the workforce moving forward. I also would like to hear your views on how the unions' involvement in this particular closure of Excelior has impacted as a result of its announcement last week. Further to that, is there any money allocated or anticipated somewhere in terms of ensuring the continuation of this call centre, given that the former government and this government hope that there would be about 1000 workers in call centre industries around that area?

**The CHAIR** — Minister, insofar as those questions relate to the estimates in your portfolio, I am not too sure whether the last two parts do so relate, but can you answer so far as they relate to your portfolio in the estimates.

**Ms ALLAN** — It is a broad question and in part relates to discussions on my previous portfolio as well, where we were talking earlier about investments the government has assisted in the facilitation in regional Victoria.

Call centres have been some of those, and back in March I opened AAMI's call centre in Gisborne, which is providing a significant boost to jobs in the Macedon Ranges area. So contact call centres have been one of those industries that we have identified that can support regional economies. Excelior has taken over a site and a range of contracts that had previously been operated by AAPT. People who know the history of this company will know that the government did assist with AAPT locating its call centre operations in Victoria in Bendigo, and that was announced back in March 2000 by the then Premier, Steve Bracks. AAPT was warmly supported and warmly welcomed by the Bendigo community, and it went on to employ, if my memory is correct, around 380 people within its call centre site in Bendigo. However, it has been deeply disappointing to see how AAPT has not rewarded the good support that the Bendigo community showed it. It announced in November of 2006 that it was pulling out of its Bendigo operations, and that announcement came without any warning and without any discussions with government. Subsequent to that Excelior stepped in and announced in May 2007 that it would be taking on the AAPT contracts and staff and that that would be operating until 30 June 2008.

The recent speculation that has been reported in the paper is just that: the speculation around the now Excelior call centre in Bendigo closing is speculation based on AAPT establishing a call centre operation in the Philippines. It

has announced that it is undertaking a three-month trial of a call centre operation in the Philippines, and that has led to the speculation at a local community level that that will mean the closure of Excelior's Bendigo operations. I have no advice on whether that will result in the closure of the Excelior operations. However, should that be the case — as it sometimes is across regional Victoria, where we do experience retrenchments or job losses — we have a program called Skill Up that is administrated under the skills and workforce participation portfolio whereby we do help retrenched workers undertake retraining and job identification opportunities within a local community, and that part certainly relates to my portfolio.

But can I just make the point that it is speculation at this stage around what might happen to the call centre operation in Bendigo. As the local member there I was deeply disappointed at AAPT's behaviour. I thought it did not return the good faith that had been shown by the Bendigo community. We have to discuss with Excelior what the future of the site will be, and, as I said, I have not received advice on what that means to date. Excelior has to really consider what its options are, and that of course means accessing more contracts — after all, that is the name of the game in call centres, the more contracts you get, the more likely the ongoing of the operations — but certainly there is a commitment from this government, whether it be in call centres or in other industry occupations where there is a downturn or where people are retrenched, to step in primarily through our Skill Up program and provide support and assistance for those workers to be retrained and, hopefully and optimistically, re-employed.

**Mr PAKULA** — Minister, can you advise the committee of the government's intention for the future of the old University of Melbourne campuses at Glenormiston, Longerenong and Warragul?

**Ms ALLAN** — Yes. This has been a long story as well, and I am very pleased to advise the committee that just this morning I have been able to announce the successful tenderers for the former University of Melbourne campuses at three locations — Glenormiston, Longerenong and Warragul. To go back again with a bit of history, back in 2005 Melbourne University made its own decision to cease its delivery of agricultural vocational education and training at those three locations, and as a result of that decision those three sites were returned to the state and returned to the minister responsible. Obviously those communities were very concerned about what that might mean for the future, because having the delivery of agricultural training at those three locations was important in terms of training young people in the agricultural sector in their own communities, but also it supported the local economy of those communities as well.

So the commitment from the government was to look at how we could secure the long-term viability of those three locations. As a result tenders were called for the management of each of the campuses, and those tenders had to address that issue of future viability and secure the viability into the longer term. As a result of that process I am very pleased to advise the committee that the successful tenderer at Glenormiston is the South West Institute of TAFE. South West has been delivering training for an interim period on the Glenormiston site. As committee members may also know, this site is the site for one of the government's rural learning campuses in the education department; it is going to be established on part of the Glenormiston site as well.

At Glenormiston, through South West TAFE's delivery, students gain qualifications in agriculture, rural business management and the equine industry, and the equine industry plays an important role in that region. For the Longerenong campus, which, for those members who may not be aware, is on the outskirts of Horsham, WORKCO Ltd is the successful tenderer, and it has also been delivering an interim operation on the Longerenong site since Melbourne University departed. It delivers a comprehensive range of programs in the agricultural sector from certificate I through to advanced diploma. Finally Warragul the Education Centre at Gippsland is the successful tenderer for the operation of the McMillan campus, and it will continue to provide a range of high-quality agricultural related programs at that site.

To help inform the process and to help with the decision there has been a lot of consultation with various stakeholders. As I said, there was a tender process that was undertaken, and certainly local communities have been involved in the consultation process as well. Securing the future of these three campuses was very important from a government perspective, because it is part of making sure that we have high-quality education and training delivered across regional Victoria, and that is why we provide capital funding to our TAFEs. As I said before, it is also very important in being able to deliver the types of training that young people in those regions need. It is important for keeping them in their local communities, but it is also important to our rural sector, our agricultural sector, which is one of those areas that is experiencing skill shortages.

It is very pleasing to be able to make this announcement today, because it has been a process I know that has been going on for some time. It will provide some long-term security for those three sites and for the people who are operating those three sites. I would also like to commend the three tenderers for the quality of their applications.

**Mr WELLS** — Minister, I refer to budget paper 3, page 145, table 3.4, and I refer you to the skills and workforce budget. For 07–08 it was 1.755, then that was revised down to 1.659; and the budget in 08–09 is going to be 1.69, a cut of 3.7 per cent. Can the minister give an explanation of why there is this cut of 3.7 per cent when she has put so much emphasis on how well the government is doing in skills and workforce?

**Ms ALLAN** — Thanks, Kim, you are again right in reading out those budget numbers.

**Mr WELLS** — I am getting very nervous about this.

**Ms ALLAN** — The primary reason for that variation that is identified in the budget papers is the result of those machinery of government changes that I mentioned earlier. In November 2006 the Adult Community and Further Education area moved out of the department and into the Department of Planning and Community Development. So before November 2006 the Office of Training and Tertiary Education had vocational training, had the higher education functions, and it had the adult community and further education functions. As a result of the machinery of government changes, the Adult Community and Further Education branch moved into the Department of Planning and Community Development. That variance is primarily as a result of that.

**Mr SCOTT** — Minister, in budget paper 3, page 50, there is a reference to \$241 million to deliver initiatives in the *Maintaining the Advantage* skills statement. Could the minister advise on the progress of these initiatives and how the current budget will build on that progress?

**Ms ALLAN** — *Maintaining the Advantage*, as I said earlier, was announced in March 2006, and it makes up part of the \$1.2 billion of additional investment in our training system since 1999. The initiatives under *Maintaining the Advantage* focused on four areas: starting earlier, learning longer, getting smarter and making it easier. Under the starting earlier area, the particular emphasis there was guaranteeing a place for young Victorians to complete year 12 or its equivalent, and that is going very well. We are seeing more young people being able to undertake their training up to year 12 or equivalent as a result of that initiative. But it also had funding for pre-apprenticeships and more funding for 4500 additional pre-apprenticeship training places, and that is again important to get young people on a pathway of training. The number of people taking that up is exceeding expectations. But also one of the key foundations in this area was the provision of four technical education centres. Just to update the committee, the technical education centres are going very well. We have TECS operating out of temporary facilities at Ballarat, Berwick and Wangaratta, and construction on all four TECS is scheduled to be completed in mid-2009. With the Heidelberg TEC, construction is expected to commence in mid-2008.

We have seen 80 students enrolled at Ballarat, 65 at Berwick and 188 at the Wangaratta TEC. The Wangaratta TEC has extended its program somewhat and is providing enrolments for 250 students enrolled in what is known as a TAFE Taster Program, giving young people — I believe it is at the year 9 level — more exposure to the vocational training system. So in terms of how that impacts on future initiatives, this is a great example of where we are providing more vocational opportunities for young people within our technical education centres, and this means they do get to see a broader range of options that are on offer, and the TECS do provide a very broad range. Whether it be apprenticeship, pre-apprenticeship traineeships or VCAL opportunities, it is a very broad range of programs that can be on offer through our technical education centres.

The other initiative that I would just like to briefly mention that has come a long way over the last financial year has been the establishment of our skills stores. The statement provided for the establishment of 13 skills stores, and the first five commenced operations in July of last year. In their first six months of operations they have helped over 1500 people. Remember, the skills stores are literally on the street front. People can walk in and get advice free of charge on what sorts of skills they have, skills they have picked up on the job or skills that they had previously. If they have been out of the workforce for a while raising kids, they can come in free of charge, have their skills assessed and then be provided with assistance to connect to a training program. Some eligible people can access a \$250 grant to assist with the costs of their training. Seven more skills stores opened up for business in January 2008, and we have got the final one opening up in central Melbourne in July of this year.

I just want to mention — because it goes back to a previous conversation we were having about the drought — that we accelerated the opening of the skills stores in regional areas as part of our drought response because we

recognise, as I mentioned before, that the downturn in the agricultural sector means that there are people with skills who need assistance to be transferred into new employment opportunities. So we accelerated the opening of the skills stores in regional Victoria as part of our broader range of drought response measures to make sure we are providing assistance on the ground to people who have been affected by the drought.

**The CHAIR** — Dr Sykes may wish to take some of these matters up.

**Dr SYKES** — I am going to focus on the apprenticeship assistance scheme. Mr Jasper, the member for Murray Valley, raised it in Parliament on Wednesday evening. The issue is, Minister, as I understand it and as Mr Jasper understands it, that to be eligible for I think it is called the apprenticeship assistance scheme or assistance, you need three or more apprentices in your employment. As Mr Jasper has pointed out, that disadvantages a large number of small businesses that employ a large number of apprentices, particularly in country Victoria. Can you confirm that my understanding and Mr Jasper's understanding is correct and then provide a basis for why that threshold is there and advise what offsets there are to ensure that those small businesses and the apprentices employed by those small businesses are not discriminated against?

**The CHAIR** — Minister, it may well be a question for the Minister for Finance, WorkCover and the Transport Accident Commission, who is appearing on Monday, but please answer insofar as it relates to your portfolio.

**Ms ALLAN** — Certainly. I must have missed the member for Murray Valley's contribution in the Parliament, but I appreciate your bringing it to my attention.

**Dr SYKES** — You were building up to your own.

**The CHAIR** — On the state taxation bill.

**Dr SYKES** — It was a very good presentation.

**Ms ALLAN** — The apprenticeship and traineeship completion bonus has been funded for an additional year in this year's budget at \$25 million. This is a scheme that has been in operation since 2003, and the member for Murray Valley is correct in identifying that it goes to employers employing three people or more. The operation of this scheme is something that we will be reviewing post the finalisation of the skills reform agenda, because that complaint that has been raised by the member for Murray Valley has also been raised in other areas with me.

**Dr SYKES** — I think I raised it last year, actually, in this committee, Minister. It is not a recent call.

**The CHAIR** — I am sure Labor members of Parliament have also raised it.

**Ms ALLAN** — It is something that we are examining. However, I would also point out that we have other initiatives to support apprentices in Victoria. There is the \$500 apprenticeship trade bonus which is paid in two instalments of \$250 each, to encourage people to go on with their apprenticeship. It is paid at the completion of six months and then at 12 months to provide a bit of a boost to them to continue on with their apprenticeships. And we increased the overnight allowance; we tripled the overnight accommodation allowance for apprentices. This is important in helping particularly people from regional Victoria who often have to travel to undertake their training. These have been additional initiatives, but I will certainly — —

**Dr SYKES** — Is there a threshold of three for that overnight allowance?

**Ms ALLAN** — No. For those other two, the eligibility is straight up; you have to be in an apprenticeship. I certainly have taken on board those comments regarding the apprenticeship completion bonus.

**Mr NOONAN** — Minister, I want to ask a question about the WPP program and critically acknowledge that it has been a program which has helped youth offenders transition from custody into the community and ultimately into work. But in terms of the new workforce partnerships program funded at 7.5 million and the indigenous youth employment program, I wonder whether you might talk about the key features of those, particularly focusing on those that might be deemed disadvantaged.

**Ms ALLAN** — One of the consequences of having very strong jobs growth over the past eight years and the additional jobs that have been created is that there are still groups of people within our community who are

faced with a range of different barriers to undertaking employment. So whilst we are very pleased to see low unemployment rates and the creation of over 446 000 jobs over the past eight years, we do know that we have to continue to support people who face a range of barriers to participating in the labour market. That is why back in 2005 we established the Workforce Participation Partnerships program, and since that time we have committed almost \$30 million to that program.

To brief the committee to date, we have developed 144 projects under this fund that have involved 1500 individual employers, and that has seen the outcome of 3000 jobseekers going on to sustainable employment outcomes. Importantly sustainable employment outcomes mean having been in the job for at least 16 weeks. So it is not just a matter of getting someone to the door; it is about making sure that they stay in the job for at least 16 weeks. So it certainly has exceeded expectations, but it has also, pleasingly, been able to target particular niches or particular sectors of jobseekers who do need some specialised assistance.

Wade, I know that you are very well aware of the Bridge Project that is run by the YMCA at the Malmsbury Youth Justice Centre. I think it is important to spend a little bit of time just talking about this project, because it does highlight that with some targeted government assistance you can have a significant outcome in supporting, in this case, disadvantaged young people to go on and have a real go at getting into the labour market. Through the funding of the Bridge Project we have seen over 30 young people in the last 18 months who have participated in this project successfully transition into employment, and importantly there has been no return rate of these young people back to Malmsbury. We know recidivism is a particular issue, both for prison populations as a whole but particularly for making sure young people do not return to the criminal justice system. So this program is really helping make sure that they do not just leave Malmsbury Youth Justice Centre but that they do not come back and that they go into a sustainable job outcome.

KPMG has undertaken an analysis of the cost benefit of this project and has confirmed that this is having a significant impact on the Victorian economy both in terms of the productive outputs of the people going into employment but obviously of course in terms of the reduced cost to the state from these people not returning to the juvenile justice centres. It is a terrific project, and it is just one of a number of examples of projects that are funded through what was known as the WPP. This budget provides funding for the New Workforce Partnerships program with an additional \$5 million to continue the good work of the WPP and to continue to really focus in on the groups of people who are most disadvantaged and need the most assistance to get into the labour market. That is why we have also established a dedicated \$2 million fund for our Indigenous Youth Employment Program, which is going to help provide pathways for young indigenous people to enter employment, again providing practical things which sometimes in this case young indigenous people need to be able to participate in the labour market by providing mentoring, training and support, and helping to link them to a range of career opportunities. This has been a very important and a very targeted way to help some of the most disadvantaged in our community. As the unemployment rate continues to drop, we continue to see people who miss out. Without some intervention they will continue to miss out, and we want to make sure we can maximise their participation in a productive economy, because it is particularly important for their own personal wellbeing and outcomes.

**Mr DALLA-RIVA** — I refer you to the service delivery budget paper on pages 154 and 155 in the context of the forward estimates in relation to the funded student contact hours and also the percentage of TAFE graduates and some of those performance measures. I understand you have released a discussion paper in respect of VET, if my information is right.

**Ms ALLAN** — Yes.

**The CHAIR** — You referred to it earlier in your presentation.

**Mr DALLA-RIVA** — I understand that people are invited to make comment on the discussion paper by 10 June 2008, and I understand there are proposals for it to be in place by January next year. Whether that is right, I do not know, but irrespective of that, there is a period in the forward estimates where they are making an impact on some of the recommendations that are considered. I know that on page 15 of the discussion paper it talks about interstate fee comparisons in relation to VET students. There is discussion there about VET students paying their fees up front currently, and you are looking at an income-contingent loan scheme for VET students. But I also note that in the context of the interstate fee comparisons we are the lowest there, so I gather in the forward estimates you will be looking at perhaps bringing parity to some of the other areas. So I ask: have you given consideration in the forward estimates to the increases in terms of fees to students potentially, the impact that that may have on the

budget, the impact that it may have on the percentage of TAFE graduates who complete the courses, and any other impacts you may see if this model is proposed to be put forward into the next period?

**The CHAIR** — Minister, there are some hypotheticals there, but insofar as you can answer that one, please do so.

**Ms ALLAN** — There are a few hypotheticals, and I guess I will start with the first assertion of what may come as a result of the reform program starting on 1 January 2009. That certainly is not set in stone. Given that a number of our TAFE institutes particularly are already planning and have already done the marketing for 2009, we have to take into account any proposed changes and how that might impact on their current level of activity. In terms of anticipating future impacts on the budget, I am probably not in a position to be able to outline that to the committee today because we are still in the discussion and consultation phase, and that will inform the future model that I will be putting forward. Of course in putting forward a future model that may involve fee increases and that may involve an income-contingent loan, we will absolutely be looking at what that means to our forward estimates, because we want to make sure that the intended outcome of this process and of the discussion-paper process is to bring more people into training and to bring more of those 1.4 million Victorians without a post school qualification into training. To do that, we need to look at additional sources of revenue, from government to individuals and businesses as well, which is why the consideration of an increase in fees is on the table. To consider an increase in fees you have to make sure that there are equity measures in place to ensure that people do not miss out, which is why the income contingent loan is under consideration. Insofar as it impacts on the forward estimates, that is something I think is for future discussion with the committee.

**The CHAIR** — That concludes the consideration of the budget estimates for the portfolios of regional and rural development, skills and workforce participation. I thank the minister and departmental officers for their attendance today. The committee has a couple of issues it will follow up with you, and there may be some other questions which we will forward to you at a later date. We request that a written response to those matters be provided within 30 days.

**Witnesses withdrew.**

## **Transcript of evidence**

### **6.7 Small Business portfolio**

*The transcript for the hearing on this portfolio was included in the Report on the 2008-09 Budget Estimates – Part One.*

## **Transcript of evidence**

### **6.8 Tourism and Major Events portfolio**

# VERIFIED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2008–09

Melbourne — 3 June 2008

#### Members

Mr G. Barber	Mr G. Rich-Phillips
Mr R. Dalla-Riva	Mr R. Scott
Ms J. Munt	Mr B. Stensholt
Mr W. Noonan	Dr W. Sykes
Mr M. Pakula	Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Mr T. Holding, Minister for Tourism and Major Events, and  
Mr D. Richter, Acting Chief Executive, Tourism Victoria.

**The CHAIR** — Just for the information of the committee, I welcome Don Richter, the acting chief executive of Tourism Victoria. I ask the minister to make a brief presentation of no more than 5 minutes on the more complex financial and performance information in respect of the tourism and major events portfolio.

**Mr HOLDING** — Thanks, Chair. I should say that Don Richter has joined me, filling in for Grey Hywood, who could not be here today. He has a personal issue that is being resolved.

**Overheads shown.**

**Mr HOLDING** — Just in relation to the performance of tourism and major events, I will not dwell on these statistics other than to say that all the members of the committee would be aware that tourism plays a major role in underwriting the state's prosperity. It employs a lot of people and it is an important employer in regional Victoria, and the government has a plan in place to grow not only the contribution of tourism as whole but the tourism and major events contribution to regional and rural Victoria as well.

I am sorry about how small the writing on this particular slide is.

**The CHAIR** — We have a copy.

**Mr HOLDING** — I would simply highlight the key achievements: the big increase in international visitor expenditure, which is very pleasing. We have always said that our major increases in visitor yield over the period of the 10-year tourism and major events industry strategy will come from international tourists, so it is great to see that increase occurring. Melbourne has overtaken Sydney for the first time as the most lucrative tourism destination. That is a great achievement and one we are very pleased about. On cooperative marketing activities connected with the launch of Tiger Airways, we have highlighted improving aviation services to Melbourne as an important part of our plan, so being able to celebrate the launch of Tiger Airways and have some cooperative marketing activities connected with that is fantastic.

On the tourism excellence program, the final modules of that have now been launched. That focuses on skills in particular and improving excellence, which has been a real focus of the industry plan. We have had marketing campaigns in some of our regional areas as well as a focus on international business events, and the success of our signage at some of our major events is helping to brand Melbourne and Victoria internationally.

You have asked what are some of our key priorities. It is a short presentation, so I will just touch on these. With regional Victoria, we want to see more visitors. It is challenge for us because a lot of our growth is coming from international visitor segments that are less likely to visit regional Victoria, so we need to redouble our efforts in that area. We have said that aviation capacity growth is important. We want to focus on our emerging markets, China and India, and in 2009 we will be hosting the Australian Tourism Exchange. It has been a few years since we last played host to that major tourism event. We also want to, with the opening of the convention centre, highlight Victoria's credibility and profile as a world-class business events destination. Consistent with those priorities are the initiatives contained within the budget: additional resources for regional tourism, for marketing campaigns particularly; \$8 million to market us internationally and also to put aside some resources for air services; business events; and finally the dollars for ATE (Australian Tourism Exchange).

**Ms MUNT** — Thank you, Chair. I would like to ask a question concerning the Melbourne Convention Centre, which is mentioned in budget paper 4, page 123 under 'Statement of administered items'. Can you please confirm for the committee that this project is on time and on budget?

**Mr HOLDING** — Yes, I can confirm to the committee that the project is on time and on budget. This is a very important project. Firstly, it is a facility for Melbourne that will fill a gap for us. We have been in temporary convention centre facilities for a long time. This has impeded our international competitiveness, our ability to attract major new business events to Melbourne. The new convention centre being built and co-located with the Melbourne Exhibition Centre will mean that Melbourne has the best and the largest integrated exhibition and convention centre space anywhere in Australia. The building itself is an environmentally sustainable building. It is a six-star rated building; the best of its kind anywhere in Australia, which is a fantastic achievement and one that will leave, I think, an environmental and social dividend for many, many years to come. As well as that, of course, it is a major boost for the state's infrastructure portfolio. It is on track, and it is on budget. Of course the City of Melbourne, I should acknowledge, is contributing \$43 million for the bridge for pedestrians and cyclists, which will

link the development to the Docklands, and there are also some municipal-type works which it is undertaking. They have made their first payment under the agreement in relation to that contribution.

We are also obviously seeing a great pipeline of conferences that have been won. I do want to focus on these, because some of these are quite amazing. We have things like the International Geomorphology Conference, which will bring 600 delegates to Melbourne and a net economic impact of \$3.6 million. We have got major conventions like the Parliament of the World's Religions 2009, which will bring 10 000 delegates to Melbourne and a \$71 million net economic impact — 52 000 room nights, that particular congress will generate. We have been able to identify about 15 or 20 major conferences or conventions so far that have been secured for use on the new site. That pipeline of convention activity will fill our hotel rooms and justify the investment that is being made in the facility.

**Mr WELLS** — Minister, I refer you to budget paper 3, page 158, in particular the number of visitors — domestic visitors. I am wondering why there are no key performance indicators recorded in the budget papers for the number of domestic visitors. Why has there been a decline in domestic visitors, if you take the figures that are reported in the Tourism Victoria annual reports? And what targets are you using for those domestic visitors — the number and the amount they spend when they go to regional Victoria?

**Mr HOLDING** — There are a number of different questions there. Just to address different elements of it — firstly, the question of domestic visitor numbers is a very important one, because the number of domestic visitors has been flat over a sustained period of time. This is not just an experience that we have seen here in Victoria, it is Australia wide. In fact the modest growth that there has been in domestic visitor numbers has been stronger in Victoria than it has been in other states. I think the growth rate has been about 0.5 per cent?

**Mr RICHTER** — Yes.

**Mr HOLDING** — I will get the actual figure in a moment for you, but the growth has been slightly above the growth for Australia more generally. What we have focused on and what the Commonwealth Government now increasingly focuses on in its compilation of data for both international visitors and domestic visitors is what the expenditure forecasts are, because it is the expenditure forecasts which actually generate the economic impact for the state, not the raw number of visitors. That is the direction the Commonwealth has gone in, and it is one that we are also happy to go on. Again, you can see there — if you go to budget paper 3, page 158, you will see the targets for domestic visitor expenditure, which have been broadened since 2007/08 and now include the overnight and day-trip spend. The reason why we are presenting the data in this way is that really for the first time the National Visitor Survey, which is what drives all of our data collection, has been able to be improved to the point where we could get a robust measure for day-trip expenditure. In the past the measures were not robust enough to be able to collect the data in that way.

That is particularly around the National Visitor survey sample size. The National Visitor Survey sample size has increased in 2005 from 80 000 to 120 000 respondents, which therefore increases substantially the reliability of the data that is provided to us. That change also is reflected in the focus of the Government's 10 Year Tourism and Events Industry Strategy, which focuses on intrastate visitation. If we look at the expected outcomes for domestic visitor expenditure 07–08, 11.8 billion — that is above the target. The target in 08–09 has now been increased to 12 to 13 billion. That is reflected in the domestic visitor expenditure targets that you can see there.

In answer to the first part of the question — or what I understood was the first part of the question — where is the focus on numbers of domestic visitors — —

**Mr WELLS** — Or why you have the numbers of visitors for international, but you do not have the number of visitors for domestic.

**Mr HOLDING** — The reason is the focus is now expenditure driven rather than numbers driven. You can see now that is consistent with the way the Commonwealth is increasingly presenting its tourism data. But we make it very clear that domestic visitor numbers have been flat.

Just to go over the question, 'What are the numbers?': 1999 to 2007, domestic overnight visitation to Victoria has increased at a rate of 0.5 per cent per annum. The national average has been 0.1 per cent per annum over the same period. We would say that domestic visitor numbers are flat. They are flat for Victoria — they are flatter for everyone else, if you can describe it that way. That is small comfort to us from a Victorian perspective. What we

need to do is to understand why. The reason why domestic visitor numbers are flat is because Australians are increasingly able to take relatively cheap international holidays, accessing cheap airfares, or expend their money on other things — for example, plasma screen TVs or whatever. The high cost of fuel obviously makes domestic travel for Victorian visitors less attractive than it would otherwise be. That is why our focus on regional expenditure — \$13.3 million for regional tourism — is so important, because without that expenditure we will not have the campaigns in place, the marketing campaigns, to attract the people to travel to regional locations.

**Mr SCOTT** — My question will relate to the same page on budget paper 3, the number of visitors international performance measure, which I note the forecast of 1.5 to 1.8 million, which is an excellent result, frankly. Aviation access plays an important part in getting these international visitors to Victoria. Can you detail some of the initiatives taken in this area in the budget period?

**Mr HOLDING** — This is an important question. My recollection is that Gordon asked a question about this issue last year. It is one that has occupied, I think, all of our minds in Victoria: what we can do to grow Victoria's share of direct aviation services into Melbourne and into Avalon. This is a real issue for us, particularly at the moment, and Melbourne with its status.

The challenge for us is that if we are going to achieve the targets that we have set ourselves in the 10 Year Tourism and Events Industry Strategy we need to improve our international visitor efforts. That means it needs to be easier for people to get here. At the moment something like 10 per cent of visitors to Victoria who fly in from overseas need to make a connection through another city. The corresponding number for Sydney is about 3 per cent. That is a major competitive disadvantage for Melbourne.

If you look on the trans-Pacific route, which is the most profitable route anywhere in the world, about 37 per cent of visitors to Melbourne from overseas who come on that route need to make a connection through a city other than Melbourne. That shows that in a sense we are discriminated against because of the way in which international air services are arranged. That is why it is so important for us to draw other carriers to Melbourne to provide those direct services.

We are very pleased that Cathay Pacific has increased its Melbourne–Hong Kong services from double daily to triple daily in October 2007, which adds something like 150 000 new seats between Hong Kong and Melbourne each year. Korean Air began direct services between Seoul and Melbourne three times weekly in October 2007. We forecast Korean visitor arrivals to Victoria to grow by something like 65 per cent by 2016. Qantas has introduced a new service between Melbourne and Shanghai in March 2008 offering two flights a week on the route, and also boosted its flights to Hong Kong from 7 to 10 services per week. Thai Airways and Philippine Airlines also increased the number of flights to Melbourne in the past 12 months, while China Eastern and Singapore airlines added supplementary seasonal services. We have obviously got the Tiger Airways announcements around additional flights secured there with their headquarters in Melbourne. Jetstar has introduced new daily international services from Melbourne to Singapore via Darwin, which expands its network out of Australia and Asia.

We are pleased with those things, but there is a lot more work that needs to be done. That is why we are very pleased that the Commonwealth has announced a review, the first major review, of aviation policy, which it announced a couple of weeks ago in Melbourne. This is really an opportunity for Victoria to have some input into the formulation of aviation policy in Australia and to make the strategic case for freeing up and liberalising air services so that Melbourne can share in what is a very important market for growing our tourism competitiveness.

**The CHAIR** — So Melbourne will benefit from open skies.

**Mr HOLDING** — We say so, and we want to see more of it.

**The CHAIR** — Absolutely.

**Mr RICH-PHILLIPS** — As a follow up, with the departure of Peter Keage, who is taking responsibility for that area now?

**Mr HOLDING** — We are in the process of appointing someone at the moment.

**Mr RICH-PHILLIPS** — Presumably somebody to do the submission.

**Mr HOLDING** — We are working on the submission at the moment. That will not be the sole responsibility of the person who takes up that appointment. But the submission will reflect the whole-of-government interest we have in securing additional air services to Melbourne.

**Mr RICH-PHILLIPS** — I would like to ask you about the exhibition centre. The government has provided funding for the business events program through the bureau to attract events to Melbourne. One of the issues that has been raised certainly by the Convention Centre Trust and also VECCI — Wayne Kayler-Thomson, as it happens — is the need to expand the exhibition centre allied to the work that is going on with the convention centre. What is the government's position on that? Are you in discussions or consideration of expanding and upgrading the exhibition centre while they are doing the convention centre?

**Mr HOLDING** — It is not in this budget. There is no funding in this budget to expand the exhibition space, but obviously we are alive to the representations that have been made on behalf of a number of users of the exhibition space who indicate that if there was more space available they would fill it. And particularly relevant in that context are the motor show and I think also the boat show, but certainly the motor show indicate that with additional space they could expand the variety of exhibitions and the array of exhibitors who are able to participate in that event. We will give consideration to that proposition when it is developed to a stage where government can actually make a judgement about whether it is something we can support, and obviously we will have to work on how that might be delivered within the footprint of the new convention centre and the existing infrastructure that exists on site.

**Mr RICH-PHILLIPS** — At this stage there is no work within government on such an idea?

**Mr HOLDING** — The trust is certainly doing some work and I appoint the trust, so to the extent that the trust represents work that is being done from a government perspective, that work is under way.

**Mr NOONAN** — I am also on page 158 of budget paper 3 and the first line item 'Investment projects facilitated' as a performance measure. I just wonder whether you could advise how the government is performing in this area and comment on the impact of growing tourism in Victoria as a result of these investment projects?

**Mr HOLDING** — This is a really important question. For many years a lot of the debate around tourism was a debate around the money spent on marketing. We recognise that as important as marketing funding is, in the long term one of the more constructive things that the Government can do is facilitate more investment, particularly investment that fills gaps. We have identified from time to time accommodation gaps in regional locations — the opportunity, for example, for regional locations to be able to host business conferences or those sorts of activities and in some cases major additional augmentation to our hotel supply in the CBD to meet the needs of things like the new convention centre and if we were to go down the path of expanding the exhibition centre, and those sorts of things.

In terms of examples of investment that has been facilitated as a consequence of this renewed focus on this activity within Tourism Victoria, I can point to several projects which have recently been facilitated and these are some of the projects which make up the delivery on the performance measure that is identified in the budget papers: a \$136 million serviced apartment hotel in Melbourne's Bourke Street by Devine Ltd, so a new serviced apartment complex there; \$5 million for the steam packet wharf accommodation at Port Fairy — this is private sector investment that has been leveraged off Victorian investment attraction activities by Tourism Victoria; \$40 million for the McLears Hill holiday retreat at Dromana; \$45 million for the Hotel Windsor redevelopment in Melbourne's Spring Street; \$65 million for the Cliff Top resort at San Remo; \$10 million for the Quest serviced apartments at Mildura; and a number of different projects across the state. I was recently at the Novotel in Creswick which is a recent addition to their offering. At Warrnambool I participated in the opening of the Mantra Deep Blue-branded facility, which is a geothermal spa facility with business facilities that have been built there to attract that sort of activity to Warrnambool. So there are a lot of different projects around the state worth hundreds of millions of dollars, generating jobs not just in the construction phase but, more importantly, ongoing jobs for those communities, building new industries around tourism, and often in communities where some of the traditional industries have changed or the employment profile of those industries has changed. Being able to facilitate approvals of and support for major projects like this in regional locations is a very important part of the 10-year strategy.

**Mr BARBER** — In relation to your presentation here, the achievements slide, Minister, on major brand Victoria signage and promotion undertaken during 2008 open and 2008 grand prix, I presume that means payments for signage rights from your department to the organisers of those events, and can you tell me how much that was for each event?

**Mr HOLDING** — In some cases it is and in some cases it is not. As to the reason why, sometimes the provision of the signage is an existing condition of the conduct of the event and in some instances it is a discreet sponsorship package where you could disaggregate the cost of the sponsorship for the signage from whatever other support is provided to the event. In terms of the specific question you ask, which is how much did we pay for the signage in instances where that has occurred, obviously we do not disclose the level of our sponsorship packages. We never have in the past. It simply creates a public expectation around what other corporate entities might then go and bid to get the equivalent level of signage and we are not prepared to put ourselves through that sort of a process, and that is consistent with the practice of previous governments.

Suffice to say that in both of the two instances that are mentioned in the slide presentation, the Australian Open Tennis Championships and the Australian Formula One Grand Prix, the badging benefits of having that Melbourne-branded signage there is immense. It was broadcast around the world to audiences of hundreds of millions of people and the branding that generates for Melbourne is huge.

**Mr BARBER** — I thought that was the point of those events, that everybody would know that they were in Melbourne, but if we have to pay extra for a billboard that says, 'This is in Melbourne'? When the grand prix runs on Japanese TV — —

**The CHAIR** — Have you got any clarification, or if you want to make a statement make it in Parliament?

**Mr BARBER** — Here is the question: when the grand prix runs on Japanese TV is there something that flashes up that says, 'This is the Melbourne grand prix'? Is it officially called the Melbourne grand prix?

**The CHAIR** — You might want to check with the Japanese with that one, but a couple more short questions.

**Mr HOLDING** — Is it called the Melbourne grand prix? It is actually called the Australian Formula One Grand Prix, and you would have seen the signage or you might not have, but let me answer the question, 'Do we have to pay extra?'. The answer is, 'No, we do not' in relation to the formula one grand prix. It is part of the existing suite of government support that exists for that event. In terms of where the signage is seen, does it pop up on screen? It does not need to pop up on the screen, it is at the start and the end point on the pit straight basically, and you could not possibly watch that event without seeing the signage and knowing that it is taking place in Melbourne. It would be impossible to watch it. It is Melbourne signage with 'Australia' written on each side of it and 'Melbourne' in the centre and it looks absolutely fantastic.

**Mr DALLA-RIVA** — Just to follow up on that — —

**Mr PAKULA** — I am going to follow up on that.

**The CHAIR** — Quickly, Mr Pakula and then Mr Dalla-Riva. We need to finish.

**Mr PAKULA** — I am glad Mr Barber asked that and I glad Mr Dalla-Riva wants to follow up because note (a) to the tourism table on page 158 of budget paper 3 says:

Due to continued investment in major events and tourism marketing, visitors and expenditure are anticipated to grow.

I think what Mr Barber touched on is that there is always a degree of controversy over whether the — —

**The CHAIR** — Is this a question or a statement?

**Mr PAKULA** — No, it is a question, Chair — whether the major events and investment strategy actually attracts investment and tourism. Minister, could you give us some detail about exactly how investment and tourism are enhanced by the major events strategy?

**Mr BARBER** — The Auditor-General covered that pretty well.

**Mr PAKULA** — I am asking the Minister that question.

**Mr HOLDING** — That would be a good rule: if the Auditor-General's covered it you are not allowed to ask about it.

**The CHAIR** — All right. We would like to finish, Minister. I have promised Mr Dalla-Riva a quick question.

**Mr HOLDING** — I would like to go to Mr Pakula's question because we calculate the current economic benefit of major events to Victoria at about \$1 billion annually, and the question that Martin asked was do these events bring visitors to Australia? Do they bring visitors to Melbourne? We think they bring something like 329 000 international visitors to Victoria, which is about 44 per cent of all international event visitors to Australia. What it shows is that Victoria is punching well above its weight in terms of attracting international visitors to our state connected with either major events or business events or regional events or whatever it might be. That is why we are such strong supporters of things like the Australian Open Tennis Championships, Australian Formula One Grand Prix, the Spring Racing Carnival, even things like the footy finals. They draw in international visitors; they draw in interstate visitors. These people come to Melbourne. They fill our hotel rooms. They fill our restaurants. They travel around in taxis, or whatever it is they might do, and it provides an economic spin-off to our State.

This is our competitive difference. In the same way that Queensland has the Great Barrier Reef or Sydney has the Opera House and the Sydney Harbour Bridge, we have our major events strategy positioning our State and branding us internationally. The branding that I talked about in answer to Mr Barber's question really does identify Melbourne with a whole raft of people who would otherwise not be exposed to Melbourne's lifestyle or tourism offerings. Those vignettes you see of Albert Park Lake during the grand prix or the vignettes you see of Melbourne along the Yarra River during the Australian Open tennis, whatever it is, these things are branding us internationally. It is a very important part of why we invest what we do in attracting major events to Melbourne.

**Mr DALLA-RIVA** — Very briefly, on page 331 of service delivery budget paper 3, in relation to positioning Victoria in the forward estimates there is 2.8, 1.8, 1.8 and 1.8. My question relates to the Australian Formula One Grand Prix; are part of those funds to be used for a night grand prix race?

**Mr HOLDING** — I know you are going to be so disappointed to hear this, Mr Dalla-Riva, but we have already ruled out a night grand prix on many occasions.

**The CHAIR** — Thank you for that. That concludes consideration of budget estimates for the portfolios of finance, WorkCover and the Transport Accident Commission, water, and tourism and major events. I thank the minister and departmental officers for their attendance today. It might be a good idea for someone to bring a calculator next time. It has been a very useful session. The committee has a couple of issues to follow up with you and some questions may be forwarded to you in writing at a later date. The committee requests written responses to these matters be provided within 30 days. Thank you.

**Committee adjourned.**