

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 gigalitres 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 gigalitres.

Dr SYKES — Just say gigalitres.

Ms ALLAN — You can say gigalitres, 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.