

TRANSCRIPTS

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Subcommittee

Inquiry into machinery of government changes

Melbourne — 21 July 2015

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Ms Sue Jaquinot, Lead Deputy Secretary, People and Executive Services, and

Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services, Department of Economic Development, Jobs, Transport and Resources.

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

The CHAIR — I declare open again this public hearing of the Legislative Council’s legal and social issues committee in relation to the machinery of government changes inquiry. Welcome, Mr Richard Bolt, the Secretary of the Department of Economic Development, Jobs, Transport and Resources; Ms Sue Jaquinot; and Ms Sue Eddy.

Mr BOLT — I will provide the titles later, but they are both deputies in the corporate area.

The CHAIR — Thank you very much. I caution you that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provisions of the Legislative Council standing orders. Therefore the information you give today is protected by law. However, any comment repeated outside this hearing may not be so protected. All evidence is being recorded. You will be provided with proof versions of the transcript in the next couple of days.

We have allowed 45 minutes for this session. To ensure there is sufficient time, I ask you to keep your opening comments to between 5 to 10 minutes. Thank you for your preparedness to appear before us. We look forward to your presentation.

Overheads shown.

Mr BOLT — Thank you, Chair. I will be brief. The Department of Economic Development, Jobs, Transport and Resources, as you are aware, was formed as of 1 January as one of five line agencies, with the shortened title up there of Economic Development. We have 13 portfolios within the department or attached to the department, which you will see up there — I will not name them all, but any of those can be explored — with, as you know, nine ministers handling those 13 portfolios. Some ministers of course with portfolios attached to other departments.

Mr RICH-PHILLIPS — Which is the lead one?

Mr BOLT — The lead minister is the Minister for Public Transport and Minister for Employment, being Minister Allan. The various services that the department and its agencies provide are listed up there. I can expand on any of those, but I will show which departments were, in a sense, merged into the new one and that will perhaps make it more obvious what those collections of activities are. But it is a department with, as you would expect, a range of services all dedicated towards the economic development objectives of the government.

There were parts or all of five departments brought together to form Economic Development. The agriculture, forestry and fisheries functions of the former DEPI; all of the former DSDBI, with its business-facing services; the transport function from the former DTPLI — I hope you do not mind me speaking in acronyms but I guess they are all still reasonably well known to us all — the Industrial Relations Victoria group from DTF; and Arts Victoria from Premier and Cabinet were all brought in to form Economic Development, Jobs, Transport and Resources. You will see there the nine ministers and 13 portfolios are mentioned.

Forty-seven agencies and other portfolio bodies, so we have a range of a statutory agencies in transport, in the creative sector and elsewhere that are within the portfolio but not part of the department proper. We have 18 overseas offices and 87 sites across Victoria that have now been consolidated into the new department with, as you will see there, in the vicinity of 3000 staff. The headcount is at a little over 3000, the FTE count is a little under, but roughly that is our staff complement.

This will be hard to read on the screen, but it is elaborated on the paper copies you have with you. We have eight groups in the department. The coordinator general, responsible for both the Melbourne Metro rail project and for the level crossing removal projects. There are two administrative offices under the one coordinator general, Corey Hannett. We have economic development, employment and innovation — which is largely the former DSDBI — under Justin Hanney; Creative Victoria — which is Arts Victoria plus the design functions of the former DSDBI — under Andrew Abbott; agriculture, energy and resources — that is the agriculture and resources function out of DEPI with the energy function that was in DSDBI — under Luke Wilson; transport, which was under Gary Liddle at the time the department began, is now under Gillian Miles.

I created a new group, strategy and planning, which is now headed by Anthea Harris. People and executive services is under Sue Jaquinot, to my left, and financial management and technology services under Sue Eddy,

also to my left. That is how we structured. That top-line structure was what we began with on 1 January; it is now in the process of being reorganised underneath those headings, and I can talk more about that should the committee be interested.

How did we go about implementing the machinery of government changes? We did a great deal of initial work in December prior to becoming a legal entity and prior to my becoming the secretary. I spent a good deal of time working out an interim organisational structure and holding, I think, at the time two meetings with the executive group prior to us beginning operations. We went through an extensive and I think intensive period of planning for the staff and budget transfers. That particularly involved Adam Fennessy and I ensuring that it was done rapidly, efficiently, collegially across the two portfolios that we were heading into. That resulted in the section 30 declarations that took effect on 1 January.

Adam Fennessy and I signed an MOU between the two departments to facilitate the transition and to ensure that corporate service movements were done in a managed way. So rather than trying to do everything on 1 January, which would have entailed in some cases significant and unnecessary disruption, we planned to have it done over a phased period, with a good deal of transfer occurring on 1 January, but we will work through this year to, as I said, in an orderly and managed way, transfer services or transfer staff into the corporate service offerings of our respective departments. We have had no staff redundancies or regional office closures as a result of the machinery changes.

You are interested of course in the additional costs of these changes. From 30 November 2014 to the end of May this year we have incurred direct costs of \$1.3 million, and that has been in pursuit of the relocation of staff, which process is still underway, but the large share of it was done in that time frame. There has been expenditure on telephony that is associated with the relocations of course and also with support from CenITex, and IT and records management is the other major cost component. We will incur further costs in 15–16, by which time we would expect the majority of our systems consolidation to have occurred. That consolidation will in fact realise significant efficiencies in an ongoing fashion. The net cost of all of that we have not yet worked out. Overall it should mean the department functions better and in a more streamlined fashion compared to the four entities or so that preceded its establishment. We will also be looking to undertake those systems changes in the context of a new model for shared ICT services being led from DPC.

We have done a lot of work on our strategic plan. When I say ‘our strategic plan’, we have taken of course the program the government was elected with and integrated it into a plan for the department with a set of priorities and very clear milestones and actions, and we are very close to finalising that first plan. We have had an interim plan essentially with our staff from close to day one. I cannot remember the precise date of the initial plan now, but it was important to give staff a sense of the purpose of the department, its core mission, so to speak, as well as the early deliverables that everyone needed to be focused on producing. That was done then; we are now finalising a more thoroughgoing plan based around the four-year priorities you see there. That is my introduction, Chair.

The CHAIR — Thank you very much, Mr Bolt, for that detailed presentation.

Mr RICH-PHILLIPS — Mr Bolt, I would like to start on the issue of costs associated with the MOG changes and reorganisation that you referred to. Just to get some context, can we go to the slide where you show the areas that came in to form the department, the four or five. Are you able to give headcount numbers for each of those areas, just to put some context, that add up to the 3000?

Mr BOLT — Sorry, so you mean this particular — —

Mr RICH-PHILLIPS — No, the one with the bubbles. How many from DEPI, how many from DSDBI — —

Mr BOLT — That came out of all of those parts? Yes, I can give you some numbers there, if you will just bear with me to find them. Out of the former DSDBI, we have 1120 staff transferring across or transferred into the new entity, largely located in the new economic development area but also some corporate staff, I presume. Out of DTPLI, 531 — —

Mr RICH-PHILLIPS — Sorry, 531?

Mr BOLT — Five hundred and thirty-one, yes. I can certainly furnish all of this to you later if you wish, but I will go through the numbers now.

The CHAIR — Thank you; that would be appreciated.

Mr BOLT — From the former DEPI, 1378; from Treasury and Finance, 13; and from Premier and Cabinet, Arts Victoria, 65.

The CHAIR — Thank you.

Mr RICH-PHILLIPS — Just in the context of essentially the two — DEPI and DSDBI coming together were the large blocks — I am just curious about the costs that have been reported. Things like telephony, \$474 000; IT, \$235 000; relocation, \$301 000 are some of the key costs in the \$1.3 million you referred to. I am just keen to understand why those costs are what they are, what has been involved in moving people that has incurred those costs — why we have half a million dollars in telephony costs, for example — with that structure?

Mr BOLT — It was important to make a number of moves to have staff co-located in the right place relative to other parts of the department, to where ministers were. Corporate staff needed to be in the same place, and that required removal costs and fit-out costs. I believe they are the two major components of the relocation costs. On telephony, what that comes down to is that we needed to shift to the CenITex platform in some cases. No, in fact I think I have that one wrong. We needed some support from CenITex for telephony reorganisation, so there was a core service from them that we are paying for there as well as simply providing new facilities for people moving to new locations. It is driven essentially by the movement of people, having to come with new facilities, fit-outs, removal of their files and the rest of it. That is my best description of it. Sue could add to that, potentially.

Ms EDDY — Yes, it is things like, for instance, handset charges. With our provider, NEC, there is a fixed cost per handset when people are relocating. We had to increase our videoconferencing facilities. We did not necessarily have everything we needed to be able to collaborate across the department and its regional sites, so those types of facilities were established. There were also project manager costs in relation to planning and executing those moves for both ourselves and with CenITex in relation to the interface with CenITex.

Mr RICH-PHILLIPS — So the department is now essentially consolidated at 121 Exhibition Street?

Mr BOLT — No, it is at 1 Spring Street and 121 Exhibition Street primarily, as far as the CBD precinct is concerned. As you know, there are of course staff all over the state at those 87 sites I mentioned earlier. Indeed most of our staff are outside Melbourne. I believe that is still true.

Ms JAQUINOT — Yes.

Mr BOLT — The agriculture staff, in particular, some mining staff and Regional Development Victoria. We have quite a contingent outside the metropolitan area.

Mr RICH-PHILLIPS — I want to get some context about where the department is at and the numbers to understand some of the costs that have been incurred. As I said, the \$1.3 million is what has been reported to date through the DPC submission last night, which was \$37 800 on consultants, \$301 000 on relocation, \$474 000 on telephony, \$235 000 on IT records management, \$146 000 on payroll and \$107 000 on physical rebranding. There are a couple of other things that have not been caught in that summary, which I would like to ask you about. The first is a four-month engagement with KPMG which the department undertook. It was described as the establishment of the new Victorian Department of Economic Development, Jobs, Transport and Resources, which, as I said, was a four-month engagement costing \$1.194 million. Can you outline how that fits with the set-up of the new department and why it is not recorded in — —

Mr BOLT — As a machinery charge. Essentially what KPMG has done is that within each of the new groups it has assisted us to organise for the maximum impact in delivering the government's policies. That cost would have been required with any machinery change, given the program that needed to be undertaken. For example, the transport area needed significant reorganisation. That is not a consequence of the machinery of government change; it is a consequence of implementing a new government policy agenda. Similarly, the former DSDBI is largely intact in the new structure. We are looking to reorganise again in pursuit of the

priorities of the new government. To speculate on a hypothetical, had that function not been integrated within the department, the money would nonetheless have been needed to be spent to do that. We do not count that as a machinery of government cost.

Mr RICH-PHILLIPS — But it does nonetheless reflect you obtaining advice from KPMG with respect to the structure of the new divisions within the department.

Mr BOLT — Not the integration. It is the structure of the new groups; that is absolutely true. That is the purpose of it. Not, though, on the machinery change itself. I did get advice on the interim structure to implement the machinery change. That cost us in the vicinity of \$30 000 to work out, and that was as a consequence of bringing the new functions together and working out which would go where. For example, would design come out of DSDBI and go into Creative Victoria? With Arts Victoria, would there be a Creative Victoria? The answer, obviously, was yes. The advice I needed to re-engineer the department in pursuit of the machinery changes is the money we spent on that. It was that \$30 000 or so.

Mr RICH-PHILLIPS — So that is the split between the external \$37 000 or \$30 000 it was for the external MOG?

Mr BOLT — It is external work done by a different consultancy.

Mr RICH-PHILLIPS — The \$1.1 million or \$1.2 million for the internal work?

Mr BOLT — It was for looking at how we organise the functions of the department to best meet the government's priorities; that is right.

Mr RICH-PHILLIPS — In a similar vein, can I ask about a similar engagement, which was with Boston Consulting Group between the end of January and the beginning of April — essentially six weeks? It was \$1.2 million, which was described as strategic economic development opportunities for Victoria and a corresponding strategic function for the department. How does that fit into this work around restructuring the department for government priorities?

Mr BOLT — That was a piece of work to review the priority sectors and one or two other sectors of the economy that were again identified in the government's election commitments as sectors in which it particularly wanted to focus attention on the growth opportunities. What we did was we reviewed the status and prospects of those sectors, but again it was not a consultancy related to reorganising, pursuant to the machinery of government. It would have been required wherever the economic development function, particularly the industry function of the department, sat. Had there been no change, it would have still suggested itself as a consultancy worth doing, so that in putting a focus on those sectors we knew what those sectors were. In terms of world trends and other factors, it indicated what the prospects of those sectors might be in the future for Victoria.

Mr RICH-PHILLIPS — Mr Bolt, given that the department inherited a bit over 1100 people from the former industry department, why was it necessary to spend \$1.2 million on Boston Consulting Group to get that intelligence and detail around those key sectors?

Mr BOLT — Chair, that is a question I would suggest is outside the terms of reference of this inquiry.

Mr MULINO — Chair, I think that is a policy question.

Mr BOLT — But I am happy to answer it. It is up to you, Chair, as to whether you are willing for me to.

The CHAIR — First of all, Mr Bolt, to give you some context to the questioning from the committee today, members of the government and members of the opposition have asked a range of questions of previous secretaries about issues that arguably are at the edge of the terms of reference. I suppose I make the point that the terms of reference are quite broad in and of themselves. I cannot compel you to answer a question, but of course I would invite you to respond to the proposition put by Mr Rich-Phillips.

Mr BOLT — Thank you, Chair, and I am pleased to do so. I can only say that the insights of the global consultancy as to how various sectors might evolve in Victoria based upon global knowledge of those industries was something that it was sensible for us to take some external advice on as a one-off injection of additional

knowledge. There is knowledge of those sectors within the department, but what we got on this occasion was some additional value added to that knowledge drawing upon research and on a global network of consultants with which they were able to assist us in that task.

Mr RICH-PHILLIPS — Can I ask — —

Mrs Peulich interjected.

Mr RICH-PHILLIPS — Mrs Peulich asked about the availability of that work.

Mr BOLT — It is not public work. No.

Mr RICH-PHILLIPS — Is that work that can be provided to the committee?

Mr BOLT — No. That work is not public, and I do not have the authority at this point to release it.

Mr RICH-PHILLIPS — It is probably something we will follow up on, Mr Bolt.

Mr BOLT — I am sure you will.

Mr RICH-PHILLIPS — The other contract I wanted to ask you about which is not reported in the \$1.3 million was a recent engagement in May with a company, Performance Architects. It is a \$1.1 million engagement for services described as ‘services to conduct an assessment of organisational culture’ in the department. Is that related to the impact of the machinery of government changes and the subsequent structural changes you are making internally that you referred to before?

Mr BOLT — No. It is to take stock of what the new department has inherited and to fashion our management of the department partly in response to the findings. It is not related to the machinery change, no. It is something that from time to time any department, whether restructured or not, would take a view or a sounding on in relation to its culture.

Mr RICH-PHILLIPS — We have approximately \$4.8 million of expenditure, being \$1.3 million reported plus those three interrelated consultancies. Were you going to say something, Ms Jaquinot?

Ms JAQUINOT — I was just going to say around that organisational cultural inventory, which we have only commenced parts of, that it is a consultancy in waiting, if you like, as we go through it. It is absolutely commonplace amongst organisations to go through a check like that regardless of any machinery of government change, because it is a matter of always trying to shift a culture into a desirable spot, which is an ongoing piece of work in the public sector.

Mr RICH-PHILLIPS — That actually goes to my point, because we have heard from four or five other secretaries this morning on how they have implemented MOG and internal restructure, and none of them incurred the level of expenditure on these types of activities to implement their respective MOG and internal changes. I recognise yours is a more complex one than any of the other departments, but \$4.8 million seems like a lot of money to spend on the three consultancies plus the other reported costs to give effect to the government’s policy direction and to give you some insight on the direction in which you should be heading.

Mr BOLT — First of all, I repeat that those particular consultancies you mentioned — KPMG, Boston Consulting Group and the cultural inventory — are not machinery of government costs.

Mr RICH-PHILLIPS — But they do relate to setting the government’s agenda and to delivering the government’s agenda.

Mr BOLT — Correct. Where we are under high expectation of providing an economic development service aligned to the government’s agenda, and where we felt we needed to get strategic advice and guidance as to how to go about it, we have gone and done that. It is a one-off thing that we have chosen to do because of the size, complexity and strategic significance of the task. I think if one is going to have a significant look at culture, structure and indeed sectoral prospects, now would be the time to do it. You do it at the outset, when you can do something about it, give good advice and organise well to deliver on government’s commitments. It is normally

the sort of thing you would do at the outset of the life of a new department, and that is what we have chosen to do.

Mr MULINO — Thank you, Mr Bolt, Ms Jaquinot and Ms Eddy for your time. Can I ask what is the rough appropriation for the department?

Mr BOLT — In broad terms the appropriation is \$8 billion per annum.

Mr MULINO — Around \$8 billion. Is it fair to say that the impact of the policies implemented by the department are actually far greater than that in the sense that you are having an impact on the capacity of the state to export and you are having a significant impact on the state's development opportunities, so there is a far greater impact than that even?

Mr BOLT — Yes, that is correct. We should be producing a lot more value than the \$8 billion from the \$8 billion.

Mr MULINO — I am just trying to put into context some of the changes that we are talking about here, in particular some of the machinery of government changes that we are seeing are bringing together some policy development and implementation that had previously been separated across departmental lines. There are a number of different ways one could think about this, but, for example, transport and regional development and employment are now going to be working much more closely together and be aligned, one would think. One can see all sorts of connections there.

Transport is much broader than regional transport, but there are obviously a lot of regional transport needs. Another one might be, for example, agriculture and regional development, and trade and innovation and exports. There are a number of areas in which one might imagine policy development might be more effective because of the new structure of the department. I am just wondering if there are some key areas where you think the department might be able to more effectively deliver outputs.

Mr BOLT — As a result of machinery change?

Mr MULINO — As a result of the new structure.

Mr BOLT — I think there are many of those. What we are finding, for example, is that by having the visitor economy, the creative sector and regional development in one portfolio, undertaking parallel reviews of all of those sectors gives us insights into the kinds of things government may choose to do that would benefit all of those objectives, as one example.

Having a look at agriculture, having agriculture, regional development and transport in the one department makes — I think as you were indicating — it possible to have people collaborating on getting produce to market in the most efficient way, and work has been done on transport plans that would achieve that objective. So there are two examples, and one could go on. That is not to say that some of those benefits could not be achieved working across departments, and it is important to bring forms of collaboration from other departments into our work — so, for example, on land use planning and the implementation of the Melbourne Metro project — but certainly there is a convenience and an efficiency in having the functions in the same department that relate to each other, and there are quite a few of those in this new collection.

Mr MULINO — Just in terms of the context, this greater convenience and efficiency that might occur in some areas, given the importance of these to the state economy, they could potentially be orders of magnitude greater than some of the short-run administrative costs in terms of benefits.

Mr BOLT — We would certainly hope so. I mean, the size of the sectors that we are talking about and the potential for their growth is clearly a far greater number than the amounts that we spend and indeed the amounts of the investments that Mr Rich-Phillips was referring to before. So yes we, I guess, stand under an expectation of delivering that additional value by implementing the programs and leveraging those efficiencies.

Mr MULINO — Another area of functionality, if you will. We have talked about functionality in terms of some systems of administration but I think another one which is increasingly important in government, indeed in all large organisations, is data. For example, data that might underpin the evaluation of infrastructure projects in terms of economic and financial liability, data analysis of the use of infrastructure, data underpinning

economic and trade development. Do you see some potential benefits from the department being able to better collate and use data across some of these functions?

Mr BOLT — Yes, I do. I think in the nexus between our economic development opportunities and the transport system the sharing of data and its joint analysis ought to be a source of better insight into what transport planning and what service changes might be required. That will take some time to deliver. Again, I would say some of that can be delivered across departments rather than within them. When we think land use and transport, we will need to do cross-departmental activities that will ensure that we make the best use of our joint data holdings. I do think that reducing the number of departments will make that interdepartmental cooperation in pursuit of things like better policy and better data use easier to organise. The fewer counterparties you need to make whole-of-government work effective, then, generally speaking, the better you will do it, if the intention is there to do it well.

Mr MULINO — The final question. I just want to clarify this figure which has been used, the 4.8 million, just to clarify it for the record. The figure that has been put forward by the department and by DPC is 1.3 million in terms of costs for — —

Mr BOLT — Machinery change.

Mr MULINO — Direct costs attributed to machinery of government, albeit that that might be amended. The additional costs that we have been discussing around consultancies really relate to other things like policy development and engaging external expertise, which is standard, business as usual, that all governments do — —

Mr RICH-PHILLIPS — That parties did before they come to government, policy development.

Mr MULINO — I mean, one could go to previous administrations and probably find international consultants used, if one wanted to go down that path. I just want to clarify: the 1.3 is the figure that we are using, the 4.8 is really conflating, one might say, apples and oranges.

Mr BOLT — I put it this way. The 1.3 million is attributable directly to machinery of government changes, and the balance of the 4.8 is attributable to implementing the government's policy program and organising the department to give best effect to that in ways that should easily pay off that expenditure.

Mr MULINO — Thank you.

Mr RICH-PHILLIPS — And organising the department to give effect to that.

The CHAIR — Mr Rich-Phillips.

Mr RICH-PHILLIPS — Thank you, Mr Chairman.

The CHAIR — Or Mrs Peulich?

Mrs PEULICH — Did you have a follow-up?

Mr RICH-PHILLIPS — On a different matter.

Mrs PEULICH — Thank you very much for the PowerPoint summary. I wished all of our presenters today had done likewise; it makes it easier. I refer to page 9, your department's four-year priorities. Looking at the five priorities, looking at 2 through to 5, one at a time. Looking at no. 2, 'Gain and maintain competitive advantage through active industry and innovation policy', could you just shed some light as to what machinery of government underpinnings give effect to this particular priority?

Mr BOLT — Well — —

Mrs PEULICH — Active industry.

Mr BOLT — Active industry and innovation policy. This is, again, a question of the priorities of the government in its election program to focus more strongly on priority sectors of the economy and give particular attention to growing those to the best of our ability through the Future Industries Fund and other

measures that would leverage, for example, government procurement to the best industry benefit for the state; in other words, capturing jobs and industry capacity out of what government spends on things like infrastructure programs, rolling stock and so forth. That is what that is alluding to. If your question is: is the word 'active' in some way a distinction of this government from the past, that is taking me into territory I will not go of course. That is a judgement — —

Mrs PEULICH — I am just asking for light to be shed on the use of the term of your priority.

Mr BOLT — That is a judgement on political priorities. The word 'active' is used here to infuse our strategy with a message to our staff about how ambitiously we are pursuing that goal. It is not to say that it is a comment on any past government's actions; it is a forward-looking intention of aiming high.

Mrs PEULICH — Thank you. Priority no. 3, 'Improve conditions for business through taxation, efficient regulation and public sector reforms', again, what are the machinery of government underpinnings to give effect to these priorities and how did you identify those three, taxation, efficient regulation and public sector reforms? And did you consider others such as EBA negotiations, or does that include that, and the effect of government policies such as public holidays?

Mr BOLT — Probably best that I simply say that we went through a process to look at the areas where there would be potential to explore on a whole-of-government basis what impact could be had on the economic prospects of the state, and those suggested themselves as the priorities.

Mrs PEULICH — So it was an internally generated of priorities, not overlaid by government policy?

Mr BOLT — The strategic plan has certainly been signed off by our coordinating minister. These, again, are priorities to pursue by the department in a whole-of-government context largely, as to things that might be done. They do not connote any particular program or specific reforms that government has signed up to or that we are pursuing, but they are focus areas for us in thinking about how we influence the government's economic strategy, bearing in mind that as an economic development department there is an expectation that we would show some leadership as to how all of government pursues an economic development priority. But nothing more specific should be read into it than that.

Mrs PEULICH — Thank you. If I may just ask the last one, no. 4, 'Better connect Victoria to national and global markets by increasing targeted trade and investment attraction', noting the government's emphasis in its policy on our inbound activity as opposed to outbound, are you able to comment as to the proportion of targeted trade and investment attractions which fall into the respective categories?

Mr BOLT — No, I cannot comment on that proportion in the quantified way. Clearly the government's program is to shift the balance towards the inbound as far as missions are concerned, but bearing in mind that, while it is about missions in part, it is about a lot more than that. It is the bilateral pursuit in international markets of opportunities to get investment into Victoria and trade out. So there will be a shift. Outbound activity has not of course ceased, but what we are seeing now is a focus more towards the inbound but not a complete shift to that.

Mrs PEULICH — Is there a diminution in the outbound?

Mr BOLT — I cannot comment. I do not have that figure at my fingertips.

Mrs PEULICH — Are you able to provide that information?

Mr BOLT — I think the government is still working out its forward agenda of missions, so I do not think I could give you any information that would be valuable on that at this time.

Mrs PEULICH — We will come back to that. Thank you.

The CHAIR — The minister currently responsible is the Premier, for those issues.

Mr BOLT — Yes, correct.

Mr MULINO — Currently.

The CHAIR — Minister Somyurek was responsible; now it is the Premier.

Mr MELHEM — The biggest change is the \$1.3 million costing, I take it. Is any of this changing how you use DEPI, the DPI or the primary industry? You have 1300 people coming across to your super-department. Is it fair to say, from my reading, most of the costs are as a result of that? Is that what we want of the figures?

Mr BOLT — Let me just think. It would depend on who was being moved where particularly, and certainly there has been a substantial move of agriculture's staff as part of the shift. We have also moved former Arts Victoria staff to 121 Exhibition Street. I do not know that I could be more specific than that, but certainly a significant aspect of it was agriculture — but certainly not the only one.

Ms JAQUINOT — And the corporate.

Mr BOLT — Of course. Sorry, I should have mentioned that. Of course we inherited more than one corporate area, so this goes a little to the discussion about, 'Will there be a pay-off?'. In time we will provide more efficient corporate services by having several merged in one, but we had to move some in the near term, and that was part of the cost.

Mr MELHEM — My follow-up question is about agriculture and primary industry merging again. So you would anticipate there will be some saving going forward as a result of it.

Mr BOLT — Correct.

Mr MELHEM — There will be initial costs, but there will be saving done for the next few years as a result of the new machinery of government changes.

Mr BOLT — We will find some efficiencies from the co-location of these various functions; that is correct. And there are other parts of the department, I might add, that will grow, particularly to deliver the Melbourne Metro and the level crossings projects, so overall the department has areas in which it will grow but it will also consolidate in particularly the corporate services area, and that will actually easily pay back the investment.

Mr RICH-PHILLIPS — Mr Bolt, I would like to ask you about the restructure you indicated you are undertaking or have undertaken internally now.

Mr BOLT — It is a reorganisation. There is a proposal out for consultation with staff and union now. That is right.

Mr RICH-PHILLIPS — You have brought the elements of the super-department together and you will now reorganise it internally. Can you outline what that proposal is, please?

Mr BOLT — It is difficult to give a single answer, because it does depend on which part of the department we are talking about. Broadly speaking we are simply looking to reorganise to better deliver the government's priorities. In transport there will be a shift towards a greater capacity for long-term transport planning and less of an operational role. With the impending establishment of Infrastructure Victoria, it behoves us to do that as an input to their work. In the case of the economic development area, the proposed reorganisation includes, for example, a clearer focus on the priority sectors of the economy and organisation of those under a single direct report to the lead deputy. In the case of Regional Development Victoria, increasing the seniority of our regional directors is an aspect of the change. I could go further, but I would simply say that we are doing is selectively looking at parts of the department where to give effect to the government's program we need to organise better impact.

Possibly the best thing I could do is, if you are interested, give you a summary of the proposal that would give you some insight into the main shifts that we are looking to make. But I have given you two of the larger ones. If I go on I suspect it will not be valuable to you, but I could give other examples.

Mr RICH-PHILLIPS — I am particularly interested in what was DSDBI. You obviously know the background there. You essentially had what was a stand-alone department largely — whilst some of the elements went out, as we have heard from Adam Fennessy — which is now a division of a larger department.

Mr BOLT — A group, I am calling it.

Mr RICH-PHILLIPS — How are you structuring it in terms of what was a stand-alone department, with Howard Ronaldson as the secretary. You have said you have now got Justin Hanney as a deputy secretary?

Mr BOLT — Yes. For reasons I can explain, my direct reports are lead deputy secretaries.

Mr RICH-PHILLIPS — And there are seven of those?

Mr BOLT — Correct; seven, with the Auditor-General — the coordinator general as the eighth.

The CHAIR — The Auditor-General sits above all of us.

Mr BOLT — I should wish for that. Maybe you could recommend it.

Mr RICH-PHILLIPS — Under the lead deputy secretaries is the pre-existing deputy secretary structure that previously reported to a secretary. Is that how it is — —

Mr BOLT — Yes. Deputy secretaries, I inherited in the vicinity of 20 of those. I am looking to Sue to clarify the number.

Ms JAQUINOT — Around 17.

Mr BOLT — There will be fewer. For reasons of the size of the department, attracting people into functions that would be deputies in their own right in most other parts of government or other governments, we have maintained some positions reporting to my direct reports as deputy secretaries. That is a question of simply attracting people to roles that are equivalent to what they could find elsewhere without the perception they are going backwards in their careers. There will be a smaller number of deputy secretaries than we had, but there will still be some. For example, I think there are two in the transport group proposed. I cannot recall the number in the EDEI group. I do not think I am making sense to you, Mr Rich-Phillips.

Mr RICH-PHILLIPS — I certainly follow where you are heading with that, but my interest is historically on the industry side of things more than the others. So you see a reduction within that silo in the number of deputy secretaries from the previous — —

Mr BOLT — No. Like I say, I will come back to you with more detail rather than attempt to do so here.

Ms JAQUINOT — The only thing I would add to that is the corporate deputy secretaries have definitely come out of what was DSDBI.

Mr BOLT — That is right.

Mr RICH-PHILLIPS — Yes, that makes sense.

Ms JAQUINOT — What you see is a reduction in there that will be focused on trade investment — —

Mr RICH-PHILLIPS — Portfolio functions.

Ms JAQUINOT — Yes, and those industry sectors — RDV et cetera.

Mr RICH-PHILLIPS — With the structure, I think there are six priority sectors. Will you have six sector boxes under Justin Hanney's leadership?

Mr BOLT — They will be in there equally. I have to keep saying it is a proposal, because it is out for consultation, and I do not want to create any sense that we are pre-empting that by talking about it as a done deal here, but other sectors as well. We need to have a focus on all sectors, including those who may be experiencing some challenges, such as the auto industry — so the priority sectors definitely but others besides. Not every sector will be in that group. For example, particularly the creative sector very obviously has its own unit or group within the department sitting separately, and the visitor economy equally — a critical sector, as you would agree — will have its own operational area, although having said that, the policy aspect of the visitor economy will come into that group.

Food and fibre, we are proposing, would go into that group out of the old agriculture, energy and resources so that you get a critical mass of sectoral planning and policy happening in one place, with the one exception — the creative side.

Mr RICH-PHILLIPS — Are you proposing to retain the sectors I previously had, with the aviation division and the technology divisions?

Mr BOLT — I will have to take on notice precisely what the structure is, but aviation will clearly be a sector that we will look at, and ICT, clearly. But how we are organising them below the level of the person reporting to the lead deputy, I have to admit I do not have that map in my head. But we are certainly are ensuring that they are part of an industry divisions focus.

Mr RICH-PHILLIPS — Can I ask a little about the process? You said it is a proposal that is out for consultation. What is the time frame for that to happen for it to be implemented if you decide to go ahead with it?

Mr BOLT — Consultation, we are currently planning, will finish next week — that is, the formal period of consultation required under the EBA. Thereafter we will consult as required to finalise any changes that we wish to make to the structure based on the feedback we have received. I would expect that we will be making final decisions on this round of organisational change sometime in August and then beginning to fill the vacant positions that are in the new structure thereafter.

Mr RICH-PHILLIPS — How do you do that process? Of the secretaries we have heard from thus far today, your department understandably is the first one that is having a large reorganisation. How do you transition from the existing structure with people in jobs to the new structure? Is there equivalence across —

Mr BOLT — Based on prior experience of doing this, the way I favour — and the way we are doing it here — is we are not reorganising, of course, as you can imagine, for its own sake; we are only changing what needs changing, and there are parts of the department that will undergo no change. Some will not be changed, some will have a change of title, nothing more, and some will only have managers and be made more senior, so it is not a wholesale reshuffling.

Where there is a direct match or a pretty good match between an existing and a new position, those people will have continuity in those roles. They can choose to compete for other roles, but they will have continuity should they so choose, because a department-wide spill and fill is not a structure or an approach I particularly favour if we are looking to gain some continuity and maintain reasonable stability in the transition.

For a minority of positions in the department, there is not a direct match between an incumbent and a new role, and there will be an internal recruitment round or two so that those roles will be filled from the people who are currently not placed. That is providing us with an ability to refresh and to provide a merit-based appointment to new positions but not to do it on the basis that everyone has to go out and compete for a new position. That process will ensue from mid-August — possibly from September but maybe as early as mid-August onwards that will begin.

Mr RICH-PHILLIPS — Just a final question: what proportion do you estimate of your head count are involved in that?

Mr BOLT — In terms of the number of people who are not actually placed — is that your question?

Mr RICH-PHILLIPS — Essentially, yes.

Mr BOLT — If the proposal is accepted, in the vicinity of 200 of them will not be placed, but they will have —

Mr RICH-PHILLIPS — So 8 per cent or something of the total head count?

Mr BOLT — Yes, correct — well, to split hairs, 6.7 per cent or so, but yes, less than 10.

Mr MULINO — Just very briefly, I want to follow on from some of the discussion around what might be called columns or the silos of the org structure. Again, just to reinforce some of the discussion we had earlier

about the way in which different policy areas can reinforce each other, the way the org structure is put together there are both these portfolio columns but also the cross cutting. One of the key ones, I imagine, is going to be the strategy and planning unit, which I imagine is going to be where the department leverages a lot of the expertise across different policy areas to gain these synergies.

Mr BOLT — Correct. It is a vital area — a new area — in the department, with carriage of our strategic plan and with carriage of the more complicated policy issues that cross the different groups or cross parts of government or even levels of government. It has the task of doing the more difficult think pieces, not entirely with its own resources; it will draw people in. Picking up Mr Rich-Phillips's view, 'Doesn't the department have policy capacity?', it has a lot — and by the way, the BCG work will actually add to our internal capacity and it will provide new knowledge. What the strategy and planning group will do is synthesise good strategic advice based upon the operational knowledge of the department, of other departments and of industry contacts, stakeholders and so forth. I hope that is answering your question — taking a long-range view, coming back with practical policy advice on some of the more difficult issues government will have to deal with.

Mr MULINO — And the other area is the delivery side of things, which the coordinator-general will coordinate. There again I imagine there are going to be some benefits to having a range of different projects under an overarching umbrella and being able to share learnings. As you say, it is always possible across departments, no matter what structure you have. There should be some enhanced scope for sharing learnings through that, given the range of economic development policy areas the department has responsibility for.

Mr BOLT — Certainly the practice of good delivery and good project management, given that the coordinator-general is Corey Hannett. Corey Hannett led the very successful regional rail link project, which I think began under one government, was completed or largely done under the previous government and has won multiple awards for its community engagement, its environmental sensitivity, its design and various other things. Corey's experience makes him well suited now to guiding a new generation, so to speak, of project deliverers, and yes, it does help to have a portfolio of projects headed by a person with that expertise.

Mrs PEULICH — Just in relation to the priority sectors, Mr Bolt, could you shed a bit of light on how you identify the priorities, whether that has been an evolutionary process or whether it has been overlaid by governance priorities? And the document that you have out for consultation, is that publicly available or available to the committee?

Mr BOLT — The document there you are talking about — —

Mrs PEULICH — The consultation document on the — —

Mr BOLT — There are discussion papers on the priority sectors coming up that are public.

Mrs PEULICH — Yes. Public?

Mr BOLT — Yes. Not all of them are out, but there are several out. I think we are talking about the same thing. For example, there is a food and fibre discussion paper out there at the moment, and there a number more to come. Those discussion papers will focus on the six priority sectors the government came to office with a focus on — and others at the sides.

Mrs PEULICH — And others?

Mr BOLT — Yes. Where we see a need to complement the six priority sectors with a focus on others, they will be part of that consultation round.

Mrs PEULICH — Is there a document that actually outlines the priority sectors the government has identified as well as those your department has supplemented?

Mr BOLT — It is a good question. We have not put out anything that paints the overall picture, no, but I can certainly provide you with a listing of all the reviews we are doing that have a sectoral focus.

Mrs PEULICH — That would be very useful. Thank you so much.

Mr BOLT — So I will instance something that I think you may know about, which is the visitor economy review, chaired by Sir Rod Eddington. That has been conducted. I think it is common knowledge that that has been done. That is not part of the six priority sectors, but it is nonetheless a sector of note and therefore it has been looked at by direction of the government on our advice.

The CHAIR — Mr Bolt, Ms Jaquinot and Ms Eddy, thank you very much for your presentation this morning and for your preparedness to answer the committee's questions. We are very grateful for your time this morning.

Mr BOLT — Thank you very much.

Witnesses withdrew.