

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2010–11

Melbourne — 10 May 2010

Members

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Witnesses

Ms J. Allan, Minister for Regional and Rural Development,

Mr H. Ronaldson, secretary,

Mr J. Hanney, deputy secretary,

Mr Brad Ostermeyer, executive director, and

Mr Daniel Rodger, business manager, Department of Innovation, Industry and Regional Development.

The CHAIR — I now welcome Mr Justin Hanney, deputy secretary, Department of Innovation, Industry and Regional Development; Mr Brad Ostermeyer, executive director, Department of Innovation, Industry and Regional Development; and Mr Daniel Rodger, business manager, Department of Innovation, Industry and Regional Development.

I call on the minister, when everybody gets here, to give a brief presentation of no more than 5 minutes on the more complex financial and performance information related to the budget estimates for the rural and regional development portfolio.

Ms ALLAN — There is a lot to report in the regional portfolio as well. As I mentioned in the previous presentation, it has been a challenging 12 months, but the budget that was released last Tuesday by the Treasurer certainly positions us in regional Victoria very well for the future.

Overheads shown.

Ms ALLAN — As the first slide demonstrates, the government has made significant achievements in the regional portfolio this year. We have seen the securing of \$778 million in new investments.

The CHAIR — Do you have a handout on this?

Ms ALLAN — Not the presentation.

The CHAIR — We will get it from you and put it on the website eventually.

Ms ALLAN — Also we have seen that the government has been able to secure 1000 jobs for regional Victorians. Again, in terms of talking about setting ambitious targets during an economic downturn and achieving those, that has been done in this year's budget. We have also been able to continue the very strong leverage of investment from infrastructure projects through the Regional Infrastructure Development Fund and the Small Towns Development Fund, and we will continue to see how we anticipate that we will meet the budget performance measures in the regional portfolio.

I want to briefly talk to the committee about population growth. This is very important. There has been a lot of talk around population growth and what is happening in metropolitan Melbourne, but what often goes unremarked is how regional Victoria too is experiencing very strong population growth. We are actually seeing that regional Victoria's population growth is the highest since 1982 — it is around 1.6 per cent — and also, importantly, we have seen population growth across all the regions of the state.

When you think about it that is in contrast with another period of time when regional Victorians were leaving the regions in droves. When you have policies and programs in place that are about supporting communities, families and jobs, you do see that that results in more people being attracted to the regions.

Mr WELLS — It is okay for us. We can start to retaliate. It does not matter to us.

The CHAIR — The minister to continue, and please ignore any interjections.

Ms ALLAN — This has been borne out in a survey commissioned by the University of Ballarat where it talked to some people. We wanted to drill down a bit further and see how people were satisfied with their decision. Certainly the overwhelming majority of people were satisfied with their decision to relocate. If they were asked if they would do it again, they would certainly make that choice again.

Secondly, jobs is the other part of the story which is also very important. We have seen very strong employment growth over the last period where we have seen 24 000 new jobs created in regional Victoria. Again, if you compare that, the average over the period of 1999 to 2010 was about 12 000 jobs per year. In the previous period it averaged about 5800 jobs. That is more than double the number of jobs per annum that have been created in regional Victoria over that period of time.

That is again where you have the policies and programs that support investment in infrastructure and investment in job attraction; we really do get those strong results. This next slide tells that investment story.

Since 1999 we have seen the government facilitate 500 investment projects throughout regional Victoria; it has secured over 18 000 new jobs and it has brought more than \$11 billion of investment into our regions. There are some good examples in terms of talking about companies weathering the economic downturn.

CMI Industrial — and this is a company that the government has supported — announced back in February that it is going to make an investment of 125 jobs across Ballarat and Horsham. We have seen Fonterra at Darnum make a \$26 million investment in creating 25 jobs. Again, I could go on and on because there is a very long list of companies — —

The CHAIR — No, we do not wish you to do that. We want you to get on to how you are going to spend the money in the future, Minister.

Ms ALLAN — The Regional Infrastructure Development Fund has been a very important part of this success in jobs and investment attraction. You will see in this financial year to date that the government has announced 95 projects to the value of just over \$82 million. Importantly there, the total value of all those projects is \$234 million, so the leverage result is very strong. Overall since 2000, from RIDF we have committed \$553.1 million to 350 major capital works across the state, and again this has leveraged \$1.48 billion of new infrastructure into the regions. If you think about that, that is on top of the investment in schools, hospitals, roads and rail — this is additional infrastructure that is coming into our region.

The Small Towns Development Fund is also an important program and has been very successful in supporting our smaller towns. Remember that this is a program that is a dedicated fund for supporting infrastructure investment in our small communities. To date the \$65 million has gone to 591 approved capital works, of which 370 have been completed. Again there is an enormous list of good projects that have been supported under this fund.

Another major part of the work that RDV has been doing over the past 12 months has been working closely with bushfire-affected communities through their recovery and rebuilding phase. I know I talked about this last year, but it continues to be a major part of the work that we are doing right now and will continue to be a major part of the work that we are doing in the year ahead.

As part of the overall whole-of-government effort to rebuild the affected communities, RDV has a number of areas that we have been responsible for. There has been the Bushfire Recovery Community Infrastructure Program, which is a \$4 million program in partnership with the Bendigo Bank and has been supporting communities with small infrastructure projects to support their rebuilding activities.

There has been the Victorian Bushfire Business Investment Fund, which the Premier and I announced in Marysville back in March, which is about wanting to stimulate some investments in those bushfire-affected regions, particularly in the triangle region in the north-east. There has been a \$51 million business assistance package to go directly to bushfire-affected businesses. There has been work that we have been doing with local councils. I guess I just flag this as a really major part of our role.

Another area we have been working on over the past 12 months — and I think I may have spoken about this last year, but it really has strengthened over the past 12 months — is the relationship with the commonwealth through Regional Development Australia. This is where we are seeing a good partnership where RDA and RDV are working together with local councils to make sure that we are planning appropriately for the future of regions right across the state.

Finally, there is Moving Forward, which was our regional economic action plan that was released in November 2005, and there has been a review undertaken of the progress to date of Moving Forward. You can see there is some information on the slide that talks about the benefits of Moving Forward. The review found to date that it has generated significant economic benefits. It has generated significant social benefits too, such as investment in community infrastructure and helping local communities to identify priorities.

Also too, as part of the work that we did in the Moving Forward update that was released in June 2008, we have announced the implementation of the Regional Strategic Planning Initiative. This is a very important and major piece of work that is going to guide the activities of Regional Development Victoria over the coming years because it is really about making sure that we are supporting regions to plan for the future and to plan for how

they will continue to attract jobs, people and investment whilst at the same time protecting those unique characteristics that make regional Victoria a great place to live, work and raise a family.

The CHAIR — The budget aims to allocate funds for 2010–11 and subsequent out-years against priorities and outcomes to be achieved. Could you elaborate on what you have just been talking about in terms of advising the committee about the medium and long-term planning strategy or strategies in respect of this particular portfolio in regional development on which the budget for your portfolio is based and how this has changed from the previous year?

Ms ALLAN — This is also a good place to start, because it follows on very well from the presentation that I just concluded. In talking about the Moving Forward statement that was released in November 2005, it very much has been the strategy that has underpinned our activities over the last couple of years, but also the learnings from Moving Forward are helping to guide the future work program in the years ahead.

Just to quickly recap: Moving Forward was a \$502 million regional economic development statement. It contained initiatives to support regional economies and regional communities. The two pillars of that statement were the twin funds for growth. There was the Provincial Victoria Growth Fund — a \$100 million growth fund — and the investment in the Regional Infrastructure Development Fund. A progress review was undertaken by PricewaterhouseCoopers, because, as I said, we wanted to both evaluate what had happened and to use those learnings to guide future policy development. The review found that Moving Forward had to date — and this was a review that was undertaken in 2009 — generated economic benefits such as 783 one-off jobs and 1688 ongoing jobs in the early stages of the activity. It also had a conservative overall cost benefit ratio of 1.2 for the statement as a whole. That builds on the work that PwC has also done that shows that the Regional Infrastructure Development Fund creates on average 4000 jobs per year as a result of the infrastructure investment in communities.

The social benefits, too, are important and should not be underestimated. There has been investment in community infrastructure. It has resulted in increased tourism activity. There is greater social cohesion through those sorts of projects. It has enabled greater community participation. Also, we have been able to work with local communities to identify their priorities and enact change. That too empowers them.

We released the Moving Forward update in June 2008. That identified some initiatives that have been worked on over the past couple of years, but also what that identified was the announcement of the regional strategic planning initiative. As has been noted by the government, the government will be releasing a new blueprint for regional and rural Victoria by the end of June 2010. This will be the long-term strategy on which the future activity of Regional Development Victoria and the government will be done to support local communities and to support local economies. Underpinning the activity that is going to be in the blueprint is the work that we have been doing in partnership, particularly with local government, about the development of strategic plans.

We know there are going to be increased people in our regions. We know there are going to be increased job opportunities. We want to make sure that we are planning appropriately for those changes, and that too is where Regional Development Australia becomes important, because Regional Development Australia will help make sure that we get a better alignment of activity across federal and state departments and governments. In turn, that is really what local communities want — they want to see a better coordination of activities between federal and state governments. Obviously when you are talking about local councils as well, the opportunity for them to work in partnership with their neighbouring municipalities is also going to be a really key feature of the work that is done in the future on the blueprint.

Mr WELLS — You outlined an important part of your portfolio was creation of jobs and working with local communities. I refer you to the state government's \$60 million recovery package to East Gippsland for the floods — I think it was announced in 2007 — and in particular to a grant of \$1 million to the Paynesville Community Centre.

The construction of the Paynesville Community Centre went ahead, and I think it was opened some time late last year. Unfortunately the man who owned the construction company has not paid any of his subcontractors. That has caused an enormous amount of hardship; I think some of the small businesses have gone into liquidation. My question to you as minister is: despite the subcontractors having contacted your department and complaining about Andeco, why have you and your department allowed Andeco to bid for further government

contracts over the forward estimates, despite the debacle that happened in Paynesville with these subcontractors not being paid?

Ms ALLAN — Sorry, can you just repeat the last part of that? When you said, ‘Why has the department allowed’, what was the name of the — —

Mr WELLS — Andeco Construction.

Ms ALLAN — And what was the last part of it?

Mr WELLS — Andeco Construction has not paid the subcontractors on the Paynesville job, which was \$1 million of state government money. Why is it that, despite the subcontractors contacting your department, you have allowed this same company, Andeco Construction, to bid on further constructions in Gippsland over the forward estimates when the owner has not paid the subcontractors in Paynesville?

The CHAIR — Thank you for that question. Minister, insofar as it relates to the estimates; we are not particularly interested in the past.

Mr WELLS — Hang on. What are you talking — —

The CHAIR — We are interested in how it relates to the — —

Mr WELLS — No, no. This question is about the forward estimates. These are jobs that are out for tender at the moment, and this particular construction company is bidding — —

The CHAIR — You have already asked your question. I have given the minister guidance.

Mr WELLS — This company is bidding for these jobs in the future, so this is over the forward estimates.

The CHAIR — Mr Wells, you have already explained that.

Mr WELLS — Then why are you trying to water the question down then?

The CHAIR — I am not watering down any question down. I am — —

Mr WELLS — It is a legitimate question about small businesses that are being shafted by a particular person, and they are being rewarded by the government by being able to bid again.

The CHAIR — If you like to finish, then the minister can answer it insofar as it relates to the estimates.

Ms ALLAN — Obviously there is a lot of detail in that question, and we would be happy to come back to the committee on some of that detail, because, as Kim identified in this question, it goes back to the flood recovery package of 2007, some three years ago. I guess it is an example of where we have responded very quickly where there have been natural disasters. Particularly poor old Gippsland copped the brunt of them both in terms of floods and fires in repeated years, and in repeated years we responded with packages of support, which this was part of.

I will make some general comments, but I will have to come back in terms of that level of detail around the company and what it may or may not be bidding for. Through Regional Development Victoria we work closely with local councils, and it is not correct to say that we award the contracts for these sorts of things: it is local governments that award the contracts for these sorts of projects. We make sure the funds are there and able to be applied. In this case it is flood relief; in other cases it is about more general infrastructure investment and building. We make sure funds are there to respond to community need. We then work with local governments to make sure they can apply those funds where the priorities are, and that is appropriate. It is appropriate that we work in that partnership way with local councils to allocate that funding.

In this case it is highly likely, in fact I am almost 100 per cent certain, that it would be local government that has engaged that contractor. If they have not been paying their subcontractors as they should have been, yes, that is a concern, and it is a concern we will definitely be following up. But in terms of when I was first aware that this was an issue, you have just identified it, and we will make sure we follow it up and we will follow it up with the council — the East Gippsland Shire Council — as the head contractor for those works.

Mr SCOTT — Minister, I refer you to page 126 of budget paper 3 regarding the performance measure for the Regional Infrastructure Development Fund, and I ask: can you outline the continued benefit from projects funded in the budget and the investment leverage through these projects?

Ms ALLAN — I have mentioned a couple of times already how successful the Regional Infrastructure Development Fund has been and continues to be in leveraging investment in regional and rural Victoria. To date the government has allocated \$611 million to the Regional Infrastructure Development Fund over 10 years, and we intend to fully commit the \$611 million through that fund. To date, as at 30 April, we have allocated \$553.1 million of that funding to 350 major capital works across the state. I think I might have used this figure before, but that in turn has leveraged \$1.48 billion in new infrastructure investment across Victoria.

Of those 350 projects that have been announced, 163 have been fully completed and acquitted. In previous years PAEC has raised the issue of expenditure with me, and the recommendation, I think, from the 2008 report was that the number of projects be accelerated, and that is what has been done. In the past financial year \$82 million of funding has been allocated to 95 different projects. There are a number of examples, and they include 54 Local Roads to Markets projects. This has been a great program to help with the upgrade of local roads to assist farmers to get their produce to market in a more efficient way. There has been \$4.9 million allocated to the redevelopment of the port of Echuca. There has been funding for trunk infrastructure for the Geelong Ring Road employment precinct. There is funding for rail infrastructure at the Iluka-Murray Basin project and funding for the Benalla Art Gallery, and the member for Benalla was with me on the day we made that announcement of \$486 000 and described it in the *Benalla Ensign* as ‘fantastic news’.

Dr SYKES — Credit where credit is due.

Ms ALLAN — It is a lovely art gallery.

In terms of giving you a breakdown of the state, I can hand out some information in terms of the individual infrastructure projects. The Regional Infrastructure Development Fund has been providing funding to projects in every local government area — I know this comes up from time to time. In terms of breaking it down by the five administrative regions of the state, of the funding committed to date, Barwon South West has received \$101.6 million; Gippsland, \$106.9 million; the Grampians, \$69.2 million; Hume, \$47.6 million; and Loddon Mallee, \$93.2 million. There is also a range of programs that operate on a statewide basis like the Local Roads to Market program that has an allocation of \$134.6 million. So you can see there that funding has been allocated right across Victoria. Every local government area has a project; every region has had significant investment.

I mentioned earlier PricewaterhouseCoopers’s work on the economic benefits. They found that 4000 full-time equivalent jobs were created every year as a result of the Regional Infrastructure Development Fund. They also found that for every dollar of the fund, \$2.47 has been leveraged from other sources, so it is a great ratio — \$1 to \$2.47. We have to remember that these are projects that create jobs in the construction phase and are good in the short term but also good in the long term because the legacy is the investment for the future. The operation of the RIDF projects was found to have added an average of \$116.5 million to Victoria’s gross state product over the first 10 years of the infrastructure’s use.

I think you can see that we get good bang for our buck; we get a good rate of return on the Regional Infrastructure Development Fund. Most importantly, every region across the state has received the benefits of this fund.

Dr SYKES — Can I clarify and get very clear in my own mind the claims about new jobs? When you say ‘new jobs’, do you mean net more jobs at the end of the day? Is that correct?

Ms ALLAN — We answered that last time. I am not sure — —

Dr SYKES — To that end you mentioned in Parliament last Wednesday that locally, ‘This government has supported Carter Holt Harvey in Myrtleford with a \$50 million upgrade, saving jobs and creating 60 more’. What is the number of jobs going to be at Carter Holt Harvey in the future?

Ms ALLAN — That is a matter for the company. They are obviously going through some challenging times. The government has already indicated — and you were with me on the day, Bill, when I made the announcement in Myrtleford — —

Dr SYKES — I was.

Ms ALLAN — Yes, you were with me, celebrating the announcement that as a result of government facilitation we had been able to secure Carter Holt Harvey in Myrtleford. If we had not done this, and if we had not supported the transition of the mill into their new plywood line, you know as well as I do that they would have left town.

Dr SYKES — That is not my question. My question is: what will be the number of jobs in the future? I appreciate all that you are saying. What will be the number of jobs in the future?

Ms ALLAN — As I said, you will have to ask the company that. It will definitely create new jobs, the 60 new jobs that have been talked about; it will bring over \$50 million of new investment into Myrtleford; and in terms of the jobs that will be retained at the plant, that is obviously a matter for the company. It is a sensitive matter that they will obviously have to work through with the workforce. But if you think about the alternative, it was to not support them and see the mill close down. That would have been absolutely disastrous for Myrtleford, and it was not something that the government was prepared to countenance.

The CHAIR — All right.

Dr SYKES — No, with respect, Chair, can I just ask — —

The CHAIR — You have just asked a question, Dr Sykes.

Dr SYKES — I have not got my answer yet, Chair, and I think the minister is about to give some more information. I have not finished my question; it is a very specific question. According to the *Border Mail* of 4 May, in the long term Carter Holt Harvey's Myrtleford operation 'will employ 180 staff', whereas 'The ageing mill and its almost 200 workers have been working under a cloud of uncertainty in recent years'. Prior to that there had been 240, so we have gone from 240 to 200. There has now been an injection of state government resources, which is great, but the outcome will be that in the future there will be 180 jobs, so it is not actually an increase in jobs at Carter Holt Harvey; there is a net decrease.

Ms ALLAN — Let us do the maths.

The CHAIR — Quickly, Minister; we are meant to be talking about the estimates.

Ms ALLAN — If you take the figures that you have used from the *Border Mail*, there are 200 jobs there now. Firstly, let me say I do not know if the *Border Mail* is correct; I am just responding to the figures that you have presented here. There are 200 jobs now; the *Border Mail* is reporting it will go down to 180. What I am also saying is that as a result of the investment there are 60 new jobs that are going to come, so in my book that is a net 40 increase.

Dr SYKES — How can you go from 200 to 180 and have a net 40 increase?

The CHAIR — All right.

Dr SYKES — That is a very simple question, Chair.

The CHAIR — No, you have asked your question. The minister has given the answer.

Dr SYKES — With respect, we have 5 minutes or 8 minutes in answers on other questions. This is a very specific question. I am asking the question because the minister has stated in the Parliament 'saving jobs and creating ... more'.

Ms ALLAN — It is correct to say that it is saving jobs. I do not think you can deny it is saving those jobs that are there. And it is about creating — —

Dr SYKES — It might be, but it is not creating more.

Ms ALLAN — It is into the future.

Dr SYKES — No, instead of it going from 200 to 0 it has gone from 200 to 180. That is saving those jobs, and I will agree with you there, but I cannot see where you can then double count and say you are also creating 60 new jobs. That is double counting, Minister.

The CHAIR — Quickly please, Minister.

Ms ALLAN — I was only going to repeat, Chair, what I said before. The alternative was to see Carter Holt Harvey close down its Myrtleford plant.

Dr SYKES — We have agreed on that.

Ms ALLAN — And that was not something we were going to allow to happen. There has been a huge amount of work that the department has done. I have met with the company on repeated times to make sure that we were able to secure that investment for Victoria and for Myrtleford. I would have thought as the local member of Parliament, instead of trying to put a chip on the shoulder of the local community, you would be out there supporting these new jobs that have been created in Myrtleford.

Dr SYKES — No, Minister, I have agreed with you.

The CHAIR — Without assistance please.

Ms GRALEY — It is my turn to ask a question.

Dr SYKES — I have agreed with you, Minister, that saving those jobs is very important and much appreciated. What I am questioning is the fact that you are double counting. You are saying that you have saved jobs and you are claiming that you have 60 more jobs. That is simply not true.

The CHAIR — You have put your point of view; the minister has answered.

Ms GRALEY — I would like to ask a further question about jobs. As I have said before, I think it is very important that all Victorians, irrespective of where they live, have a job. I would like to refer the minister to budget paper 3, page 126, regarding the regional economic development investment and promotion output, and I ask: can you elaborate on the performance measures in the budget, jobs created and investments facilitated in regional Victoria?

Ms ALLAN — Thanks for that question. You are right, jobs that are created and saved are important, regardless of where you live. That is why I will hand around some of the employment trends we have seen in regional Victoria over the past decade. Certainly what we are seeing through this budget is that we have forecast that the government is set to create 38 000 new jobs in the next financial year. I have mentioned a couple of times already this morning the \$9.5 billion in job-creating infrastructure projects.

What I think is really important about these jobs that are being created is that we have made sure as a government that it is not just Melbourne that is creating jobs and attracting jobs, it is in regional Victoria as well. That is why you have seen nearly 24 000 jobs created in regional Victoria over the past year; that is an increase of 4 per cent. At a time when so much of the rest of the world was losing jobs, Victoria was creating jobs and regional Victoria was sharing in that as well. That is very important.

A key part of that, if we go back to the slide — I could hand it out, but we can just look at it on the screen — it shows how every region within Victoria has been able to share in the jobs that have been facilitated by the department, including Regional Development Victoria. We have seen nearly 18 500 jobs that have been created through assistance provided to 539 investment projects. That is a very strong result. We have also been able to see results in \$11.7 billion in investment across the regions.

I have also mentioned a couple of times before the PwC findings around how RIDF has created 4000 jobs, and how we have also seen the benefits to the gross state product. Can I also mention a couple of other things that we will be working on in the coming year that are important to job creation?

We announced, I think it was a week before the budget, Jobs for the Future Economy, Victoria's strategy to make sure that Victoria is in the box seat to maximise on an economy that is transitioning to a lower carbon society. As a key part of those \$175 million worth of initiatives was making sure that we have programs that are

dedicated to regional Victoria, in terms of being able to attract renewable energy investment, support businesses and companies, and support the skills of regional Victorians to be able to be employed in the new jobs in the future.

Obviously there is the ongoing work of the skills reform agenda, but also too in the manufacturing area we will be continuing to work very hard to make sure we are supporting jobs in the manufacturing sector right across the state. I think you can see from the slide that has been handed around that where there has been very strong jobs growth over the past decade there has been a corresponding decline in the unemployment rate. You only achieve those sorts of results when you do the hard work, and when you have the policies and programs in place that are about very aggressively supporting regional communities and regional economies.

Mr WELLS — Just to clarify if I may?

The CHAIR — Very quickly.

Mr WELLS — Yes. Just a moment. You are saying these new jobs were not there before? These are unemployed people who are now receiving jobs — new work — as a result of these programs?

Ms ALLAN — For the 18 500 jobs that have been created I cannot tell you every single person who has applied for that job and their previous status before they were employed in the job.

Mr WELLS — No, but is that your definition of a ‘new job’, or is it a saved job?

Ms ALLAN — No, the new jobs are those jobs that have been created as a result of the government’s investment facilitation. You know this, Kim. It is a figure that was used in previous administrations, and we use it as well. It is about their jobs — —

Mr WELLS — I am just seeking clarification.

The CHAIR — The minister to continue.

Mr WELLS — The job did not exist, but now it does exist as a result of your funding?

Ms ALLAN — Yes. I do not know what else you are looking for; the answer is yes.

Dr SYKES — My question relates to the rate of spend on your regional infrastructure development program and also on the Provincial Victoria Growth Fund. Let us make it clear: we are singing from the same hymn sheet when we welcome the projects that have gone on. You have mentioned Carter Holt Harvey and you have mentioned the Benalla Art Gallery. Also on Saturday I was at Myrtleford where there has been an upgrade of the Ablett Pavilion to allow disabled access, and Nerida Kerr was there, which was great. You also have some great staff with your CEO, Justin, and also John Joyce and Glenda Hall — —

Ms ALLAN — What have you been doing?

Dr SYKES — He helped to make the complex at Benalla become a reality, and I want to put on record my gratitude for that.

Mr DALLA-RIVA — That has come out of the budget.

Dr SYKES — My beef is not with the staff. My question relates to the rate of spend. In relation to the regional infrastructure development plan, you have \$611 million over 10 years. It is not going to be spent by the 10th year. You are going to make further announcements and commit another \$56 million or so. Similarly with the Provincial Victoria Growth Fund, it appears to be behind on spending. It is not clear to me what needs to be spent there. But my questions are: can you absolutely guarantee that both of those funds will be spent, and that they will be recognised as those funds and not dressed up as new money coming in to the pre-election cycle?

Ms ALLAN — There is a bit in that, and Bill, I hate to say it, but we do not necessarily sing from the same hymn sheet when it comes to these programs because unfortunately a bit of misinformation has been put out. But I am very happy to correct the record.

There is \$611 million which has been committed by the government to the Regional Infrastructure Development Fund, and yes, that commitment takes us up to 30 June this year. To date, we have made commitments against the fund of \$553.1 million towards 350 projects, and I mentioned that figure of \$1.48 billion before. I am on the record and the government is on record as saying that we will commit the full allocation of \$611 million by the end of the financial year. There are no surprises in that; there is nothing to be alarmed about in that. There are still a couple of months to go before the end of the financial year, and yes, there are still funds to be committed out of the Regional Infrastructure Development Fund, and we will be committing those funds.

The figure of \$56 million that was referred to in the Parliament last week, and which has been put out in The Nationals press releases subsequent to Parliament rising, is not accurate. I know it will come as a complete shock to the committee that it is not accurate, but it is not. That \$56 million is being arrived at by some fudgy adding up of what is in the budget papers and then an assumption they are RIDF funds that are not going to be allocated. That is just not true. What the \$56 million represents — and we have talked about this before; I have talked about it in Parliament before and I have talked about it around this committee table before, but I am happy to talk about it again — is the funds that are needed to carry forward in RIDF to make sure the funds are there for those projects we have already committed to. We have talked about this, I think, ad nauseam, of the reason why we do it this way. What we do is commit funding. We commit the \$611 million, but we work with local councils and local communities to spend the funds. Sometimes things happen. Sometimes there might be a slowdown in a project. Sometimes something might go awry with a project. What we say to those communities is that the funds are still there. We hold the funds for them, and we make sure they are there so that when they are ready for the project they can deliver it.

If I can give you one example your own area where I announced \$650 000 of RIDF funding towards stage 1 of the Goulburn River high country rail trail. Rail trails are fantastic, and the north-east has some fantastic rail trails. I announced that funding on 13 October 2008. However, that project has been massively delayed because of the bushfires. I am not going to rip the money out of that community. I am not going to say, 'You cannot meet those milestones we agreed at the end of October because the biggest natural disaster in the country's history came along'. I am not going to take the money out of that community. We are going to make sure it is there in our forward allocation so those communities can have absolute confidence they can draw down on those funds when they are ready for them.

You would love every project to go well. You want every project to be on time, but things happen, and it is the responsibility of any prudent government to make sure we do not just hand over the money. It is like building a new house. You hand the builder all the money up-front. It is a nice little \$320,000 house and land package up on the outskirts of Benalla somewhere. You hand over the \$320,000, and the builder nicks off to Queensland. You are not going to do that. You are going to make sure you have a contract and you are going to make sure that you have milestones that are reached.

That is exactly what we do with the Regional Infrastructure Development Fund, and we do it because when you work in partnership with communities and with local councils you have to be prepared to be flexible, you have to be prepared to work closely with them, and that is exactly what we do through this fund.

Dr SYKES — The second part was related to the Provincial Victorian Growth Fund, where the level of expenditure of the \$100 million was written. It was allocated as a four-year program in 2005, and it is now 2010. What is the total expenditure so far?

Ms ALLAN — It is pretty much the same. I guess my response will be very similar to the one that I have just given. I am advised by the department that more than 90 per cent has been fully committed. Again, there are still a couple of months to go before the end of the financial year, and again too some of these programs are for projects that span a number of years, so we have to make sure that the funds are there. We are not going to rip the funding out of these communities. These projects, as I said, might have been delayed because of bushfire, because of drought, because of a whole bunch of circumstances.

What is important to remember is that we introduced the Regional Infrastructure Development Fund. We established Regional Development Victoria. We established the Provincial Victorian Growth Fund to support regional communities to rebuild, to be revitalised as a result of a period where they saw their services dramatically undermined, closed down — cuts and closures. We wanted to make sure that we work with

regional communities, and the results are there before us on the screen. More people are coming back into the regions. We are seeing more jobs coming into the regions, and that is what you have. Those are the results you get when you have the policies and programs in place to support regional communities.

Dr SYKES — So that money will be 100 per cent committed by 30 June also?

Ms ALLAN — I have already answered that.

The CHAIR — Thank you, Minister, and I assume you are referring to the output cost of \$56 million on page 126, and that is also footnote (e).

Mr NOONAN — My question is about the bushfire recovery in regional Victoria, and I note in budget paper 3, page 8, it is clear that in the 2009-10 budget there was a provision for \$986 million over five years for services and infrastructure to help Victoria recover from this tragedy. I wonder whether you can outline for us the activities that Regional Development Victoria will be delivering under this budget to aid recovery from those fires?

Ms ALLAN — As I mentioned in the presentation, this has been a significant part of the work that Regional Development Victoria has undertaken over the past 12 months. We will continue to work with those communities into the future.

The other feature of this arrangement of course is that it is a partnership, not just with local communities and councils, but also with the federal government as well. The Prime Minister and the Premier released the \$193 million package in October last year, the rebuilding together package, the statewide plan to support those communities. What we are doing is we are continuing the work on the rollout of the business assistance package. This was a package that we announced in the immediate aftermath of the fire. It is a package of funds that includes grants, loans and business counselling to support businesses to rebuild and plan for the future. To date there have been two tiers of grants. There are the tier 1 grants which are up to \$5000 and the tier 2 grants which are up to \$20 000. We have seen over 1000 of these grants approved with a combined value of \$23.8 million, so that is a significant amount of funds that are going to help those businesses that have been affected, but of course there were a significant number of businesses that were affected. That is why we have made those grants available. There has been a further \$5.25 million in low-interest loans approved, and there have also been just under 700, about 696 businesses, that have had access to business advisers.

Looking to some of the work we are doing right now, I mentioned the rebuilding together plan, the \$193 million statewide recovery plan. Regional Development Victoria is working closely with the Victorian Bushfire Reconstruction and Recovery Authority. We have worked very closely with them in the way they work to give advice, support and assistance to bushfire-affected communities.

I have also had the opportunity to have a number of business round tables over the past 12 months to hear firsthand of the many issues and continue to visit many of the bushfire-affected communities, and of course my own community was one of those areas that was badly bushfire-affected, so I know firsthand the ongoing recovery work that needs to be done.

The work that we looking at right now is the \$600 000 business recovery program. It is in addition to that additional \$51 million business assistance package to help small and medium-size businesses get back on their feet, I suppose. This includes some packages of support around mentoring, business recovery workshops, business events and also buy local campaigns, making sure that local communities are aware that not everything is closed. There are opportunities. I think a great example of where we are seeing the business community revitalised is in Marysville, where there has been again the work that Regional Development Victoria did to support the purchase of the former car museum site, turning that into a retail hub, a business hub. I was up there a few weeks ago and that is working extremely well. There is a supermarket there now and there are other shops and it really is becoming a great hive of commercial activity for the region.

There is the bushfire community events program which RDV rolled out across the state. Again, these were to help with the recovery. When I say 'events', obviously they were not celebratory events; they were events to help the community come together to reflect and support one another.

There is the \$4 million fund with the Bendigo Bank where to date 11 projects have been approved with grants to the value of \$2.11 million, and I will finish on this one, because this is a major fund where applications close on 30 June, and that is the Victorian bushfires business investment fund. This is to stimulate some of your larger investment, particularly in tourism infrastructure across the state, but obviously with a particular focus around the Marysville triangle where a lot of the bed and breakfast operators, the big hotels, the big conference centre operators were wiped out, and really for those communities to be able to be on a strong and sustainable commercial footing we need to attract some larger private investment back into the area, so that is why we have set up that fund. It is a joint federal-state fund. Both levels of government have put in \$5 million each to that fund and, as I said, applications are open at the moment. There is a minimum of \$50 000 and a maximum of \$4 million in grants, and we are optimistic that that will be a fund that will be critical to helping the commercial activity return to those bushfire-affected communities.

Dr SYKES — Minister, I wish to pursue the theme of underspending and the rate of spend. I refer you to page 127 of budget paper 3, where the bottom line of that table is ‘Total output cost’. We see that the actual achievement in 2008–09 was 37.7, but I understand the targeted expenditure was going to be 48.7, and the expected outcome had been 50.

In 2009–10 you have a target of 69.5 and an expected outcome of 59.1, so again it is dropping below target. Then the target drops substantially in 2010–11, which you have in a part touched on. There is a recurrent theme that the targets that you state are not matched up by the spend that is achieved. On top of that you have reduced your targets coming into this next year at a time when anyone closely in touch with regional Victoria would be very well aware of the need to continue to put more money in because we are a long way from recovering from the 10 or 12 tough years.

The CHAIR — So you are looking at the variance in the future.

Ms ALLAN — Yes. I am happy to answer that question, although I do challenge the commentary at the outset when you talked about the issues of underspend. I thought I made it pretty clear in my previous answer in terms of the funding for RIDF and the Provincial Victoria Growth Fund that those comments were not accurate. I hope you do not continue to peddle that misinformation in your commentary following this hearing today.

Dr SYKES — With respect, Minister, my question here is drawing on your figures, and I am highlighting that it is a repeated occurrence of your stating a high target, and you are failing to deliver on that target in the order of 20 per cent-plus year in, year out.

Ms ALLAN — Again it is also not true to say it is year in, year out.

Dr SYKES — On the figures I have just quoted to you — —

The CHAIR — The minister, to answer.

Ms ALLAN — It would be great if we could be accurate on these things, Bill, but that is okay.

Dr SYKES — I am using your figures, Minister.

The CHAIR — The minister, to answer.

Ms ALLAN — Thank you, Chair. The difference in terms of those figures — and I mentioned before in the answer to the question on the Provincial Victoria Growth Fund and the Regional Infrastructure Development Fund, is that there are projects that go over years, and we want to make sure that there is the funding of those projects.

So there is some carry forward from the Provincial Victoria Growth Fund of \$6.3 million. There is the Geelong Investment and Innovation Fund — the GIIF fund — of \$1 million. There are some smaller amounts of funding: Living Regions, Living Suburbs of \$700 000 and the CRISP program — the Community Regional Industry Skills program — of \$900 000. There has been some rephrasing of funding that was allocated to the industry transition fund — again making sure the funding follows the projects that make up that figure. So there is nothing suspicious.

I think if you read the budget papers — I am just repeating what is said in footnote (h) in the budget paper. There is nothing suspicious and nothing that is untoward. It is spelt out very clearly for you, Bill, in footnote (h) of the budget paper — all those examples that I have just given. It goes to what I said before about making sure that the funding follows the projects; that the funding follows those communities, and those communities know there is a stark choice with this fund. They know that there is a choice between the government, which is prepared to work with those communities to make sure the funding is available in a flexible way, and a group of people who call it ‘cynical politics’, which is what your leader did in the Parliament last week. That is the choice.

Dr SYKES — With respect, Minister — if it is as you say: that you expect to need to have money to spend in the next year and the year after, why do you repeatedly put targets that are not met? That target suggests that the money is going to be spent in that year, does it not?

Ms ALLAN — As I said, we want that money to be spent, and that money is there and it will be spent. I do not think there is anything wrong with having aspirational targets.

Dr SYKES — These are aspirational targets now?

Ms ALLAN — We have targets that are about lifting the bar on creating jobs and lifting the bar on attracting investment. We do that because we have a vision for regional Victoria that sees it growing, sees it attracting more jobs and sees it attracting more people; not a vision of closing services, closing schools, closing hospitals — and the result is that the show goes backwards.

We want to make sure that regional Victoria is going forward, and that is why we will continue to allocate funds and continue to set targets that are about putting a positive foot forward on regional Victoria; unlike alternative options which include just calling the programs that we run ‘cynical politics’ — tell that to those communities that are benefiting from those funds in regional Victoria.

Ms HUPPERT — On page 28 of budget paper 2 there is a reference to the Victorian population growth, which was 2.2 per cent over 2008–09, which it notes is the highest rate since 1971. I wonder whether you could tell me, Minister, what the government is doing to enable regional Victoria to respond to this projected population growth?

Ms ALLAN — Thanks. I think I did say this earlier — we are seeing record population growth across the region. It is now at 1.6 per cent, which is the highest growth rate since 1982 — or, for those of you who like to look at things a bit differently: it is since Richmond last appeared in a Grand Final that that population has grown that strongly.

Dr SYKES — That is an aspirational target!

Ms ALLAN — To demonstrate I guess how we are seeing population growing across the whole of the state I would like to supply the committee with this chart that shows that we are seeing strong population growth right across regional and rural Victoria. What we are seeing is that of that 1.6 per cent statewide growth that was experienced in the last year — I would like to just give the breakdown; you have there before you the growth in the last decade of the regional cities, but the breakdown by region is also important because we are seeing the state grow as a whole, which is very important.

The Barwon South West region had a population growth rate of 1.8 per cent, the Grampians was 1.78 per cent, Loddon Mallee was 1.46 per cent, Hume was 1.1 per cent and Gippsland was 1.85 per cent growth, so we are seeing right across the state strong population growth. Some work that we have been doing projects that that growth is going to continue, and we will see the population of regional Victoria go from 1.45 million people today to 1.7 million by 2026 and 2 million by 2048.

What we are going to see is that this is not going to be uniform growth across the state. We know that our large regional centres will continue to grow. The hinterland around Melbourne will continue to grow, and also too some of our smaller towns will grow strongly. But we recognise too that for some of the communities, attracting people is going to continue to be a challenge. What we need to do is make sure that we put in place the plans to plan appropriately for where there is strong population growth and to put in place plans to support communities where it may not be as strong.

This is critical, because population growth is important overall to support the economic health of regional Victoria, because more people bring with them more jobs, more skills and more opportunities for those communities. It is for these reasons that the government is working on its blueprint for regional Victoria, which is all about making sure we have the plans in place backed up by the policies and programs to support regional Victoria into the future.

If you think about what we have been talking about this morning in terms of the historic jobs growth, the historic population growth and the historic investment and the way that has changed regional and rural Victoria, we have got a really strong foundation now on which we can put in place, in partnership with local communities, these longer term plans for the future.

A key feature of the development of these plans has been the work of the ministerial task force to have a strong community consultation program where we have had a number of regional community engagement forums. The Premier has hosted a number of round tables around the state. A discussion paper was released to make sure that we were getting feedback from communities themselves at all levels, and all of that has gone into the mix to help us to finalise the blueprint, which will very much continue the work that we have done to date on investing in our regional centres, our smaller towns and our communities right across the state to attract people and jobs into the future.

The CHAIR — Thank you, Minister. A final question, Ms Pennicuik?

Ms PENNICUIK — Thank you, Chair. Over the life of the RIDF there has been criticism that RDV has not necessarily been as rigorous as it could be in validating and confirming the accuracy of project outcomes reported by fund recipients. I am wondering if you could outline what measures over the last few years the department has taken in terms of improving its validation of the outcomes as reported by the recipients?

The CHAIR — I direct you, Minister, perhaps to the future, and not so much to the past outcomes.

Ms PENNICUIK — Past, current and future!

The CHAIR — Because we are not dealing with financial outcomes and performance here; we are actually dealing with the estimates.

Ms PENNICUIK — It has got to do with whether the money is being spent properly.

The CHAIR — That is true, but we do have a separate inquiry into that, so in terms of how the outcomes are going to be achieved and evaluated in the future.

Ms ALLAN — I guess you have got to stop sharing notes with the National Party! In terms of how the program performs, I have mentioned already today we have had the program reviewed independently by PricewaterhouseCoopers. That found that there are 4000 jobs created per annum, that there has been a contribution to the gross state product of \$116.5 million every year over the first 10 years of the infrastructure's use. There are other subprograms within the Regional Infrastructure Development Fund that are independently evaluated, and all of these evaluations are publicly available on the web site if you would like to check them out.

It goes with what I was saying before. We work closely with communities. We want to make sure that our programs are absolutely geared toward meeting the needs of local communities. Whether it is creating jobs or investing in infrastructure, this is a program where the results to date have proven that it has been a success, and the results to date show the great benefit in having the Regional Infrastructure Development Fund, which was the very first piece of legislation that our government introduced into the Victorian Parliament.

Ms PENNICUIK — Minister, I understand what you have said about PricewaterhouseCoopers and the success of the project, but you are saying that in terms of jobs created — and I do not want to argue with you here now — has the department imposed its processes in terms of —

The CHAIR — Can you take it on notice, Minister? I think we have run out of time.

Ms PENNICUIK — Yes. That would be good. Thank you, Chair.

The CHAIR — And in terms of the processes you are using here into the future in terms of spending money during the estimates period. That concludes the consideration of the budget estimates for the portfolios of industry and trade, and regional and rural development. I thank the minister and departmental officers for their attendance today. When questions were taken on notice — and there were a number of them — the committee will follow up with you in writing at a later date, so I suggest you look at the Hansard transcript and start preparing them. The committee requests that written responses to the those matters be provided within 30 days. Thank you, Minister.

Ms ALLAN — Thank you.

Witnesses withdrew.