

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 10 May 2012

Members

Mr N. Angus

Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

Mr R. Scott

Chair: Mr P. Davis

Deputy Chair: Mr M. Pakula

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr P. Ryan, Minister for Regional and Rural Development,

Mr A. Tongue, Secretary,

Mr G. Forck, Chief Finance Officer,

Mr L. Bruce, Chief Executive, Regional Development Victoria, and

Ms S. Jaquinot, Deputy Secretary, Local Government and Community Development, Department of Planning and Community Development.

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

The CHAIR — I welcome from the Department of Planning and Community Development: Mr Andrew Tongue, secretary; Mr Greg Forck, chief finance officer; Mr Lachlan Bruce, chief executive, Regional Development Victoria; and Ms Sue Jaquinot, deputy secretary, local government and community development. I now call on the minister to give a brief presentation of no more than 10 minutes on the more complex financial and performance information relating to the budget estimates for the regional and rural development portfolio.

Mr RYAN — Thank you, Chair and members of the committee.

Overheads shown.

Mr RYAN — The Department of Planning and Community Development has a clear focus on enhancing Victoria's livability through planning and investing in our cities, regions and community. Amongst our key challenges: Victoria's growth in and the ageing of the population and their implications for housing infrastructure, the economy and service provision; and furthermore, supporting regional Victoria to play a greater role in the state's economy and increase its share in the state's projected population growth.

Amongst the departmental objectives: planning communities for growth and change, investing in communities, and growing regional and rural Victoria. Amongst the key priorities: driving economic growth in regional and rural Victoria; implementing planning and regulatory reforms; developing planning strategies for metropolitan and regional areas; partnering with business, communities and councils to improve infrastructure development; delivering whole-of-government strategies to close the gap between indigenous and non-indigenous Victorians; and supporting the needs of Victorian veterans.

Amongst the key achievements for 11–12, the \$1 billion Regional Growth Fund commenced in July 2011. It supported a broad range of strategic infrastructure investments and small community-focused projects and events right across regional Victoria. New regional investment valued at approximately \$950 million-plus will result in the creation of at least 1300 new jobs since we came to office. There is extensive consultation with regional businesses about their issues, \$329 million from the 11–12 budget providing immediate support and longer term recovery programs in response to the 10–2011 floods, agreement for cooperative arrangements for the Gippsland region to support the transition of the Latrobe Valley economy, and regional policy advisory committees, which form a key independent source of policy advice.

In the Regional Growth Fund projects, the fund itself is a key platform for the delivery of strategic economic projects and local projects important to regional and rural economies. The fund was established in July last year as a trust fund and key mechanism for generating new jobs in regional Victoria. Over 380 projects have been funded across the state. The fund's key focus is a grassroots, flexible approach to project identification, development and funding. It is providing better infrastructure facilities and services, strengthening the economic base of communities, creating jobs and improving career opportunities.

Within the program itself there has been the allocation of \$221 million over four years. As at 30 April 2012, 15 major infrastructure projects have been announced, and they are indicated in the sense of the general geographic area on the slide. These are announcements that have been made under the economic infrastructure program within the fund. They recommend grant commitments of \$45.3 million and a total project value of more than \$130 million. This highlights the point of how important it is to leverage the funding. These projects are estimated to have created 616 new jobs directly and 1924 indirect jobs. They will result in the retention of 1294 jobs and create 825 more jobs during the construction phase. This includes projects such as Mildura Airport, where \$5.2 million has been committed toward a \$6.4 million redevelopment, creating 18 new jobs directly, 82 indirect jobs, the retention of 50 existing jobs and 25 jobs during the construction phase.

At the Geelong library and heritage centre \$15 million has been committed toward a new \$45 million Geelong library and heritage centre, creating new jobs to the tune of 17 directly, 8 indirectly, the retention of 25 jobs and 299 jobs during the construction phase. In the Horsham enterprise estate \$500 000 has been committed towards the \$1.66 million second stage development of the Horsham enterprise estate, creating 112 new jobs directly, 97 indirect jobs and 13 jobs during the construction phase.

Within the economic infrastructure program another \$2 million from the fund has leveraged \$6.272 million from Hazeldene's to fund the \$8.727 million infrastructure work at their facilities at Lockwood. That will create 100 new jobs directly and just over 1000 indirect jobs. It will see the retention of 625 jobs and 101 jobs during the construction phase. The fund has supported components of the expansion including the construction of a

7.5-kilometre dedicated private water supply pipeline, a new anaerobic sludge digester and a 1.75-megawatt natural gas-fired cogeneration unit.

In the Putting Locals First program, which is \$100 million of the fund, there are 87 projects across regional Victoria. They all provide local jobs and economic benefits, and the slide demonstrates the one that has been undertaken at the Loddon-Mallee: \$300 000 towards the Kyabram bicycle and pedestrian trail. There are a huge variety of these projects, and I will not go through them all in the interests of time, but other examples within this area are the National Celtic Festival to be held in Portarlington, the *Weekly Times* Rural Lifestyle Expo in Ballarat, the Venus Bay accessible pedestrian pathway project and the Katamatite sports centre and community hub. A further 116 projects are in the pipeline seeking Putting Locals First funding of another \$11.6 million for projects with a total cost of \$37.5 million. I might say that the Regional Development Australia committees play a very important part in overseeing those projects and the funding that goes to them.

Within the local government infrastructure program there is another \$100 million that has been allocated. The \$100 million goes to all 48 rural and regional councils under an agreed formula which was negotiated with the councils and with the MAV. It makes sure that there is equity in the way in which this \$100 million is distributed. For example, \$2 million has been leveraged into a project in the city of Bendigo that will see an additional \$6 million for the library redevelopment. That development in itself will create 150 jobs. It will lead to a variety of different forms of employment, of course, as the project unfolds and the supply chain behind it is also creative of more jobs and opportunities.

There is \$500 000 that has gone to the City of Greater Geelong to revitalise the laneways in the CBD; 1.2 million to the City of Ballarat to replace Magpie Bridge; and 350 000 to the Central Goldfields Shire Council for the installation of an air handling system at the Maryborough sports and fitness centre.

In the flood recovery effort there are numerous initiatives that have been undertaken through the department. In response to the floods in late 10–early 11, the government provided immediate support. It included assistance in emergency relief; support for councils in recovery, clean-up and waste disposal; support provided to restore social network and repair community facilities; the 2011–12 budget continues this immediate support while increasing focus on recovery, with \$329 million allocated.

Highlights in that 11–12 budget included 122 million for repairs for arterial roads; 20 million for repairs to regional rail networks; and 1.5 million for regional tourism marketing activities. I emphasise that RDV and DPCD are playing a leading role in the recovery effort, delivering these initiatives across a wide range of community grants and funds, without reflecting on all of them.

In the extension to the bushfire recovery support there are many new and rebuilt facilities that have been funded through the appeal fund. They were completed in 11–12 and include the Marysville Community Centre and the Flowerdale Community House. The government has also invested in the new funding, including the 5.2 million for the economic package for Marysville, and I have already spoken about that in another context.

The bushfire infrastructure fund — a professional development strategy for the 10 most bushfire-affected councils during the 2009 crisis offers benefits which go with professional development within those respective areas. The \$10 million community recovery fund covers a range of projects such as the restoration of community infrastructure at sports clubs and for community preparedness and resilience.

Initiatives in the 12–13 budget include the funding for the Marysville hotel and conference centre — and I think, as the committee knows, we have acquired the former Cumberland site and the two sites immediately beside it as a venue for the new facility when it is to be built, and as I have already outlined, we are going to market. There are a range of programs where we are investing in stronger Victorian communities, and we can perhaps explore those in the course of the further presentations.

I do want to make specific reference to the Regional Victoria Living Expo. This was a great weekend; a wonderful success. All 48 municipalities were there. They participated very actively, to their great credit. We had about another 80 to 100 exhibitors there, more than 8000 people came through over the course of the three days, and all of this has, in turn, led to the launch of the Good Move campaign, and as it happens I have some material here which I am sure committee members would be interested in seeing in due course because it does underpin the campaign. In circumstances where our recent survey material indicates that something like 11 per

cent of Melburnians now want to move to the regions, these sorts of campaigns are very important. That concludes my opening commentary.

The CHAIR — Thank you, Minister, for your obviously enthusiastic presentation. I will move straight to a question which I think you will be familiar with: given the key growth and efficiency initiatives announced in the budget, can you please outline for the committee the likely impact of the budget on enhancing service delivery, promoting productivity, and achieving efficiency gains within this portfolio? In responding could you also indicate how you intend to monitor the portfolio's effectiveness in maximising improvements in these areas, and include in this response some commentary on impacts on industry and community stakeholders?

Mr RYAN — The government's regional and rural development agenda is particularly relevant in an environment in which improved service delivery and investment in productivity-enhancing measures are vital to the state's competitiveness in what are challenging economic conditions.

The 12–13 budget will deliver enhanced investment and service delivery throughout the regions by well-placed initiatives such as \$93.3 million for a major upgrade to the Geelong Hospital and \$35.5 million for the Ballarat WestLink Road as well as through investments that will boost productivity across the whole state. Among those are the Regional Growth Fund and the \$1 billion that sits behind it and the \$25 million which will go to the high priority regional TAFE capital projects from the commonwealth's education investment fund, and of course we are all holding our breath, waiting for the commonwealth to confirm whether it is going to provide assistance to us in that context.

The government's \$58 million package to support the Victorian manufacturing sector is another very influential fund of money that will be available for the manufacturers. There will also be further productivity-enhancing investment in the regional cities through the billion-dollar Regional Growth Fund, and I am always pleased to be able to work in conjunction in my colleague, the Minister for Regional Cities, Dr Naphthine, to make sure that our joint aspirations for those regional cities and the regions generally are able to be met.

Examples of employment-generating projects supported through the Regional Growth Fund are the \$15 million for the \$45 million Geelong library and heritage centre — 17 direct ongoing jobs, 8 indirect jobs, up to 299 jobs altogether during the construction phase. There is 3 million for the 25.8 million Sandhurst theatre complex in Bendigo — 56 new direct jobs, with 121 jobs during the construction phase. There is 500 000 for the \$1.6 million Horsham enterprise estate, stage 2 — 112 direct jobs, with a further 97 indirect jobs.

Efficiency and responsiveness in program delivery are features of these regional development programs. For example, through the Putting Locals First program, the fund promotes a grassroots approach to identifying priority community projects and provide flexible funding to address those gaps in services and infrastructure that are needed to be filled and to create new job opportunities. The fund is intended to reduce red tape. We have incorporated funding provided under a number of previous smaller programs into the Putting Locals First program of the growth fund in order to simplify the wide range of programs and the application processes that communities need to go through in order to gain access to that funding support.

In addition, we are providing targeted support in regional areas which are facing significant structural adjustment pressures, such as the \$5 million Latrobe Valley Industry and Employment Roadmap and the \$10 million Latrobe Valley Industry and Infrastructure Fund, that are intended to drive growth and economic diversification in that region over the long term. They are but some of the measures that are indicators of a response to your question, Chair.

Mr PAKULA — Minister, I am referring to the answer to the questionnaire from the Department of Planning and Community Development, so I ask you the question in your capacity as coordinating minister for the department. On page 4, question 1.2, the committee asked departments to identify any programs or initiatives that have lapsed in 2011–12 — i.e., that will not be continued in 2012–13. Most departments answered that question pretty fulsomely. Your department's response was:

The Department of Planning and Community Development has a number of programs that were funded in 2011–12 but that will not receive funding in 2012–13. Details of these can be readily found by comparing the tabled budget papers for each financial year.

In other words, the answer was effectively 'Go figure it out yourselves'. Each member of the committee can form their own view about that. My personal view is that it is a wholly inadequate answer, and I think it is quite

disrespectful to the committee. I do not expect you in responding on this portfolio to talk department-wide, but certainly in regards to the regional and rural development lapsing programs, particularly those that were contained in the 2010 regional blueprint, I am wondering if you will now take the opportunity before the committee to outline what programs will not be continued in 2012–13.

Mr RYAN — As was indicated in the course of the questionnaire, the department has a number of programs that were funded in 11–12 that are not receiving funding in 12–13. Details of these can in fact be readily found by comparing the budget papers across the financial years. The funding has concluded for a variety of reasons: they were funded for a specific purpose, which has now been achieved; the program may have been merged with other continuing programs; the program was funded for a finite period. Those programs are a combination of current and previous government programs, I should add.

In terms of some of the specific areas, we have, through the Putting Locals First program in particular, a capacity for a lot of initiatives that might otherwise have had their own separate individual funding stream to be able to come into the Putting Locals First program. With a program such as Transport Connections, for example, which historically has been funded but where funding for the future was at risk, through the Putting Locals First program we now have a mechanism whereby people who are interested in pursuing it are able to do so through the means that are available to communities across the regions. That is but one example of one such program, and we are always ready to consider any applications that come before us.

Mr PAKULA — Just as a follow-up, I think it would be a courtesy to the committee — on a matter on which without doubt you would have the information with you and at your fingertips — if you could you just give not necessarily every one but perhaps the top five regional blueprint programs that were funded last year that are not going to be funded for 2012–13. Could you just take the committee to examples of which programs they are and what their value was?

Mr RYAN — As I said, Mr Pakula, programs expire for a variety of reasons — simply because they were set up for a particular purpose or otherwise they might now be being amalgamated into the other programs we have available. What I will do is make those available to the committee.

Mr PAKULA — Thank you.

Mr MORRIS — Minister, I refer you to budget information paper 1, rural and regional Victoria, and in particular page 8. There are four strategic objectives identified under the ‘Regional Growth Fund’ heading:

- strengthening the economic base of regional Victoria;
- facilitating the creation of jobs and improvement of career options for regional Victorians;
- supporting the resilience and sustainability of communities in regional Victoria; and
- increasing the capacity of regional communities to drive development in their region.

I am wondering, Minister, if you can give the committee some examples of projects supported by the Regional Growth Fund in each of these strategic areas.

Mr RYAN — Two very good examples of projects that meet this objective are the Mildura Airport redevelopment and the Mildura riverfront parkland project. The \$6.4 million Mildura Airport redevelopment will deliver major benefits for Mildura’s economic activity for tourism and for jobs growth through the better and more frequent services that are able to be engendered. I can report to the committee that there are already very encouraging signs about the growth of future services in and out of that great city of Mildura. Through the work that is being done there will be a capacity for larger aircraft. I believe there will be a capacity for lower fares through the increased competition that is available. The government has a commitment to this project of \$5.2 million. The council is investing another \$1.2 million. The work is scheduled to be completed by May 2013.

The government has also provided an extra \$2 million for the development of Mildura’s waterfront, which brings our total commitment to this great project to \$7 million. It will kick-start what is a very major project for regional Victoria, let alone for Mildura. The ultimate aim is to transform Mildura’s riverfront into a world-class destination and to reconnect the city’s CBD with the river. You would be aware, Mr Morris, as I am sure all the members of the committee are aware, that historically a lot of our cities, along the Murray in particular, were

built with their back to the river. In Mildura's case there are people who go to that city and who leave without properly recognising the magnificence of the Murray literally on the doorstep of the city. What this project will do is highlight the magnificent attribute which the Murray is in the context of living in Mildura. The \$13.3 million Mildura waterfront redevelopment has been identified as a project of state significance, and it will have enormous benefits for the regional economy, for driving tourism and very importantly of course for jobs growth, as I have already indicated.

A good example of a project meeting this objective in relation to the creation of jobs and improvement of career options for regional Victoria is the \$2 million in support the government has provided toward a \$39 million expansion of the processing facility at Hazledenes Chicken Farms up near Bendigo.

Mr PAKULA — Good NUW site.

Mr RYAN — As you were.

The CHAIR — Thank you, Minister.

Mr RYAN — Since the interjections are disorderly, I will not respond, Chair. When completed, this expansion is expected to create another 105 full-time jobs, and that is in addition to the 625 existing jobs at Hazledenes. Another example is the \$20 million Regional Partnerships Facilitation Fund, supporting partnerships between tertiary education providers and improving access for regional students — a post-secondary education project — and expanding their career options.

Supporting the resilience and sustainability of communities in regional Victoria is of course sought to be achieved in a variety of ways. Recently I announced a \$25 000 grant from the Putting Locals First program to assist the Mildura-based organisation Sunassist to review its operations, and develop an alternative business and funding model to support its ongoing operations. Sunassist provides support to frail, elderly people with disabilities who are without social or family support. Demand for its services has increased by 15 per cent per year since 2002. We are funding this review, which will be pivotal to its future.

Increasing the capacity of regional communities to drive development in the regions is another aim of what we are doing. A good example of this is the \$6 million which we have contributed to underpin the Community Leadership Fund. This fund provides financial support to nine community leadership programs operating right across the state. Those programs help develop the future community leaders, and they make an invaluable contribution to regional communities. I might say that they are being done on a basis of constructively seeking out those community leaders who otherwise by default tend to put their hand up when some sort of emergency arises. The history of our regions is such that when the bushfires come or when the floods come, you have community leaders who emerge from the woodwork. The intention here, through this leadership program, is to encourage these people to participate and have them contributing on an ongoing basis. This program is consistent with our approach of empowering local people, and it is very much bound up with the whole notion of resilience, which underpins a lot of what Mr Neil Comrie has reported to us in the report on flood recovery.

Through a variety of initiatives there are enormous contributions being made across a range of programs to achieve the very outcomes about which you inquire, Mr Morris.

Mr SCOTT — Minister, I refer you to budget paper 3, page 209, and the output there 'Energy for the regions program — number of towns included', where I note that there was a reduction in the outcome for this financial year from four to three. Could you outline which of the three towns would be included for this year, not for the next financial year, and is Wandong-Heathcote Junction the fourth town, the one that will miss out on getting gas under this program in this financial year?

Mr RYAN — Sorry, what was the final — —

SCOTT — Is Wandong-Heathcote Junction the fourth town, the one that will miss out in the 2011–12 financial year?

Mr RYAN — Thank you, Mr Scott. This \$100 million program is of course a wonderful program for the expansion of natural gas and its availability through the regions. We are proud of it. The former government walked away from these future commitments during the campaign in 2010. We are pleased and proud to have

been able to dedicate \$100 million of the \$500 million Regional Growth Fund toward this important initiative. I take your point in relation to the budget papers, and the fact of the target of four reflecting now an outcome of three. We will make announcements in the future as to where those towns are that have been successful in being able to access the funding and the various other elements that go into the funding arrangements around them, and it will then become self-evident from that process as to those towns that have to date qualified for funding under the program. It is of course ongoing. We are engaged in negotiations as I speak with various of the entities associated with delivering this program. I am pleased to be able to say we have had success thus far, and I am very confident success will be forthcoming further.

Mr SCOTT — If I could follow up an aspect of your answer there, and I was intrigued by it, just in relation to funding models, do you have any other funding models in mind to further extend the rollout of natural gas? You made reference to funding models in your answer.

Mr RYAN — We are exploring all avenues to make sure we are able to deliver gas supplies to regional communities. We are not constrained therefore by simply reference to what historically has been the grid, as we know it. We will examine any and all alternatives which can deliver this program.

Mr ANGUS — Minister, I refer you to budget information paper 1, 'Regional and rural Victoria', particularly page 2, which refers to the strong longer term outlook for regional and rural Victoria and in particular in relation to population growth. Minister, does the government have any evidence to support this optimistic view of regional population growth, and in particular the propensity for Melburnians to consider relocating to regional Victoria?

Mr RYAN — I thank you for the question. This touches on a point which of course is fundamental to the future of the regions. Regional development, intrinsically, is about two primary factors — no. 1, the growth of the regions in their own right; and no. 2, the growth of the regions from the perspective of benefiting the whole of the state. Chair, the government has recently commissioned research from Shopworks Science. As part of this research, 2000 Victorians were interviewed to ascertain their attitude to living in regional and rural Victoria. The findings of this research are very enlightening. I would like to share them with the committee, Chair.

The CHAIR — Please do, Minister.

Mr RYAN — The key points are that 11 per cent, or approximately 450 000 Melburnians, are considering relocating to regional or rural Victoria within the next three years, and a further 39 per cent, or 1.6 million Melburnians, indicated that relocation to regional or rural Victoria was something they would 'like to do at some point in the future'. Clearly, Chair, this indicates there is a very strong potential for population growth across the regions and throughout rural Victoria based on the relocation of people from our capital cities. While this is good for regional Victoria, it is of course also good for Melbourne as it will reduce the population pressure our capital city faces and assist us to maintain Melbourne's own livability.

We regard these recent developments as being of extraordinary significance. We intend to make sure that the programs that we develop and continue to deliver are honed towards being able to provide employment for the people who want to come and live with us in the country areas, to make sure that the all-important issue of jobs is accommodated as best as we possibly can, and to plan therefore for the future population growth which we hope and believe will follow.

Mr ANGUS — Mr Chairman, can I ask a supplementary?

The CHAIR — Yes, Mr Angus.

Mr ANGUS — Thank you, Mr Chairman. Further to that, Minister, I am wondering if you could outline for the committee some of the programs the government has in place to encourage Melburnians to move to country Victoria?

Mr RYAN — We have programs, a huge variety of them. Time is against being able to go through all of them, but I will go through some. The inaugural Regional Victoria Living Expo was held, as we know, at the convention centre on 27, 28 and 29 April. It gave Melburnians considering relocating to country Victoria or establishing a business access to information and contacts to help them undertake that process. It was by any standard an outstanding success.

The basic stats tell the story. All 48 municipalities from the regions were there. They all reported to me that they individually and collectively received a huge amount of inquiries. Over 8000 people visited the expo, and it has also been reported to me that many of those were family groups. A large proportion of the visitors made repeated visits over the course of the three days. There were exit interviews conducted that revealed this material and more. More than half of those who attended came to the expo to find out more about moving to regional Victoria. Over 80 per cent of those attending found the expo quite or very useful. Ninety per cent believe the expo met or surpassed their expectations, and 94 per cent would recommend visiting the expo to other people. It has proven to be a very successful initiative.

We have budgeted \$3 million over our four-year term to enable us to run the expo again in years 13 and 14. It has now been followed up by a media campaign based on the theme of a 'Good Move'. The advertisements went to air just last Sunday, and the results have already been very encouraging. I might say that some of the feedback from the municipalities was reflective of the observations I have just made. Wangaratta Rural City Council said in correspondence to us:

Congratulations on delivering us an amazing opportunity via the first ever Regional Victoria Living Expo. I would have to say that I had an amazing level of very genuine inquiries, including people who have already bought property in Wangaratta and now hope to secure employment.

The City of Greater Shepparton said, 'All in all it was very successful'. They gave out over 600 Live, Work, Invest prospectuses which showcase Greater Shepparton and what it has to offer — Shepparton being one of my many old hometowns of course, Chair. In addition, they handed out over 300 copies of Friday's edition of the *Shepparton News*, which included the local employment and real estate guides.

The City of Geelong's feedback was to the point:

Great job with the expo. Well done.

Ms HENNESSY — Minister, turning to budget paper 3 and the outputs at pages 209–10 for regional development and regional cities. I note that there are not any targets relating to job creation in regional Victoria. I further note that there have been almost 15 000 jobs lost in regional Victoria in the last six months, that the government does not have a regional jobs plan and that the regional development portfolio has had its dedicated job-creating responsibilities stripped.

We have obviously heard the pretty devastating news that 301 people are going to lose their jobs at Murray Goulburn, announced today. But also, Minister, today Bendigo TAFE has just announced that 120 jobs will be lost as a result of your government's cuts of \$100 million to TAFE programs across the state. What action will you take as Minister for Rural and Regional Development to assist TAFE employees who will soon be out of work in Bendigo?

Mr RYAN — Thank you, Ms Hennessy. The first and foremost thing we are doing as a government to encourage jobs growth in Victoria is run the budget on budget. We have framed the current budget against a background of two principal contributing factors. The first of those was the gross expenditure and loss of funding under the former government, which consistently failed to meet its budgetary targets each year of its 11 years in government — —

Members interjecting.

The CHAIR — Ms Hennessy, Mr Pakula, Mr O'Brien, thank you.

Mr RYAN — and left us with a legacy that will last for decades. On the issue of the management of major projects, the former government again left us with an appalling legacy. To instance this in a practical way, the pipeline, which now lies idle, which cost \$750 million — —

Members interjecting.

The CHAIR — Thank you, colleagues. I know it has been a long session and probably some members are getting a bit tired. But I think we will try to just observe the proprieties and get to the end of it.

Mr RYAN — It was an initiative adopted by the former government blatantly in the face of what it had otherwise promised to do or not to do, and now it lies idle. But as an example of what its ongoing impact is,

from the government sector here in Victoria, I instance the fact that in our current budget \$7.5 million has been granted to Mirboo North Secondary College in my electorate for upgrades. The pipeline, had it not been built, would have funded 100 Mirboo North projects, and it is but one example. In terms of the issues which are important for us in being able to shape our budget, it was shaped against that background for a start, and it is a Labor legacy that we will have for literally decades. I will not even go to talking about the desalination plant — another \$2 million will have been burnt by the end of today.

The second primary element of course which shaped the budget that we have just delivered are the prevailing factors, all too unfortunately of influence upon us as an economy. We have the challenge around the high Australian dollar; we have the ongoing influences arising from the global financial crisis. We all recognise, I believe, that these combined factors just in themselves are exerting enormous pressure upon the budget of Victoria and the people who run their businesses in this state.

The first thing we can do by way of supporting and creating additional jobs in Victoria is to actually produce a budget which is a budget for the times, which is difficult but which is responsible, and that we have done. We will run this budget on budget, just as we did last year, which, as I understand it, was the first time in the last 12 years that a Victorian budget had actually run on budget. We are not in the happy circumstance, as were our predecessors, where year after year, although they blew the budget, the increased income that they received over and above that that they had budgeted for was sufficient to offset the difference and so they were able to maintain a surplus. We are not in that environment anymore. We have to live with the reality of the fact — —

Members interjecting.

The CHAIR — Thank you, colleagues.

Members interjecting.

The CHAIR — Deputy Chair, Mr O'Brien, thank you.

Mr RYAN — We have to live with the reality of what the current times have brought to us through a combination of those two principal factors. As a result of those factors, we are obviously having to conduct ourselves in a manner which is responsible but which has about it some difficult decisions having to be made, and we do not shy away from that. In terms of the portfolio for which I have responsibility, through the Regional Growth Fund we have a vast array of initiatives that have been undertaken, some of which I have talked to today but which otherwise are out there and available for close examination, which of themselves have been productive of jobs. It is not only those jobs that are directly related to those projects but it is the jobs which go through the actual construction phase and the supply chain of bringing those projects into being. So it is much more in fact than the more than 1300 jobs which are directly related to the completed projects in themselves. It is much, much more than that.

On the issue of today's announcements, the position in relation to Murray Goulburn is that it is seeking to restructure its own internal arrangements in a manner that will enable it to better compete on the international markets. Murray Goulburn is a great organisation, one of the powerhouses of regional Victoria. It is one of the main players underpinning the fact that last year we had \$8.1 billion worth of exports out of Victoria, by far and away the greatest amount by way of exports from our agricultural sector ever. I am very confident that Murray Goulburn will continue to do very well, but it has its challenges. I have not seen any of the material that has been issued today while we have all been enjoying ourselves in here, but I suspect it is to do with the fact that they have had to shed numbers because they are looking to achieve savings, and they are looking to do that because they are competing in international markets and they are also having to contend with the issues of the high dollar.

Insofar as the TAFE announcement is concerned, again I am not familiar with that. I can tell the committee, though, we are investing an extra \$1 billion over the four years into our TAFE sector. We are providing an enormous amount of additional money into the TAFE sector. Everybody, I believe, who understands this sector recognises that changes have to be made in relation to it. We are looking to put it on a sustainable basis, and that is what we in the end result believe we will achieve. We are absolutely committed to skills training and its importance, particularly throughout regional Victoria. What we want to do it is make sure therefore we are best placed to achieve the best possible outcomes in that sector and make certain that both through TAFE and the

private sector that participates in it we can have our skills training focused around those issues that are of primary interest to the development of our economy in this state.

Mr O'BRIEN — I would like to refer you to budget information paper 1, which is the new initiative in relation to the budget information papers specifically on regional and rural Victoria. On page 10 of that document reference is made to the local government infrastructure program, which you touched on in your presentation. I ask you, Minister, can you explain how this program operates, how funding is provided to individual councils and how that funding is determined? In developing this program, did the government consult widely with local governments?

Mr RYAN — This is a vitally important component of our Regional Growth Fund; \$100 million has been dedicated to the Local Government Infrastructure Fund. Under that fund, all 48 rural and regional councils in Victoria are able to share in the \$100 million. It is extra funding, I emphasise, over and above the base funding available through various sources to local government. It is available over the four years, and it is intended to assist with local infrastructure projects and to help take the pressure off rates and to enable therefore a relief to the ratepayers who were otherwise burdened with increases that might otherwise occur.

Almost \$74 million has been committed under the local government infrastructure program for 266 approved projects, with a total value of over \$162 million. The program is based on a fair and equitable formula designed in close consultation with the MAV, Regional Cities Victoria, Rural Councils Victoria, Regional Development Australia committee chairs and the Victoria Grants Commission. The formula specifically recognises the financial difficulties that sparsely populated rural shires face in financing infrastructure projects, and these issues were highlighted in the so-called Whelan report. The system is fully transparent; the funding allocation to those individual councils is published on the RDV website. Councils across the regions and throughout rural Victoria have certainly welcomed the additional funding for their local community infrastructure that is being provided through this program. The way it works is that councils nominate the projects for their capital works plans, and they are funded in line with the progress of those projects. Examples of those approved under this program are given on page 10 of budget information paper 1.

I might say in my own electorate of Gippsland South, Chair, at the lovely town of Yarram there has recently been announced a community hub, which is going to be built at a cost, I think, of \$3.18 million. Buried in the fine print there somewhere, I am sure, will be the fact that \$900 000 of that is coming from the Victorian state government, and that in turn is sourced from the Local Government Infrastructure Fund. It is but an example of how those moneys are able to be used. I have already referred to the situation in Bendigo, where they have used their \$2 million to leverage a project with a total value of \$8 million. All of this of course is intended to create jobs, to make sure we have additional employment through the regions. That is precisely what these programs are doing, and we are very, very confident that we will see the ongoing success of what I think is a great innovation.

Mr PAKULA — Sorry, Minister, in relation to that question, so you are saying that all the grants go up on the website; do they?

Mr RYAN — Yes.

Mr PAKULA — Right. Just back to the Regional Growth Fund and the expenditure under it, the legislation for the Regional Growth Fund allows for the expenditure of those funds to be made also to councils in metropolitan Melbourne in the interface area. Has there been any funding approved for those interface councils in the first year of the Regional Growth Fund, and if so, could you give us some details of them?

Mr RYAN — In fact, with the greatest respect, the legislation does not make any such provision; the regulations pursuant to the legislation do make such provision.

Mr PAKULA — The regulations; sorry.

Mr RYAN — They are there to reflect a pre-existing arrangement under the Regional Infrastructure Development Fund, with which I am sure you are familiar, Mr Pakula, where although the gas program — natural gas extension program — which was operated by the former Labor government was dedicated in the first instance to regional Victoria, the \$70 million could be accessed by the interface councils, were they to

make an application to it. So there is complete consistency in particular circumstances of being able to have such a situation prevail with the Regional Growth Fund.

If it is to prevail, then there are guidelines which are established, whereby any council within the interface councils who wishes to have that access can make application to the fund through the department. There has, to my knowledge as I sit here now before the committee, been one such application. It was for the fire ready communities fund. It was for \$5 million. It was intended to ensure that those interface councils which have the ever-present threat of bushfires are able to participate in that fund to the extent of enabling them to contest the threat. When I was on a visit to the Dandenongs, for example, some months ago in a circumstance where the implementation of the 10/30 rule was of much interest to householders there — they need to be able to clear away the undergrowth that is the result of any such process — they talked to me about being able to use that program to fund a skip or skips being available in the street, just as an example of what it is intended to do.

I must say to the committee I was disappointed when at the time of that announcement the member for Bendigo East was highly critical of the fact that the Regional Growth Fund had made that money available, and the member did not support the folk who live within the interface councils being able to access that money. I thought it was a churlish, unnecessary thing to say. I think it is — in fact on its merits — a very, very good program which I am sure will be of benefit to many.

The CHAIR — Thank you, Minister. Deputy?

Mr PAKULA — No, I do not have a follow-up.

The CHAIR — We have time for one very brief question, and I will take the opportunity. I refer the minister to the Putting Locals First program, referred to at page 10 of budget information paper 1 but also referred to in the minister's presentation, and also severally through responses to your questions today. Can the minister explain how this program operates, what mechanisms are in place to ensure local input in the decision-making process and how this is designed to link with the commonwealth government's regional development policies?

Mr RYAN — The \$100 million Putting Locals First program is intended to assist communities to develop local solutions and to address gaps in services and infrastructure. What underpins that is the principle that you get the best outcomes from these programs if they are driven from the ground up. That is what this \$100 million is dedicated to. It enables communities at a very local level to identify the initiatives that they wish to pursue and then to advance them through the processes that go through the operation of the fund. The program recognises therefore that local people have an absolutely vital role to play in addressing the challenges their communities face.

The Regional Development Australia committees also play an important role in ensuring that the strong voice of local communities is heard in the decision making for this particular program. That is so because the RDA committees actually consider and endorse all the project recommendations that come to them from within the Putting Locals First program. Those committees also provide advice to the commonwealth government, and their role in advising both governments enables improved partnering with the commonwealth government to support priority projects in regional Victoria.

Without verballing him for one moment, I think it is reasonable to say that Minister Crean, with whom I have had many discussions about this, is very supportive of the model; that he also sees the benefit of having, really for the first time, local government, state government, federal government and private enterprise at the one table to be able to deal with initiatives of this nature; the more so when we have local communities who are driving them.

At 2 May the government has committed \$6.2 million from the program for 87 projects. The overall value of those projects is \$19.4 million and we anticipate that \$20 million in project grants will be approved by the end of the financial year. It is just a screaming success

The CHAIR — Thank you very much, Minister. It is with incredible reluctance that I must say this concludes that consideration of budget estimates for the portfolios of police and emergency services, bushfire response and regional and rural development. I thank the minister and departmental officers for their attendance today. It has been a very informative and useful session.

Where there were questions taken on notice in respect of each portfolio, we will look forward to receiving a response to our follow-up correspondence on those questions within 21 days.

This concludes the hearing.

Witnesses withdrew.