

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2012–13

Melbourne — 4 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 T. Baillieu, Premier,

Ms H. Silver, Secretary,

Dr P. Philip, Deputy Secretary, Policy and Cabinet Group,

Ms J. de Morton, Deputy Secretary, Government and Corporate Group, and

Mr D. Speagle, Deputy Secretary, Federalism, Citizenship and Climate Change Group, Department of Premier and Cabinet.

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

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2012–13 budget estimates for the portfolios of the Premier and the Arts. On behalf of the committee I welcome the Honourable Ted Baillieu, MP, Premier, and from the Department of Premier and Cabinet: Ms Helen Silver, secretary; Dr Pradeep Philip, deputy secretary, policy and cabinet group; Ms Joanne de Morton, deputy secretary, government and corporate group; and Mr Donald Speagle, deputy secretary, federalism, citizenship and climate change group. Members of Parliament, departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the Premier or his chief of staff, can approach the table during the hearing to provide information to the Premier, by leave of myself as chairman. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room, and no more than two TV cameras are allowed at any one time in the allocated spaces. I remind TV camera operators to remain focused only on the persons speaking and that panning of the public gallery, committee members or witnesses is strictly prohibited. As previously advised to witnesses here today, I am pleased to announce that these hearings are being webcast live on the Parliament's website.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. This committee has determined that there is no need for evidence to be sworn; however, witnesses are reminded that all questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. Unverified transcripts and PowerPoint presentations will be placed on the committee's website immediately following receipt, to be replaced by verified transcripts within five days of receipt.

Following a presentation by the Premier, committee members will ask questions relating to the inquiry. Generally, the procedure followed will be that relating to questions in the Legislative Assembly.

I remind everyone to turn their mobile phones off, including the gallery and members.

I now call on the Premier to give a brief presentation of no more than 10 minutes on the more complex financial and performance information that relates to the budget estimates for the Premier's portfolio.

Mr BAILLIEU — Thank you very much, Chair. It is a pleasure to be here. I think this is an important process. This has been a challenging budget in challenging times. We believe we have taken a very responsible approach to it.

Overheads shown.

Mr BAILLIEU — I will take you through some slides. I will not dwell on them other than to observe that the international economy has obviously impacted on Australia, and it impacts in turn on Victoria and Victorian businesses. We find ourselves in a situation where the Australian dollar has been high, interest rates have been high and commodity prices have been volatile. Many of our industries have felt the impact of that, and obviously with our export industries out of manufacturing, education and tourism, those impacts are significant.

In addition to that, we have found pressures that have emanated from the commonwealth. We will keep the slides rolling through. The pressures from the commonwealth have led to a large degree of uncertainty and additional costs. In addition to that, we have seen significant write-downs of revenue, in particular around GST, and they have continued over the last 18 months. They are significant. There are other pressures emerging from the commonwealth, and indeed we find ourselves with pressures that we inherited from an unsustainable budget position from our predecessors. Indeed the unsustainability of those previous budgets was confirmed independently.

Obviously net debt has risen significantly in recent years. Indeed we have had those major revisions. I will go to the next slide. Our strategy has been to get the budget under control, to take a responsible approach to this, to absorb some of the shocks and to generate surpluses — surpluses that provide capacity to build infrastructure in the future and deliver better services and indeed capacity to service the needs of families. We have also obviously been able to retain a AAA rating as well as retain a surplus. That is important for the state; it is important for our economy. It gives us capacity to attract future investment and confidence from the business community.

There are a number of positives in the budget. We have sought to strengthen Victoria's finances, as we see there. We are delivering on high-quality infrastructure with near-record spends on infrastructure. We have taken particular steps to advance the position of vulnerable children following the Cummins report. We are investing in skills at record levels. We are supporting regional and rural Victoria and of course providing better front-line services.

I will go to the next slide. I know you are familiar with these, so I will not dwell on them. They show the net results and returning to more positive surpluses in the out years. Debt is coming down as a percentage of net debt to GSP from 2014-15. That is a positive.

Our approach to all this has been four-fold: firstly, to drive a responsible budget position, and secondly, to focus on productivity improvements — I think you have heard from the Treasurer about productivity this morning. I will not dwell on it other than to say that we have been very strongly focused on seeking, with the commonwealth's approval — and perhaps we will get there eventually — to have some Productivity Commission inquiry into construction costs. We have focused on avoiding massive additional costs on occupational health and safety as a result of the proposed roll-out of model laws. I am sorry to report that we are being punished by the commonwealth for not acceding to those model laws even though they would set Victorian business back. We will continue to focus on having a responsible approach to wages policies and EBAs.

I move to the next slide and draw your attention to what we have been able to achieve in this budget, which is a further reduction of WorkCover premiums, maintaining and indeed strengthening Victoria's position on OHS as the lowest premium state in Australia and indeed the state with the best system. That is a system that has largely had bipartisan support for the last 15 years — largely! It is a system that was meant to have been rolled out across the country. Unfortunately the model laws are inconsistent with that.

In addition to that — if I go to the next slide — we have had a focus on growing business, growing the economy, to the extent that we can and seeking new markets and new export markets in particular. I think that is an important aspect. Certainly I believe the trade missions we have held to the Middle East and India in the last 12 months have been very significant for Victoria, and we will continue that path. In addition we seek to support industries in transition. Obviously in the last 12 months that has been even more significant, and that work continues — we will continue to do that.

If I go to the next slide, in terms of investing in infrastructure — I am sure these will be the subject of questions — we believe there is important infrastructure development in this budget. Given the challenging circumstances that is a positive in itself. If I go to the next slide, that is obviously on roads and rail and then looking for the longer term as well, if I go to the next slide. As I said earlier, we have taken particular steps following the Cummins report to invest in protecting vulnerable children. I think there are some important steps there.

There are also important steps around skills reform — going to the next slide — and we have seen massive growth in enrolments in the last two years where the funding of supply has been uncapped and fees have been capped. That has led to significant blow-outs in allocated funding, so the sector does need to be reformed.

The next slides is on health and hospitals, schools and TAFE, where there are very substantial levels of funding. Going to the next slide, community safety is likewise. Indeed in opposition we undertook to provide a families statement on an annual basis — going to the next slide — and that is what this budget does. There is a families statement, a federal financial relations statement and a rural and regional statement. I think they are guides to the approach the government is taking to the budget and future budgets in this state.

I hope, Chair, I have not gone too quickly through that. We could have dwelt on it, but I am mindful of your request that we keep that down to 10 minutes, and I have probably gone 10 seconds over; forgive me.

The CHAIR — I think it was a commendable effort; in fact I have put you under 10 minutes, so well done! Thank you very much, Premier. Could I ask: 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 the government sector?

Mr BAILLIEU — As I indicated in the earlier remarks, our focus on productivity is important, and we believe our focus on a responsible budget is important. If we are going to send messages to the investment community, we have to be positive about our own budget and indeed indicate that we are going to be responsible about it. We are taking that approach and, likewise, with a focus on productivity. I am pleased to say that at the recent COAG meeting certainly we were able to get a much greater focus on productivity, assisted by the business community. That was certainly the case when we met the business community, the commonwealth and the other jurisdictions in advance of COAG.

The theme that came out of that was that it must be productivity to best practice, not average practice. That is something that we promoted, and I am pleased about that. We are taking action to ensure the long-term sustainability of Victoria's finances despite the challenges that we have inherited and that face us as well. I have mentioned them before. We are taking measures to reduce expenditure growth; I think you have heard from the Treasurer earlier today about that. We have taken measures to improve efficiency within the public service and importantly to deliver better services for all Victorians.

There are three key initiatives in regard to efficiencies. There is the sustainable government initiative from the 2011–12 budget update, the Better Services Implementation Taskforce and the budget savings which are included in these budget papers. I am just going to make some comment about some of those initiatives. Obviously, as I mentioned before, we are taking steps to lower business costs. That is an important signal, and it has been widely welcomed by AIG, VECCI and many others. Certainly the retail traders have welcomed that, and that is a positive impact. Even in these challenging times to be able to do that, I think, is pleasing. I am sure all members of the committee would welcome the lowering of premiums. Indeed that is something that has been widely urged.

We are seeking to reduce red tape, and the Treasurer has a program in place with that. There are many examples. There are sweeping changes to the regulatory system to improve scrutiny of regulations and impose guidelines on regulators. We have a new high-risk, high-value process for projects to make sure that they are being scrutinised carefully. We have additional support and reinstatement of a major list case at VCAT to encourage efficiency and productivity. I know the planning minister now has a small-lot housing code. The growth corridors, likewise, have simplified approvals processes, and that is important. We are streamlining renewal requirements for holders of high-risk work licences issued by WorkSafe.

There are a number of measures in that regard. As I said earlier we are certainly standing up for Victorian businesses, and we will not allow those model laws to be rolled out here and cost Victorian businesses more than \$3 billion over five years. We have a ministerial advisory committee providing advice on the planning system, and we are looking forward to that coming back to the government. Indeed we have put a submission to Fair Work, seeking greater flexibility — in line with the business community's requests — in the Fair Work Act. Chair, at the risk of going on, I will simply observe there are a number of additional projects which have been put in place and include a greater level of scrutiny than previously applied.

The CHAIR — Thank you, Premier. Just very briefly, can I ask you to expand for the committee on your government initiatives in relation to their likely impact community-wide on both the private sector and the community sector in terms of those initiatives which you have alluded to in your presentation?

Mr BAILLIEU — There is no doubt that the WorkCover premium reduction will be of significant assistance to the wider community. There is no doubt that the development of Webb Dock will be an improvement in the efficiency of our ports — and that is likely to lead to greater trade development. There is no doubt in my mind that the grade separations around Mitcham and Rooks roads and Springvale Road in Springvale will lead to transport efficiencies. They are important steps in their own right, and as we progress development of the port of Hastings, I am confident that that, too, will deliver for the future.

We obviously have a significant investment in skills and skills reform. We are investing substantially more than has ever been invested in skills. It will require some significant change and some significant reform — that is undoubtedly part of it — but I am confident that that will be a positive when that works its way through.

We have obviously sought to work hard with COAG to achieve some results. We have had some frustrations around COAG. I am sure any previous minister would know about those frustrations. We have had some modest success I think recently. We have certainly, as I said, had the support of the business community in pursuing what we have been doing. In the same vein, we are not going to wait for COAG and we are very much prepared to work with New South Wales and indeed other jurisdictions if we can advance reform ahead of that, and we will continue to do that.

Mr PAKULA — Premier, I just wanted to ask you about the 4200 job cuts that we are now up to and the government's commitment to protect front-line services. Can you just tell me what front-line services are provided by the Department of Premier and Cabinet?

Mr BAILLIEU — I can tell you I am sitting here with some front-line servicers, including the secretary. The role of Premier and Cabinet is very much to drive the government agenda, and DPC has that role and indeed it delivers some front-line services through a number of agencies. It will be delivering, for instance, the government architect, who will be leading better development in this state. We think that is an important move. We believe DPC is largely front-line services, but I am not going to itemise particular individuals.

Mr PAKULA — I find it interesting that you would describe DPC as largely front line, particularly the architect. The reason I am asking, Premier, is that I am looking at the answer to the questionnaire on page 33. Despite the fact that we have more than 4000 job losses across the public sector, over the last financial year in almost every grade the number of staff in DPC has gone up: at EO1, at EO2, at EO3, at VPS7, at VPS5, at VPS3, at VPS2, at VPS1 — and in total. I just wonder if you can explain why we have an increase in numbers within the Department of Premier and Cabinet when there are cuts to TAFE and other services right across the public sector?

Mr BAILLIEU — I am more than happy to answer that, and I might get the secretary to make some remarks as well. There are additional undertakings in DPC, including work on the introduction of the Independent Broad-based Anti-corruption Commission.

Ms HENNESSY — It's finished.

Mr BAILLIEU — I mentioned the government architect. That role has been changed. That was part of a policy commitment we made before the election: to provide the government architect with additional responsibilities and additional resources, and it has been very successful. I would invite the secretary to make some remarks.

Ms SILVER — You will see that it does actually forecast increase in FTE growth, but this increase occurred in the first six months — it related really to DPC regional and some issues about interns — but since that time we have had steady FTE decline in DPC. So we had a bit of a rise and this year a decline. What will be happening is that obviously this decline will continue through 2012–13 as we implement the sustainable government initiative.

Mr MORRIS — Premier, in your introductory remarks you referred to the government's response to the Cummins inquiry. Can you outline for the committee the measures that are proposed to improve the protection of Victoria's vulnerable children?

Mr BAILLIEU — I did mention it earlier, but I do not think there would be anybody, certainly in this room, who would not be appalled at some of the things that have occurred. The Cummins inquiry was established as a commitment from the then opposition now in government and we have seen that through. I thank Philip Cummins, Bill Scales and Dorothy Scott for their report, which highlighted many of the problems that exist in child protection and which we inherited. What we are seeking to do in this budget is to commit more than \$300 million over five years for the first phase of that response to the Cummins inquiry. There will be more than \$100 million to improve education and build parenting skills and improve service capacity to support at-risk families. That includes expanding and developing the stronger families initiative, providing early

childhood education for three-year-olds known to child protection — and there are significant resources for that — and engaging vulnerable families in early learning.

Indeed there are many other items in that category as well: more than \$60 million for a more child-friendly legal system, including the establishment of a new Children's Court at Broadmeadows, and I am sure that that is of interest to many of the members here; some \$20 million to establish three new multidisciplinary centres for sexual assault and child abuse; more than \$20 million to expand the new model conferencing arrangements which make those judicial processes that much more capable; more than \$7 million to expand use of the family group conferencing and Aboriginal family decision making; and more than \$90 million for more effective and connected services — I think that is important — including expanding and reforming the child protection workforce. There is nearly \$20 million in this budget to add more than 40 new statutory child protection workers. That adds to those we added through last year's processes in the initial response. We believe this is an absolutely critical step. We sought to draw these initiatives together and to give it a focus that I believe it deserves. I trust that the community will appreciate the importance of this, and I know the commentary around the budget in this regard has been very positive.

Mr SCOTT — Premier, there has been a range of references to what is referred to as the Vertigan report, the independent review of the state's finances. I will give you one budget paper reference, but I do not think it is particularly necessary: budget paper 2, page 3. I understand that Fair Work Australia has recently ordered the government to release the final copy of the Vertigan report, which I understand the government is now appealing. Premier, why are you refusing to release the document, which we all know will detail further job cuts and privatisation of services within the public sector?

Mr BAILLIEU — I thank you for the question. I think you might be leaping ahead there a little bit in many respects. You suggest we all know; that is a very brave commentary.

Mr PAKULA — Show us the report!

Ms HENNESSY — Show us the report. It can only say what other economists tell us.

Mr BAILLIEU — Mr Scott already knows it. I do not know how —

Ms HENNESSY — What is the problem with releasing it then, Premier?

Mr BAILLIEU — he got that information or claims to know what is in that report. Suffice it to say that the independent audit review conducted its work. They released a report earlier last year, and they provided further work. That work has informed the budget. It is a cabinet document, and no decision has been made about its release.

Mr SCOTT — Could I just follow up; why is it then under appeal, and if you are willing to appeal it, how far are you willing to appeal it and at what cost to taxpayers?

The CHAIR — Do you wish to respond, Premier?

Mr BAILLIEU — Suffice it to say, as I suggested, it is a cabinet document, and the government makes decisions about releasing cabinet documents.

Mr ANGUS — Premier, I note the initiative in the budget and also in your presentation in relation to the reduction of WorkCover premiums. Could you outline for the committee had this will benefit Victorian employers?

Mr BAILLIEU — It is interesting; the WorkCover premium in Victoria is significantly lower than in other states, and, as I alluded to in the presentation, we have the best system. It was largely introduced in the 90s, and I acknowledge it had been picked up by the previous government. As it has developed it has produced an occupational health and safety system in this state which is, frankly, the envy of other governments because it has the lowest premiums and because it has the best record. It should have been rolled out across the country. Unfortunately what has been rolled out, subject to award payments, is much less than that and would have cost Victorian businesses more than \$3.5 billion over five years.

The 3 per cent reduction in the average premium that has been effected through these budget processes represents a saving to business in Victoria of more than \$50 million. That is significant in itself, and it confirms the status of Victoria as having the lowest cost OHS and the best model. Indeed it confirms our status as a government that is committed to competitive processes, and it follows an actuarial review by PWC, and that has been successful in its own right. That change has been supported by the WorkCover board.

We recognise that some 60 per cent of employers will have a decrease in their premium — that is the estimate — and over half of those will have falls of over 10 per cent. Over three-quarters of small businesses will have a cut or no change to their WorkCover premium. We are talking about an average, so, yes, there will always be those groups — those businesses and some industries — where there may be some variation of that, but we believe improving the WorkCover record and improving the OHS record is very important, and it has been strongly endorsed. VECCI CEO Mark Stone, if I can quote him, said:

The cuts will reduce employer costs and recognise the strong track record of employers in improving workplace safety. Any steps to reduce red tape and the financial burden on employers is welcome.

The Australian Industry Group likewise said:

Industry will also be helped by a reduction in WorkCover premiums, keeping average premiums below every other state.

The REIV said:

Cuts to WorkCover are a sensible and focused policy to help business.

Obviously this is an important step. It has been well received, and I am sure both sides of the committee, both sides of the chamber and both sides of the house would welcome it. I know there is a track record on both sides reducing premiums, so I trust it is positively received.

Ms HENNESSY — I think the Premier seems to have confused harmonised OHS with harmonised workers compensation, but I will go on. Premier, I refer you to budget paper 3, page 161, and budget paper 5, page 194. Page 161 is the key one. According to the budget, you expect more people to receive energy concession payments, yet there has been a reduction in this budget of 9.9 per cent for electricity concessions and 11.2 per cent for gas concessions. On those figures, how do you justify that more people will receive concession benefits while also cutting funding to those funds?

Mr BAILLIEU — That is a good question. What is happening here in this regard is that we are seeking to avoid a duplicate compensation. As you would be aware, the commonwealth has introduced a carbon tax, and with it comes compensation. The forward estimates include protections about rising electricity prices, and in looking at the commonwealth's compensation that has been factored in, and there will now be thresholds in place so that the commonwealth's compensation will apply to the extent that they compensate to a certain level, and then the state's concessions will apply after that. The estimates have been adjusted as a result of the commonwealth's compensation rate.

Ms HENNESSY — Given, Premier, that we expect inflation to run at 2.75 per cent, your budget only provides for the indexation of concession payments at an average of 2 per cent. Politicians' pay rises are going to be 2.5 per cent, but pensioners like Barbara Brakes, who is here at the hearing today — —

The CHAIR — With respect, that is totally out of order, Ms Hennessy. Ms Hennessy, let me just say to you: you know the rules in this place and the rules are that a member will not refer to the gallery. You will not refer to the gallery. If you would like to rephrase your question, I will allow the Premier to respond to you.

Mr PAKULA — Can I take a point of order, Chair? What is that button? What is that? Is that a dump button?

The CHAIR — The question that the member has asked relates to the technical facilities that we have in this hearing and that there is in fact the capacity of the chairman to ensure that where there is an issue of contest within the committee the voice of the chairman is heard over those of the members of the committee, as is appropriate in the chamber.

Mr PAKULA — That is new.

The CHAIR — It is the same as in both chambers. In case you do not know, the President and the Speaker in the Assembly have that capacity as well. Are you satisfied?

Mr PAKULA — I did not know what it was. I have never seen it before.

The CHAIR — Ms Hennessy, do you wish to rephrase your question and not refer to the gallery?

Ms HENNESSY — I think the Premier certainly has the gist. I am sure that he understands what the cost of living pressures are on pensioners. We have an inflation rate of 2.75 per cent, yet we have only got an indexation of concession payments at an average of 2 per cent, and there are people that are deeply, deeply affected by that. Given that politicians are being given 2.5, how does the Premier justify that?

The CHAIR — Thank you for rephrasing your question. Premier, would you like to respond?

Mr BAILLIEU — I thank the member for her question. It is an interesting question coming from that side of the table, given that we extended the energy concessions to 12 months of the year — —

Ms HENNESSY — No, you didn't.

Mr BAILLIEU — That is significantly greater than was ever advanced by the previous government. Indeed that 17.5 per cent concession now applies 12 months of the year and has advanced the position of those who are on concessions very significantly, and we certainly stand by that.

Mr O'BRIEN — My question is to you, Premier, in relation to budget paper 5, at page 140, and I ask you, Premier: can you advise the committee on the government's support for the purchase of additional rolling stock to improve the regional rail systems?

Mr BAILLIEU — Indeed, what we found when we came to office was that there was an underinvestment in V/Line trains, and that was most evident in terms of the regional rail project, the largest infrastructure project in Australia. I know Mr Pakula would be very familiar with the project and no doubt familiar with some of the gaps in the project and no doubt frustrated by some of those gaps, as we were frustrated.

Mr PAKULA — I know we funded rolling stock in the election campaign.

Mr BAILLIEU — They made no provision for it, and as a consequence of now finding ourselves with V/Line patronage growth on rail at very high levels — it has grown very significantly in recent years: the Geelong line more than 80 per cent, Ballarat more than 120 per cent, Bendigo more than 120 per cent, and it is forecast that annual growth for all V/Line trains from 2013 to 2018 will rise by more than 8 per cent as well — in this year's budget the government has increased payments for rural and regional public transport services by more than \$700 million. There are currently 134 V/Locity cars in the V/Line fleet, 21 Sprinters, 41 locomotives and 133 carriages. The completion of the regional rail link in 2016 will allow for additional services in both metro and regional rail. This is an important step, and we are pleased to be able to say we are looking for more than 30 additional carriages. The funding is being put in place, but there will be a competitive process to go through.

We should be under no illusions. The last time the previous government announced an order for additional regional trains was in July 2008, and when they added an additional 28 carriages to the previous order of 22 carriages, that was a big step, but all have been delivered. This 28-carriage initiative had a total capital cost of \$215 million and may have included some other costs. But we committed to this step; we believe it is important to put more carriages on the system, and we look forward to this initiative advancing.

Mr PAKULA — I just want, Premier, yourself and perhaps the secretary to turn to page 31 of BP 2, which deals with public sector reform and talks about the Better Services Implementation Taskforce. I want to be clear about whether the freeze on the hiring of new staff and the non-renewal of external contracts other than in exceptional circumstances is included in the 4200 jobs to be cut or whether it is on top of the 4200 jobs. In the annual reports across all departments for last year there were something like 3775 fixed-term or casual positions. So I just want to understand whether the freeze on hiring new staff and the non-renewal of fixed-term contracts is in addition to the 4200 or included within it?

Mr BAILLIEU — I am sorry, Mr Pakula, could you indicate which part of page 31 you are referring to?

Mr PAKULA — It makes reference to the Better Services Implementation Taskforce, which is about designing ‘better services for Victorians without putting extra strain on taxpayers’. The reference to the 600 further jobs that — I do not want to use inflammatory language — will be cut was made by the Treasurer in the Treasurer’s speech. It is well established that that is on top of 3600 last year, so that is 4200. It is also well established that there is a freeze on renewal of fixed-term contracts et cetera. I am just trying to understand if that freeze is in addition to the 4200.

Mr BAILLIEU — I am happy for the secretary to make a comment in a moment, but I indicated before that there are initiatives — the sustainable government initiative and the better services task force, that has a wider remit as well — in order to look at government across the board. In terms of the job reductions, they are voluntary redundancies. I think the Treasurer has been through this at length over two years. They will involve the departments working their way through this. We believe this is about avoiding overlap, duplication and inefficiencies and excessive growth in the central bureaucracy. We need to address that. I am happy to allow the secretary to make some comments.

Ms SILVER — As the Premier has pointed out, the government has announced what is called the sustainable government initiative, which in fact includes the measures you are talking about, the 3600, where rather than a freeze we have ensured that there is no growth, and you are seeing that through the departments. The government has also announced, as part of the 2012–13 budget, further budget savings which are part effectively of the sustainable government initiative. These are the short-term measures that we are undertaking to ensure that the government can reduce the overall size of the Victorian public service and address the high growth in expenses.

As well as that, we have what is called the Better Services Implementation Taskforce, which the Premier has asked me to chair for the government, and that brings together experts from government, academia and industry. On that task force are Grant Hehir as secretary of Treasury; Jeff Whalan; Iain Rennie, who is the New Zealand services commissioner; Professor Sally Walker; and Alison Watkins, a private sector member of the ANZ board and CEO of GrainCorp. This task force’s aim is much more at the medium to longer term, and it is looking at how we can modernise service delivery and implement more effective and efficient services. This covers issues such as the need to look at the issue of duplication of services that we have across the public service but in a systematic and long-term way. It is also looking at issues such as an improvement in management practices in the public sector. There has been a lot of work over the last number of years showing that the public sector has a lot of opportunity to improve planning of services, improve performance management and evaluation of services and provide better resource allocation.

The third part of the Better Services Implementation Taskforce will be to also look at clearer and simpler governance arrangements. That real issue is looking at the ballooning of the public sector entities, which we have seen over several years, where we now have over 4000 complex advisory boards, regulators and committees. The Better Services Implementation Taskforce will try to look at how we can more effectively manage these so that we do not get overservicing, especially through back-office services. I could go on and talk about the different streams in more detail, but those are the three aspects to that process.

The CHAIR — Thank you. Mr Pakula, do you have a follow-up question?

Mr PAKULA — I do. I am still no closer to getting clarity on the basic question, which is on the non-renewal of contracts and whether or not that is contained within the 4200. By the way, the Premier said it will all be voluntary; the Treasurer actually said this morning that there might be some forced. I am interested to know what the process would be.

Mr BAILLIEU — I did say voluntary, and I said the Treasurer has made some comments about this this morning. I am very aware of his comment. I am not seeking to mislead you, Mr Pakula.

Mr PAKULA — I am not suggesting you are at odds with the Treasurer, Premier.

Mr BAILLIEU — You are hoping.

Mr PAKULA — I am simply wondering what the process would be if you had to identify forced redundancies.

Mr BAILLIEU — I am sorry?

Mr PAKULA — What would the process be if you needed to identify forced redundancies?

Mr BAILLIEU — It would be the case that it would be a last resort, but these processes have been in place under previous governments. Any processes in regard to redundancies, be they voluntary or otherwise, are as applied under previous governments. Indeed that was the case under your government, and I could take you through some examples of that if you like in terms of previous reduction programs. I could refer to a restructure which was about 'sensible and responsible management of the bureaucracy, and ensuring our focus and our resources are firmly allocated to achieving better results'. That obviously applied in 2003 in the education department when the then minister was seeking to reduce the department by some 300.

The CHAIR — Premier, I would like to refer you to chapter 2 of budget paper 3 regarding departmental performance statements. One of the roles which the Department of Premier and Cabinet has is to support the Premier as head of government in relation to essential infrastructure protection. It is relevant at this time to follow up the inquiry and report which this committee undertook in relation to that broad matter. I ask: can you enlighten us within the budget context if there has been any progress in response to our recommendations?

Mr BAILLIEU — I know the committee reviewed arrangements for managing risk associated with infrastructure in this state. I acknowledge the work that was done, I acknowledge the value of that analysis and I know it was very detailed, and that is fine with us. It identified significant opportunities for government and it is being considered on a whole-of-government basis, and I think that is very important. It will be a continuing process, but I am pleased to advise the government is progressing initiatives — —

Mr PAKULA — We have not reported yet.

Mr BAILLIEU — Come on, Mr Pakula, you cannot sit there and giggle without — —

Mr PAKULA — I am just saying we have not reported it yet.

The CHAIR — No, you are thinking of a different report.

Mr PAKULA — Infrastructure?

The CHAIR — No, essential infrastructure. Sorry, just so that Mr Pakula and some other members may recall, we actually undertook an inquiry in response to a follow-up of an Auditor-General's report last year and we unanimously signed off on recommendations and tabled a report to Parliament on that matter.

Mr PAKULA — Indeed.

Mr BAILLIEU — I recall how enthusiastically you signed off on it, Mr Pakula. You obviously remember it well.

The CHAIR — Premier, would you like to continue?

Mr BAILLIEU — I am pleased to report the government is progressing on these initiatives in line with the committee's findings. These include establishing a declared essential services task force, which will be chaired by DPC, and that is an important service. It will provide coordination, oversight and advice on declared essential service arrangements under part 6 of the Terrorism (Community Protection) Act of 2003, which was quite rightly put in place by the previous government and supported in the process by the then opposition. We have advanced further on working on ministerial designations under the act and standardising public servant designations. We are formalising the health security and continuity network, in line with the proposed framework, and reviewing critical infrastructure assets in the health sector, and we are coordinating the transition, as well, of the charring arrangements for the banking and finance security and continuity network. That will shift from DPC to DTF. That in itself is significant.

As we have advised previously, DPC is also progressing a redevelopment of the Victorian framework, in line with the findings of the DPC 2011 review. That will also take account of Neil Comrie's flood review and the 2011 National Counter-Terrorism Committee's *National Guidelines for Protecting Critical Infrastructure from Terrorism*. Can I just pause and say we trust that we will never have purpose to implement any of these

measures, in effect, and I am sure that is the case right around Australia. But given what happens in this world, I think it is appropriate that at a national level and at a state level we do undertake the necessary preparation, and we will continue to embark on it.

The work will also examine how to develop an all-hazards approach to managing risks to critical infrastructure, including obviously the risk of terrorism. But I am pleased, Chair, to be able to announce to the committee today — and I think this is an appropriate place to do it — the establishment of an independent review into the role of the Department of Premier and Cabinet in supporting myself as Premier in the administration of part 6, ‘Essential services infrastructure risk management’, of the Terrorism (Community Protection) Act 2003.

The CHAIR — Thank you.

Mr BAILLIEU — I do have a little further information for you, Chair. That review will be conducted by Lieutenant-General Mark Evans, AO, DSC, who is a retired former chief of joint operations in the Australian Army. The review will be completed by July 2012. There are terms of reference in regard to that review. Mr Evans, I know and I am very confident, will do an excellent job in advancing the work of the committee in this very important area. As I said before, I hope we never have to implement any of this, but we need to have the processes in place to make sure we do get it right. I thank the committee for their work and the thoroughness of it. We look forward to this review making recommendations about any adjustments necessary.

The CHAIR — Thank you very much, Premier, for that response.

Ms HENNESSY — Ms Silver or Mr Speagle would have quite enjoyed their last appearance before this committee on the issue of how your department had performed on counter-terrorism and infrastructure readiness!

Mr BAILLIEU — I am assured they loved every second of it!

Ms HENNESSY — Chair, what you would say? The Chair gave them a good going over.

The CHAIR — I think it was a very robust and obviously, in retrospect, constructive interchange. I am sure that if we were able to have those sorts of exchanges on a regular basis, the government would be better for it. Premier, I apologise. The reason I interrupted you is that I am aware the deputy has a point of order he wishes to raise.

Mr PAKULA — Only if the Premier’s answer has concluded.

The CHAIR — I think the Premier has concluded.

Mr BAILLIEU — Yes.

Mr PAKULA — On the last question I asked it was a serious matter when I was asking with regard to whether the freeze on replacing contracts was included in the 4200. I thought I detected Ms Silver saying it was, but I do not know that she said it at a sufficient volume that Hansard would have picked it up. I am just wondering if they did. I just want to make sure it is reflected on the record.

The CHAIR — I think the issue is that it has been recorded.

Mr BAILLIEU — The easiest way, Chair, is to clarify that, and Ms Silver — —

Ms SILVER — I am happy to clarify that.

The CHAIR — I am happy to allow the clarification, but we do not want to do this too regularly.

Mr PAKULA — No, we do not; I just want to make sure it makes it onto the record.

The CHAIR — Ms Silver, would you like to reaffirm your response?

Ms SILVER — I think the question that I am trying to reaffirm is how the efficiency savings will be undertaken, and in terms of a freeze to the extent that there will be non-renewal of fixed-term positions and the

use of voluntary departure packages, there is that, and we are also going to use attrition to achieve the 3600, and then the additional 600 through that process.

Mr PAKULA — It is all included within?

Ms SILVER — Yes.

Mr PAKULA — Thank you.

The CHAIR — Are you happy now?

Mr PAKULA — Yes.

The CHAIR — Good. We will all be able to go for a cup of tea together, then.

Mr SCOTT — Premier, I refer you to budget paper 2, page 15, and particularly chart 2.3.

Mr BAILLIEU — Yes.

Mr SCOTT — The chart there, and I am quoting from the text, shows:

Leading indicators for dwelling investment, such as finance commitments and dwelling approvals, have fallen over the past year ...

I ask: given that you have cut the first home bonus, can you assure all those employed in the domestic building industry that the cut you made in the budget will not exacerbate these falls?

The CHAIR — Thank you, Mr Scott. I invite the Premier to respond.

Mr BAILLIEU — I thank Mr Scott for his question. Some analysis conducted by Treasury shows little evidence that the first home bonus fulfilled its policy intent of improving affordability for first home buyers. I note within 09–10 and 10–11 there was a reduction in that certainly across the regions. First home subsidies, such as the FHB, seem to bring forward first home buyer demand.

The CHAIR — I think there is some concern, Premier. Could you just pull one of the microphones closer to you?

Mr BAILLIEU — Sorry, I moved it. We understand how long it takes to save up for a first home. We also understand that the first home owners grant will stay in place. In opposition we committed to significantly reducing the stamp duty cost of transactions for first home buyers, targeting a 50 per cent reduction. We introduced the first 20 per cent reduction of that. For the next step, a 30 per cent reduction in stamp duty for first home buyers will occur from 1 January, so that process continues.

In terms of affordability issues, the advice from Treasury is that the FHB has had limited success in fulfilling that policy intent. We believe the measures we are taking through stamp duty, which are in place in other jurisdictions, including particularly New South Wales where there is a much more substantial stamp duty reduction for first-time buyers, is the way to go. But the first home owners grant will stay. When we came into government the further grants — the bonuses — were not funded. We extended them for 12 months; that was the basis for it. We are taking steps to address these issues through stamp duty reductions.

Mr SCOTT — Just to follow up, my question was not directly related to the issues of affordability, which I dealt with with the Treasurer. I will not repeat that question, but has any analysis been undertaken regarding the impact this policy will have on the actual building industry itself, not on the — —

The CHAIR — Activity.

Mr SCOTT — Activity. That was the gist of the issue. While you dealt with the issue around affordability — and I could go there — I am really interested in the activities issue and sort of employment and investment in the domestic building industry and any impact that this decision would have on that.

Mr BAILLIEU — Mr Scott, I am delighted to take your question, because the question of activity in the building industry is related to a number of measures. I can assure you it is not related to just the level of a first

home bonus or a first-time grant. There are obviously all the input costs as well, and construction costs are a part of it, planning delays are a part of it and the availability of land is a part of it. What we see too often in this country, whether it is in civil construction, whether it is in commercial/industrial construction or whether it is in residential construction, is escalating construction costs, which have been shaping cities more than almost anything else. They are at the stage now where for young families it is very a difficult challenge. We recognise that, and that is why we focus on stamp duty reductions. We believe stamp duty reductions will be the most effective way, given what occurs in other jurisdictions, of assisting young families to purchase their first home. We have maintained the grant and we extended the bonus for 12 months. I am sure had your government thought it was of significant benefit, you would have budgeted for it.

Ms HENNESSY — That is not true. We funded it while we were in government.

Mr PAKULA — We funded it while we were in government.

Mr BAILLIEU — While you were in government you left no funding for it.

Mr MORRIS — The output initiatives for the Department of Business and Innovation are on page 11 of budget paper 3. One of the major initiatives in that department is the international engagement strategy. Can you outline for the committee a little more about this priority, particularly how it is developing in the wake of the significant trade mission that you led to India not too long ago?

Mr BAILLIEU — I thank you for the question. I indicated in the presentation that we believe this is a really important approach. Victoria has a good international reputation. We have a good international reputation in terms of our finances as well, and that is what we seek to maintain. In the world context a jurisdiction with sound finances and a AAA rating is, in itself, an invitation for investment. We have here an extraordinary range of competitive advantages. Obviously we have a fantastic agricultural sector, we have a long-term reputation for export education, we are a tourism destination, we have events and other lifestyle, we have enjoyed ample water supplies generally, we have enjoyed generally low-cost energy. We are fundamentally an opportunity for investment.

But as I indicated also in the presentation, with the high cost of the dollar and interest rates as they are, we need to work even harder with our new markets and emerging markets. There has been over the years a number of government business offices developed — Victorian government business offices. We were pleased in opposition to particularly support my predecessor, Premier Brumby, in his efforts to engage with China. We have sought to advance those. My first overseas trip as Premier was to China. I think it was very successful in refreshing and renewing those relationships and advancing on them.

The deputy leader, the Minister for Innovation, Services and Small Business, took a trade mission to India last year. I was pleased to be able to take a trade mission to India earlier this year. It was the largest trade mission to ever leave Australia's shores, I am told. There were nearly 280 delegates and 10 sectors. The group I was with visited Delhi, Bangalore and Mumbai. In those locations, and I was joined with about three other ministers, we had a very successful visit. Every business that has come back has said it was a positive for them; the results have been very significant already. Prior to that visit Minister Asher took a trade mission to the Middle East, and that too was successful.

We believe it is important to have that sort of engagement. It is obvious that there are emerging markets in China, India, the Middle East and south-east Asia, and we believe also in the US and the Americas and with Chile. We will be working with the government business offices. There is a further China trade mission planned, and we think that it is important for the Victorian economy that we not only establish those relationships but nurture them over the longer term. You cannot just rest on the laurels of a visit or a particular relationship — they have to be continually refreshed and renewed, and that is what we will seek to do. We have additional offices being established in Beijing and Mumbai. I had the pleasure of at least seeing the shell of the Mumbai office when we were there; it had still to be fitted out. Staff will be appointed to those offices. We believe trade engagement is just critical for our state: we have the reputation and we have the opportunity.

Can I just harp on one point: I think both sides of politics in this state have been proud to support a multicultural base here. That multicultural base gives us an opportunity to reach out to the world, and we should be using it at every opportunity. We intend to do that. We have committed \$50 million in this budget to an international engagement strategy, and that will further support business to tap into those markets. It is not just big business.

We took a number of small businesses, a number of businesses that were travelling for the first time, and the conversations I had with them, in India in particular, were very positive. They now recognise the benefit of having critical mass on those visits, the benefit of being able to exchange ideas with their colleagues and the benefit of having the government to open the door in some of these critical markets. We have got a long way to go, particularly with some of the trade barriers, but bringing down a trade barrier in China, for example, with dairy products is potentially enormous for this state. I had the opportunity to discuss with some proponents just recently the prospects of additional dairy exports to China. If we can facilitate the removal of other trade barriers, particularly into India with dairy, it will be hugely successful.

I want to finish by mentioning the education sector. For a number of years the education sector, in terms of export markets, was Victoria's largest export market. For a variety of reasons which do not need to be dwelt on in this committee, that market was suppressed in recent years, and we have to rebuild it. I have had the opportunity both in opposition and in government to address some of those issues. We took with us to India leading educator representatives from the university and TAFE sectors. There are huge opportunities there to revive that market. It is a critical activity for Victoria's economy. The government needs to be there to support and open doors and make it happen, and that is what we are dedicated to doing.

Ms HENNESSY — Premier, if I could just refer you to budget paper 3 and just more generally all of the performance measures. On a conservative count the budget papers contain 102 instances where the government has failed to meet its own performance benchmarks for this financial year, 90 instances where it is reducing the benchmark for next financial year and 194 instances where it is seeking to discontinue a performance measure. How do you think that sits with your election commitment to fix the problems, when you have not met most of your own performance benchmarks contained in the budget papers?

Mr BAILLIEU — I thank Ms Hennessy for the question. The purpose of the budget papers is to put these output measures and the performance targets in place. We could go through each of them in particular if you like.

Mr PAKULA — You could. We have got a list for all the ones in here.

Members interjecting.

The CHAIR — One at a time. Mr Pakula, you are talking over Ms Hennessy, and Mr Angus, I think, was the only who was being quiet at that moment. Can we just come back and allow the Premier to continue with a response, and Ms Hennessy, if you are not satisfied with the extent of his response, you may ask a follow-up question. Okay?

Ms HENNESSY — Thank you, Chair.

Mr BAILLIEU — The budget papers record targets and provide explanations in some instances where there are variations. I have not done a count on the previous government's targets like that. Perhaps PAEC has done that, but I think it would probably be more useful if there are particular ones you wish to have addressed, I am more than happy to address them.

Ms HENNESSY — I am interested how you as the Premier — it is kind of analogous to being the chair of a board or the CEO of a company who monitors their performance measures — monitor your own performance measures.

Mr BAILLIEU — Well, there are performance measures in the budget papers. I am sure you are a keen observer, Ms Hennessy. We get a fair degree of scrutiny from a variety of sources, but I would be cautious about implying anything because you invite me to make judgements about our predecessors which might be a little discourteous. If you want to address a particular performance measure, by all means do. I suspect that because you are choosing this approach that you do not want to address particular ones.

Mr PAKULA — No, we will do that minister by minister.

The CHAIR — Thank you, Premier. We will move on a little. I think I am up to Mr Angus.

Mr ANGUS — Premier, I refer you to budget paper 3, page 73, and also again included in your presentation, in relation to important grade separations. Can you expand for the committee on what the government's plans are here?

Mr BAILLIEU — The Victorian public would be aware that we have many level crossings in our city and across our state. That is a function of a number of things. It is a function of those who invested in our railways from the start of settlement here, from the very early days of settlement, and that is a positive. It is a function of the topography of our state, particularly around our city. Nevertheless, it does make for some pretty trying times in terms of mixing trains and vehicles, and indeed pedestrians and cyclists as well.

The grade separation process is an important process. The government is committing to more than \$340 million in this budget for further grade separation of three key level crossings in metropolitan Melbourne: at Springvale Road, Springvale — and I am sure many members would be familiar with that crossing; I am certainly familiar with it — at Mitcham and Rooks roads in Mitcham. On that Lilydale line there have been some grade separations already, as I am sure you are aware. Those grade separations have been over time. They have been warmly welcomed. There are a few to go. In time we will have the Lilydale line released in terms of separating it from traffic, and I am sure that will be warmly welcomed.

We are also working on further grade separations as part of our commitments at Burke Road in Glen Iris, North Road in Ormond and Mountain Highway and Scoresby Road in Bayswater and Blackburn Road and others. With the Springvale–Nunawading grade separation project completed by the previous government, with some support from the commonwealth, Springvale Road, Springvale, and Mitcham Road, Mitcham, are the next two on the ALCAM priority list. It makes sense to proceed with those, and that is what we will do.

Mr PAKULA — Where is New Street?

The CHAIR — I think you are answering a question from Mr Angus actually.

Mr BAILLIEU — The congestion at some of those crossings, I am sure members would be familiar with. At Springvale Road it is estimated during the a.m. peak that 4300 vehicles approach the intersection, around 1000 pedestrians cross the line and the boom gates are down for 50 minutes of the 2-hour peak. That is just a source of frustration, it is a source of inefficiency, and making that grade separation will be a boost for productivity, I am very confident. Likewise at Mitcham and Rooks roads where the boom barriers are down on average for 54 minutes in any 2-hour peak. There have been examples where the boom barriers have stayed down for as long as 7 minutes. Anybody who is out there would know that you can sit there, and I am sure some people tear their hair out at the process, but we do not want that happening. We cannot obviously grade separate across the city and the state all in one year. This is a progression, and the addition of these three grade separation initiatives will significantly advance the pace of grade separation in recent years.

Mr PAKULA — Premier, I just want to ask you about the School Start bonus. There are two references. They are both in budget paper 3, page 344 and page 116. If we start at page 344, it indicates that the number of students receiving the School Start bonus payment in 2011–12, 39 000, and in 2012–13, zero. You went on radio on 774 on Wednesday — correct me, I do not want to misquote you, but I understand what you said was:

What we have done is merge two separate programs which were servicing the same group in the education maintenance allowance and the School Start bonus.

That is what I want clarification of, because if the two programs have been merged — that is, the School Start bonus has been discontinued and combined with the education maintenance allowance — then what I do not understand is why the funding for the EMA has been reduced from \$62.9 million last year to \$48.8 million this year. That is on page 116. I do not understand how two programs merge and the total funding is \$14 million less.

Mr BAILLIEU — I thank Mr Pakula for his question. What has occurred here is that the School Start bonus, which was introduced some years ago and has changed in level from time to time, has been merged with the EMA. The EMA will increase for primary years 1 to 6; the EMA will increase for years 8 to 12. There will be an uplift in that EMA for prep and for year 7 only, and that is for the amount that goes to parents. The EMA will discontinue for schools, but for a large section of the low SES schools there will be a pool of funds available for those SES schools to receive support in response.

The CHAIR — Do you have a follow-up question?

Mr PAKULA — Yes, I do.

The CHAIR — Please proceed.

Mr PAKULA — It is interesting. You say it is going up for this group and it is up for that group, but the 2011–12 expected outcome is 64.9 and the 2012–13 target is 48.8. We had the Minister for Education here last year, and in talking about the School Start bonus he said:

We have actually said we will not scrap the program. It is an important program. It is an important program to those who really need it, and that is why we are keeping the program on and we are directing that funding to those people who most need it.

I suppose my point is: in last year's budget you already winnowed down only to those people who you described as the most needy then, 39 000 of them clearly, and now it is zero and the EMA has dropped by \$14 million. Surely in any language that is just a cut, not a merger.

Mr BAILLIEU — There are two sides to program — the EMA program and the school bonus that was direct to parents. The EMA for parents remains and has been uplifted, and I can give you the figures: year 1, \$117.50 gone up to 150 through to year 6, year 8 to 12 from 235 up to \$250. What will now be the EMA will be lifted from 235 to 300 in 7 and a suitable uplift in prep as well. On the parents' side of the EMA equation, if you look at the distribution across the school years, the take is in total not largely dissimilar, but on the school side the EMA support will be condensed to those SES schools where there is a large component of EMA in those low-SES schools.

The CHAIR — Thank you, Premier. This is an appropriate moment to take a brief pause, and we will return in 5 minutes. We will resume. I call on Mr O'Brien.

Mr O'BRIEN — Premier, my question is in relation to budget paper 3 at page 45, where reference is made to the need to expand the capacity for prisoners in Victoria. Can you advise the committee what this will entail?

Mr BAILLIEU — I thank Mr O'Brien for his question. There are 13 prisons in Victoria, including two — the Dame Phyllis Frost Centre and Tarrengower — women's prisons. We inherited a corrections system with significant underinvestment in prisons, and the underinvestment has resulted in a system that is quite frankly under pressure — and I think most Victorians recognise that. There is a significant capacity issue, and that is what the new prison and the additional 395 prison beds are addressing. Even without any change in sentencing or the reforms taking place, these correctional facilities and these additional beds are needed now. On population growth alone, the male prison system is and will be under significant pressure. The corrections system is quite frankly suffering from a number of years of neglect and quick fixes, and the new prison, in addition to the 395 beds, is very much needed.

What is proposed is a 500-bed medium-security male prison with some capacity to expand. It will be medium security because that is where the most demand is. It will be a full-service public-private partnership in terms of procurement model. The project will obviously be subject to a competitive tender process, so I am not going to get into the details of costing. The location will be at Ravenhall on Department of Justice-owned land. The site is between the existing prisons of the Melbourne remand centre and the Dame Phyllis Frost, and the target construction date is 2017.

It will create more than 450 construction jobs, we are advised, at peak periods, and more than 300 ongoing jobs in the corrections system. The jobs in the corrections system will include custodial program delivery, obviously, health services and admin staff. The additional beds in the system will generate some 300-plus construction jobs and more than 200 ongoing jobs. The total expected jobs associated with these new facilities is in excess of 1300. We believe it is an essential step. I do not think anybody is fond of prisons and I do not think anybody is fond of correctional services, but they are a requirement in any contemporary society, and that investment needs to be made.

Mr SCOTT — Premier, I just want to seek some clarification around changes to the educational maintenance allowance and the School Start bonus. For a prep starting school, what would the actual dollar figure be for them when they attended prior to the changes that have been made and subsequent — so someone

who started attending school this year and then once your changes have taken effect. What would be the dollar figure that they would receive?

Mr BAILLIEU — Sorry, the dollar figure they — —

Mr SCOTT — They will receive from the educational maintenance allowance and the — —

The CHAIR — A school starter?

Mr SCOTT — Yes, a school starter.

Mr BAILLIEU — The EMA is currently \$117.50, and it will go up to 200.

Mr SCOTT — So before they got 417, and they will go to 200. Is that correct?

Ms HENNESSY — Is that correct — 417 to 200?

Mr BAILLIEU — It will go from \$117.50 to 200 on the EMA.

Mr SCOTT — And the School Start bonus was 300. Just to seek clarification, a child starting school would previously have received \$417, and now they will receive \$200. That is correct?

Mr BAILLIEU — They will receive \$200. But I made the point before there will be an increase in the EMA for year 1, year 2, year 3, year 4, year 5, year 6, year 7 — no sorry year 8.

Ms HENNESSY — No there will not. Year 7 would have got 417.

Mr BAILLIEU — year 8, year 9, year 10, year 11 and year 12.

Ms HENNESSY — Year 7 would have got 417.

Mr BAILLIEU — And I made the point that if you look across, they are of a similar order.

The CHAIR — I am sure Mr Scott may wish to pursue that further subsequently, but I would — —

Mr PAKULA — A follow-up?

The CHAIR — I beg your pardon?

Mr PAKULA — He might have a follow-up.

Mr SCOTT — I might have a follow-up.

The CHAIR — He did. That is his follow-up. In fact — —

Mr PAKULA — I beg your pardon!

The CHAIR — Premier, I would like to direct a question to you concerning BP 3, page 40. I refer to specialist management of serious sex offenders. I ask the Premier: can you expand on this important initiative in relation to community protection for the committee? I am referring to BP 3, page 40.

Mr BAILLIEU — The budget provides over \$100 million over four years to manage, monitor and rehabilitate serious sex offenders who are on supervision orders — more than \$23 million in the first year, rising to more than \$25 million in 2015–16. Our predecessors failed to provide ongoing funding for this scheme. That funding concluded on 30 June. This budget takes that into account.

A substantial part of the money provided in the budget will be used to run Corella Place, the facility near Ararat which houses many of those offenders on this type of supervision order, allowing them to be monitored. Some funding is also provided to cover the increased legal costs arising out of the government's changes, and they are landmark changes, to suppression orders and the provisions for these offenders. We look forward to those changes better accommodating the expectations of the broader community. The legislative change will require judges to consider for the first time the protection of children, families and the community when considering

applications for suppression orders for serious sex offenders. That step, I think, has been welcomed. The legislation will be brought to the Parliament.

The Serious Sex Offenders (Detention and Supervision) Act was introduced in 2009. It was, I believe, a step forward. It allows for supervision orders to be granted for sex offenders who have completed their sentences, and the indications are that it has been successful in reducing recidivism. Conditions of such orders may include electronic monitoring, reporting requirements and treatment requirements. The strategy includes Corella Place, which is a 40-bed transitional facility for serious sex offenders who are on supervision orders. As at 30 April there were 85 such offenders subject to post-sentence orders; 25 are based at Corella Place, 46 residing elsewhere, 12 in custody and, of the 2 others, 1 has been deported and 1 is in immigration detention.

This is a significant investment, again itself not an attractive subject but a measure that has to be taken and has to be funded, and we believe with the legislative changes it will be a better respected process. It is important that this process be in place and important it be effective, not only effective in monitoring but also effective in reducing recidivism.

Ms HENNESSY — If I could just go back to the EMA issues, Premier. You may not be aware of this, but at Carlton Primary School nearly 100 per cent of the students receive the education maintenance allowance. Only two families in the whole school do not. And the school uses its EMA component to purchase books and stationery and to allow children to go on excursions and do other activities. At Delacombe Primary School in Ballarat the school's EMA component is used to deliver programs like swimming lessons, kitchen garden and art and craft. Can you guarantee that no school will have to cut their student welfare programs or make cuts elsewhere to keep their welfare programs running?

Mr BAILLIEU — I did indicate before that savings made here have been redirected into a student resource package at low-SES schools. We believe that is a significant step, and as I understand it, there will be nearly 200 schools in that position.

Ms HENNESSY — Is that a guarantee that no school will have to cut their student welfare programs or make cuts elsewhere to keep their welfare programs running?

Mr BAILLIEU — It is an indication that more than \$60 million will be redirected to those schools in need.

Mr MORRIS — Premier, Victoria's maritime trade is obviously a critical part of our economy, so I was certainly very pleased to see the major initiative, the creation of a new international container terminal at Webb Dock. Can you expand on that for the benefit of the committee?

Mr BAILLIEU — It is an important step, and I am sure Mr Pakula would love to be able to publicly say he supported this measure, because having been the minister in the transport arena himself before he would know how important this step is. He certainly knows how important the port is. Certainly the chairman would be acutely aware of this from his experience in the agricultural sector, as would Mr O'Brien.

The port of Melbourne is our gateway to the world. It is the biggest port in Australia, and it is of critical importance. The new container terminal will be built at Webb Dock, and there will be a consolidation of the car trade at Webb Dock. The project will generate at least 700 direct jobs and 1900 indirect jobs across Victoria, in addition to ensuring we are well placed to cater for the forecast demand in container freight. If you look at that demand, in 2010–11 the port handled a record 2.5 million TEUs, which are the 20-foot equivalent containers, and it has continued to set new trade records even in recent months. The port is the busiest in Australia, and the development of the Webb Dock facility will enable the port to accommodate strong growth. If you combine that with the long-term development of the port of Hastings, the opportunity for growth in container trade is there, and I think that is important to the economy.

There will be new on and off ramps linking the port directly to the M1. That is designed to ensure that port trucks avoid Williamstown Road. Also the tender for the new facility will impose conditions which encourage applications which address the issue of minimising truckies on the M1 during peak hours, so there will be a focus on movements outside peak hours. There will be an additional \$10 million for buffering and landscape works to protect the amenity for the local community. I think anybody who understands the role of the port in the economy would welcome this move. It has certainly been widely welcomed by stevedores, it has been welcomed by the farming community, it has been welcomed by industry and it has been welcomed by anybody

who knows what to do with a port. Some have been a bit tardy in joining the support for this initiative. It is an investment of over \$1 billion, and I look forward to there being a change of heart from one side of the house.

Mr PAKULA — It seems I have been invited to express a change of heart — like the government's change of heart about Geelong and the port there, but anyway I actually want to ask about the Victorian cancer action plan — —

Mr BAILLIEU — I take it you are not changing your view in being opposed to Webb Dock, Mr Pakula.

Mr PAKULA — I am just saying I support the people of Geelong, who were on a pretty solemn promise about the car trade.

Mr BAILLIEU — So you remain opposed to the development of Webb Dock, which is disappointing.

Ms HENNESSY — You should go down to Geelong and explain your backflip.

The CHAIR — Sorry, Deputy Chair, I do not like to interrupt you, but you are being drowned out a little bit on your left side.

Mr BAILLIEU — We are just engaging in a bit of to and fro, Chair.

Mr PAKULA — Repartee.

The CHAIR — Can I ask colleagues on the extremities of the table — both ends —

Mr BAILLIEU — I think Mr Pakula is a little bit embarrassed.

The CHAIR — to back down a bit and allow the Deputy Chair to ask his question. Thank you.

Mr PAKULA — There is no way I am embarrassed, Premier. The Victorian cancer — —

Mr BAILLIEU — How do you show your embarrassment, Mr Pakula?

Mr PAKULA — Premier, let us move on.

Mr BAILLIEU — That is how you show it!

Mr PAKULA — Funding for the Victorian Cancer Agency is outlined on page 22 of budget paper 3, and it is commented on at page 25. I note that you have not renewed the Victorian cancer action plan, which was funded to the tune of \$150 million between 2008 and 2011, and that plans out a strategy to increase cancer survival rates by 10 per cent by 2015. On Wednesday you talked about putting in place an entirely new cancer strategy, so I wonder if you can tell the committee if that entirely new cancer strategy is detailed anywhere in the budget and, if so, when it will commence and how much it will cost?

Mr BAILLIEU — I welcome Mr Pakula's question. The government is committed to review the existing cancer plan because that has concluded, as it was planned to conclude, by the previous government. The government is committed to review it as a priority as part of the Victorian Health Priorities Framework 2012–2022. That work has commenced. I know the health minister is looking forward to the development of that. In the meantime the operations undertaken by the Victorian Cancer Agency are continuing, and as a result core functions of the VCA will continue, including driving collaborative translational cancer research, building a sustainable cancer research workforce and developing integrated cancer research platforms on Victoria's existing research infrastructure.

I note the comprehensive cancer centre is now contracted for scoping, which was required. For the Olivia Newton-John Cancer and Wellness Centre we had to provide additional funding which was not in the budget when we arrived. There is additional support for Ballarat's regional cancer centre, the Albury-Wodonga regional cancer centre — and I acknowledge that both Ballarat and Albury-Wodonga include commonwealth funding — and the extension of the Gippsland cancer centre and radiotherapy services in Warrnambool with a \$5 million commitment in this budget and the \$2 million for Seymour hospital's chemotherapy chairs. I am sure that both sides are committed to do whatever we can to address the issue of cancer. I am confident, as I am sure

others would be confident, that the Victorian Comprehensive Cancer Centre will be a huge addition to the fight against this insidious disease.

Mr PAKULA — Premier, I just want to go back to the Victorian Cancer Agency and the funding page I referred you do — —

Mr BAILLIEU — Just remind me of the page.

Mr PAKULA — Page 22 of budget paper 3. That adds up to 59.6 over four years, I think. But in 2008 it was funded at \$78.7 million over four years. Am I missing something, or is that actually a \$19.1 million cut from its previous four-year funding cycle?

Mr BAILLIEU — The advice I have, and my understanding, Mr Pakula, is that some of the activities to which you refer have been absorbed in the base.

Mr PAKULA — Absorbed?

Mr BAILLIEU — In the base.

Mr PAKULA — In the base?

Ms HENNESSY — So \$19 million has been cut — —

The CHAIR — Thank you, Premier.

Mr ANGUS — Budget paper 3, at page 45, contains a number of initiatives to enhance the support given to the important work of Victoria Police. Can you please advise the committee of what the government is supporting in this important area?

Mr BAILLIEU — I thank Mr Angus for his question. The budget does invest more than \$30 million in new infrastructure across Victoria to support the work of front-line police and the Victoria Police protective services officers who will be protecting local communities. I know that the work of the PSOs is now warmly embraced by both sides of the house, judging by the correspondence we receive from opposition members who now recognise the benefit of having PSOs on railway stations and urging their early deployment.

The funding builds on the 2011–12 budget, which invested more than \$600 million to deliver the 1700 new police officers and more than \$200 million for the PSOs. I am advised that 850 of the 1700 new sworn officers will already be on the beat, and more than 90 PSOs will be trained for patrolling train stations by mid this year. The \$130 million-plus investment in initiatives in this budget includes more than \$50 million to upgrade and build new police facilities to accommodate the rollout of the new officers and the new PSOs, and Victoria Police will determine priority stations for these works based on what they understand to be the operational needs. There is more than \$20 million to undertake works to upgrade train station facilities to accommodate PSOs, and we anticipated that. Victoria Police are working with Public Transport Victoria to determine the order of the stations to undergo that work. Obviously all stations have different facilities at the moment, so that work will be done.

There is more than \$50 million to progress specific capital projects for new and upgraded facilities that put police into the future, and they include more than \$25 million for the Victoria Police operational tactics and safety training complex in Essendon. This facility provides mandatory biannual operational training to all Victoria Police members. I am not sure that the public appreciates how often Victoria Police members do go through retraining exercises. It is on a regular basis, and it can be also on the basis of particular matters that come up or particular equipment that comes up, so these facilities, I think, are absolutely essential.

There is more than \$13 million for a new police station and VICSES in combined facilities at Waurn Ponds. Anybody who knows the area knows how fast the growth is there and how important this will be. SES provides a fantastic service down there, as does Victoria Police, and I know that will be much appreciated. There are funds to build a new Emerald police station as well. I am very confident that that will be much appreciated.

Considering the challenges that we face, these are important steps. Obviously, as we previously mentioned, there are funds available for strengthening the oversight, monitoring and management of sex offenders, which

we alluded to before, and funding of three additional multidisciplinary centres across the state which provide for co-location of Victoria Police's sexual offences and child abuse investigative teams. That in itself will allow, I think, a better response to these critical issues. This is a significant investment, but it is in a very important area.

Mr SCOTT — Premier, I refer you to budget paper 3, page 28. Under the heading 'Asset initiatives — health' there is an item entitled 'Monash Children's hospital planning and development'. In last year's budget you allocated 8.5 million for planning works. This year, once again, we have just 7.3 million for yet more planning works. When can the 30 000 children in Melbourne's south-eastern suburbs expect to see you fulfil your promise and finally start building this important new hospital?

Mr BAILLIEU — Mr Scott, I trust you do recall — but perhaps you do not — that when we came to office we said that work that we had anticipated had been done on this area had been done, but it had not been, and the land acquisition had to take place. That has taken place with the budget initiatives last year, and now the planning work begins. I am sure you would be aware that the planning process involves obviously scoping, design, costing and then going out to market in the way that is chosen. We will be getting on with the job using the money that is available in this budget. When that is concluded and the market is tested, decisions can be made about start dates.

Mr SCOTT — I understand that the day after last year's budget the health minister told the *Herald Sun* that the remaining 51.5 million would be allocated to the Monash Children's hospital and outlined in this year's budget. Can you please tell me, and the whole committee, where we can find the additional allocation in the budget papers?

Mr BAILLIEU — I think, if memory serves me correctly, the minister referred to future budgets at this committee last year in regard to the same question.

Mr SCOTT — No, that was the *Herald Sun*.

Mr BAILLIEU — I do not know. I do not have the quote from the *Herald Sun* in front of me, but he referred at this committee to future budgets, and the unallocated capital provisions in the budget are certainly part of that.

Mr O'BRIEN — One of the major challenges facing Victoria is the apparent inequity of the distribution of GST, and I refer you to budget paper 2, page 44. Could you advise the committee of how this has affected the framing of budget?

Mr BAILLIEU — I thank Mr O'Brien for his question, and I want to note the provision of the information paper this time around, the federal financial relationship paper, which draws attention to these significant issues. Compared with the estimates made in late 2010, Victoria has suffered a \$6.1 billion shock in GST revenue write-downs over the four years from 12–13. In anyone's language, that is a significant shock, and I think the Treasurer has taken you through some aspects of that this morning in terms of the contribution from a diminished pool but also the contribution with that write-down from reallocation, or redistribution, of the funds.

We have been dealing with this issue now for some time, and the Treasurer was not only correct but he was successful in drawing attention to those inequities in the allocation of the GST and the fact that it was significantly disadvantaged and it was based on a number of wrong premises. We were successful in getting a review undertaken, and former premiers Greiner and Brumby have participated in that review. They have delivered a first report. There are some frustrations in that first report, but we are dealing with an issue where Victoria is, we believe, not getting a fair shake in terms of GST distribution.

The shocks from pool diminution and from distribution are huge. For example, in the 2012–13 year forecast GST revenue has been lowered by more than \$1 billion due to the weaker pool and \$450 million due to revised relativity. The current GST distribution system is simply flawed. It is illogical that Victoria has the second-lowest relativity among the states in the middle of a mining boom. If GST were distributed on an equal per capita basis, Victorians would receive \$900 million a year more than is currently the case. That would be \$900 million for roads, schools, hospitals, police and all the services and facilities that the state government has responsibility for.

The federation needs a fair GST distribution system. It needs to be simple, it needs to be efficient and it needs to be transparent. I note that the review has remarked to a degree on that already. There is still some frustration that they hesitate about a per capita model. There is some talk about a per capita model for some of the states. We are obviously yet to see how that might play out. We will continue to raise these issues, and the Treasury will continue to pursue it. We called on the government to undertake the review. The review has taken place. It is not everything that we wanted, but we are strongly opposed to any proposal to use the GST distribution to influence state policy and service delivery. We believe that would be an intrusion on the role of the states and an intrusion on the design and intent of the introduction of the GST.

It has been a source of frustration for some time, but when we as a state suffer a \$6 billion shock, we simply cannot do what we would like to do. We have had to absorb those shocks in a very short time frame. Anybody in Victoria who thinks you can just pass that over in a moment is kidding themselves. We have to absorb the shocks, deal with them and maintain a responsible position. We believe we have done that to the best of our ability and we have set Victoria on a reasonable and responsible path, but we need to change the GST system. There would not be too many jurisdictions that thought otherwise. They might have slightly different views. I think the Western Australian Premier has a particular view which, I am sure, PAEC would enjoy if it had cause to call him as a witness. Perhaps the Tasmanian Premier might likewise.

Some of the factors that are used in the distribution are very unbalanced. When we have a diminution based on the fact that there is a commonwealth investment in the regional rail project, and then they reduce the GST distribution to us as a consequence, I think anybody would see that that is an unreasonable approach.

Ms HENNESSY — Premier, if I could just refer to page 51 of budget paper 3. You will note in the multicultural affairs and citizenship program the reference to the refugee support program. It has got a funding profile of \$1.3 million across the forward estimates period, from 2012–13 onwards. That equates to a \$5.2 million program. What that does is replace a four-year strategy that was contained in the 2008–09 budget of \$17.7 million across four years. My question is: why has the government so significantly reduced funding to newly arrived refugees, who are surely our most vulnerable migrants?

Mr BAILLIEU — Funding is provided for those concluding programs. There is the refugee support program, as you pointed out, and the asylum seeker support program which is also available. I make the point, Ms Hennessy, that we are deeply committed to supporting refugees, and we are deeply committed to supporting multiculturalism in this state. We have increased support in many areas at a time when additional load has been placed on the Victorian community by the commonwealth, uncompensated. We are supporting that load when there is no compensation from the commonwealth. You should be mindful of that as well. I am sure the minister would be more than happy to take you through it in detail.

Ms HENNESSY — Premier, there has been a cut from \$17.7 million to \$5.2 million. That is for a program that provides health nurses for refugees, tutoring support and after-school homework support to help refugee students to succeed at school. Surely there was something else you could have cut to support the program, like the \$2 million allocated to the crossing at New Street, Brighton. It is such a significant cut. How is it that you expect those programs to continue to run?

Mr BAILLIEU — You are assuming these services are not being provided, and as I say — —

Ms HENNESSY — A \$12 million cut is a pretty difficult cut to handle in the provision of those services.

The CHAIR — Ms Hennessy, I ask you to allow the Premier to respond.

Mr BAILLIEU — Additional services are being provided, uncompensated, because of decisions made by the commonwealth. We are providing those services —

Ms HENNESSY — It is a state cut.

Mr BAILLIEU — and, yes, we would appreciate compensation, but that in itself is coming at considerable cost. In terms of the application of resources, I am very confident that the resources are being provided.

Ms HENNESSY — You cut \$12 million from them.

The CHAIR — Premier, I direct your attention to BP 3, page 11, DBI output initiatives where the manufacturing industry is particularly mentioned. I ask you to outline to the committee what support the government is giving to manufacturing in Victoria. Of course we all understand the difficult contemporary period we are in for manufacturing with the international economic challenges.

Mr BAILLIEU — Those challenges are real, and we cannot pretend otherwise. The dollar has impacted on manufacturing businesses in this state, particularly those businesses which are exposed to international trade and to international competition. Those businesses in the manufacturing arena where there is also a commodity price issue, where there have been fluctuating commodity prices, are particularly exposed. On top of that many now find themselves exposed to the impact of the carbon tax.

Mr PAKULA — It has not started yet.

Mr O'BRIEN — There was a promise it would not come in.

Mr BAILLIEU — Mr Pakula, I appreciate your interjection, but it just gives me the opportunity to observe that I suspect it has been a while since you have focused, as the native business leader that you are — he says, with a degree of irony — —

Mr PAKULA — Sarcasm, I think, is the term, but go on.

Mr BAILLIEU — Businesses plan ahead, Mr Pakula, and the impact of the carbon tax is real for a lot of businesses. They have to take that into account. Put it all together, and there is significant stress for of manufacturers. Nevertheless, manufacturing is an important part of the economy here in Victoria. Manufacturers in Victoria have been undertaking and undergoing change and pressure for some time. Many are very effective. We saw that on the Indian trade mission, where Victorian manufacturers were engaging new markets in the international arena despite the dollar and despite trade restrictions.

Manufacturers will benefit from the initiatives in the government's \$58 million manufacturing strategy, funded over four years in the budget, and they will benefit also from that \$50 million international engagement strategy. The strategy is providing more than \$20 million, investing in a manufacturing technology program, putting more than \$7 million to the manufacturing productivity networks initiative, more than \$13 million to support a new specialist manufacturing service, and there are funds for small manufacturers with a commitment to the building innovative small manufacturers program.

These programs are backed by direct engagement with business through an expanded team of business development managers. Indeed the minister released a manufacturing strategy — and I am sure you will have the opportunity to walk through it with him in some detail — in December. It has been well received, and I know the minister is committed to its application. These measures deliver practical support, more concentrated support and more focused support to build more innovative and agile manufacturers in this state.

As I said, manufacturing has been such an important part of Victoria. It has been very much built on the supply of low-cost energy with the natural resources that we have in the Latrobe Valley. They have afforded this state a competitive advantage for decades. We need to do what we can to ensure we not only maintain capacity but we build capacity and we build innovation. We have been working with some of the key manufacturers in that regard, particularly in the automotive sector and the supply chain in the automotive sector. We wish we had more support in that from other jurisdictions and from the commonwealth, but we have maintained our commitment to that. There are other manufacturers who are going through some significant stress, and we continue to work with them.

I will say we are always mindful of not interfering in the processes of the Reserve Bank, but I have made it plain on a number of occasions that I thought Victorian businesses would benefit from a reduction in the cash rate. I was pleased to see that that occurred over the last couple of days. That is positive for many Victorian businesses and the manufacturing sector. I was disappointed when I made a polite call for this when some with whom we are daily familiar suggested that I should not be making such a call, and I am sure a lot of manufacturers noted that, but this strategy is important for a more competitive manufacturing industry and new directions for the industry. I think the response to the Victorian Competition and Efficiency Commission's final report is a productive one and an important one.

Mr PAKULA — Premier, budget paper 3, page 112 — although I do not think it needs reference — shows the biggest cuts in history to the TAFE sector. The Victorian TAFE Association and the TAFE sector more generally are predicting that the changes that you have made will take \$290 million out of TAFE in 2013, cause up to 1500 job losses, course increases of up to \$8000 and some campuses closing entirely. Can you at least give the committee, the TAFE sector and TAFE students some comfort that those predictions are wrong? Can you tell us that we are not cutting by that much, there is no prospect of campuses closing, there is no prospect of those sorts of job losses, or has the TAFE association got it pretty much right?

Mr BAILLIEU — I do thank Mr Pakula for his question, because it gives me an opportunity to address a very important issue. It was the previous government that introduced changes to the vocational educational training system.

Ms HENNESSY — For God's sake! What about your cuts, Premier?

Mr BAILLIEU — Ms Hennessy, you need to understand the consequences of the decisions that were taken.

Ms HENNESSY — The question was about your cuts.

Mr BAILLIEU — If you want to turn a blind eye to it, fine, but the reality is that a demand-driven system was introduced in 2009 — and a market-driven system. It was a market-driven system where there was no cap on the subsidies into that system and there was a cap on fees. There was renewed competition between TAFE and private providers in the ACE, adult and community education, sector. As a consequence of that new system the previous government budgeted in this way in 09–10: \$812 million was budgeted for the vocational system. The spend in 09–10 was over 1 billion. We did alert the previous government to the prospect that the way they had constructed the system was likely to lead to a blow-out in subsidies. Indeed prior to the election we said that we would address this issue, and the Essential Services Commission conducted an inquiry into the system.

The 10–11 budget included \$824 million, and again the spend was over 1 billion. The budget for 11–12 forecast by the previous government was for \$855 million to accommodate vocational education and training. The spend for 11–12 will be over 1.3 billion. Clearly that is an unsustainable position. Along the way the number of enrolments in vocational education and training has dramatically increased; in 2010 around 360 000 or 370 000 — —

Mr PAKULA — Generally thought to be a good thing.

Mr BAILLIEU — I am not disputing that to the extent that more training can be good, Mr Pakula, but the training is best directed to good outcomes. The growth has gone from, I think it is around 350 or 360 — something like that — in 2010 to over 550 000 in this year. If I was able to tell you that all of those enrolments were directed at the needs of industry in particular, we would all be pleased to one degree, but we are also facing a very significant blow-out. What this budget that we have put in place does is commit to reform the sector and to provide a more sustainable basis for the sector in itself. We will be investing, as we have been, hundreds of millions of dollars more in the vocational education and training sector than was budgeted for these years by our predecessors. These are record levels of funding, but it has to be on a sustainable basis.

The share that TAFE had of the enrolments in 2010 has changed, and private providers now occupy a much greater share of the enlarged enrolment. That means there are challenges there for the TAFE sector. That has to be acknowledged, and we certainly acknowledge it. What we are seeking to do is to make changes that focus on quality outcomes and focus on the needs of industry, and there will be funding on an hourly basis for courses. There are some 1000 courses, and some of them have seen extraordinary rises in enrolments. Some of those courses are perhaps best not directed or not directed completely to job prospects but they have seen extraordinary enrolment increases.

If we direct that funding to quality and renew funding in bands, the upper bands where the subsidy will be highest are the areas where TAFEs already occupy a significant additional market share, and I will give you an example. It is in the top band, where you will actually see an increase of hourly funding — it is receiving an increase of hourly funding — where there is a real focus for industry needs, and TAFEs already undertake about 80 per cent of that training. There are opportunities for TAFE to express its competitive advantage and to reposition into a marketplace that has changed. The marketplace has changed, and indeed the nature of training

is changing. All providers will have to adjust, but the total funds being allocated are hundreds of millions of dollars more than your government budgeted for when you put this system in place.

Ms HENNESSY — That is not what Peter Hall says.

Mr BAILLIEU — Ms Hennessy, I make the point that this system is being rolled out around the country under a COAG agreement. By my recollection, this is a market-driven system and other states are embracing what Victoria has done. We have sent the signal to them: ‘Make sure that you understand how you are going to fund this, and make sure you have a framework in place that will work’. I think from memory the commonwealth said that it would be prepared to chip in, I think might have been 370 000 additional enrolments across the country — that is what the commonwealth is anticipating with its funds. Victoria has seen an increase in enrolments of more than 200 000 in a couple of years. I think a few people have to understand that a market system needs to be a genuine market system, and those who are engaging in a market system have to adjust. We will continue to provide record levels of funding for the vocational training sector, and we will work with the TAFE sector to assist it in repositioning to make the most of the funding that is available.

Mr PAKULA — It does beg the question. If it is as you say it is — record levels of funding, unimportant courses which are being chopped — it does make you wonder why the minister considered resigning. Let me say, you talked about the national partnership agreement. The executive director of the Victorian TAFE Association has said in correspondence that the Victorian government is obviously in breach of its obligations under the COAG national partnership agreement. Is he right?

Mr BAILLIEU — I do not know to what you are referring from the executive director — —

Mr PAKULA — I am happy to hand it to you.

Mr BAILLIEU — By all means hand it to me — that is fine. We are also confident we will meet the structural reforms that are part of the national partnership. There is a fundamental reality here. This sector needs to be reformed, and the changes that the previous government introduced had a dramatic impact. I can give you anecdotes if you wish — anecdotes of students who have been funded into courses, who have received cash payouts for having completed the course but have no intention of proceeding into the job market associated with that course.

Ms HENNESSY — Then why did your minister contemplate resigning over this decision?

Mr PAKULA — If you cannot convince your own minister, you will not convince us.

The CHAIR — Thank you, Mr Pakula.

Ms HENNESSY — You should start with persuading him.

Mr BAILLIEU — Mr Chairman, if you do not mind, just a further comment.

The CHAIR — Premier, would you like to conclude your response?

Mr BAILLIEU — The minister is deeply committed to seeing these changes through and is deeply committed to the vocational sector, and he has said as much very clearly. He is a passionate man. I can understand that anybody who understands the system knows that the way this system was introduced by the previous government has produced a result where it is simply unsustainable. If Mr Pakula or other members of the committee are simply suggesting that we should go on with the system as it is, then by all means say so. I listened with interest to the shadow Treasurer yesterday, and he made no declaration that you would seek to change this at all. He simply criticised a system for which he had sat around the table and then in part was significantly responsible for.

Ms HENNESSY — The minister with responsibility for the system criticised this decision. Your minister!

Mr MORRIS — Budget paper 4, page 29, contains a substantial list of health capital projects. Can you expand on those initiatives please?

Mr BAILLIEU — There is nearly \$200 million in investment in rural health capital in the budget, \$18 million for rural aged care services, and that builds on more than \$250 million to upgrade rural health services in the 2011–12 budget and the more than \$600 million into the re-scoped and enlarged Bendigo hospital, which is the largest health capital project in regional Australia.

The budget provides more than \$40 million for the Ballarat Health Services helipad and upgrade. It will see additional beds in the Ballarat base hospital through the relocation of the ambulatory care services to a three-storey building at the front of the hospital. It will see additional car parking, providing a new deck structure which will incorporate a helipad. There will obviously be additional jobs associated with that, and the chair of the Ballarat Health Services has been quoted, as saying:

This is a fantastic day for the people of Ballarat and indeed our region.

The Ballarat *Courier* is elated by the announcement. The long-term Ballarat helipad campaigner James Kerr said this was ‘beyond his wildest dreams’. I think he went on to say:

I am floating on air at the news and am pleased the government have been as good as their word on the issue.

For the first eight years we felt we were getting nowhere ...

And those first eight years go back to a particular phase. We are in 2012. It would take us back to 2004, and I think slightly before your time in the red chamber, Mr Pakula. So I think probably all three of you can claim an immunity from the decision to vote against the provision of a helipad at the Ballarat hospital by the previous government, which I think was the source of some disappointment to many people in Ballarat. Nevertheless, we have been able to effect this, and there has been a lot of good work done in the area with local stakeholders and local representatives who have advanced the cause, and we are pleased to make the provision.

Mr SCOTT — Premier, I would like to draw your attention to budget paper 3, page 67, and the output initiatives for transport. There is funding allocated for Victoria’s road safety action plan of 17.2 million and just 2 million in this current budget year. The previous Arrive Alive strategy was funded to the tune of \$50 million over three years. Could you explain the rationale in this budget — while the government is raking in more fines and infringements than ever before, why is there less funding for a road safety plan designed to save lives? And I am sure that we would all hope for as low a road toll as possible.

Mr BAILLIEU — I appreciate the question and appreciate the additional remarks. I think we all share that view, and I think anybody who has observed the events over the last 24 hours can only weep inside at the consequences of the road toll and the horrific events of the last 24 hours. You mentioned speed cameras. We have increased in this budget the base rate for penalty units. That applies across the board. It applies to firearm offences, it applies to graffiti offences, and it applies to offences that are now subject to legislative trial in regard to a number of offences which might otherwise have occupied the time of the court. Obviously they also apply to speed cameras. Speed camera revenue goes to the better roads fund. That in turn provides better road safety benefits, and indeed speed cameras have undoubtedly a road safety function.

In addition, we have seen the additional rollout by Victoria Police of more than 50 additional highway patrols, \$17 million for a suite of road safety measures and there is an unprecedented P-drivers research program taking place at the moment. There are funds and work is being done on the graduated licence system. There are additional rest areas being funded into the Hume Highway. The grade separations which are taking place are very much road safety initiatives in their own right. The funding of road safety is something we all take seriously. In addition, the new investment in roads goes to road safety measures, and there is a road safety action plan in place pending the finalisation of the new strategy. I know that the group of ministers are deeply committed to road safety, and we will continue to do whatever we can to improve road safety.

I make an observation about the work of the TAC and the importance of that. We have undertaken a number of initiatives in conjunction with the TAC over the last 17 or 18 months, and that will continue. You would be very much aware of the new advertising campaigns that are rolled out. The commitment of the government to road safety is as strong as ever.

Mr SCOTT — I would just like to seek some information. With the difference in funding between 17.2 and 50 million, are there any programs that have been discontinued or that are reduced in their scope as a result of that change?

Mr BAILLIEU — Arrive Alive was a program that had a time limit placed on it by the previous government, and that strategy is being refreshed. In the process of refreshing it, as I said, there are road safety action plans in place. As always in road safety, the initiatives have to be refreshed, the advertising has to change, the approach has to change. We have taken a lot of steps in that regard. The Talk the Toll campaign through regional Victoria has been embraced very strongly by numerous — in fact all — regional newspapers. The chairman would be acutely aware of this; Mr O'Brien would be acutely aware of this. I know the three of you will not get to see this so much, being city-based members, and I am not suggesting that in an impertinent way. I am simply observing that country members are continually reporting back to us that the embrace of that campaign has been warmly received, and there are some other measures that will be rolled out. The commitment of the government, as I said, in this regard is as strong as ever.

Mr ANGUS — Premier, further to the previous question from Mr Morris in relation to health, the budget contains several other initiatives in regard to health spending, such as those contained on page 30 of budget paper 3. Can you provide further information to the committee on these initiatives?

Mr BAILLIEU — I thank Mr Angus for his question. We are working hard to ensure that extra funds are available to maintain hospital services in recognition of the challenges that are faced from growing demand, and this year's budget includes a significant spend on health to maintain our services. The budget provides for more than \$13 billion total health expenditure for 2012–13. In terms of a previous health minister, that is record funding. That represents a \$600 million-plus increase in health expenditure over and above last year. It represents a more than \$370 million increase in acute health expenditure, and over the next four years it will be a \$1.15 billion increase for health and hospital services, with more than \$880 million over four years to maintain hospital services. That has had to accommodate more than \$40 million to backfill concluded commonwealth programs, more than \$20 million additional funding for organ retrieval and transplantations, more than \$75 million for services for seniors, \$60 million for the Victorian cancer agency, and additional funding for mental health services and for e-health and health service innovation.

If I can make a further observation in regard to the load on our health system — and there is a lot more in the budget; we could go through it at length — there are changes afoot in Canberra. The changes to the private health insurance rebate are likely to have a significant impact from 1 July this year. I know the commonwealth thinks there will be negligible impact in terms of people dropping health insurance and becoming more dependent upon the public health service. There are different views about that. I think the health insurers estimate that there may be up to an additional 800 000 procedures — surgeries — transferred. The commonwealth seems to think the figure will be negligible. Anywhere between those two figures, or certainly at the higher end of those figures, would have a dramatic consequence right across Australia. That is a reality, that is coming, that is a change which the commonwealth has made — and it is entitled to make that change — but there are consequences there, uncompensated consequences.

And I make the observation again that had we not pursued with the Western Australian government changes to the health agreement that was signed under Prime Minister Kevin Rudd and indeed signed by my predecessor and the current Leader of the Opposition, the then health minister, Victoria would have been dramatically worse off. That was a deal that would have put enormous pressure on the Victorian health system.

It was a wrong decision. It was a decision that should not have been taken. It was taken at a COAG meeting. It is a little over two years since that decision was made. There were nine leaders at that meeting. The Western Australian Premier declined to sign the agreement. We committed to review it when we were in opposition. We undertook that review, and at the first opportunity, the very first opportunity, we had at COAG, where we worked with the Western Australian Premier to look again at that agreement, the leaders of other jurisdictions who had previously signed up to this rushed to change it and to put in place a different agreement — itself not a perfect agreement but a much better one than was in place. It is, I guess, a political curiosity that of the eight Labor leaders who signed that agreement, seven have departed in the last two years. I guess that says something about the agreement, something about politics in this country — —

Mr PAKULA — It says political mortality befalls us all, Premier.

Mr BAILLIEU — Mr Pakula, I am sure the smile on your face is you simply reminding yourself of those wonderful moments on this side of the table. Suffice to say, not only would that have been bad for the health system here in Victoria but it would have limited our capacity to get any benefits out of the GST as well. It was

a wrong deal. But I can tell you the budget here is making significant additional investment in capital expenditure in 12–13. I mentioned the beds at Ballarat, the maternity services at Sunshine Hospital, the new Charlton hospital, the upgrade at Geelong Hospital, the Frankston Hospital, the Castlemaine hospital, the radiotherapy services — —

Mr PAKULA — Eye and ear.

Mr BAILLIEU — I am sorry, Mr Pakula?

Mr PAKULA — Eye and ear.

Mr BAILLIEU — Indeed. The radiotherapy services at Warrnambool, the redevelopment expansion of Kilmore hospital, the chemotherapy services at Seymour hospital, on top, again, of the Victorian Comprehensive Cancer Centre and the Bendigo hospital.

Mr O'BRIEN — Well done, Premier!

Mr BAILLIEU — Mr O'Brien, even in challenging times we have maintained a focus.

Members interjecting.

The CHAIR — If my extreme left and my extreme right would just calm down a bit.

Mr BAILLIEU — Mr Chairman, I am sure the interests of everybody in the health system in Victoria are as keen as ever, and my interest in that likewise. We are doing whatever we can to improve the health services in this state. I know the minister is particularly dedicated to it, and I know he will be looking forward to the opportunity to discuss it with you in detail at a future committee meeting.

The CHAIR — Thank you, Premier. We have 10 seconds until the conclusion of the portfolio of Premier. I will allow Ms Hennessy to ask a very brief question, but we will not have time for a follow-up, so just roll it all in together, please.

Ms HENNESSY — Premier, the Auditor-General recently delivered a pretty scathing report which found that your private office had been responsible for delaying freedom of information requests made to DPC for months on end. In that report they identified it and pointed out that your adviser, Don Coulson, had been acting as a clearing house for FOIs right across government. In fact in February Mr Pakula submitted two FOI requests — one relating to Tony Nutt's employment as the director-general of the Victorian cabinet office; that is now 377 days overdue. The second asked for a summary of staff hired by your office. How can the Victorian public have any faith in your promises around transparency and ministerial staff wage restraint when your office will not even tell us how many staff you have, and will you finally stop the practice of having your adviser act as a clearing house for FOIs across government?

Mr BAILLIEU — I appreciate your brief question.

Ms HENNESSY — Just appreciate that you have processed FOIs.

The CHAIR — May I invite you to be briefer in your response.

Ms HENNESSY — How many staff have you got?

Mr BAILLIEU — You are asking another question now. Ms Hennessy, I can absolutely assure you that we have dramatically fewer staff across all our ministerial offices than the previous government — dramatically fewer.

Ms HENNESSY — Then why not answer the FOIs?

The CHAIR — Ms Hennessy, just put a sock in it, please.

Mr BAILLIEU — It would be a joy to have a full reconciliation of all of the staff who previously occupied the offices that we came to occupy. In regard to the Auditor-General's report, I do not accept your

characterisation of the Auditor-General's report, and I remind you, Ms Hennessy, that the vast bulk of that report was a report into FOI procedures from 2008.

Members interjecting.

The CHAIR — Thank you, Ms Hennessy; thank you, Mr Pakula.

Mr BAILLIEU — I remind you as well that we have introduced the most significant changes to the Freedom of Information Act — —

Ms HENNESSY — Taking it backwards.

Mr PAKULA — Yes, making it worse.

Mr BAILLIEU — Mr Pakula, you have to be kidding.

Mr PAKULA — No. Do you want to go through it? Forty-five-day time period — —

The CHAIR — Mr Pakula, I regret I am just going to have to interrupt you and interrupt the Premier and interrupt Mr O'Brien and Ms Hennessy and say to everybody that this concludes the hearing on the portfolio of Premier.

Mr BAILLIEU — Please, Mr Chairman, I would be only too happy to continue.

The CHAIR — I know you would, but we do need to deal with the arts portfolio, so I need to now thank — —

Mr BAILLIEU — I am just mindful of concluding on a basis where the members who were just asking questions, I think, had tongues in their cheeks in regard to — —

Mr PAKULA — Not at all.

The CHAIR — I thank Dr Philip, Mr de Morton and Mr Speagle for their attendance, and we will have a very short break while we change the baton.

Witnesses withdrew.