

RESPONSES TO QUESTIONS TAKEN ON NOTICE – PAEC Inquiry into the 2022-23 Budget Estimates (Assistant Treasurer)

Monday 16 May 2022

(Asked by Mrs McArthur, page 3 of the transcript)

1. What was the value of legal fees of the Premier for the COVID-19 Hotel Quarantine Inquiry? Please also provide a reconciliation of departments and agency legal fees relevant to the Coate Inquiry.

Transcript extract:

Mrs McARTHUR: So the VMIA paid the Premier's legal fees on the quarantine Coate inquiry—can you confirm that?

Mr DAVIES: As we would pay anyone's legal fees on an inquiry that is covered by us in our policies, yes.

Mrs McARTHUR: Okay. Thank you. What was the total value of those legal fees?

Mr DAVIES: I would not have that number to hand.

Mrs McARTHUR: Can we ask you to give us that on notice?

Mr DAVIES: Yes, I can take that question on notice.

...

Mrs McARTHUR: And, in addition, could we please have a final reconciliation of all the departments' and agencies' legal fees relevant to the Coate inquiry? That may be for the secretary of the department.

Mr DAVIES: Sure.

Response:

- VMIA clients (including Ministers) are insured under VMIA's Combined Liability policy for a broad range of liabilities that may arise from the exercise of their functions including legal representation expenses related to inquiries and investigations.
- VMIA Combined Liability policy provides cover for reasonable representation expenses as detailed in the following insurance provision:
“Formal Investigation and Representation Expenses VMIA will pay to or on behalf of the Insured, claims first made and notified during the Policy Period for all reasonable Representation Expenses incurred by the Insured in respect of any Formal Investigation.”
- Representation Expenses are defined as reasonable and necessary costs and expenses incurred with the prior written consent of VMIA for the principal purpose of preparing documents and information for and responding to or attending any formal investigation or any other inquiry or coronial inquest.
- Insurance was in place to protect the State's financial position as it responded to the pandemic including participation costs in the Coates Inquiry.
- The VMIA does not disclose the details of insurance claims and payments of legal fees associated with legal representation (including for ministers or officials).

(Asked by Mrs McArthur, page 3 of the transcript)

2. Please provide a list of Ministers the VMIA covered and the amounts.

Transcript extract:

Mrs McARTHUR: Also, were the legal fees of other ministers covered by the VMIA?

Mr DAVIES: Under our policies, ministers and officials of the government—yes—are covered by the VMIA.

Mrs McARTHUR: Can you give us that list of who was actually covered and the amounts entailed?

Mr DAVIES: Anyone who made a claim that is covered by our policies would have been covered.

Mrs McARTHUR: So you will provide that information to the committee?

Mr DAVIES: We can take that question on notice, yes.

Response:

- The ministers and government officials who appeared before the Coate Inquiry is public information.
- The VMIA does not disclose the details of insurance claims and payments of legal fees associated with legal representation for individual ministers or officials of government.

(Asked by Mr Barton, page 8 of the transcript)

3. Are there plans to change the fees of the commercial passenger vehicles levy.

Transcript extract:

Mr PEARSON: Okay. All right. Well, if there are issues you wish to canvass or raise with me either in this forum or in another forum, I am happy to take them on notice and ensure that there is that robust, rigorous process. Again, it is not for me to intervene and try and tell the ESC what the answer should be, but I do want to make sure that the ESC have all the available information in order to make this determination, that they get all the facts and that they can have a broader appreciation for how the market has changed and how the landscape has changed and to develop that appreciation as to the cost base for these organisations and these businesses in order to determine what is a fair return for the labour and the service provided by taxi drivers and that that is fairly reflected.

Mr BARTON: Thank you, Assistant Treasurer. You know my views about the Essential Services Commission. I think we are at a stage where it is well past its use-by date having them set fares for the taxi industry. You have got the rideshare industry being able to set their fares and their own conditions willy-nilly, and after the reforms of 2017, when we were supposed to get rid of all the red tape, we were left with a pair of handcuffs. You can understand why the industry has completely lost confidence in the Essential Services Commission: one fare rise in 14 years, the last one eight years ago—and even though they are doing a review now, we will not see the results of that this year. Is it not time that we deregulate rank and hail work and allow the taxi industry to actually have a level playing field instead of just talking about it?

Mr PEARSON: Mr Barton, my understanding is that there will be a draft report issued this year—I think it might even be as early as June of this year—in relation to some of that work. Again, I am happy to seek some further advice and come back to you if I can provide additional information. You have got have checks and balances in place in relation to these matters. If it is completely deregulated, I am not necessarily sure whether that would lead to all the promised and hopeful outcomes you might be referring to.

Response:

This question should be referred to the Minister for Public Transport as it relates to functions set out under the *Commercial Passenger Vehicle Industry Act 2017* which is the responsibility of the Minister.

(Asked by Mr Newberry, page 14 of the transcript)

4. Please provide a list of CBD government owned spaces.

Transcript extract:

Mr NEWBURY: I wanted to talk for a moment about government buildings. Obviously we know that the government has confirmed a policy change in terms of government employees. We have heard previously the Treasurer talk about three days a week; I know a number of secretaries have informed their staff that employees would work in the office two days a week with an option of a third. I have seen emails to departments stating that. If I can firstly start, have you got a list of CBD government-owned space—and perhaps it is a question you might want to take on notice—that is, how much do you have?

Mr LOOS: We will take that one on notice.

Response:

The following list details all government owned sites within the CBD that are under Shared Service Provider (SSP) management:

Street Address	Suburb	Ownership
1 Macarthur Street	East Melbourne	DTF Owned
1 Treasury Place	East Melbourne	DTF Owned
2 Treasury Place	East Melbourne	DTF Owned
20 Spring Street	East Melbourne	DTF Owned
23 St Andrews Place	East Melbourne	DTF Owned
3 Treasury Place	East Melbourne	DTF Owned
33 St Andrews Place	East Melbourne	DTF Owned
41 St Andrews Place	East Melbourne	DTF Owned
436 Lonsdale Street	Melbourne	DTF Owned
55 St Andrews Place	East Melbourne	DTF Owned
565 Lonsdale Street	Melbourne	DTF Owned
717 Flinders Street	Melbourne	DTF Owned

(Asked by Mr Newberry, page 15 of the transcript)

5. Has there been a reduction in the use of those spaces? Or is the government investigating that? What work has been done to review the Government's accommodation requirements?

Transcript extract:

Mr NEWBURY: So is there anything perhaps that you can take on notice in terms of the work that is being done on what type of space or is there any comment that you can provide? I would think that if your staff are using the space maybe half the time they work, there will definitely be a reduction in need for space. Is that a fair comment?

Mr PEARSON: Well, it depends, I think, Mr Newbury. The target we have got I think is in the order of 12 square metres per FTE. I know the question you are asking. I think it is difficult at the moment because it is quite a volatile environment that we are in. If you look at the first six months of this year, we have had omicron, we have had school holidays, you had the long Easter break, you are having—

Mr NEWBURY: No, I mean, I was here for that too, but—

Mr PEARSON: Sure, but if I can just continue: if you are looking at sort of, say, 10 000 cases a day where people are either testing positive or they have got caring responsibilities, it does change the way in which people are coming to and from work. So I think from our perspective it is about trying to look at effectively managing the leases that we have got in place and looking at trying to find those ways in which we can activate that space as best we can. I understand the vacant space rate—I am sure I can confirm this, but I think it is about 0.48 per cent across the portfolio. So the vacancy rate is very low. We are very focused on trying to—

Response:

DTF CBD Owned portfolio utilisation

- DTF CBD Owned portfolio accommodation utilisation remains high at 99.96% across the portfolio. The utilisation of this CBD space has primarily remained consistent throughout the pandemic but is continually reviewed in line with workforce requirements. Office attendance has fluctuated over the past two years in line with Department of Health orders and department and agency workforce policies.

Government Strategies to improve space utilisation

The Victorian Public Sector Commission (VPSC) is responsible for developing WoVG strategies and policies for supporting flexible and agile working arrangements across the VPS. SSP work closely with the VPSC in aligning accommodation requirements to the workforce strategies.

- Vacancy rates across the entire SSP office portfolio (as at end of Q3 FY2021-22) is only 0.63 per cent of the whole portfolio of circa 1.1 million square metres (owned and leased). The DTF CBD Owned portfolio portion of the overall vacancy rate is 0.003 per cent. This is reflective of space allocated to client departments.
- SSP is actively managing office accommodation through Centralised Accommodation Management (CAM) to ensure optimal space efficiencies, consulting with key stakeholders to ensure alignment with VPSC workplace policies.
- Initiatives include proactive leasing management, building space optimisation through new accommodation fitout solutions, restacking of occupants, and progressively implementing systems and technology to track and better manage current space utilisation (e.g. Desk booking and Space management systems).

Government's accommodation requirements review

- SSP meet regularly with departments and agencies to understand workforce strategies and requirements.

- SSP seek in the first instance to meet these requirements within the existing portfolio and identify opportunities to achieve efficiencies, savings through occupancy consolidation and footprint reduction.
- Any new leases are vetted against principles of sustainability, equity of amenity, value for money, and support for higher utilisation across the portfolio.
- Any lease renewals are considered for opportunities to uplift fitouts and enable consolidation, driving higher utilisation rates and improved portfolio performance.

(Asked by Mr Hibbins, page 17 of the transcript)

6. Did any Government departments express interest in the 50 LXRA properties in Glen Eira?

Transcript extract:

Mr HIBBINS: I want to ask about land sales and your role as Assistant Treasurer in the coordination of government land sales. There are currently about 50 LXRA-owned properties for sale in Glen Eira, which I assume were acquired through the voluntary acquisition scheme. Did any of the departments or agencies put in an expression of interest for those properties?

Mr PEARSON: I might need to come back to you on that one, Mr Hibbins.

Mr HIBBINS: Okay, take that on notice.

Mr PEARSON: Yes. If I can provide additional information to you, I shall.

Response:

The total number of surplus Level Crossing Removal Project (LXRP) properties currently being prepared for sale is 75, of which 73 are within the municipality of Glen Eira and the remaining two are within the municipality of Monash. As a result of the First Right of Refusal (FROR) process, Homes Victoria expressed an interest in acquiring 11 of these properties and continues to negotiate with the Department of Treasury and Finance and the LXRP. The City of Glen Eira has also expressed an interest in seven of the properties and contracts of sale have been executed between Council and the LXRP.

(Asked by Mr Hibbins, page 17 of the transcript)

7. Please advise how much it cost to acquire those properties in 2016 and what is the current value?

Transcript extract:

Mr HIBBINS: Okay, fantastic. These properties would have been likely acquired in 2016 and are now being sold in 2022. Given the state of property prices now, that is probably a pretty tidy profit that the government is making. Are you able to inform the committee how much it cost to acquire those properties and what their current values are?

Mr PEARSON: I would need to seek some guidance on that, Mr Hibbins. It is not clear to me which department or agency may have acquired them. If we are in the process of selling those assets, I am not necessarily sure we want to be disclosing what our value is for those assets because it might prejudice the sales process, but I am happy to take some advice on that. I think more broadly if we look at land sales at a higher level, government looks at actively managing its portfolio of land and working out if land is surplus to requirement and then running through that first-right-of-refusal process with arms of government to then work out whether—

Response:

Details related to the values of these properties are commercially sensitive, as the sale of the 75 LXRP properties is ongoing. Results from the sale of surplus government land are progressively published on the Department of Treasury and Finance's website once properties have been sold and settled (refer to <https://www.dtf.vic.gov.au/government-land-sales/recent-sales-history>).

(Asked by Mr Hibbins, page 18 of the transcript)

8. Have there been any exemptions made by departments on land sales?

Transcript extract:

Mr HIBBINS: Okay, thank you. Again I will just ask about the first-right-of-refusal process. One of the issues that the Auditor-General raised was around the time line and the ability for agencies to actually meet that 60-day time frame to put in an expression of interest and being unaware that they can request an extension. Has the department, subsequent to the Auditor-General's report, actually looked at that policy or looked at making sure that agencies are best placed to be able to seek expressions of interest in land transfers?

Mr PEARSON: Mr Loos might wish to supplement my answer, but I think the answer is yes. In terms of the first right of refusal, it is a policy that we go through, but I do not think it is so constrained and restricted that, 'Well, you haven't had the opportunity to put in an offer for 60 days, therefore you're out and therefore it is rushing to the sales blocks'. Usually these processes are fairly iterative and involved. The department seeks to work out in the first instance whether land is surplus to requirements, and it goes through an extensive consultative phase.

Mr HIBBINS: I am aware of the process. My understanding in regard to the existing land sales policy is that exemptions can be requested by you or cabinet in terms of agencies not having to meet the market value of the property. Have any exemptions been requested by agencies in regard to the land sales policy?

Mr PEARSON: I would imagine that would be the case.

Mr LOOS: We will provide a detailed statement.

Mr PEARSON: I will try and get some further information to you, Mr Hibbins. If I can provide additional information to you, I shall.

Response:

The *Victorian Government Land Transactions Policy* (LTP) states that in cases where another government entity expresses an interest in purchasing surplus government land that it should be transacted at the current market value. Exemptions to this policy requirement are possible and are described in the LTP, and some agencies have requested exemptions in the past. Exemptions are typically limited to situations where land must be retained within government (e.g., land that sits within a public acquisition overlay) and the transfer will result in more efficient land management.

(Asked by Mr Hibbins, page 18 of the transcript)

9. In the last FY, how many properties were sold, how many EOIs from Departments and how many proceeded to be transferred?

Transcript extract:

Mr HIBBINS: You can take these on notice if you like, Minister. In the previous financial year how many properties were sold, what was the total revenue from those properties, how many expressions of interest were submitted by government agencies on those properties and how many proceeded to transfer?

Mr PEARSON: Mr Hibbins, you are talking about past actions, and I think this is more about the estimates. But I think if we look at the sale of non-financial assets, for this current financial year we are expecting \$302 million, \$654 million for the next financial year, \$639 million for 2023–24, \$507 million for 2024–25 and \$400 million for 2025–26.

Mr HIBBINS: And what of that is land sales?

Mr PEARSON: Well, it is non-financial assets. That includes a variety of asset sales, and that is where you would find the surplus government land. It is budget paper 5, chapter 1, page 10.

Mr HIBBINS: Again, perhaps the specifics in terms of land sales and those questions that I asked could be taken on notice, if you are unable to—

Mr PEARSON: Yes, okay. Budget paper 3 includes an output performance measure for DTF titled 'Revenue from sale of surplus government land including Crown land'. For 2021–22 DTF's target is \$150 million. This target is expected to be met, subject to the outcome of a number of property sales over the coming months.

Response:

For the 2020-21 financial year, 16 properties were sold by the Department of Treasury and Finance for an aggregate sale value of \$94.863 million.

There were four expressions of interest received from government entities via the First Right of Refusal Process relating to the purchase of three of these 16 properties (i.e. two EOIs related to the same property). All three properties were subsequently sold to government entities as a result of the FROR process.