

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2022-23 Budget Estimates

Melbourne—Monday, 16 May 2022

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

Mr Danny Pearson MP, Minister for Regulatory Reform,

Mr Chris Barrett, Deputy Secretary, Economic Division, Department of Treasury and Finance; and

Mr Andrew Davies, Chief Executive Officer, Victorian Managed Insurance Authority; and

Dr John Hamill, Chief Executive Officer, Essential Services Commission.

The CHAIR: I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be with us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

We welcome the Minister for Regulatory Reform and officers of your department. We invite you to make a 5-minute presentation, which will be followed by questions.

Visual presentation.

Mr PEARSON: Thank you, Chair. In 2020 the government made a substantial commitment of \$74.8 million over four years to fund our regulatory reform agenda, and I am just so very proud of what we have achieved over the first 18 months of this program. We are not only doing this at a state government level, we are also working closely with local councils to make things easier and simpler for business. This is important, because for many small and medium businesses, local councils are often the level of government they interact the most with.

Some of the initiatives I am particularly proud of and which I will cover in more detail are the Regulatory Reform Incentive Fund that is incentivising reform at both levels of government; the fast-track reviews that are quickly identifying pain points for business so we can action reform faster; the recent *Regulatory Legislation Amendment (Reform) Act*, which received royal assent in March of this year; and our work on better approvals for regulators and better approvals for business.

One of the key programs that is making a real difference is the RRIF, the Regulatory Reform Incentive Fund. This was funded with \$40 million over two years and is currently incentivising the delivery of over 50 regulatory reform initiatives, including 20 being delivered by local councils. Just to highlight a few: we have expanded the network of preapproved routes for oversized vehicles that will reduce delays in approvals and save the construction industry money; we have developed a more efficient and reliable system for determining student eligibility for Skills First funding, which will reduce the burden on education and training providers and make it easier to enrol in training; we are removing paper-based renewals of liquor licensing, halving the time it takes for retail and hospitality businesses to apply for their renewals; and we have supported local councils to digitise permit approval processes and develop explanatory materials. Many of these reforms are utilising the Service Victoria platform. As we build Service Victoria's capabilities individuals and businesses will increasingly find they need only go to one place to get the information and permits they need to get working sooner and get on with business faster.

We are expanding the success of the RRIF through the Business Acceleration Fund. Like the RRIF, the BAF aims to lower the overall regulatory burden on business by modernising and streamlining regulatory processes, replacing cumbersome paper-based processes with digital processes and reducing duplicate requests for information by enabling businesses to tell government once.

I mentioned last year the work our fast-track review unit is doing to quickly identify pain points for business and put changes in place to ease these pain points. One example has come out of this work with the City of Casey. They are currently piloting automatic approvals for outdoor fitness trainers in parks called Skip the Permit, saving fitness trainers seven days in wait time for a permit. I am also delighted that the *Regulatory Legislation Amendment (Reform) Act* passed the Parliament in March of this year. This legislation was a package of reforms to help regulators better respond to emergencies and made other regulatory improvements.

The government has not stopped there. The Better Approvals for Regulators program, being led by the commissioner for better regulation, has implemented several initiatives to speed up regulatory approval processes in the building, electrical and meat processing industries. Our Better Approvals for Business program is reducing the time and cost for industry to get approvals for telecommunications infrastructure, to support better delivery of telecommunications services in Victoria.

Turning now to the ESC, the *Essential Services Commission (Compliance and Enforcement Powers) Amendment Act 2021* completes reforms to improve consumer protections in energy through the delivery of the government's energy fairness plan. The ESC was provided with \$27.274 million over four years in the 2019–20 budget to deliver the government's plan to reform energy pricing and marketing practices and strengthen the ESC's enforcement powers.

Turning now to social housing reform, we announced the independent *Review of Social Housing Regulation*, and the review aims to identify regulatory opportunities to support the growth of the social housing sector. The review panel published their interim report in December 2021, and the final report is expected to be released this year. The government will consider these recommendations and respond after this time. So, look, I am really pleased. When I came before you last year I talked about the 1991 Premiers conference and the fact that it was landmark because you had the federal government saying to the states, 'If you can improve your taxation arrangements, if you can improve your internal productivity, we will look at funding you', and that formed the basis by which all the productivity reforms throughout the 1990s led to our growth and prosperity. Now, I want to do something similar with local government. I have been really well assisted by the Parliamentary Secretary to the Premier, Mr Dimopoulos, who has worked with me as well as other colleagues to really drive these initiatives. So I am super excited. Regulatory reform, I have got to say, Chair, is going off, and I am just so excited. I am happy to take your questions.

The CHAIR: Perfect timing. Thank you, Minister. Mrs McArthur.

Mrs McARTHUR: Thank you, Chair; thank you, Minister. I am so glad something is going off. To just go back to the commissioner for better regulation—

Mr PEARSON: Yes.

Mrs McARTHUR: how much does that cost—that area? What is the commissioner's budget?

Mr PEARSON: I might need to come back to you and see if I can provide some additional information to you. The commissioner for better regulation—Ms Cronin, I think, would be known to you—has worked extremely well in that role for a number of years now. It is a small team, it is a nimble team, but they are delivering terrific outcomes based on a very modest and targeted investment. One of the really important things that Anna has done, which I am really grateful for, is have the ability to try and look at bringing together all the different regulators to look at best practice. You want to collaborate. You want an agile environment. You want a collaborative environment, if people are doing interesting things in a particular location, to share that information and share those learnings. So, look, the commissioner is doing a great job; her team is doing a great job. I think they have significantly looked at improving the operational efficiency of regulators across the state, and if I can provide additional information to you in relation to the funding, I am happy to do so. But pound for pound they are a great team, and they are performing really well.

Mrs McARTHUR: That is excellent. Budget paper 3, page 122, talks about the output initiatives supporting better customer protection in essential services and shows a one-off payment for the 2022–23 year of \$3.9 million. What is this for?

Mr PEARSON: Budget paper 3, page 122?

Mrs McARTHUR: Correct.

Mr BARRETT: It is the Victorian energy upgrades—the ESC.

Mr PEARSON: I might ask Mr Barrett to supplement my answer, but this relates to the Victorian energy upgrades. It is funding for that particular program, but I might see if Mr Barrett wants, or, let me just see, I might have some—

Mrs McARTHUR: Yes, Mr Barrett, if you could.

Mr BARRETT: I might make a start, Minister. Mrs McArthur, thank you for the question. It is actually funding, as the minister said, to the ESC for the Victorian energy upgrades program but also to support the ESC's economic regulatory oversight of the Port of Melbourne, and that includes ensuring compliance with the Port of Melbourne's newly created port customer charter. So there are a number of those areas that are funded for the ESC to do that work.

Mrs McARTHUR: Thank you, Mr Barrett. So budget paper 3 again, page 124, does state that these funds will be used in part for regulatory oversight of the Port of Melbourne. What is the government's expectation in relation to that oversight after 2022–23?

Mr PEARSON: Well, it is a regulated asset, and it will continue to be regulated over the course of the long-term lease. You might recall, Mrs McArthur, that the lease was entered into back in 2016 and that we are now coming up to that first sort of five-year review just in relation to the way in which the port engages with customers. Also, further work has been done in relation to the tariff review, and you might recall that what the government chose to do in setting up this lease arrangement was to look at putting in place increases in the order of CPI until around about 2032 in order to provide consumers and port users with a level of protection. The investment to date—and the minister for ports may wish to add to this when she comes before the committee—has increased its operational efficiency. I think the productivity rate at the port of Melbourne has increased by about 25 per cent, it is 30 per cent more efficient than its nearest competitor and it will make further improvements and changes with the \$150 million port rail investment.

Mrs McARTHUR: Okay. Thank you, Minister. Budget paper 3, page 126, shows an asset initiative for economic regulatory services supporting better customer protections in essential services of \$4.1 million. What is this for?

Mr PEARSON: I think that might go to IT upgrades—that would be my guess. But look, I am happy to invite Dr Hamill, who is the CEO of the Essential Services Commission, to add to that just to ensure that we can answer your question, Mrs McArthur.

Mrs McARTHUR: Thank you so much.

Dr HAMILL: Thanks for your question. The minister is correct: that is for an IT upgrade. We currently have an IT system that is quite old, and to support the VEU system, which processes about 6.1 million certificates a year, we are in the process of renewing that IT system to make sure that it is modernised and able to manage all the aspects associated with that system into the future.

Mrs McARTHUR: Okay. Thank you. Minister, you have talked this morning of the advantages of state purchasing contracts, and from a Melbourne-based spreadsheet wizard plumbing-of-government point of view you might be right, but in the case of the banking and financial services contracts, this is hugely damaging to rural community groups. The Avoca and Beaufort community banks have to date retained the accounts of many local education and health providers. When this ends, the money these enterprises invest in regional towns will be lost. Tens of thousands of dollars directed by locals can make a huge difference. Did you consider this loss when you insisted they move over to the big four?

Mr PEARSON: Well, Mrs McArthur, this is probably more in line with my Assistant Treasurer portfolio, but I am happy to answer the question.

Mrs McARTHUR: That is very good of you.

Mr PEARSON: I am always happy to help the committee; I value your work. The tenders started on 1 October last year, and we opened that up and we encouraged a variety of players to come forward and bid. As I understand, the Bendigo Bank did not choose to participate in that tender process. What we have done is we have created a panel of providers, being the National Australia Bank, the Commonwealth Bank and Westpac, which has increased the branch footprint by which they can bank, so there are 140 additional regional banks that they are now able to bank there, as well as 466 local Australia Post offices located throughout regional Victoria.

The CHAIR: Thank you, Minister. Thank you, Mrs McArthur. Mr Maas.

Mr MAAS: Thanks, Chair, and thanks again, Minister. If I could take you to the topic of the Business Acceleration Fund, which you touched upon in your presentation, and specifically I will take you to page 123 of budget paper 3. Under the subheading of ‘Economic and policy advice’ it says:

Funding is provided to extend the Regulatory Reform Incentive Fund, to be renamed the Business Acceleration Fund ...

I was just hoping that you would be able to inform the committee a bit more about the Business Acceleration Fund and how that would work.

Mr PEARSON: Yes. Look, we have had a fantastic time over the last couple of years working with councils and businesses about how we can try and improve the efficiency and how we can try to improve the citizen interface, so this work will build on that, and again I am grateful for the work by Mr Dimopoulos as well as my other ministerial colleagues to drive these initiatives. So far to date the RRIF has funded over 50 reform initiatives across a state and local government level, and we really want to try and encourage the way for councils to come forward with their best ideas about how we can look at improving the citizen experience. Now, it is all good and well for me to say as the Minister for Regulatory Reform, ‘Thou shalt do it. Off you go, do it’, but we know that just does not work. It is much better to turn around and say, ‘Look, let’s try and find a way where we’—the royal we—‘will give you a bit of money; you go off and look at improving the business interface or the citizen experience’ in order to improve those efficiencies and reforms. And we are fortunate, because with local government as a sector there is that capacity to try and cross-pollinate ideas. So if one particular council is doing something particularly important, I have got every confidence we can replicate and roll that model out, because the reality is digital solutions are scalable. So you make the initial investment, but the marginal cost per transaction is relatively low once you have set up the infrastructure.

Today we estimate we have generated around about \$200 million in economic benefits to the Victorian economy every year, and that is off the RRIF. But we want to try and do more of this work and really try and find ways where business can come back and basically spend less money on pointless and meaningless compliance and administration and can really get on with focusing on what they want to do best. Often I think, in terms of those statutory requirements for businesses to act in certain ways or fulfil certain functions, digitising that—as we have seen with the Service Victoria app, as an example—can really drive those levels of efficiency. So it is about finding those ways where those slow, cumbersome paper-based analog solutions can be removed and replaced with a more digital offering, and it is about making sure that those complex and overlapping rules making understanding and meeting compliance requirements difficult and time consuming for businesses can be dealt with, as well as driving those efficiencies so there are more longer term benefits for business.

To date the RRIF has been really successful—\$50 million in, \$200 million out per annum in relation to the benefits—and I have got every confidence that the Business Acceleration Fund will be able to do that, because we want to try and improve the citizen experience and we want businesses to be able to focus on the things that they do best, rather than being bogged down in dealing with those sorts of analog statutory requirements and compliance issues which frankly do not add a lot of value in and of themselves but can take up a significant amount of time. Now, that is not to say you do not have regulatory oversight—you absolutely do. But how can we try and find that sweet spot where we can look at having a better experience for business, reduce the regulatory burden and the complexity and allow businesses to get back to doing what they do best?

Mr MAAS: Thank you. You spoke of some of the longer term improvements for Victorian businesses, so I am just wondering if you could elaborate on how the Business Acceleration Fund will help Victorian businesses.

Mr PEARSON: Yes. Look, this is about again streamlining the regulatory processes that businesses have to go through to get their regulatory approval either for licences or registrations. The previous RRIF has sped up 292 000 approvals and saved Victorian businesses a collective 287 000 days in fast-tracked paperwork and administrative tasks, and the BAF, the Business Acceleration Fund, will build on that, because we want to get businesses to be able to get back to doing the job of their business and so their time can be spent on hiring staff or investing in new capital and, more importantly, providing Victorians with the essential goods and services that they need.

We are also hopeful, confident, that the BAF will reduce barriers to business growth by making it easier and quicker to get permits, licences and registrations. Indeed many businesses will find it quicker and easier to get permits and registrations to open that new store or move to a bigger location. Again, I think it sort of comes back to the comments I provided to Mrs McArthur previously about the work of Better Regulation Victoria. Efficient businesses can improve their operational efficiency when they start to collaborate and share, when they start to work together and start to say, 'Well, look, this is what best practice looks like' or 'This is the situation that I've gone through, and this is what we can do'.

A digital offering has got the ability to be scaled up, replicated and rolled out, and I think that when you start to look at having that level of advancement, that rolling it out, that replication, what you end up finding is that the citizens find that it is a good experience to engage with and they will use more of it. And the more that they invest in us and the more that they use our solutions, the better we will be. So it gets to that virtuous circle: you play yourself into some form, you get better and businesses get to the position where they think, 'All right. That was a good experience in terms of getting that approval, getting that licence or getting that registration, and I'll continue to embark on using it'. Often in many ways, if you think about it, with statutory compliance there are often similarities across the board, so from a digital perspective you have got the ability to have that solution that, you know, the skin might change, the delivery might change and the branding might change, but the technology that is behind it that enables it can be quite useful.

The work with local government is important because if we can do something really innovative, like we are over at Casey in relation to fitness trainers, if we can get this right and get it working, why can't we roll it out for other fitness trainers right across Victoria? Why can't you then expand it to other uses of council facilities that require a licence or regulation to do that? You know, you are looking at improving the citizen experience, because we have got to try and put the citizen at the centre. One of the challenges with our system of government, the Westminster system, is the solo nature of departments and agencies reporting through to ministers. Traditionally the Westminster system of government does not naturally lend itself to this model, but we have got to try and find ways of using this opportunity more effectively to improve the citizen experience and find those ways where we can replicate it. You know, from a citizen's perspective, whether the livery changes or not or whether the title changes or not, I mean, people do not really care, I think. I think what they are looking for is a really good citizen experience. But putting citizens at the centre and enabling businesses to improve their operational efficiencies, with these sorts of investments that we make from a digital sense that we can then roll out, replicate and re-use on a broad scale and a wider scale, are exciting. And working in partnership with local government, I reckon it is fantastic to find ways where we can work together constructively and collaboratively to get a better outcome for citizens. If we can make councils more efficient and improve their operational integrity, that is a really good thing. It is something I find very exciting. I love this. It is really good, because it is important work.

Mr MAAS: Indeed. Processes around priorities in funding—so there would have been processes under the RIF. Are those processes going to be similar under the Business Acceleration Fund?

Mr PEARSON: Under the RIF it is all about harvesting the very best ideas put forward by departments and local councils, and in the first instance this was about working with departments and councils on their ideas. We wanted them to submit, formally, their proposals, covering what they would like to be funded. In order to do that we held a number of regulatory reform round tables, and again I am grateful for Mr Dimopoulos for his work in assisting me here. First, we saw representatives of larger businesses, like the Victorian Chamber of Commerce and Industry, AIG, AHA; second, it was with representatives of smaller businesses, such as the

ARA, restaurant and catering Victoria and the Council of Small Business Organisations Australia; and third, it was with local councils. So again, in addition to Mr Dimopoulos, the Minister for Small Business and the Minister for Local Government also assisted me as well. It was about trying to get those ideas that they had and then have them reviewed and assessed by the regulatory reform team in the Department of Treasury and Finance. I am happy to provide further information for you, Mr Maas, on notice.

Mr MAAS: Thanks, Minister.

The CHAIR: Thank you, Minister. Mr Barton.

Mr BARTON: Thank you, Chair. Minister, the budgeted cost of Commercial Passenger Vehicles Victoria for 2022–23 is \$112 million and the budgeted cost for running Transport Safety Victoria is \$44.8 million. The government has announced that you intend to merge these two regulators together to create a new entity. The industry over the last decade has had four major things happen. It goes back to Allan Fel's reforms of 2012. We have had the Andrews government in 2017. This will be the fourth rebranding of the regulator. Does the government anticipate there will be cost savings with the merging of the CPVV with Transport Safety Victoria, and if so, can you identify that number?

Mr PEARSON: I think, Mr Barton, in relation to those questions about any efficiencies that are likely to be achieved through that merger, they are probably best directed to the Minister for Roads and Road Safety, because it would be his responsibility under the general orders about managing that. Intuitively my sense would be the answer would be yes, but in relation to those specifics, I would not have that, and I am pretty sure the Department of Treasury and Finance would not have that information, but I would have every confidence that the Minister for Roads and Road Safety should be able to assist you in that inquiry.

Mr BARTON: Thank you, Minister. While the government has decided to merge the CPV and transport safety, this merger has failed to address the duplication of roles that occurs with the CPV and VicRoads. When it comes to functions such as registration enforcements and licensing, did you consider the costs incurred by the duplication? Because I can certainly help you with the cost that is being applied to the industry by having this duplicating of services.

Mr PEARSON: Look, again the decision in relation to that proposed merger would not have come through my office, because again it would be the responsibility of the Minister for Roads and Road Safety. But I think, Mr Barton, as per my previous answer in the previous session, that you would have some insights in relation to the way in which you can improve the efficiency and the citizen experience or the user experience from a taxi perspective and about how we can try and more efficiently regulate the sector and find those ways in which we can identify efficiencies and improvements.

In relation to the specifics that you are referring to, I think the Minister for Roads and Road Safety is best placed to answer some of those issues. But from my perspective, if you have got thoughts or observations about improving the regulatory performance of the regulator, I would be keen to understand what that might be with a view to then putting it through our processes for the BAF to say, 'All right, well, is there a way in which we can try to improve the citizen experience for taxi owners or taxi operators in relation to their licensing or their registration?'. You know, is there a digital solution that would be particularly apt and relevant in relation to improving that experience but also in relation to reducing either the costs associated with getting licensed or registered or in relation to improving the timeliness with which those registrations or licences are issued? So I am very happy to continue the conversation offline in another forum, Mr Barton, to understand from your perspective if there are some specific improvements that you think could be made to the system in order to improve that experience.

Mr BARTON: Thank you, Minister. It is almost every second day in terms of regulatory reform that I get contacted by rural and regional operators about the amount of red tape that is now being applied to these very small businesses. I accept that we should be going digital and doing as much as we can, and that is okay when you are talking about the big players. But when you are talking about one operator who runs a car in Manangatang, they should not have the same regulatory burden applied to them as what is being applied to 13cabs or Uber, and they are struggling with this stuff.

Mr PEARSON: Well, look, again can I suggest that maybe what we at look at doing is having a further conversation with you and perhaps the commissioner for Better Regulation Victoria subsequent to this hearing

to identify some of the particular unique challenges that these businesses are facing and identify ways in which we can improve the user experience from their perspective.

Mr BARTON: Thank you, Minister.

The CHAIR: Thank you, Mr Barton. Thank you, Minister. That concludes the time we have set aside for consideration of the regulatory reform portfolio. We thank you for appearing before the committee in this capacity today. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

The committee will now take a 5-minute break before resuming consideration with you of the government services portfolio.

Witnesses withdrew.