

RESPONSE TO QUESTIONS TAKEN ON NOTICE OR AGREEMENT TO PROVIDE FURTHER INFORMATION – PAEC Inquiry into the Victorian Government’s Response to the COVID-19 Pandemic Round 2

Tim Pallas MP, Treasurer

David Martine, Secretary Department of Treasury and Finance

TREASURY PORTFOLIO

1. What will be the expenditure for government for the first four months of the financial year 2020–21 for the hotel quarantine program?

(Asked by Mr Riordan on page 6 of the transcript)

Transcript extract:

Mr RIORDAN: Okay. It seems very difficult for everyone to answer these questions. Back to the Treasurer. Treasurer, international flights into Melbourne were stopped in July and will not recommence until at least 24 October. What will be the expenditure for government for the first four months of the financial year 2020–21 for the hotel quarantine program?

Mr PALLAS: Well, look, I do not have that information directly available to me. I might ask the—

Mr RIORDAN: We will take that on notice, Treasurer.

Mr PALLAS: Well, I might ask the Secretary of the department if he has that information. If he does not, of course, we can take it on notice and provide that information.

Mr RIORDAN: We will take it on notice.

The CHAIR: Mr Riordan, you have asked a question. Can you allow the Secretary the opportunity to answer it, please? We do not just take everything on notice.

Mr MARTINE: I am happy, Chair, to take that on notice.

Response

Information to fully assess costs related to hotel quarantine for the first four months of the 2020-21 financial year is not yet available to DTF.

2. In May, it was announced that there will be the social or the public housing maintenance, part of the building works program. Specifically, \$155 million for upgrading and repairing public housing units for works that can be delivered quickly and \$110 million for the build of new kitchens and bathrooms. Treasurer, can you indicate how much has actually at this point been expended on those two budget line items?

(Asked by Mr Hibbins on page 8 and 9 of the transcript)

Transcript extract:

Mr HIBBINS: Thank you, Chair, and thank you, Treasurer and secretaries, for appearing before the inquiry today. I want to ask, firstly, about the social or the public housing maintenance part of the building works program that was announced in May, and specifically the \$155 million for upgrading and repairing public housing units for works that can be delivered quickly and the \$110 million for the build of new kitchens and bathrooms. Treasurer, can you indicate how much has actually at this point been expended on those two budget line items?

Mr PALLAS: Yes. Well, in fact I suppose we have committed something like \$498 million dedicated to creating thousands of jobs and boosting Victoria's economic recovery from the coronavirus pandemic. In addition to the \$30 million that is being invested in maintenance and upgrade of the government-owned specialist disability accommodation, \$155 million, of course, as you have just identified, Mr Hibbins, for maintenance and upgrade works that can be delivered quickly. It will do things like painting and roofing on more than some 15 000 public housing properties. Additionally, of course, \$110 million—

Mr HIBBINS: Sorry, Treasurer, I am familiar with the program. I am just asking how much has been expended to date, for the benefit of the committee.

Mr PALLAS: Well, look, can I say I cannot give you a specific figure. What I can tell you is: of the \$2.7 billion worth of stimulus work that we have identified, which includes of course effort and activity that has been put in place when it comes to public housing, we are very conscious of the need to get this expenditure out and about. We are putting in place oversight and management measures that will ensure that they do get spent quickly. I cannot give you and I will take on notice, if you are happy to receive this out of session—

Mr HIBBINS: That would be great.

Mr PALLAS: What I can indicate to you is that we have systems in place where I am asking for continuing reporting about how quickly this is being managed. I am not anxious to spend the money without making sure that we have got appropriate recognition of the systems that are in place to ensure that not only is it spent effectively, it is spent in the areas of greatest need and it gets out the door as quickly and prudently as possible.

Mr HIBBINS: Excellent. If you could provide that information on notice, that would be terrific. And also, possibly, if you could provide just where that money has actually been expended by postcode or by estate, that information would be of great assistance to the committee. Staying on public housing—

Mr PALLAS: Can I just say, I will try and get it to you in as great a particularity as is available to government at the moment. As you would appreciate, it may not be by postcode, it might be by local government area or particular facility, but I am sure it will be provided to you in a means that will give you sufficient identification of the locations.

Response

As at 17 August 2020, \$8.77 million had been expended from projects underway to maintain or upgrade 1655 public housing properties, worth a total of \$38.1 million of which 30 upgrades are complete. Processes are underway for a further \$115m worth of projects to be committed in early September.

Works have occurred across 64 different locations. Locations where spend to date has been over \$300,000 across both funds include the Local Government Areas of Banyule, Frankston, Greater Shepparton, Hume, Mildura, Mitchell, Whitehorse and Yarra Ranges. The programs are the responsibility of the Minister for Housing.

3. There is a report in the media this morning about new modelling from Deloitte on the impacts on the economy. Could that please be provided to the committee?

(Asked by Mr O'Brien on page 11 of the transcript)

Transcript extract

Mr D O'BRIEN: Good morning, Treasurer. Treasurer, to begin with you referenced new modelling, and there is a report in the media this morning about new modelling from Deloitte on the impacts on the economy. Could that please be provided to the committee?

Mr PALLAS: Yes, that is not a problem, and we will be making it public as well, so that will be available to the committee and to the community.

Response

See Attachment 1.

4. Can you also tell me whether the department has engaged lawyers for the Coate inquiry? Are you able to give us how much that will cost, what you have budgeted for that?

(Asked by Mr O'Brien on page 11 of the transcript)

Transcript extract

Mr D O'BRIEN: Okay, thank you. Secretary, can you also tell me whether the department has engaged lawyers for the Coate inquiry?

Mr MARTINE: Yes, we have.

Mr D O'BRIEN: Are you able to give us how much that will cost, what you have budgeted for that?

Mr MARTINE: A bit hard to answer at the moment. We have not been invoiced by the lawyers that we have engaged.

Mr D O'BRIEN: Okay. Could we have that information on notice when it is available?

Mr MARTINE: Happy to supply that on notice.

Response

The Department has not yet received any invoices for legal costs incurred by its external lawyers in relation to the Board of Inquiry into the COVID-19 Hotel Quarantine Program (Inquiry). Pursuant to the Department's insurance policy, the Department will be indemnified by its insurer for most, if not all, costs incurred by its external legal advisors in relation to the Inquiry.

The Department's external lawyers have advised that they estimate their legal fees up to and including 16 August 2020 are approximately \$210,000 (ex GST). At this stage, it is unclear what additional legal costs may be charged by the external lawyers. Additional expenses will depend on whether any further materials are sought from the Department by the Inquiry and/or any Departmental staff are called as witnesses to give evidence.

5. Did DHHS request additional funds for the public health team as part of its budget bids in 2019-20?

(Asked by Ms Vallence on page 11 and 12 of the transcript)

Transcript extract

Mr D O'BRIEN: Thank you. Treasurer, did DHHS request additional funds for the public health team as part of its budget bids in 2019–20?

Mr PALLAS: As part of their budget bids for 19–20? Look, I would have to take that on notice. As you would appreciate, this ultimately comes to a process that has been worked through our expenditure review processes. Of course allocations are clearly itemised in the budgets themselves. Any specific request from agencies has to go through a process where the agencies themselves have to make a judgement about whether they prioritise that expenditure. My expectation is that therefore the decisions that we have made have been broadly in accord but consistent with our capacity of the priorities that DHHS set. Mr Martine may want to augment that.

Mr D O'BRIEN: Happy for you to take that on notice, Treasurer, and I am also looking for what the amounts of any budget bid were for the public health team and whether they were rejected or accepted—unless the Secretary has further information he can provide.

Mr MARTINE: No—happy to take that on notice, Mr O'Brien.

Response

Additional funding for the DHHS public health output was provided in the 2019-20 Budget. Budget funding for this output increased to \$389.5 million in the 2019-20 Budget, a 5.6 per cent increase on the \$369.0 million provided in the 2018-19 Budget. DTF is not able to comment on the details of Cabinet deliberations.

6. Was the DHHS public health team exempted from any of the whole-of-government savings targets—efficiency dividends and the like? Can you confirm then that the public health team in DHHS was classified as one of those sharp-end services and not subject to government efficiency savings?

(Asked by Mr O'Brien on page 12 of the transcript)

Transcript extract

Mr D O'BRIEN: Thank you. And Treasurer, was the DHHS public health team exempted from any of the whole-of-government savings targets—efficiency dividends and the like?

Mr PALLAS: Well, I can make the point that so far as any sharp-end delivery of services were identified they were all effectively exempt from the impact of these savings. Our intention always was to look at where the government believed that the services to the community could be augmented and improved through more efficient savings, not through the cutting of sharp-end services—

Mr D O'BRIEN: Can you confirm then that the public health team in DHHS was classified as one of those sharp-end services and not subject to government efficiency savings?

Mr PALLAS: Well, I will take it on notice, but I think what I can tell you is that our public health and our contact-tracing teams were provided as part of our \$1.9 billion funding that so far has been announced. We have seen that service grow from some 57 people to close to 2000, as I understand the evidence from the Minister for Health, and all of that has been resourced through our pandemic effort.

Response

The General Efficiency Dividend (GED) applies to all departments and was first announced as part of the 2012-13 Budget Update. It commenced on 1 January 2013 at a rate of 2 per cent and increased to 2.5 per cent from 1 July 2013. The GED applies to departmental output prices each year, in recognition of the annual efficiency gains able to be realised without impacting service delivery. When announced, the estimated savings from the GED excluded frontline employee costs. Within these parameters, departments are responsible for determining where efficiencies can be achieved to meet savings requirements from within their portfolio.

7. Under the terms of the contract signed by your government with the AFL to have all grand finals at the MCG until 2057, obviously under COVID it is looking extremely likely that the grand final will not be held at the MCG this year. Is there any financial exposure to the Victorian taxpayer as a result of that?

(Asked by Mr O'Brien on page 12 and 13 of the transcript)

Transcript extract

Mr D O'BRIEN: Okay. Can I move to another issue—and probably back to the Treasurer. Under the terms of the contract signed by your government with the AFL to have all grand finals at the MCG until 2057, obviously under COVID it is looking extremely likely that the grand final will not be held at the MCG this year. Is there any financial exposure to the Victorian taxpayer as a result of that?

Mr PALLAS: Look, I would have to take that on notice, but I think I would make the point that on the contractual arrangements no decision has yet been made around the siting and location of the AFL grand final, so perhaps we are getting ahead of ourselves. But, importantly, to the extent that a decision were to be made, we would expect that the taxpayer would not be disadvantaged as a consequence of that, and by that I mean that this is a force majeure situation. We would anticipate that therefore, just as the AFL would expect to get some benefit out of not playing in front of a stadium that might well otherwise be empty, should they seek to relocate, we would not see that the state will bear any exposure.

Response

Given the current situation, the Victorian Government and the Melbourne Cricket Club are meeting regularly with the AFL. Currently, no decision has been made regarding the 2020 AFL Grand Final.

The Department of Jobs, Precincts and Regions is the responsible department administering the AFL Funding and Commitment Deed.

8. In the 2018-19 budget you provided \$225 million for the renovation of Marvel Stadium to the AFL. Under a force majeure clause, if the grand final is not held in Victoria this year, would there be compensation available from the AFL back to the Victorian taxpayer?

(Asked by Mr O'Brien on page 13 of the transcript)

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Mr PALLAS: Look, I would have to take that on notice. I cannot go to the specific terms of the arrangements in circumstances that I think you would have to accept, Mr O'Brien, are novel and therefore will require the state to work through them. Certainly, out of respect to the AFL we would want to take the opportunity to talk to them about the consequences in this event. But as I understand it no final decision has been made about the siting of events, and we will have to wait and work if and when that event occurs.

Mr D O'BRIEN: Okay. Just in terms of the first question about any exposure for the taxpayer if the grand final is transferred, it might be a question for the Secretary. But the 2018–19 budget papers indicated that for 2018–19 and 2019–20 a total of \$163.9 million would be spent on that particular program. Secretary, can you confirm if that money has been transferred to the AFL?

Mr MARTINE: I would need to take that on notice because we do not administer that particular program. The money gets allocated to the relevant department and they would have been administering that with the AFL. So I need to take that on notice.

Response

Should the 2020 AFL Grand Final not take place at the MCG, the Victorian Government will seek a negotiated outcome with the AFL that ensures the benefits of the long-term agreement are realised.

The Department of Jobs, Precincts and Regions is the responsible department administering the AFL Funding and Commitment Deed.

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Response

The Department of Jobs, Precincts and Regions is the responsible department administering the AFL Funding and Commitment Deed.

Under the terms of the deed there are agreed deliverables and milestones that the AFL must achieve to receive payment in accordance with the contract payment schedule.

10. Yesterday we were told that Victoria had around 400 ICU beds, which was in contrast to the 4000 that were promised. Are you able to confirm that the \$1.9 billion was actually fully spent on increasing ICU beds?

(Asked by Ms Vallence on page 21 and 22 of the transcript)

Transcript extract

Ms VALLENCE: Thank you, Treasurer. Secretary, some questions to you on your answers to Mr O'Brien earlier: at the last hearings you said that \$5.2 billion had already been spent on the \$10 billion advance and that \$1.9 billion of that, 37 per cent of that, had been spent on additional ICU capacity. Is that correct?

Mr MARTINE: The numbers I would have been referring to relate to the government initiatives that had been announced, of which I do recall \$1.9 billion was allocated for ICU. That is quite different to the concept of the Treasurer's advance.

Ms VALLENCE: Okay. Yesterday we were told that Victoria had around 400 ICU beds, which was in contrast to the 4000 that were promised. Are you able to confirm that the \$1.9 billion was actually fully spent on increasing ICU beds?

Mr MARTINE: That is really a question better asked of DHHS. We do not administer the actual program.

Ms VALLENCE: No, not asking that you administer the program, but you are responsible for the budget, and so has that actually been expended? Has that cost been sunk?

Mr MARTINE: I would need to take that on notice just to check what has actually been spent of the allocation.

Ms VALLENCE: If you could take on notice what has been spent and therefore what remains, that would be good. Can you advise how much has been spent on advertising relating to the pandemic and educating people about the precautions they should take?

Mr MARTINE: I would need to take that on notice as well because my department is not responsible for advertising spending for COVID-19.

Response

Information on actual expenditure for 2019-20 is in the process of being reconciled prior to publication.

Previously announced funding of \$1.9 billion to increase ICU capacity has been used to create additional standing capacity that can quickly be made available, should it be required. To date, the Government has prepared more than 1,560 ICU bed spaces across the State, undertaking the necessary works to ensure these beds have the medical equipment and infectious control measures to care for coronavirus patients. This is about a tripling of Victoria's ICU capacity.

More than 870 ICU beds have been fully equipped and should demand for ICU beds begin to surge, we have the ventilators, IV pumps, patient monitors and other equipment ready to be deployed to rapidly scale up this capacity.

There are contingency plans to flex up further should demand require. This means converting 1,300 spaces in operating theatres, recovery and other ward areas, and emergency department spaces to treat COVID-19 patients.

If further capacity is required, a large scale up of 1,400 ICU beds will be delivered through the deployment of modular facilities on hospital grounds. On 21 March 2020 DHHS launched a major public health campaign 'Managing This Together', in response to the coronavirus pandemic. DHHS has advised DTF that the 2019-20 cost of the 'Managing This Together' campaign is approximately \$6 million.

11. Around the legal fees for the Coate inquiry, can we have on notice a work in progress from the law firms? And also, regarding the AFL finals, can we have on notice if you have received any legal advice and if any payment whatsoever is due to the AFL or the MCC, and how much?

(Asked by Ms Vallence on page 22 of the transcript)

Transcript extract

Ms VALLENCE: And on notice, back to the questions from Mr O'Brien around legal fees for the Coate inquiry, can we have on notice a work in progress from the law firms? And also, regarding the AFL finals, can we have on notice if you have received any legal advice and if any payment whatsoever is due to the AFL or the MCC, and how much?

Response

Should the 2020 AFL Grand Final not take place at the MCG, the Victorian Government will seek a negotiated outcome with the AFL that ensures the benefits of the long-term agreement are realised.

The Department of Jobs, Precincts and Regions is the responsible department administering the AFL Funding and Commitment Deed.

See response to question 4 in relation to the Coate inquiry.

ATTACHMENT 1



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Memo

Date: 12 August 2020

To: Victorian Department of Treasury and Finance

From: Deloitte Access Economics

Subject: Impact of Economic Emergency and Recovery Initiatives: Modelling results

Deloitte Access Economics is assisting the Victorian Department of Treasury and Finance (DTF) with modelling and advice in relation to the economic impact of the Victorian Government's Economic Emergency and Recovery Initiatives ('the initiatives') in response to the COVID-19 pandemic.

This memo provides modelling results.

Please see next page.

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Impact of Economic Emergency and Recovery Initiatives

In response to the COVID-19 pandemic, purposefully designed policies are paramount to underwriting the recovery and prosperity of the Victorian economy.

In total, the Victorian Government has announced more than \$10 billion in response initiatives.

The initiatives are targeted at key industries including health and social services, education, and transport, combined with several significant broad-based measures including business grants, tax deferrals and other transfers.

Deloitte Access Economics has taken these measures as inputs for the Computable General Equilibrium (CGE) modelling with the broad aim being to translate a dollar of announced expenditure in a given sector and given period into a comparable uplift in economic activity. Initiatives included in the modelling were limited only to COVID-19 related spending and as such, the modelling results show the difference between a 'no additional initiatives' scenario and the current scenario.

Stimulating economic activity

The economic impact of the response initiatives has been modelled for the June quarter of 2020 using Deloitte Access Economics' Regional General Equilibrium Model (DAE-RGEM). The results show that the Victorian Government's response initiatives are expected to partly offset some of the large negative impact on the Victorian economy and jobs from the coronavirus crisis relative to a 'no additional initiatives' scenario.

Victorian Gross State Product (GSP) is projected to be around **\$7.5 billion higher** in the June quarter of 2020 (see Chart 1) compared to a 'no additional initiatives' scenario, lifting growth by 6.5 percentage points.

The interventions are expected to create or protect an additional **81,450 jobs** as a result of the initiatives relative to a 'no additional initiatives' scenario (see Chart 2).

Chart 1: Estimated impact of response initiatives on GSP

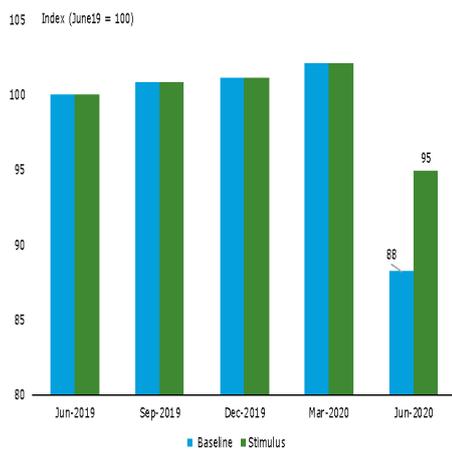


Chart 2: Estimated impact of response initiatives on employment



Source: DAE-RGEM