

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the Victorian Government's Response to the COVID-19 Pandemic

Melbourne—Tuesday, 1 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

WITNESSES

Mr Tim Pallas, MP, Treasurer and Minister for the Coordination of Treasury and Finance: COVID-19,

Mr David Martine, Secretary,

Ms Trudy Hart, Acting Deputy Secretary, Economic Division, and

Mr Jamie Driscoll, Deputy Secretary, Budget and Finance Division, Department of Treasury and Finance.

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

I would like to begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be here today.

This is the third series of public hearings for the Public Accounts and Estimates Committee Inquiry into the Victorian Government's Response to the COVID-19 Pandemic. The committee is reviewing and reporting to the Parliament on the responses taken by the Victorian government, including as part of the national cabinet, to manage the COVID-19 pandemic.

Please note that witnesses and members may remove their masks when speaking to the committee but must replace them afterwards.

Mobile telephones should be turned to silent.

All evidence taken by this committee is protected by parliamentary privilege. 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 as soon as possible.

Thank you for joining us, Treasurer. We invite you to make an opening statement/presentation of no more than 8 minutes. We ask that you state your name, position and the department represented for broadcasting purposes. This will be followed by questions from the committee. Thank you.

Visual presentation.

Mr PALLAS: Thank you, Chair. Tim Pallas, for the purposes of these proceedings Minister for the Coordination of Treasury and Finance: COVID-19. I thank you for the opportunity to present here again. It seems like such a long time ago that I was here before this committee.

Good afternoon to you, Chair, and of course to the committee members as well. And really, thank you for the opportunity to make another presentation to this committee today, this time on the government's response to the pandemic and to my specific responsibilities as Minister for the Coordination of Treasury and Finance: COVID-19.

Like so many countries around the world, the global pandemic has changed everything we took for granted and has resulted in serious impacts to our economy. The unemployment rate is forecast to peak at 8.25 per cent in the December quarter 2020 and to average 7.75 per cent in 2020–21. Victoria's GSP is forecast to contract by 4 per cent in 2020–21, following a small decline in 2019–20.

The unemployment rate outlined in the previous slide does not really capture the full extent of the level of underemployment—those people who were not able to get as many hours of work as they wanted. This measure has risen from 8.4 per cent of the labour force in March to 14.9 per cent in September. Reflecting this rise in underemployment in particular, the labour force under-utilisation rate, which measures both those unemployed and underemployed, has risen sharply since March. The ratio reached over 22 per cent in May—higher than during the early 1990s recession—and remains close to this level.

Almost all industries in Victoria saw job losses during the pandemic. Customer-facing industries that were most directly affected by public health restrictions, like accommodation and food services, have been disproportionately affected.

Some sectors were less affected by the coronavirus pandemic or grew. For instance, wholesale trade likely benefited from a shift to online purchasing. Most jobs lost were part time or casual, which make up a greater share of the employment in the most heavily affected industries. Part-time employment declined by 11.2 per cent from March to September 2020, almost triple the rate of decline in full-time employment. The JobKeeper wage subsidy program supported full-time and permanent part-time employment. However, it has been less effective at supporting casuals, as it excludes those who had been with their employer for less than 12 months as at 1 July 2020.

All of this has meant that the economic impacts on Victorians have been distributed unequally. The most severe impacts have been on women, younger Victorians, workers in service industries and workers without post-school qualifications because they tended to be employed in those most-affected industries. This is especially the case for young Victorians, with the under-the-age-of-20 category being the worst affected. And employment of women fell by 6.7 per cent from the March to September quarters compared to male employment, which fell by 3.9 per cent. Female employment and participation were further affected by remote learning and closure of early childhood education and care services. Additional caring responsibilities disproportionately failed to women, limiting their participation in employment. Australian women were at least four times as likely as men to report they looked after children full time when children stayed home due to the public health restrictions.

The government's economic support in the June quarter, which was the equivalent of about 6 per cent of GDP, is estimated to have increased GDP by about \$7.5 billion and helped protect or create 81 000 full-time equivalent jobs. Commonwealth government initiatives, such as the JobKeeper wage subsidy program, also provided considerable support. High-frequency data suggests that the second phase of restrictions in the September quarter have been broadly similar in aggregate impact on the Victorian economy compared with the June quarter. Total hours worked in the Victorian economy, for example, was only 0.7 per cent lower in the September quarter compared with the June quarter, even with the tighter restrictions in place. This may partly reflect consumers and business accepting the restrictions in the second phase, including through greater use of some online retailing options. These impacts would be far worse without the record level of support provided by government, but they also demonstrate the significant task that lies ahead to restore Victoria's economy.

Since March the government has committed more than \$13 billion to address immediate impacts of COVID-19 on the health system, to support households and businesses and to protect jobs, including more than \$7 billion on economic support and more than \$2 billion to support the health system. Our support for Victorians doing it particularly tough during the pandemic included more than \$200 million on a housing and homelessness response, including emergency accommodation for family violence victim-survivors, more support for vulnerable children and families and dedicated funding for the specific needs of Victorians with disability and carers. Earlier this year we sought and were provided with additional spending authority as part of the supply Act passed earlier this year. This did not automatically mean that these amounts were spent or would be spent but ensured that we would and could respond urgently to some new or exacerbated impacts of the coronavirus pandemic. In 2019–20 \$2.4 billion of the \$10 billion was drawn down. As we committed, the annual financial report tabled on 15 October published the expenditure from the additional authority in 2019–20. In 2020–21, as at the September quarter, only about \$700 million out of \$14.5 billion has been required. The final drawdown will be published in next year's AFR. When this year's appropriation bills are passed they will replace, of course, the supply Bill and whatever remains of the \$14.5 billion will no longer be required—or available, for that matter.

I will take you through some of the important allocations that we have put in place and be quick. The allocations that we put in terms of DJPR: \$784 million for economic survival; Working for Victoria, \$108 million; and \$234 million allocated to the Department of Transport to provide for financial sustainability of the public transport system. We also recognise that the information contained in the 2019–20 annual financial report—when the allocations for 2021 are finalised, they will also be published in that year's annual financial report.

I would like to end by thanking every Victorian for their contribution to the position that we now find ourselves in. I am more than ready to get started on the work for economic recovery, and I am happy to take any questions you may wish to raise.

The CHAIR: Thank you, Minister. I will pass to the Deputy Chair, Mr Richard Riordan, MP.

Mr RIORDAN: Thank you, Chair. And, thanks, Treasurer, for the presentation. It has been a most unusual year, there is no doubt. My question is first to the Secretary, please. Secretary, what is the total legal cost paid for DTF legal representation doing the Coate inquiry?

Mr MARTINE: Thanks, Deputy Chair, for your question. The total legal costs for DTF related to the inquiry amounts to \$446 000 of which \$279 000 has already been reimbursed back to the department by our insurer, and we are expecting reimbursement for the remainder. So the actual cost to the department after reimbursement will be zero.

Mr RIORDAN: Right, and are you expecting any further invoices to come through, or—

Mr MARTINE: No.

Mr RIORDAN: So that is the total cost?

Mr MARTINE: It should be. As far as I am aware and have been advised, that should be the total invoices. So the last invoice was dated actually last week, I think.

Mr RIORDAN: Okay. Thank you. Secretary, did the department fund any further legal costs for any other departments or ministers?

Mr MARTINE: No. So all legal costs are being met by existing budget allocations.

Mr RIORDAN: Okay. Thank you. Have you been advised of the whole-of-government legal costs for the Coate inquiry across all departments?

Mr MARTINE: No, I have not.

Mr RIORDAN: Right. Do you intend to collate that at some point?

Mr MARTINE: It is not something that we would normally have visibility of. Because it is coming out of existing departmental funding, departments are managing their own budgets. In our budget framework, it is part of their outputs, so each department is drawing on those outputs. So it is not normally information that we would routinely collect.

Mr RIORDAN: So as this inquiry is the Parliament's inquiry into the state government's response to COVID, would it be possible at some point that the Parliament can have some sort of vision or sight over the total cost to government for managing the Coate inquiry?

Mr MARTINE: I am more than happy to take that on notice, but we do not have that information at the moment.

Mr RIORDAN: I am sure your department is adept at seeking financial answers from other departments.

Mr MARTINE: We do that quite frequently and we try our best, but more than happy to take it on notice.

Mr RIORDAN: Okay. Thank you. Secretary, the Coate inquiry detailed the cost of hotel quarantine was \$195 million. Did DTF incur any costs for the management of hotel quarantine, and if so, are you able to provide any information on that?

Mr MARTINE: Well, the answer to that is no, we did not incur any costs in relation to the management of hotel quarantine.

Mr RIORDAN: Right. Okay. That was all with jobs and precincts?

Mr MARTINE: Well, the \$195 million you are referring to consists of three departments: DJPR, DHHS and DJCS.

Mr RIORDAN: Right, so that is just across those. Secretary, can you provide—and perhaps it may need to come on notice—a line item breakdown of the expenditure DTF has incurred relating to any advertising expenditure that the government may have used through the COVID crisis, or was that managed by—

Mr MARTINE: That is not DTF.

Mr RIORDAN: So you have not issued any extra support?

Mr MARTINE: I am happy to take it on notice to double-check, but I am very confident that we would not have incurred any advertising expenditure through this calendar year in relation to COVID.

Mr RIORDAN: And the previous calendar year?

Mr MARTINE: It would be the same answer.

Mr RIORDAN: Same. Okay. Thank you. Why did the Department of Treasury and Finance retain the legal firm Gilbert and Tobin as an off-panel legal service provider to represent the department during the hotel quarantine inquiry?

Mr MARTINE: As this committee would probably have already observed, there were a range of different legal firms involved in providing advice to a range of departments and individuals, so you need to make sure that you are engaging a firm that is not already engaged by someone else.

Mr RIORDAN: Right. So based on that, noting that the Department of Treasury and Finance was not a central player in the establishment of the government—not that anyone can remember, to be sure, but let us assume that is the case—how is it that the firm Gilbert and Tobin billed the department \$306 616, as at the end of August 2020?

Mr MARTINE: So even though we were not directly involved, we were requested by the inquiry to submit all relevant documents, and that is quite an involved, extensive process, to go through and search all of the department's records, to ensure that we have picked up every relevant document. So they were involved in that process, along with helping the one witness in the department prepare a witness statement that was submitted in August, from memory.

Mr RIORDAN: Okay. So in our discussion just earlier you sort of made out that you really did not have that much to do with the hotel inquiry, that it was all funded separately. So could you give us an example of what many of these notes would be that would rack up \$306 000 worth of investigating in the department?

Mr MARTINE: I guess the biggest interaction between the hotel inquiry and my department relates to procurement and particularly the state purchasing contract with respect to security. We had to search through all of the relevant documents that we hold, and we submitted those in terms of both background information for the audit inquiry on how SPCs work, the background to the security SPC, and any interaction that we may have had between particularly DTF and DJPR in that time frame from late March into April.

Mr RIORDAN: Okay. That is interesting, because we have heard that a lot of people are confused about who okayed the spending of that money. There has been much evidence that Secretary Phemister signed off on it, but you are saying he actually got permission from your department first before he signed off on it.

Mr MARTINE: No. With the way state purchasing contracts work—and I will use the security one as an example—we have an SPC; I guess the best way to describe it is a head agreement. All mandated agencies, which picks up all departments and a large proportion of the existing agencies within the general government sector, are required to use state purchasing contracts unless there are extenuating circumstances. You may have heard from Mr Phemister either appearing in front of this inquiry or through the hotel inquiry that they exercised under their own procurement framework a critical incident, which meant that they procured one of the firms in particular that was acknowledged through the hotel inquiry outside of the SPC. Our involvement is to set up the structure of the SPC and the general procurement framework. Then individual departments choose firms on an SPC, and then they actually have the responsibility to set the contract and sign the contract.

Mr RIORDAN: So acknowledging the fact that it has become very apparent that they were procuring services from people that were not authorised or were not already agreed to, and understanding that it was all done and stood up quickly, what subsequent oversight did you or your department have over the spending of considerable sums of money with agencies and security firms that were not preauthorised?

Mr MARTINE: There are probably two interactions with DTF. One is around funding approval—so additional funding for the program—and the second one in terms of the security firms themselves only relates to those firms that are part of the SPC, which in this situation were only two of the three. There was some interaction with the documents provided to the inquiry within, I think, the month of April in relation to a couple of the security firms, because we managed the overall ongoing relationship with these companies.

Mr RIORDAN: Sorry. So jobs and precincts found the security company, and then the relationship was moved across to you—is that what you are saying?

Mr MARTINE: No, sorry. The way the SPC works, the department—in this case DJPR—choose the firms on the SPC and in this case, given it was a critical incident, chose one firm off the SPC. They maintain the day-to-day relationships. They set the contracts and they sign the contracts. The point I was trying to make, Deputy Chair, is because we have an overarching responsibility for the head agreement and the SPC, we have a role to ensure that at a high level any major issues that arise, whether they are—

Mr RIORDAN: Well, in this case some pretty significant major issues arose relatively quickly. So were alarm bells going off in your department that they had picked a company that they were committing millions of dollars to that were not on the list? And then the alarm bells were going off. What internal checks and balances do you have?

Mr MARTINE: The interaction we had with DJPR was more around one of the other companies that was actually on the SPC. We have got a sort of existing relationship with those companies—not the company that I think you are referring to, which is not on the SPC. So they raised with us a couple of matters that arose and had been dealt with, which mostly related to—what is the best way to describe it?—discipline sort of actions on behalf of a couple of guards that were dealt with at the time. DJPR advised us, given our overarching role, that this issue had come up and this is how it was dealt with, which is what they are required to do. But in terms of the third firm—

Mr RIORDAN: But normally when you have a department, they are standing up something quickly, extenuating circumstances, but it is going pear-shaped and costing lots of money, do you raise that with the minister? Does it get discussed? And does the minister then ask you, ‘Well, why are we dealing with these people if they’re not on the list?’

Mr MARTINE: Well, it depends what the actual issue is and it depends what is actually—

Mr RIORDAN: This was ultimately a pretty cataclysmic issue, so I do not think it gets much more serious.

Mr MARTINE: But it depends on what is actually raised with us as the department along the way.

Mr RIORDAN: Well, would I be wrong in assuming that whenever you go giving tens of millions of dollars to people that are not on your preferred supplier list you are going to be asking questions? Surely that does not happen very often.

Mr MARTINE: It may not happen very—

The CHAIR: Sorry to interrupt you there, Secretary, but the member’s time has expired and I will pass to Mr Gary Maas, MP.

Mr MAAS: Thank you, Chair, and thank you, Treasurer and your team, for your attendance yet again today, and I do note this is your third appearance before this inquiry. Treasurer, in your presentation you made note that the coronavirus had clearly massive impacts on the Victorian economy and indeed economies around the world. At the August hearing you presented an economic modelling of the impacts. I was wondering if you would be able to update the committee on the latest estimates of the impact of coronavirus on the Victorian economy.

Mr PALLAS: Thanks very much, Mr Maas. We know that prior to the coronavirus pandemic our economy had been performing strongly. Economic and employment growth were both strong, averaging about 3.5 per cent a year over the three years to 2018–19, so a very solid performance of economic and employment growth. In fact Victoria's economy had been growing above trend for five straight years coming on the back of 22 consecutive years of growth for the combined record of 27 years of economic growth. The strong economic activity over recent years had increased living standards in Victoria, with real GSP per capita rising every year since 2013–14. The pandemic of course has resulted in the largest global recession since the Great Depression. There is no doubt that it is severely affecting the Australian and the Victorian economies as well. Economic activity and employment have fallen sharply and unemployment of course has risen. The nature of that economic shock caused by the pandemic is forecast to cause economic output to fall in this state by 4 per cent in 2021 after an estimated fall of about 0.25 per cent in 2019–20. Subsequent data revealed by the ABS has indicated that the Victorian economy fell actually by 0.5 per cent in 2019–20 following a slight upward reversion in 2018–19.

It is also clear that without record levels of Victorian government support these impacts would have been clearly quite substantially worse. As I told the committee in August, our investment has increased gross state product by \$7.5 billion in the June quarter alone, so the state becoming actively involved in making those investments to support businesses and families and essentially using our balance sheet to support the Victorian community through the difficult times that we are encountering has paid dividends. Partly as a result of the government's support and, might I say, partly as a result of the hard work, the determination and the adaptability of the Victorian people, the budget papers really have confirmed that the expected impacts of the pandemic on Victoria are not as severe as they were first expected or as severe as what I presented to you at our previous meeting in August in fact. What we have seen is Victorians are doing an amazing job, with an overwhelming majority of Victorians doing their bit to control the second wave and of course put us on the path to COVID normal, and we are well and truly on our way on that path.

We have also seen Victorian businesses come up with innovative ways to adapt to the coronavirus, and it really does tell us a lot about the resourcefulness, the inventiveness and the entrepreneurialism of Victorian business. We have been presented with a great opportunity to redesign the future and not necessarily see it as being cast from the past, and to take up the opportunities that these learnings have given us. I think that what we are seeing from the adaptability of Victorian business, and might I say Victorian households, has put us in very good stead to take those opportunities.

As a result, of course, of the efforts, what we have been able to see is the ABS state final demand in the June quarter fall by an estimated 8.5 per cent. Augmented state demand, which also incorporates net trade, declined by 8.4 per cent. Now, these impacts are a smaller decline than the 11 per cent fall that the economy was predicted to have, that I presented to you in August. We are expecting that the downturn in the economy in the September and December quarters of 2020 will not be as severe as first anticipated. We can see if you look at box 2.2 in budget paper 2, which I am sure you will do at your leisure, that the quarterly forecast for economic growth in Victoria is expecting a decline of 1 per cent in the September quarter. This compares to our previously expected decline of up to 9 per cent in that quarter.

So we can see that by and large with the performance of the economy, the level of certainty, as we make our way out of the most egregious impacts of the pandemic, people are starting to get confidence and the economy is starting to perform better than we expected. The gross state product is forecast to decline by 4 per cent in 2020–21 despite public demand contributing an estimated 2.5 percentage points of growth. The economic impact of the pandemic is expected to be the largest in more than 90 years—so since the Great Depression.

What we do know and what we are seeing around the world is that controlling the virus is obviously not only critical just to saving lives; it is a vital part of any economic recovery strategy. If you think you can put your effort into pretending that the virus is not amongst us and go about your ordinary life and your economy will not suffer, there are far too many examples, and I do not wish to take advantage of the suffering that we are seeing across the world by necessarily naming those examples, but you cannot decide as a government that you can follow any other path than putting all your effort into suppressing the existence of the virus in the community.

If you do that, it is a false strategy. It ultimately means that you get neither of your desired outcomes. You certainly do not allow your economy to continue to operate, because as we all know, economies are

fundamentally based on confidence—on consumer confidence and on business confidence. When people stay at home for fear of their wellbeing and their future, they do not participate fully in the economy and the consequence of that is of course that not only do we not get on top of the pandemic, because we do not have a substantial strategy of social distancing and restrictions on human interaction, so the economy is necessarily restricted in the sense that people are not interacting as much as they should, but we are also failing to get on top of the virus because we are doing neither thing effectively.

So the order of effective response has to be that you suppress the virus, and there is absolutely no doubt that the courage of the Premier and the government in pursuing this strategy—might I say quite often in difficult circumstances, against criticism—was the right one. It showed essentially the fortitude that he demonstrated and, might I say, the fortitude and tenacity of the Victorian people in being prepared to put up with an enormous level of personal contribution and sacrifice to get us to this point.

Might I say, yes, I am taking you through the demonstrable effect that these changes have had upon our economy. There would not have been an alternative path that would have been any good for Victoria. In fact, an alternative path that said, ‘Let’s open up early’ or ‘Let’s pretend that this is not our most vital strategy: suppress the virus’s presence in the community’, if we had gone down that path, the economic impact would have been worse, the longevity of the pandemic would have been longer and ultimately the suffering in the Victorian community, both economically and in a health sense, would have been profound and ongoing. So the choices that we made, supported by the Victorian people, I think have ultimately put us in a very strong position going forward.

Mr MAAS: Thanks, Treasurer. I am interested in the impacts on the labour market more specifically. Would you be able to take the committee through on that and whether the impacts on the labour market have been as severe as expected.

Mr PALLAS: Well, I suppose the Victorian economy overall has suffered as a consequence, as you would appreciate, of the pandemic. But it is quite interesting in the sense that you saw such a dramatic shift in our economic fortunes over a short period of time. Employment growth averaged 3 per cent over the five years to 2018–19 and the unemployment rate fell to an 11-year low of 4.6 per cent in 2018–19. Our labour force participation rate was at a record high level.

Can I say that if you think about how you get the economy to operate, there are three basic principles that have to apply here—three Ps, as I call them. One is making sure that, to the extent you can, you augment population growth. Of course in the current environment that is not a viable option given the restrictions on international arrivals and of course the interstate border restrictions until recently. The second one is participation in the labour market. Up until the onset of the pandemic we had very substantial activity in participation in the labour market, and we saw it very dramatically fall by over 2 percentage points as a consequence of the onset of the pandemic. Many people had to stay at home for childminding responsibilities. Many people effectively lost their jobs or were underutilised in their employment. And the final thing is, ‘Well, how do you drive productivity to get greater functionality in the economy?’. I hope that you see through the ‘Jobs Plan’ that we have brought forward that is exactly it: if you grow the productivity, the productive performance of the economy, then you create jobs. Economic growth leads to a cycle of enrichment and empowerment for the community.

In March 2020, before the coronavirus pandemic took hold in Victoria, our unemployment rate was near to 5.2 per cent and Victoria had added something like 520 000 jobs—

The CHAIR: Sorry to stop you there, Treasurer, but the member’s time has expired, and I will pass to Mr Sam Hibbins, MP.

Mr HIBBINS: Thank you, Chair, and thank you, Treasurer and your team, again, for appearing this afternoon. I would like to just pick up on a thread that we have addressed in previous COVID hearings as well, and that was the deferral of the general efficiency dividend, which you had planned in the previous budget—you had even flagged around \$4 billion of savings from that initiative that was deferred. Now these were due to be informed by base expenditure reviews. Can I confirm whether those base expenditure reviews were actually undertaken?

Mr PALLAS: Sorry, I just missed the last bit of that question.

Mr HIBBINS: The base expenditure reviews.

Mr PALLAS: Yes.

Mr HIBBINS: Were they actually undertaken?

Mr PALLAS: Were the base reviews undertaken?

Mr HIBBINS: Yes.

Mr PALLAS: Yes.

Mr HIBBINS: Yes. So they are completed?

Mr PALLAS: They were completed and have been the subject of ongoing consideration by government in terms of exactly what level of commitment we have, what are the specific interventions that we see are appropriate. And I think, if I can cut to the chase, we have said consistently as a government we remain committed to the efficient delivery of services. Given the onset of the coronavirus and the pandemic event, we do not think now is the time that we should necessarily seek to burden the public sector with all of the changes that would necessarily run from those efficiencies at the moment, given that we are expecting enormous levels of efficiency from the public service at the moment, whether it is online interaction or whether it is effectively utilisation in areas of employment that have not ordinarily applied to them. At the moment we do not see any real desire to implement it in the context of this budget.

Mr HIBBINS: And are there any particular indicators in terms of the economic environment that would be cause to actually then implement those savings?

Mr PALLAS: Well, I think you can take it as read—sorry, we are all losing our voice here at the moment—that the government will constantly look at the efficient delivery of services. I mean this quite genuinely. People can see this as some desire to effectively reduce the overall level of services within the public sector. That is not the government's intention. It is about making sure that we deliver services in the most efficient way. So from our perspective as a government, the base reviews perform a vital part from time to time reviewing exactly what the expenditure is you build into your base and exactly where you think you can better direct that effort and that engagement. Now, if you look at an event such as the coronavirus pandemic, we have had to do effectively overnight a base review. We have redirected massive effort into our public health and our community support systems. Of course we have done it in cooperation with our workforce and their representative unions, but it has been a real demonstration that you do not have to spend money the way you always have. You sometimes have to redirect it—let us hope not under such a traumatic set of circumstances. But constantly reviewing the efficiency of government spend, I think, is a vitally important part of good budgeting—

Mr HIBBINS: Thanks, Treasurer. I just wanted to know that you have got them in your top drawer just in case.

Mr PALLAS: Might I say, we will continue to look at how we can efficiently deliver services.

Mr HIBBINS: One of the other topics that we have touched on previously was stamp duty and the understanding—I think it has been exposed particularly during the pandemic—that it is actually quite an unreliable source of revenue. Other states such as New South Wales have decided to announce some reforms in terms of replacing stamp duty with a broad-based land tax. Why is that something that the government has chosen not to do?

Mr PALLAS: Well, we have taken the broad view that, given the amount of trauma that the community is actually going through at the moment, to seek to make that sort of substantive change I think it would be not unreasonable for people to say that the government is seeking to use the pandemic to make changes around the way that the taxing regime operates to their disadvantage and we are not prepared to have a general public debate about it. Quite frankly, I do not think now is the time for that initiative. Certainly as a government what we have done of course with the reduction of stamp duty by 50 per cent for new build and 25 per cent for existing build is a massive reduction in tax liability and a very substantial effort by the government to provide

assistance to the construction industry and the broader property market, and I think that will have a much more profound beneficial economic effect. Government is all about choices, and this was the choice we made.

Mr HIBBINS: In previous hearings I actually directed a question to Minister Pakula, but it made its way back to you, in terms of projections for youth unemployment. The answer that I got back was that forecasts were not available for youth unemployment. When you say ‘not available’, is that because you do not do them or you do not provide them to the committee?

Mr PALLAS: Well, I do not know the answer to that. I will have to take it on notice in the sense you are referring back to a document that I provided to you previously and I will need necessarily to find out exactly why that information could not be forthcoming. Can I indicate to you that if there is a capacity for us to identify that information we will provide it. I could not see any reason why we would withhold it from this committee. I suspect the reason is we would lack certainty around what the projections in a disaggregated part of the labour market would look like.

Mr HIBBINS: Well, if you did have that information, it would be of benefit to the committee.

Mr PALLAS: Sure.

Mr HIBBINS: The other information I was looking for was female workplace participation as well. If the department has that information, could it provide it to the committee?

Mr PALLAS: The Secretary very helpfully advises me he has that information to hand, so I will pass it over to him.

Mr MARTINE: Thanks, Treasurer. The female participation rate has fallen since March by about 2.2 percentage points. The male participation rate has fallen by 0.6, so overall the participation rate has fallen by 1.4 percentage points. And just perhaps coming back to youth unemployment, I do not have projections in front of me, but the current Victorian youth unemployment rate is 14.2 per cent.

Mr HIBBINS: Okay. Thank you. Obviously this been a major economic hit on par with previous recessions, and in previous recessions it has not just simply been a case of coming out of the recession back to normal; there have often been long-term effects of a recession—for example, labour force participation. Do you anticipate or are you looking at long-term effects of the COVID-related recession?

Mr PALLAS: Well, to be brutally frank, yes. I expect that what we will see is that there will be a reasonably solid bounce-back in the economy but there will be some embedded disadvantage that will be intractable for us to address and it will require a pretty substantial effort. In some cases it will be, ‘How do we encourage women to participate back in the labour market? What are the mentoring and engagement arrangements we put in place with people who are unemployed?’. The longer somebody is unemployed, the less likely it is for them to join back into the labour market, so you will see a very substantial effort by us to effectively case manage the opportunity to get people back into employment. The levels of skills that people have and their adaptability to the changing nature of the economy will also be vitally important, and we have to find ways to provide educational opportunities that are bespoke—that is, are not only relevant to the needs of industry but also opportunities for people to meet with their adaptabilities and their skills but for them to also see an opportunity to get back into the labour market. In some cases it will be something as direct as us providing a wage subsidy. The payroll tax credit arrangements that we have put in place are also about facilitating businesses to employ. But ultimately it is going to require a multifaceted approach. I expect a very quick bounce-back, but I see a rather intractable tail of disadvantage that will require a fair degree of effort over the long term to deal with.

Mr HIBBINS: Yes, I mean that goes to my question in terms of the long-term approach. No doubt you will be under a lot of pressure, given budget deficits, to embark on cost-cutting, austerity—those sorts of measures that could actually put the recovery at risk and affect some of those long-term issues. What is your approach to actually the long-term recovery, and can you rule out austerity measures?

Mr PALLAS: Yes. Believe me, this government is not going to be in the business of austerity, because it is essentially a downward spiral of disadvantage. But can I make the point that that is not me eschewing the idea that government should be running efficient budgets. I am not going to essentially exacerbate the trauma that the community has gone through by removing vital services or indeed growing those services where there is an

evident need, but I will give you is an assurance: we are not in the business of simply cutting for the sake of cutting or some broad perception that efficiency is achieved by reducing outlays, particularly at a time when we know that businesses in the communities are under considerable pressure. One thing the community has demonstrated an evident need for is a government that is willing to get involved in making the investments and providing the support bespoke to the needs that they are demonstrating as a consequence of this economic event. We will not lead the market down. We will not lead the economy down through the politics of austerity. It will not work.

Mr HIBBINS: Now, your government has been pretty enthusiastic about privatisation—or long-term leases. You have had the port of Melbourne, the land titles office and now you are doing a scoping study into VicRoads. Is this an approach you are going to continue into the future, given particularly the large debt you are taking on?

Mr PALLAS: I suppose we will have to leave the future to the future. But so far as the government is concerned we will not be privatising—that is, divesting ownership of an asset. We will keep an open mind to the efficient utilisation of our balance sheet and make sure that we have opportunities to engage with the private sector where it provides better services cheaper for the community.

The CHAIR: Thank you, Treasurer. I will pass to Mr Danny O'Brien, MP.

Mr D O'BRIEN: Thank you, Chair. Secretary, can I just go back to some of the matters that you were discussing earlier. You said the \$195 million for hotel quarantine was distributed between DJPR, DHHS and DJCS. Do you actually have there a breakdown of how much went to each department?

Mr MARTINE: Yes, I can provide that. Of the \$195.6 million total, the breakdown is DJPR, \$133.4 million; DHHS, \$51.3 million; and DJCS, \$10.9 million.

Mr D O'BRIEN: And presumably that DJCS is only since they took over in—whenever that was—July?

Mr MARTINE: Yes, I think that is correct.

Mr D O'BRIEN: Yes? Okay.

Mr MARTINE: Yes, that is correct.

Mr D O'BRIEN: Would that have been money that was in the Treasurer's presentation acquitted against the Treasurer's advance?

Mr MARTINE: The \$195 million represents what was actually spent. The Treasurer's advance—well, in fact there were three of them that were provided: two to DJPR and one to DHHS. The two to DJPR added to \$150 million and the Treasurer's advance to DHHS amounted to \$17.1 million. Both of those numbers would have been embedded in the numbers on the chart that the Treasurer had up on the screen.

Mr D O'BRIEN: Right. And can I just ask about the advance. I am perplexed that of the \$24.5 billion that I think was appropriated by Parliament in April there was literally only \$2.4 billion actually drawn down. How does that marry with the fact that there was a \$6.5 billion deficit last year and a \$23 billion one? Can you just explain that for me as quickly as you can?

Mr MARTINE: Yes. The \$24 billion TA was split into two bits, as you will recall.

Mr D O'BRIEN: Yes.

Mr MARTINE: It was \$10 billion for 2019–20. So of that \$10 billion, as was reported in the annual financial report the Treasury released in mid-October, \$2.4 billion was drawn down. Now, do not forget the deficit is also driven by what is happening on tax revenue, which does not have anything to do with appropriations.

Mr D O'BRIEN: Right. But for a simple-minded man like me, we have got this big debt facility—I think previously you referred to it as a credit card, effectively, a—

Mr RIORDAN: A line of credit.

Mr D O'BRIEN: A line of credit. Thank you, Deputy. We have gone into significant deficit; there has been a massive amount of government spending. Why was that not drawn down further?

Mr MARTINE: Well, effectively, the way the Treasurer's advance works is it is effectively the mechanism to give the legal authority for a department to spend money. It is accessed once all other available appropriations have been exhausted. So what generally happens with the Treasurer's advance is there might be a preliminary approval at a certain point but it is not actually physically drawn down until that particular department have exhausted all of their existing appropriations that would relate to the relevant output.

Mr D O'BRIEN: So would you expect that there are going to be further acquittals then on those two tranches?

Mr MARTINE: Well, in terms of the \$10 billion, that is now completed. That was in 2019–20, and as part of the detailed audit process it has been confirmed and signed off by the Auditor-General that it was \$2.4 billion. With respect to the \$14.5 billion, as the Treasurer indicated on the slide, to the end of September, only a bit under \$700 million so far. We are probably expecting for the month of October maybe about another \$900 million or something like that.

Mr D O'BRIEN: So have you got an idea what it will be for the whole year?

Mr MARTINE: Well, what happens next month, once the appropriation bills are passed, is essentially the supply Act and the \$14.5 billion become redundant, and they are replaced by the appropriations in the appropriation bills.

Mr D O'BRIEN: So then the deficits are funded by debt.

Mr MARTINE: Yes. So whatever spending is then required by those departments for the rest of the year will then come from the budget appropriations.

Mr D O'BRIEN: Okay. I understand that. Thank you. Secretary, were any fiscal rules or established budget practices abandoned or set aside throughout the pandemic? I know normal things were obviously set aside, but were there formal rules or practices that were set aside?

Mr MARTINE: I am not quite sure what you mean by 'normal'.

Mr D O'BRIEN: Well, are there established rules and regulations within the bureaucracy at least of 'We will do this, and we will report this this way'?

Mr MARTINE: I mean, obviously this has been a somewhat unique budget to put together, because not only DTF but the public service have been working remotely, and that has introduced a series of constraints. But in terms of the general approach in preparing a budget and the rules that apply, they have pretty well held through that process. So ministers develop in consultation with their departments spending priorities. They come forward, and there is a proper consideration through the relevant cabinet subcommittee. My department provides advice, and DPC do as well, and those decisions are made. So in that sense, all of those processes have followed, but it has been a difficult one in the sense that it has been done remotely.

Mr D O'BRIEN: Were there any aspects of the *Financial Management Act* that had to be paused, suspended or otherwise put aside?

Mr MARTINE: Not that I am aware of. I know the Auditor-General put on hold a few performance audits.

Mr D O'BRIEN: Yes. Okay. That is fine. Can I ask: Moody's has suggested that the second wave, the second lockdown, cost Victoria an extra \$21 billion in borrowings; are you able to confirm that is an accurate estimate?

Mr MARTINE: Well, it is essentially an impossible question to answer, because the outcome of everything that has happened over the last 12 months is included in the budget. So to then try and work out what would these numbers look like and what would we be talking about today if we did not have the second wave is

virtually impossible to answer, because it is not just what happens on the tax revenue side, but there is also what happens on the spending side. And it is also what happens with respect to government making decisions.

Mr D O'BRIEN: Can I put it another way then. In May–June we were coming out of the first wave. Even though things were still very up in the air, you would have no doubt been starting some preparations. Was there any data that was prepared that would give you an idea of what the budget might have looked like had we not had the second wave and then got into it?

Mr MARTINE: Well, certainly during that period at that point we were probably more pessimistic about the economy at that point than perhaps what I would say today. And that is related to budget numbers, because that flows through to our revenue forecasts. Through that sort of July–August period, and certainly during August into September—through that period—we were quite pessimistic about the economy. I am more optimistic, sitting here today, than I was at that point.

Mr D O'BRIEN: Okay. Can I just perhaps move on to some of the grants. Can you advise what proportion of eligible businesses have applied for a payroll tax refund and what the total cost of this initiative will be?

Mr MARTINE: Sorry, which initiative?

Mr D O'BRIEN: The payroll tax refund.

Mr MARTINE: I am just trying to find—

So I do not take up too much of your time, I may have to take that one on notice, unless Ms Hart can find it for me as we are talking.

Mr D O'BRIEN: That is fine. If you had the data on notice, that would be fine. I wonder too what proportion of commercial landlords have applied for land tax relief under the commercial tenancy relief scheme and how many were successful.

Mr MARTINE: I might have to take that one on notice as well. We do have that data, because I have seen it.

Mr D O'BRIEN: Yes. That would be great.

Mr MARTINE: My apologies for not being able to grab it quickly.

Mr D O'BRIEN: This may be on notice too but it is sort of more of a general question: did the state also provide rent relief to the commercial tenants with Crown land leases?

Mr MARTINE: Yes.

Mr D O'BRIEN: Are you able to quantify what that might have been?

Mr MARTINE: Once again, I will take that on notice. That was one of the announcements the government made: to provide rent relief for commercial tenants in government-owned buildings.

Mr D O'BRIEN: Yes. Okay. On notice would be good.

Are the forecasts in the budget predicated on there being a vaccine available for COVID-19 next year, and if there is not one next year, do we know what the impact may well be?

Mr MARTINE: I think we touched on this briefly this morning. There is a box on page 22 of budget paper 2 that outlines our key assumptions in the budget, and you will see there, there are essentially four key assumptions. We are assuming returning to COVID normal by the end of this calendar year; that any further outbreaks are managed without going into statewide restrictions; and international borders reopen by mid-2021 but with a slow reopening, so we are actually not forecasting in a material way international students coming back until calendar year 2022, where you start the study year. We do not actually forecast a vaccine will be available on a particular date, but obviously the international border reopening—

Mr D O'BRIEN: The implications of it.

Mr MARTINE: is a consequence of a vaccine not only being rolled out but enough of the population around the globe to have been vaccinated.

Mr D O'BRIEN: So when you say 2022 for international students, that is presumably taking a fairly conservative approach to when they will be back.

Mr MARTINE: Yes. It may be that some arrive before then. Some are already here anyway and they have remained. Some may be studying online. But in terms of trying to get back to pre COVID, our assumption is that is unlikely to occur until calendar year 2022.

Mr D O'BRIEN: Okay. Thank you.

The CHAIR: And on that note, I will hand the call to Ms Pauline Richards, MP.

Ms RICHARDS: Thank you, Treasurer. I would like to return to the insights you were providing before about the economic impact of the virus on the economy. Given the effect of COVID on the economy and the labour market, I am interested in understanding: how did that impact on the support the government provided to help the Victorian community through this crisis?

Mr PALLAS: Sure. Well, I think it is pretty clear that the nature of the support—is it essentially around employment and community support or business support?

Ms RICHARDS: Employment—labour market support.

Mr PALLAS: I just lost my identity there. Sorry about that. Look, the Working for Victoria Fund, I think, was established in April 2020. It has been a very successful initiative, I have got to say, because it is the first time the state has actually built from scratch a capacity to pick up an evident need in terms of employment capacity. It is a key pillar of our economic response to the pandemic as part of our \$1.7 billion economic survival package, and it was intended really to complement our other business support measures that we had put in place. So it was about providing direct employment support to Victorian workers. You rarely see it. You probably have to go back a long way into history to see a government step in and say, 'We will be the employment agency and provider of services for people who are unemployed'. But of course the needs within the community were quite profound—and I think a great tribute to the public servants who have been working tirelessly to get this system away.

We have worked closely with businesses and unions to establish the Working for Victoria Fund. It is supporting more than 11 000 Victorians back into work. Working for Victoria is open to workers who have recently lost their jobs or, for example, casual employees who no longer have shifts, matching effectively jobseekers with employers. Sometimes those employers of course are the state government, sometimes they are local government and sometimes it is the broader private sector. The program also includes trying to help jobseekers expand to update their skills, enabling them to work in areas that are now hiring—so sort of being a placement agency, as it were—and that includes access to free online courses delivered through free TAFE.

In contrast to the other assistance available—for example, most commonwealth government programs—international students and temporary migrants are eligible to apply for Working for Victoria. Because we have got a lot of, well, quite frankly, disadvantage and suffering that is happening in those communities, because there is not much, if anything, of a safety net short of welfare available to many of these people. So the government stepping in and providing these arrangements has softened the blow. I mean, there is still an evident amount of disadvantage occurring.

The government has struck agreements with 10 local government authorities to support some 1200 Victorians to immediately return to work, with roles including maintaining local parks and gardens and sporting fields, performing a range of community services to support vulnerable residents—often of course with social distancing arrangements in place. We had to put in place measures to ensure that those who are most isolated in our community and most unable to attend to their needs are being adequately catered for. That means the state being able to essentially have a twofold approach to make sure that those who needed help in finding work and those who needed help in terms of day-to-day care and support were married up together for the purposes of finding just that support.

In the seven months since the program was launched we have achieved some incredible outcomes. So Working for Victoria joined with VCOSS to deliver funding for 59 organisations including Anglicare, the Brotherhood of St Laurence, Jesuit Social Services, the Uniting Church, Foodbank and a range of migrant services, boosting their frontline efforts and supporting some 1100 new jobs—so recognising that we could fill some of the community and charitable support areas that would otherwise have been under enormous strain given the economic circumstances that the broad community was feeling due to the peak in demand and the shortfall in terms of contributions. Given the success of the Working for Victoria Fund, the funding allocation was increased from \$500 million to \$587.5 million to meet demand.

And the jobs plan really continues to support Victorian workers. It is a key part of the strategies that we intend putting in place and includes that \$619 million that the government has outlined in the Jobs for Victoria initiative, which will help provide that targeted and tailored approach to supporting Victorians affected by the pandemic, lining people up who are looking for work and trying to marry them with employers or seeing what sort of mentoring or assistance can be provided to find those areas of skill that they might need to augment and to move them into employment as quickly as we can. The longer people are in unemployment, the more difficult it is to reconnect them into the world of work and the economy.

So these positions will be made available to Victorians hardest hit financially during this pandemic, including women, young workers, retrenched workers, people who have been long-term unemployed, and at least \$150 million of subsidies will be provided to support getting women back into work. Of that, \$50 million will go to older women, women over 45 years of age, once again recognising that they face very real and substantial barriers to reconnecting into the world of work, getting that work going as quickly as we can to make those connections for those who wish to participate in the labour market. We recognise of course people do have choices, but government should enable and empower those choices that give them the opportunity to reconnect into work rather than seeing them as being necessarily long-term victims of a most unfortunate event but one that hopefully will not essentially mar them from continuing economic participation going forward. And of course Jobs for Victoria includes at least 10 000 work placements, which will give Victorians the experience that they need really to get their foot in the door and start reconnecting with the world of work.

Ms RICHARDS: Thank you, Treasurer. I would like to take a slightly different path now and move down the area of the healthcare response or the funding of the healthcare response—the government’s funding of the healthcare response. The coronavirus pandemic has tested Victoria’s health system like never before. Can you outline some of the initiatives the government has invested in to control the spread of coronavirus and more broadly some of the investments that have been made to strengthen our health system?

Mr PALLAS: Absolutely. Well, as a government we have made a very substantial effort to make investment in ensuring the community can get on top of the presentation of the virus in the community and make sure ultimately that we are capable of resourcing the community not only to deal with the presence of the virus but also to ensure that the response that we are putting in place gets us to a point where Victorians can have the confidence that they can walk out the door and know that they are getting support from the healthcare system—that, should they need it, the healthcare system will be more than adequate and able to deal with their needs. So if you look at the budget, it includes \$15.1 billion worth of support for the Department of Health and Human Services, and \$9.2 billion of that of course is in output initiatives, which is making sure that we deal with those elective surgery requirements, making sure that we can continue to provide health care into the community in a form that suits their needs. There is also \$5.9 billion worth of asset initiatives. We are making sure that we can build the healthcare system not just for the needs of the present but recognising that there will be long-term requirements upon the community that they will need to effectively deal with.

We are putting in something like \$6.3 billion or 42 per cent of the Department of Health and Human Services’ total spend in response to the pandemic itself. So \$4.1 billion of that was used to support hospitals to respond to the pandemic event while continuing to provide that high-quality care, recognising obviously that we have had to increase the resourcing into our hospital network, because they have had to be in a position where they can adequately respond to the peaking needs of our healthcare system while at the same time continuing to deal with the ongoing healthcare needs of the community.

We have provided \$1.1 billion to adequately support our contact-tracing and testing capabilities, and that of course is providing us with ongoing assurance. Our strategy of suppressing the existence of the virus in the community means that it will from time to time re-emerge across the community. We are seeing that played out

right across the country—we have seen it in South Australia, we have seen examples of it in New South Wales and of course here in Victoria. So recognising that this is a highly volatile virus, a highly infectious virus, we need to recognise that if we are going to accept—unless we are going to create fortress Australia and lock the place away—Australians back into the country, if Victorians get given the right to come home, we are going to have to be eternally vigilant about the presence of the virus being brought back in and being effectively suppressed within our hotel quarantining system, and in circumstances where it does, if it does, get into the environment more substantively, contact tracing is a key part of that.

There is \$843.1 million being provided to support the housing, children, families and disability sector really to respond to the pandemic as well and to provide the necessary services in that area, and given the enormity of the mental health stresses that the event has incurred, \$179.9 million is being provided in mental health services. All of these are initiatives aimed to support the delivery of essential health and human services to meet the needs of all Victorians and also to address the social and economic recovery of the state.

Ms RICHARDS: Thanks, Treasurer.

The CHAIR: Thank you, Treasurer. I will pass to Mr David Limbrick, MLC.

Mr LIMBRICK: Thank you, Chair. And thank you, Treasurer and team, for yet again appearing. I would like to direct my first question to the Secretary if I may, and it is about the relationship between government spending and GSP. When the government is borrowing and spending a lot of money, what sort of effect would you expect that to have on GSP and nationally on GDP?

Mr MARTINE: There is quite a useful chart on page 25 of budget paper 2. It breaks down the GSP forecast for 2020–21 of minus 4 per cent. What you can see in that chart is the impact of public demand, government investment et cetera is worth 2.5 percentage points of that minus 4. In other words, if that were zero, we would be at minus 6.5. So the impact of those initiatives on GSP growth—the impact of the budget in 2020–21—is measured at 2.5.

Mr LIMBRICK: Okay. So in summary it will push up GSP effectively.

Mr MARTINE: Yes—or stop it falling further.

Mr LIMBRICK: Or stop it falling as far as it would have, yes. Treasurer, if I can direct this next question to you, with that in mind, about one of the things that has been presented many times at this inquiry and was presented again in the budget papers—and a good example of this is the chart in budget paper 2 on page 3, which compares Australia's response to the pandemic and GDP for various countries. Now, I felt from the start that this is quite misleading, the idea that certain countries' pandemic responses have affected their GDP. For example, if we look at some examples here, in the sentence before it, it says:

Evidence from countries across the world is that the best way to protect the economy is to protect people's health and lives ...

Now, if we look at some of the countries on here, such as, for example, Japan, Japan has a lower case fatality rate than Australia, Japan also did not institute any of the heavy suppressions on human rights and these sorts of things that we have seen in Victoria and some other countries and yet its GDP fall was far greater than Australia's. So wouldn't it be accurate to say that the response to the pandemic is changing not only GDP but also a country's capacity and willingness to borrow and spend money and other factors that may complicate this? I just think this is a very oversimplistic representation of the justification for the actions that the government is taking.

Mr PALLAS: Well, I think it is a good question in the sense that what we have sought to demonstrate here is that if you use two criteria, economic growth and the magnitude of the fatalities as a result of coronavirus, here is what you get when you plot them against an X and a Y axis. It does not, for example, take into account what may have been the embedded economic position of some of those countries. We know that Japan, for example, over a considerable period of time has had deflated GDP, largely due to underpopulation or depleted population. What it seeks to show is not that there is necessarily a cause and effect; what it shows, however, is that there is a correlation that you should not really disregard in the fact that, yes, there may well be other factors at play but these factors are at least indicative of the success that a country will have in terms of being able to necessarily get their economies operating or at least the adverse impact that the measures they put in place will have upon their economy.

The point that I make more broadly, Mr Limbrick, is this: even if governments have relaxed restrictions, it does not really matter all that much, because the consumer and business vote with their feet; it practically impacts upon the way they operate. I mean, the example is Sweden, where they have had a relatively benign system of distancing and nonetheless the consumers have voted with their feet and they have had a profound effect in terms of per head of population fatalities compared to, for example, Victoria.

Mr LIMBRICK: I accept that where the government does not manage risk individuals might choose to manage risk themselves, which is what you talk about in voting with their feet. But I think that there are other complications with this type of comparison as well. One is that these countries are all in different stages of the pandemic—I mean, this data is just to the end of June 2020—and also they are in different hemispheres. You know, the middle of June 2020 is summer in the Northern Hemisphere. We know that the virus is highly seasonal. If this turned around and a country like Sweden all of a sudden took off, would that invalidate these claims that are made here?

Mr PALLAS: Well, I suppose we will have to see what the final analysis of the pandemic event is, but I think there would be every reason to suggest, given the trajectory that those Northern Hemisphere economies are on, that the situation will get worse before it gets better. We are seeing more presentations in their hospital systems, whether it is the United States, France, Germany or Scandinavian countries. We are seeing a peak, and there is a position or a view that it is due to the colder weather and the likelihood of the transmission of the virus. But the point that we make is if you can get in control of your presentations of the virus in your community, if you can suppress it, then your economy can get back to a COVID normal and it can operate as best it can in circumstances that are largely unimpeded, subject of course to restrictions on international borders and the time-to-time sporadic re-presentations of the virus in the community. But by and large what this says is that if you defeat the virus as best you can, if you suppress its presence, your economy will pick up, and there is evidence—I think reasonably compelling evidence—that those countries that have been successful at the suppression strategy are seeing their economies come back in a substantive way.

Mr LIMBRICK: This also brings another concern which is another reason I really do not like this comparison. You spoke about the peak in other countries such as the United States and these other countries. I am concerned about how much we might be depending on either vaccines or therapies that might cure or prevent the disease, because in a period of time—I do not know how long it will be—this disease will run its course naturally in these other countries where it is currently out of control. Now, once that has happened, they presumably will fully open up, right, but we may be in a stage where we are still locked off from the rest of the world. So isn't it a bit early to say that we are taking the right strategy here? Because if we end up in that situation where a vaccine takes longer to either produce or distribute, then aren't we putting ourselves in a situation where we might be at a severe economic disadvantage until such time as some treatment becomes available to these other countries?

Mr PALLAS: Well, look, I suppose there are two ways that you can look at that. In the context of what is going on in Sweden and some early iterations of the strategy adopted in the United Kingdom that were very quickly eschewed—and I think we are starting to see it being eschewed in Sweden as the chief health officer there, Tegnell, is starting to move back from that broader herd immunity strategy—what we are seeing in a place like Sweden is still only a little over 10 per cent of antibody presence in that population. So what does that mean? They have still got a long way to run and a lot more deaths to account for in order to get to a point where through natural herd immunity you would get there. The immeasurable cost in terms of both lives but also the long-tail economic impact would be quite profound and in fact quite debilitating, and I think it would speak volumes about where our priorities lie as a society.

I think the reality is that we will get—I am very confident that we will get—to a broadly available vaccine, but it will not be the sort of early arrival that the optimists seem to think. I expect, given the developments that are occurring through the three principal frontrunners for the provision of a vaccine, we will see it become available in the second half of next year, and it will be broadly applicable, I think, by the end of the year. That is where I think we are heading, and without it I think quite frankly we will have ongoing, substantially suppressed economic activity as a consequence, and you will see that particularly played out in those countries that have given up on suppressing the virus in practical terms.

Mr LIMBRICK: Thank you, Treasurer. I would like to ask about another topic that was touched on by some others, including Mr Hibbins, about public service efficiency. How is it possible when the public service

has undergone such radical change in their work practices at the moment with everyone working from home and that—how do you keep control of efficiency? Because I know that you said you wanted to run an efficient government? How are you going to manage that efficiency and make sure that it actually is running efficiently?

Mr PALLAS: Yes. Look, it is an interesting question in the sense that we have all been on a learning experience. It is amazing the adaptability of us as a people. It has demonstrated that we have all had to learn skills that we never thought we necessarily were capable of acquiring. I am talking personally at this moment. Practically speaking, I think in terms of oversight and management, how do we make sure that we are getting efficiency, how is the public service performing? I might throw to Mr Martine to just give you an appreciation of how Treasury is approaching their responsibilities.

Mr LIMBRICK: Thank you.

Mr MARTINE: Thanks, Treasurer. So DTF staff have been working remotely since late March—100 per cent remotely—and it has been a real challenge that everyone has experienced, from the graduate all the way up to myself, to do all of your interaction with people online in Teams meetings, because you miss what you normally experience in the workplace, particularly bouncing off ideas and that more informal discussion you have with people. So it has been a real challenge.

Mr LIMBRICK: I believe we are out of time. Thank you.

The CHAIR: Thank you. I will pass to Mr Tim Richardson, MP.

Mr RICHARDSON: Thank you, Chair. Thank you, Treasurer and department officials. Treasurer, you have talked about the support for jobs and support for business and workers during the coronavirus pandemic and crisis. Indeed the impact on business has been substantial across the nation but particularly in Victoria. What support has the government provided to help business survive during the coronavirus pandemic?

Mr PALLAS: Well, the message that we have certainly tried to convey to business through what has been a consistent effort by the government is that we recognise that business is going through an incredibly difficult time, and much of that difficulty is as a consequence of the necessary social-distancing arrangements that have impeded the effective operation of their businesses, a necessary prescription to provide us with the economic certainty and the certainty of economic rejuvenation as soon as the virus is effectively suppressed. We have got there and business have played a very substantial part. So as a community we are aware that 2020 has really been an incredibly difficult year for business all around the nation and indeed all around the globe. But certainly I am proud that the government has been with Victorian businesses all the way.

So right across and throughout the pandemic the government has been providing more than \$7 billion in economic support to help businesses, workers and families through the crisis. To give you a broad appreciation of a few interventions that we have made: providing full payroll tax refunds and waivers for the 2019–20 financial year to small- and medium-size businesses with payroll tax of less than \$3 million, providing \$1 billion in cash back in their bank accounts; a total of \$2.6 billion in funding support through the Business Support Fund; hundreds of millions of dollars in dedicated support to key sectors in the economy, including the hospitality sector, the creative arts and indeed businesses in the CBD; and of course let us not forget the support for sole traders that we have put in place. We have also provided some fees and charges relief. We have provided deferrals, including payroll tax deferrals worth close to \$1.7 billion.

So I am happy, really, to go over some of those in more detail, but I suppose a critical part of the government's response was the Business Support Fund, which allocated \$2.6 billion, a fund we created to support some of the hardest hit businesses in the community and the hardest hit sectors. So we are talking about retail; we are talking about creative industries, accommodation, hospitality and of course tourism. Our Business Support Fund included grants of up to \$10 000 for eligible employing businesses and, indeed, over three rounds of the program included grants to eligible businesses to help them keep the door open through the period of the restrictions that the state experienced during the year. The fund kept businesses afloat at a time when there was clearly some risk of them going under. But make no mistake, the stakes for small business were exceptionally high this year. The government saw this and we delivered the most comprehensive strategy and levels of support that businesses have seen from any state in the nation.

And we saw that as being a necessary part of our strategy, which was to complement the effort that the commonwealth was putting in place. Mr Richardson, it might come as no surprise to you that from time to time we do not necessarily agree on everything with the federal government, but we agree on one thing: that when the Australian people—and in our case, the Victorian people—need support, when Victorian business needs support, the best thing we can do is complement each other's efforts and make the necessary investment to ensure that the nation and the state are adequately protected.

So in providing more than \$1.8 billion in relief for taxes and fees to businesses, including the refunds and the waivers of the 2019–20 payroll tax for small and medium businesses, it is not just relief of future taxes. For more than some 20 000 businesses it was a refund of tax that they had already paid, so we were actually giving them cash back. I cannot tell you how much of a change of a habit of a lifetime that meant for so many of our officials at the State Revenue Office, but it was also something that they embraced, as everybody has—the need to put all their effort to the wheel to ensure that the wellbeing of the community was adequately acquitted—and cashback on payroll was a very substantial contribution that was made as a consequence. Because we knew at the time that we could not just give many of these businesses customers, we had to assist them in that cashflow shortfall, providing them with actual cash injections as they needed it most.

So it is something that no other state has done, and to the best of my knowledge it is something no other Treasurer in the history of Victoria has done. But we exempted businesses participating in the JobKeeper program from payroll tax and WorkCover premiums on additional wages paid to staff that were stood down. And we provided more than \$2 billion in tax deferrals. This included giving businesses with payrolls up to \$10 million the option to defer their 2020–21 payroll liabilities for up to 12 months, representing a \$1.7 billion cashflow support to businesses at a time when they most desperately needed support in terms of their cash flows in the 2020–21 financial year—continuing to provide that support in September, announcing a further \$3 billion support package. This has been a level of intervention and support to industry and business that has been profound.

Many will say, 'Well, that's had an effect upon your balance sheet and your budget'. It has, but those are our priorities. Our priorities writ large as a government are to make sure that every Victorian—whether you are running a business, whether you are running a family and you are looking after a household, you need to know that the government recognises the pain that you have endured and the sacrifice that you made. And as a government we intend to continue to make those contributions and efforts to support the Victorian people to recover and to rebuild. That is what these supports are about: \$250 million provided to licensed venue funds, providing grants of up to \$30 000 for licensed venues of all shapes and sizes and basically recognising that hospitality has been one of those hardest hit sectors; \$100 million for the Sole Trader Support Fund to help those sole traders who were worst affected as a consequence of their embedded overhead costs. Of course they did not have revenue streams to adequately acquit them with. We also extended and expanded our payroll tax deferrals, allowing businesses with payrolls of up to \$10 million to defer their 2020–21 payroll tax liabilities for up to 12 months, so that represented a \$1.7 billion cashflow boost to businesses this financial year—so a broad raft of interventions largely attempted to be tailor made to where we saw the greatest difficulty that was being encountered, particularly in business.

Now, it is true that not every area of hardship has been able to be identified and provided for, but I can assure you, Mr Richardson, that this government has sought to apply systems to those areas of evident need and to do it in a way that is sensitive to the pain that businesses are confronting at the moment, in the very real hope that those businesses will be able to recover their operating position as quickly as possible and employ Victorians as quickly as possible.

Mr RICHARDSON: We know the pandemic has had disproportionate impacts on industries, requiring a disproportionate response and support and outcome. Treasurer, can you take the committee through some of those targeted programs that have been provided to sectors that have been particularly hardest hit during the coronavirus pandemic?

Mr PALLAS: Yes. Well, of course we have identified in the budget papers, in the 'Jobs Plan', those areas of the community that have been most adversely affected. I do not think it is fair to say that we have identified these cohorts and they are the only people who have suffered. There will be an enormous level of repair work that will need to be done, but for the purposes of giving you an appreciation of those priority areas and to restate them: we know that women are at least four times more likely than men to report that they effectively have had

to look after offspring. Necessarily, therefore, that has had an impact upon their capacity to participate in the labour market, and of course it is both their economic independence that is therefore compromised but also the welfare and the income for their families and those around them who depend upon the income that they earn. So it is a vital part of economic independence but also family welfare and prosperity that we need to get those who wish to participate in labour market activity back up to speed as quickly as we can.

We know that young people and people in insecure work—and they often tend to be one and the same—have demonstrated that they have lost jobs at a much higher rate than those in permanent or permanent part-time work. So the four pillars that the government has put in place as part of its jobs plan are: getting Victorians back to work; building our state as we rebuild our economy; supporting industries and leveraging our strengths—that is, identifying those interventions we can make in terms of industry development and support that will grow the productive base of the economy; and finally and importantly, speaking broadly to our values, ensuring that no Victorian is left behind and no community is left behind as a consequence of this event. That means making sure that, yes, we have to spread our effort, but we also have to be sensitive to the reality that so many Victorians have suffered as a consequence of this event. And the government needs to be attuned and proactive in making their appropriate interventions: the \$619 million Jobs for Victoria initiative, really aimed at targeted support for those vulnerable sectors of the community; the \$150 million that we put into businesses to support the development and the hiring of some 6000 women through wage subsidies, recognising that we do need to make it easier for businesses to employ; and the \$38 million we put into the solar panel system and battery storage rebates, once again lowering the cost of household energy bills and freeing up capacity into the community, recognising that we can support not only employment but household budgets.

Mr RICHARDSON: Thank you.

The CHAIR: Thank you, Treasurer, and I will hand to Ms Bridget Vallence, MP.

Ms VALLENCE: Thank you, Chair. First up, to you, Secretary: Secretary, I refer to an answer from the previous hearings, an answer that you provided on notice to the committee when we last met, relating to expenditure on ICU beds. Are you in a position to advise the committee how much of the \$1.9 billion that was announced to fund the 4000 new ICU beds was actually spent and how many beds were funded?

Mr MARTINE: I think I will probably need to take that on notice.

Ms VALLENCE: Yes, okay. Sure, thank you. Also, Secretary, I refer to another answer that you provided on notice from the last hearings, specifically in relation to the government's advertising costs concerning the pandemic. Are you able to advise this committee now how much has been spent on both the government's Staying Apart Keeps Us Together campaign and the Stay Safe Stay Open advertising campaign, including all TV, radio, newspaper and social media advertising?

Mr MARTINE: It is very hard for us to answer that question because we do not have visibility of the spend, so it is not part of DTF. I am assuming that that would be managed by DPC, so they would be in a position to be able to provide how much has actually been spent, because we would not normally get visibility of that spend because it comes out of their normal output.

Ms VALLENCE: Okay, so no visibility of that spend.

Mr MARTINE: That is correct.

Ms VALLENCE: Okay. Treasurer, yesterday the Premier announced a dedicated agency called COVID-19 Quarantine Victoria to oversee the elements of the quarantining returned travellers and healthcare workers going forward. Can you advise how much this program will cost in total?

Mr PALLAS: Well, I suppose the arrangements that the Premier has announced essentially will ultimately have to be the subject of a future budget analysis. You will appreciate that the Premier has only just announced the government's response and the way that we intend implementing these arrangements. Standing them up will be the next and important step. We have not yet stood those arrangements up, but we have responded to the Coate inquiry report; that focuses on how and what is the best approach to deal with the long-term management and the safe delivery of our quarantine system.

Ms VALLENCE: So in making that announcement of the new Quarantine Victoria, is there any allocation or cost estimation of what that body will cost?

Mr PALLAS: I will need, necessarily, to take that on notice.

Ms VALLENCE: Take that on notice, yes. I mean, it starts next week, so have you got some sort of indication? You know, this body is going to start next week. You must have some sort of indication of how much it is going to cost at least over the next 12 months.

Mr PALLAS: Well, none that I would prefer to speculate on with you. We have been looking at the operational needs, and you would appreciate, Ms Vallence, that they are multifaceted, both in terms of the requisite number of police that will be required—we are still working through those levels of costs—and indeed the staffing required to ensure it happens, and also, as you would appreciate, the continuing support out of the quarantine personnel that we have already retained but will require ongoing funding for to continue to perform the support and assistance within those quarantine hotels going forward. I can provide you—

Ms VALLENCE: So there must be some sort of allocation. If it is starting next week, there must be some sort of allocation.

Mr PALLAS: Well, none that I can give you today, but what I can do is undertake to provide you with that information in due course. As I said, the Premier only just, in the last 24 hours, announced the fact that the system was being put in place—the operation. The operationalising of that system of course, given the time requirements, is of critical importance to the government and it is our priority to make sure—

Ms VALLENCE: I just feel, you know, from a Victorian public perspective, I think with the last hotel quarantine program it was described that that was also stood up in a short time and we did not know how much it would cost and there were obviously, as we know now, the problems associated with that. So given that much time has transpired, Victorians probably would expect to know how much this will cost and that you have some sort of handle at least on the interim cost estimates for this program and for this Quarantine Victoria.

Mr PALLAS: Is there a question there anywhere? Have you got a question?

Ms VALLENCE: Yes.

Mr PALLAS: You made a statement. Have you got a question?

Ms VALLENCE: Yes. How much? There must be some sort of estimation as to how much that is.

Mr PALLAS: I have already told you that I will give you a response to that in due course, but the position that you quite rightly observe about the need to operate in a considered and managed way, I think, is demonstration that we have improved upon the performance. We have had the Coate inquiry. We have necessarily spent a lot of time working out the best way to stand that up and to provide the assurance and consistency to the community. Might I say, our priority is the integrity of that system going forward and to make sure that the system arrangements work. Ultimately the cost is a secondary consideration to the state, and I say that because the consequences of failure are profound to the economy and that is why we intend resourcing it as is necessary to make sure that it is a premium service.

Ms VALLENCE: Okay. Treasurer, we were talking about the Treasurer's advance earlier. When you sought approval for the additional \$10 billion Treasurer's advance specifically for COVID in the 2019–20 year, you told Parliament, you told us, and I think this committee, that this would be around funding measures related to the COVID response and the health, social and economic challenges and the recovery. Is it not a fact that actually you have spent more than \$2.4 billion of that advance on projects?

Mr PALLAS: No.

Ms VALLENCE: No?

Mr PALLAS: We spent \$2.4 billion. We have accounted for it. It was incorporated within the annual financial report. Each and every one of those Treasurer's advances were identified. In fact the Auditor-General has recently produced a report on how the Treasurer's advance was managed, and whilst he made a couple of

nuanced improvements in terms of improved and preferred reporting, we accepted those reports and by and large he saw that we had acquitted our obligations.

Ms VALLENCE: So in terms of the financial report, Treasurer, page 165 of the 2019–20 financial report that you presented actually refers in table 8.2.13 to \$2.4 billion of payments from the advance to the Treasurer being spent on matters exclusive of those attributable to COVID-19. Isn't it actually a fact that, contrary to what you have said to this committee and to Parliament, you have spent more than the \$2.4 billion of the advance on projects unrelated to COVID?

Mr PALLAS: Well, I am not sure I understand the significance of the question. But I might throw to the Secretary and he might be able to provide greater clarity.

Mr MARTINE: I have not got the annual financial report in front of me, but it is a statement of fact that the total Treasurer's advance regardless of purpose is \$2.4 billion. That has actually been signed off by the Auditor-General when he does his audit of the AFR. So I am not quite sure what the language is on that particular page, but regardless of purpose the total drawn down from that \$10 billion is \$2.4 billion.

Ms VALLENCE: Well, the language on the page—I have the report in front of me here on the laptop—specifically says of that advance expenditure related to projects other than COVID. Now, that \$10 billion advance was described as being required for COVID and the financial report is expressly stating in its table that there is expenditure on projects unrelated to COVID.

Mr MARTINE: There is nothing else that is drawn down from that \$10 billion. So the total amount drawn out of the \$10 billion is, as reported in the AFR, \$2.4 billion.

Ms VALLENCE: Sorry, can you just repeat that?

Mr MARTINE: The total amount drawn down from the Treasurer's advance, which was included in the supply Act, of \$10 billion is \$2.4 billion. That was included in the AFR, as signed off by the Auditor-General to confirm that amount.

Ms VALLENCE: Okay. I refer you to page 165 of the financial report. Under the line item 'Transport' it has got there that \$336 million of that advance was allocated to the Level Crossing Removal Project. This has nothing to do with COVID.

Mr MARTINE: So in addition to that \$10 billion, like any budget, there is normally a Treasurer's advance that is included. If you go back to the 2019–20 budget—whenever that was; a long time ago—there was a Treasurer's advance as part of that budget. So I suspect, without having the document in front of me, what you are referring to is a drawdown of that component of the Treasurer's advance.

Ms VALLENCE: You mentioned just before, talking about the Treasurer's advance, that the Treasurer's advance is only drawn down where the department has exhausted its budget allocation. So the \$336 million needed for the Level Crossing Removal Project really was a blowout of this Treasurer's advance that you had allocated for COVID?

Mr MARTINE: What tends to happen with capital projects—particularly those where funding is held centrally in contingency, and level crossings is an example—is that when that gets allocated out to the department, because we have been holding them centrally they do not have the actual appropriation cover to have the legal authority to spend that money, which is where the Treasurer's advance comes in, particularly on the capital side. So it is not an unusual thing, as money gets transferred from contingency to a department on a capital project, that linked to it is a Treasurer's advance to enable them to actually have the legal authority to spend that money.

Ms VALLENCE: So when they have blown their budget?

Mr MARTINE: Sorry?

Ms VALLENCE: So when they have blown their budget?

Mr MARTINE: No. The Treasurer's advance is the mechanism to enable the department to have that legal authority to pay. If I give you an example, you could have a project with a budget of 100. If that is held centrally and the project is delivered at 100, when it is transferred across the Treasurer's advance is 100, because they do not have that appropriation to begin with. They are two separate concepts.

Ms VALLENCE: And how much of the Treasurer's—

The CHAIR: Sorry to interrupt, Ms Vallence, but your time has expired. I will pass to Ms Nina Taylor, MLC.

Ms TAYLOR: Treasurer, we know that certain industries have been hit harder than others by COVID, and obviously one of these was the tourism sector. I was really pleased to read the details of the government's visitor economy package in the budget. I understand that this package is about helping hospitality and tourism businesses and their employees across Victoria and also what Victorians can do to help local businesses in the tourism and hospitality space. Can you please elaborate on what assistance is being provided?

Mr PALLAS: Thanks very much, Ms Taylor. And might I say that, as a committee, you would be aware that many pubs, many hotels, restaurants and wineries and many parts of our hospitality industry more generally have been profoundly and adversely affected by the social distancing and the restrictions on business activity. They have been in many cases unable to trade during substantial parts of the coronavirus crisis. We have provided direct support to tourism and also the hospitality sector to provide them with support during the restrictions. Now that Victoria is opening up again, of course last week in the budget we included many measures that are aimed at boosting activities for these industries and support for these industries.

We have provided, for example, \$465 million that is aimed at the Victorian tourism recovery package. It has a number of interventions, specifically the centrepiece of which is focused very much on assistance to the tourism industry. It includes \$149 million that we have put aside expressly to build improved tourism trails and to build new and upgrade existing visitor facilities to encourage Victorians to get out, to enjoy the regions and to enjoy everything that our great state has to offer.

Among these projects there is something like \$23 million to revitalise facilities at Wilsons Prom, a place that many Victorians have fond holiday memories of. There is also some \$15 million for stage 1 of the Falls to Hotham alpine crossing and \$4.9 million for projects on the Silo Art Trail. Also we have got \$13 million for the Grampians, including funding to upgrade the Grampians Peaks Trail and the MacKenzie Falls visitor facilities. The budget also provides some \$4.3 million to continue the growth of the Prosecco Road winery district—I am sure I pronounced that wrong—and I am sure that the Member for Gippsland South, who sits on the committee, will be pleased with the \$18.5 million that the state has provided to build new accommodation and upgrade the East Gippsland Rail Trail and to improve access to attractions right across the beautiful Gippsland region—

Mr D O'BRIEN: I am more interested in Wilsons Prom, Treasurer, which you mentioned before. East Gippsland is not my electorate.

Mr PALLAS: You are disavowing any interest in this one?

Mr D O'BRIEN: No. Not disavowing, just you have slightly got the wrong electorate.

Mr PALLAS: Just thinking you might be able to pop another champagne bottle.

Mr D O'BRIEN: If you would like to come to Gippsland South with another \$18.5 million, I will be there with the champagne bottle.

Mr PALLAS: Okay. Do I get to nominate the bottle? Sorry, I will move on, shall I?

Mr D O'BRIEN: Well, it depends how much we are wasting.

The CHAIR: Let's move on.

Mr PALLAS: The package also includes \$3.85 million that we will be providing for better access at Point Hicks lighthouse, the tallest on the Australian mainland.

The budget also provides \$28 million for the regional travel vouchers initiative, a great opportunity really to encourage people to get out and see regional Victoria. I do not think they are going to need a great deal of encouragement—there is a lot to see, a lot to enjoy—and we will get the opportunity to have a region-by-region approach to promoting these areas so that every piece of Victoria gets the opportunity to figure large in the public's consciousness about what is so great that they have to offer in a tourism offering. And we anticipate that that will apply some 120 available vouchers, as long as the individual is prepared to spend at least \$400 on accommodation. So of course you get money, you save money and you spend it, hopefully, in those local economies. It is really aimed at making sure that we can encourage people to spend money in regional economies more broadly, but the scheme should be up and running this month for the busy summer tourism areas. I know that regional Victoria has noticed a decided bounce in activity right across the board, and it is great to see, and it is probably a broader demonstration that the bounce-back, the economic recovery, is well underway in regional Victoria. It is going to benefit communities and businesses, and it will certainly allow us to enjoy every corner of regional Victoria.

You asked what Victorians could do to support our local tourism industry, and the answer is to use it, I suppose, to put it simply. We have all had a fair degree of restrictions in terms of our liberty and our movements. And of course as we open up, as we start to enjoy the liberties that perhaps for so long we have taken for granted and now value so dearly, we will get the opportunity to help those businesses that need us to value them and to encourage them to continue to do what they do so well, which is highlight their local communities and provide quality service and produce going forward. We are encouraging all Victorians to make their next holiday a Victorian holiday and also to recognise the great tourism experiences of the state, and this budget is really all about ensuring that there is even more coming. So every dollar that you spend at a cafe, a hotel or a tour is a dollar that will go back into tourism communities.

There is \$150 million for the Regional Tourism Investment Fund. I will not go through all the areas that it could be applied, but it is essentially about making sure that we provide funding for priorities identified in the regional tourism review, including nature-based, First Nations, arts and culture, food and wine tourism projects. We have also identified \$369 million for the Victorian hospitality industry to recover, and that funding includes the establishment of the \$251 million Licensed Hospitality Venue Fund. Once again, helping those venues that have been hurt most as a consequence of the restrictions that have been put in place but are now opening up and starting to offer the service that we have all enjoyed in the past and hopefully will enjoy with great enthusiasm going forward, granting them up to \$30 000 to assist them in getting back into a viable trading position.

It is also interesting: \$100 million will be provided to the Melbourne City Recovery Fund, which is a partnership between the state and the Melbourne City Council. And I think it is important for us to recognise that whilst we talk about tourism in regional Victoria, we should never underestimate the enormous challenges that do confront us in terms of the CBD. It has been the economic amplifier for this state for a very long period of time, and it now is under a measure of distress, largely because of low occupancy rates through offices and the restrictions, of course, around trading for the hospitality industry, which is such a profound part of our tourism offering and why people come to Melbourne: for the arts, for the culture, for the great food. So we need to recognise that we will need to make an investment in assisting those businesses to offer a broader range of services, many of them outdoors, so that they can continue to connect with a broader range of clientele. I could go on, but I think really that is just an analysis of the sort of things that we are doing in this space.

Ms TAYLOR: . Yes. That is comprehensive, so thank you. I just want to talk a little bit about universities. And although I understand that higher education is a commonwealth responsibility, we know that universities have done it particularly hard during the pandemic. Can you please outline for the committee the challenges that the universities have faced and what assistance the government has provided for them?

Mr PALLAS: Well, I will try and be brief. We know that universities, yes, are principally a commonwealth responsibility. And if I could put a free plug in here: my great hope would be that the commonwealth would think about increasing placements into universities so young people who have done it hard in year 12 this year will get the opportunity to get a university education. Putting that aside, the things that we have put in place after vice-chancellors approached me and the Minister for Higher Education and also the minister for jobs—they recognise that coronavirus hit them hard. Of course our educational services area is one of the biggest areas of economic activity and enrichment to the state of Victoria, and limitations upon arrivals into the state have been quite profound and therefore have restricted their capacities going forward. That is why we have announced a \$350 million Victorian higher education state fund, aimed at supporting universities with research

infrastructure and partnerships, capital works and other priority projects that would really align with the Victorian government's efforts in this area. The magnitude of this investment is unusual for state governments, but it is a recognition that we are not going to wash our hands of disadvantage when we see it. We will try and make appropriate and strategic interventions where we can.

We have also provided payroll tax deferrals with regard to universities, which have much-needed cash flow relief, assisting them with job retention—payroll tax deferrals valued at about \$110 million across the sector. We have provided \$45 million for the International Student Emergency Relief Fund. The \$2 billion breakthrough fund announced in this budget—I think the Premier and I are both laying claim to great affection for it. Of course, it was the Premier's great idea, but it is indeed a truly great intervention because what it is about is recognising we have got great research in this state. We have great commercial ideas, but commercialising those ideas and bringing them to fruition, marrying it up with an entrepreneurial flair and recognising where the best interventions are to be made and getting expert advice as we go along in terms of making those investments, I think, will supercharge the Victorian economy. We know that we are an innovative state. We know that we are a state that has world-class research. It is about now taking every advantage as it presents through this fund.

Ms TAYLOR: Thank you.

The CHAIR: Thank you very much, Treasurer, and thank you very much, Secretary and officials. Our time for consideration has expired today, so we thank you very much for your appearance at this hearing and inquiry, and those beforehand. 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.

I note that this committee will re-form for its consideration of the estimates at 4.10, but I declare this hearing adjourned. Thank you, Treasurer and officials, for your time.

Mr PALLAS: Thank you, committee members.

Witnesses withdrew.