

TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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

Melbourne—Wednesday, 12 August 2020

(via videoconference)

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 Ingrid Stitt

Ms Bridget Vallence

WITNESSES

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

Mr David Martine, Secretary, and

Mr Matt O'Connor, Deputy Secretary, Department of Treasury and Finance.

The CHAIR: We welcome the Treasurer and your officials to the second round, the second 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 will be 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 and any other matter related to the COVID-19 pandemic. Members are attending these hearings remotely, from home or from their electorate office. We ask that you note that members are not required to wear a face covering if they are working by themselves in an office under the stay-at-home directions, 6 August, part 2, section 7(i).

Before we begin today's proceedings, I would like to acknowledge that yesterday there was some colourful and perhaps unacceptable—indeed unacceptable—language from an unmuted microphone of a committee member. These hearings are being broadcast live on the Parliament of Victoria website, and they are being replayed in the media. Hundreds of thousands of people, including children, could be seeing this footage of these proceedings. Yesterday's language was unacceptable. I remind all committee members to be aware of the mute function and the video function on their controls.

Treasurer, all evidence taken by this committee is protected by parliamentary privilege. Therefore you are protected against any action for what you say here today. But if you repeat the same things outside this forum, including on social media, those comments may not be protected by this privilege. As a witness you will be provided with a proof version of the transcript for you to check. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible. Treasurer, we invite you to make an opening statement of no more than 8 minutes. We ask that for the record you state your name, position and the organisation that you represent, and this will be followed by questions from the committee members. Thank you, Treasurer.

Mr RIORDAN: Point of order, Madam Chair.

The CHAIR: Yes, Deputy Chair?

Mr RIORDAN: Thanks, Madam Chair. Just following on from yesterday, I wish to raise the issue of the evidence given to the committee yesterday by the Premier. I believe his evidence has been roundly refuted by the federal defence minister, and without correction our committee's findings cannot be complete. The breakdown in hotel quarantine of course is of great interest to not only this committee but Victorians generally, and therefore I would like to move that this committee immediately move to recall the Premier as a witness, to give him the opportunity to correct the record or to clarify his evidence from yesterday about what his actual knowledge of the ADF support on offer from the federal government was. I refer specifically to his own press statement on Friday, 27 March, where he made it quite clear—in contradiction to his evidence yesterday—that the Australian Defence Force will be engaged to support the implementation of the hotel quarantine arrangements, and yet yesterday he made it quite clear that he was basically unaware of any ADF involvement. And I think it is most important that we get that clarified both for this committee and for Victorians. So I would like to move on us immediately inviting or recalling—in fact, insisting—the Premier to come back to clarify that evidence for our committee. We do have time later today. As you know, we are short of witnesses.

The CHAIR: Thank you, Deputy Chair. That is not actually a point of order; it is a substantive motion. Given we have a witness before us at the current point of time, we will be hearing from this witness now, and the committee can consider your substantive motion at another point in the proceedings of our committee meeting. I will invite the Treasurer to begin his 8-minute statement.

Visual presentation.

Mr PALLAS: Thanks very much. Tim Pallas, Treasurer of Victoria, Minister for Economic Development and minister for DTF's COVID response, and I have with me today the Secretary of DTF, David Martine, and also the executive director responsible for industrial relations, Matt O'Connor. Last week on 2 August the Premier declared a state of disaster for Victoria, stage 4 restrictions were introduced and the Victorian government asked Victorian businesses and workers to make some very big sacrifices. Since the Andrews government was elected we have spent every day fighting for workers and fighting for jobs, and we never thought we would find ourselves in a position where we would have to ask people not to go to work. But if we are serious about recovery, we need to take the unprecedented steps in limiting the movement of people and therefore limiting the movement of the virus. The quickest way through this crisis is confronting the situation head on. Introducing stage 4 restrictions, in addition to the previous restrictions, means around about 1 million Victorians are no longer moving around the state for work, and this will inevitably have a major economic impact. But we have responded to support jobs, businesses and the community to survive to the other side of this crisis.

The coronavirus pandemic and the global recession are having a dramatic impact on Victoria's economy and the state's bottom line. The worldwide recession, closure of national borders and vital restrictions to slow the spread of the virus and save lives have meant slumps in employment, trade and economic activity. Both the IMF and the OECD predict a damaging recession across the globe this calendar year, forecasting world output to decline by up to 7.6 per cent. Even with unprecedented efforts to cushion the economic blow to our state, Victoria cannot avoid the damage this pandemic has also wrought on states and territories across Australia and countries across the world. I released revised economic forecasts in April and again in July. Since then, stage 4 restrictions were introduced and the Department of Treasury and Finance has revised its economic forecasts yet again. Real gross state product is now forecast to fall by 9 per cent in the 2020-21 financial year, and stage 4 restrictions are estimated to lead to a \$10 billion fall in GSP in the September quarter compared to the government's July economic update. Commonwealth Treasury and also Reserve Bank forecasts are broadly similar in terms of their assessment of the impacts.

This graph charts the impact of the coronavirus in relation to other major economic impact events in recent times. The Victorian unemployment rate climbed to 7.5 per cent in June and may peak at an estimated 11 per cent in the September quarter, coinciding with stage 4 restrictions in Melbourne and stage 3 restrictions across the rest of Victoria. In terms of job losses, this is forecast to reach 325 000 from the March to September quarters. This is slightly higher than the commonwealth's reported estimate that national unemployment would be likely to reach 10 per cent.

This graph shows the recent impact of coronavirus on recent cohorts in Victoria and Victorians. Women and younger workers have been the most impacted by the coronavirus pandemic to date. They are more likely to work in the most impacted sectors, including hospitality, arts and recreation. Employment for women fell by 5.7 per cent from March to June, while male employment fell 4.2 per cent. Women working part time represented around half the total job losses from March to June. Employment for young people under 30 declined 11.3 per cent from March to June, much higher than the decline of 2.3 per cent for those over 30.

Early career experience of unemployment creates greater risk of long-term impacts on participation, employment and earnings. Given this, a key focus of economic response from all governments must be on the hardest hit cohorts. With this level of unemployment the economy takes years to recover back to where it was. This chart shows that the September quarter real GSP is estimated to be about 9 percentage points lower due to stage 4 restrictions. This is on top of the 11 percentage point drop in the June quarter. Stage 4 restrictions are estimated to lead to a \$10 billion fall in GSP in the September quarter compared to the July economic update. The commonwealth Treasury and the Reserve Bank forecast broadly similar impacts. Economic activity is then expected to recover from the December quarter onwards.

The impacts of the coronavirus pandemic on the Victorian economy are readily apparent in the recent data releases. The Victorian unemployment rate increased 0.6 percentage points to 7.5 per cent in June. This is combined with low consumer sentiment, a sharp fall in business confidence in July, falling manufacturing activity in recent months and a drop in the CoreLogic home value index for Melbourne. These indicators will be further impacted following the introduction of stage 4 restrictions. Reduced revenues and the government's record investment in measures to support Victorians through the crisis mean that the Victorian budget will now likely return an operating deficit of around \$7.5 billion in 2019-20. The commonwealth has forecast a cash

deficit of \$85.8 billion in 19–20, or around about 18.3 per cent of revenue, whereas Victoria is forecasting an operating deficit of around \$7.5 billion, or 11.3 per cent of revenue.

I announced in July that in 19–20 up to \$2.6 billion is expected to be spent against the additional \$10 billion Treasurer's advance appropriation that was approved by Parliament—the government has already announced over \$10 billion in measures to respond to the coronavirus. This includes \$4 billion in direct business and jobs support, \$2.7 billion for infrastructure projects, \$2 billion for health and mental health, \$937 million for education initiatives, \$362 million for transport, \$368 million for social initiatives. We have had independent modelling from Deloitte Access Economics that has found that the economic impacts of the Victorian government's coronavirus response have been significant relative to a no-response baseline. The modelling shows these actions have had a positive boost, impacting activity by around 7.5 billion in the June quarter, or around about 6 per cent of GSP. Importantly it has also protected 81 000 full-time jobs.

This slide shows major investments that demonstrate our government's rapid response at every stage of the pandemic to support Victorians during this crisis with major investments, including \$3.3 billion in business support grants, over \$500 million for expanded business support grants, \$2.7 billion for business works packages and \$2 billion to support our health system, including investment in ICU capacity and additional mental health investment. The global recession is one of the biggest challenges the state is covering and will deal with, and Victorians can be assured that we will continue our efforts to support them through this environment.

The CHAIR: Thank you, Treasurer, and I will hand the call to the Deputy Chair, Richard Riordan, MP.

Mr RIORDAN: Thank you, Chair. Thank you, Treasurer. Treasurer, my first question to you today is that *the Age* reported on 14 July that within 24 hours of the 28 March launch of the hotel quarantine program a senior bureaucrat at the Department of Jobs, Precincts and Regions sent an email to DHHS and Emergency Management Victoria, raising concerns about hotel quarantine. They said:

We request that Victoria Police is present 24/7 at each hotel starting from this evening. We ask that DHHS urgently make that request as the control agency.

Treasurer, your government was told on day one of the hotel quarantine program that it was not working properly and it required 24/7 police presence. Were you aware of these problems of the private security guards as a member of the crisis cabinet?

Mr PALLAS: Whilst, Mr Riordan, these matters do not fall directly within my portfolio responsibilities, what I can tell you is that a judicial inquiry has been established at arm's length from government to examine issues directly relating to the hotel quarantine. As you would appreciate, the department that I have responsibility for, the Department of Treasury and Finance, is not directly involved in the hotel quarantine program. DTF of course have assisted in briefings around allocation of funding to engage in hotel quarantine—

Mr RIORDAN: Treasurer, hold the statistics for your presentation. We understand that. The question was: as a member of the crisis cabinet, as one of the eight people who have taken responsibility for the pandemic, were you advised as a member of the crisis cabinet about the problems on day one of the hotel quarantine program that was an invention of your government?

Mr PALLAS: Well, firstly, Mr Riordan, I do not—

Mr RIORDAN: Yes or no?

Mr PALLAS: Well, no, I am not answering the question as a yes-or-no question.

Mr RIORDAN: Well, it is yes or no. Were you advised?

The CHAIR: Mr Riordan, could you allow the Treasurer to answer the question, please?

Mr RIORDAN: No. I am not going to let him waste time not answering the question. The question was: as a member of the crisis cabinet, were you advised of issues on day one—yes or no?

The CHAIR: Mr Riordan, at the moment you are not allowing the Treasurer to answer one way or the other. If you could give him a moment to answer the question, please.

Mr PALLAS: As a member of a cabinet committee, and in the way that the Westminster system of governance operates, it is not appropriate for ministers to disclose what is the content of matters that come before a cabinet committee. What I can tell you is that these matters—all matters that have been brought before that committee and indeed the responsibilities of all the members—are the subject of an inquiry by former Justice Coate, and as a consequence of that—

Mr RIORDAN: Thank you, Treasurer. We have heard this story, and Victorians are tiring of the fact that the eight people who have taken responsibility for the pandemic in Victoria refuse to reveal any knowledge of what has gone on that has led to this catastrophic outbreak. My second question is—

Mr PALLAS: I think—

The CHAIR: Mr Riordan, could you please allow the Treasurer to complete his answer rather than putting words in the Treasurer's mouth? You can ask the questions; the Treasurer has the opportunity to answer them.

Mr RIORDAN: It was a yes or no answer. I do not need to hear the whole 'There's a judicial inquiry and there's a board of inquiry and we can't answer'. Victorians have heard that for three weeks. We want to move on, so thank you, Treasurer.

Were there any occasions when the emergency management commissioner briefed the crisis cabinet?

Mr PALLAS: Once again it is not appropriate that I disclose any matters that come before cabinet committees. That is a principle that has been well established and applied by your party in government repeatedly in parliamentary forums. I simply makes the point that that will not, however, exculpate the government from its responsibilities to declare them through the judicial inquiry, and those matters—

Mr RIORDAN: It is not a judicial inquiry.

Mr PALLAS: will be—

Mr RIORDAN: It is not a judicial inquiry.

The CHAIR: Mr Riordan, you are being rude. Could you allow the Treasurer to answer the question, please?

Mr PALLAS: Well, as I say, there will be a full acquitting and accountability around these matters. However, the disclosure by the government about what discussions occur and who appears before a cabinet committee is not appropriate for the purposes of disclosure publicly. It will, however, through the inquiry that former Justice Coate will conduct, be available to her.

Mr RIORDAN: Except is it not true, Treasurer, that most of the documents going to Commissioner Coate are in fact cabinet in confidence, which means we will not hear from her at that point either? So I guess she will be bound by the same rules that you are forcing on this parliamentary inquiry that Victorians—

Mr PALLAS: Well—

Mr RIORDAN: The shield of cabinet confidence will ensure that no-one ever knows what happened.

Mr PALLAS: Well, look, I think it has been pretty clear. The Premier has made this point repeatedly and Justice Coate made in her public remarks on 5 August that 106 000 pages of documents from government departments and private entities have been provided to the inquiry. We expect the departments and public entities to promptly comply with the inquiry's requests for information, and it is commonplace that certain types of information are provided to inquiries and royal commissions subject, of course, to confidentiality requests. But all that being said, former Justice Coate will have access to the material and will, within the appropriate realms of accountability, determine how she will describe what has been put before her, and she will be able to get access—unfettered—to that information—

Mr RIORDAN: Thank you. Okay, Treasurer, I do not need a lesson on boards of inquiry. My next question is to Secretary Martine. I assume he is live there, Chair?

The CHAIR: He is.

Mr RIORDAN: Secretary Martine, as the crisis cabinet ministers cannot reveal anything that Victorians want to know, my question to you is: as Secretary of Treasury and Finance, with your contact through other departmental secretaries, were you aware of any issues unfolding in the hotel quarantine?

Mr MARTINE: Thanks, Deputy Chair, for the question. My department has had no direct involvement in the hotel quarantine program. As the Treasurer indicated, we as a central agency obviously provide advice to the Treasurer as part of fulfilling his duties. My department is responsible for the state purchasing contract arrangements and procurement in general, and that is—

Mr RIORDAN: So you were paying the bills?

Mr MARTINE: Sorry?

Mr RIORDAN: You were paying the bills?

Mr MARTINE: No, that is not correct. The procuring department pays the actual bills.

Mr RIORDAN: No, not you personally. But you just said that you are in charge of the procurement.

Mr MARTINE: No, my department has got procurement responsibilities. The way procurement works is we have procurement policy and state—

Mr RIORDAN: Could I put it to you another way, Secretary?

The CHAIR: Mr Riordan, if you continue to talk over the top of the person who is trying to answer your question, then you are not going to get very far. Could you allow Secretary Martine to answer the question.

Mr RIORDAN: I am just trying to get to the question, Chair. Let me ask my questions and we will move on. Secretary—

The CHAIR: We will let you ask them; we will not let you answer them.

Mr RIORDAN: Secretary Martine, we have spoken to a couple of secretaries now and we have spoken to ministers, no-one has any responsibility for anything. It is always somebody else's responsibility. Can I ask you the question: if I wanted to find out who was responsible for hotel quarantine and its procedures, which secretary would you send me to?

Mr MARTINE: Deputy Chair, it depends exactly which part of the program you are referring to.

Mr RIORDAN: Okay, so if I wanted to know who organised and paid for security guards, which secretary would I go to?

Mr MARTINE: The security arrangements were organised by the Department of Jobs, Precincts and Regions.

Mr RIORDAN: Okay, so they are responsible for that. If I wanted to know who was responsible for the infection control and testing of returned travellers in hotel quarantine, which secretary would I go to?

Mr MARTINE: Deputy Chair, I would be unable to answer that question because both myself and my department have not had any involvement in the delivery of the program. I have no visibility on how the governance arrangements worked on the actual delivery of the program.

Mr RIORDAN: Okay, last question then: which person in government would be the holder of all this information as to who—who would have the flow chart of who was responsible for what when it came to this very, very important program? And let us face it, this is arguably one of the most important pieces of government program ever put in place in Victoria to keep Victorians safe. Surely someone would know the flow chart of who is responsible. Who would have that information?

Mr MARTINE: Well, once again, Deputy Chair, it would be hard for me to answer that question because I had no involvement or visibility of the actual governance arrangements.

Mr RIORDAN: Right, so the Secretary of Treasury and Finance, who is responsible for all of the funding and all of the maintenance of the state infrastructure, has no idea where he would go to ask that question?

Mr MARTINE: In terms of the governance of the operation of the program, we were not involved. Certainly we considered funding issues and, as I said, in terms of the security contracts that is DJPR, but beyond that I had no visibility or involvement, and neither did my department, on the rollout of the program. Hence it is a bit difficult to answer those questions.

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

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

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

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

Mr RIORDAN: We will take it on notice.

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

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

Mr RIORDAN: Thank you, Secretary. Thank you, Chair. Treasurer, did DHHS request—

The CHAIR: I am sorry, Mr Riordan. Your time for questions has expired. I will hand the call to Mr Gary Maas, MP.

Mr MAAS: Thank you, Chair, and thank you, Treasurer, and your departmental officials for your appearance today. Treasurer, I also thank you for your presentation. I in fact would like to take you to some matters of substance that pertain to your portfolio. Treasurer, you have stated publicly that the government's focus has been on jobs and supporting business and workers throughout the pandemic crisis. You have also said that although the reimposition of stage 3 restrictions was necessary to control the coronavirus, it would undoubtedly have an impact on business in greater Melbourne and the Mitchell shire. Treasurer, what is the government doing to support businesses throughout these restrictions?

Mr PALLAS: Well, first off, Mr Maas, thanks for the question. Perhaps I should correct the record to begin with. I described Matt O'Connor as something other than his position. He is Deputy Secretary of IRV, not an executive director. Sorry about the demotion, Matt.

Now, with regard to the issues of the impacts on business, let me make the first point that this would be a very traumatic and debilitating time for many business owners. I am very much aware of that. The economic impacts of this worldwide virus and its associated economic impacts are being felt by businesses and their workers right around the globe, and Victoria of course is not immune. But throughout the global emergency we have not given up on a single industry, nor have we given up on a single Victorian job.

In response to the imposition of stage 3 restrictions the government announced a further \$534 million business support package to help businesses and of course their workers through the restrictions. That includes a new round of the Business Support Fund, providing \$5000 grants to an estimated 82 000 businesses. These \$5000 payments are already rolling out to businesses right across greater Melbourne and of course Mitchell shire.

Building on this expanded support package as part of the move to stage 4 restrictions we announced a further expansion of the Business Support Fund. Businesses in regional Victoria can apply for \$5000 grants, while those in Melbourne and Mitchell shire can apply for up to \$10 000 in recognition of them spending a longer time under restrictions. This means that eligible small businesses can receive up to \$20 000 from the Business Support Fund. As of Thursday, 6 August, this year 57 000 businesses have applied for these grants, and more than 24 000 grants have been paid—worth about \$120 million.

We are providing an additional \$36 million to assist small and medium businesses across Victoria with access to business mentoring and mental health advice to support them and support their viability. We know that many businesses will need to change the way that they do things in order, of course, to remain sustainable, while others are dealing with new challenges. As part of that business wellbeing program, the government has established a \$10 million business mentoring program, basically pairing small businesses with experienced professionals who can help them navigate their way through the crisis. We have also established targeted support for some of the hardest hit businesses, including \$30 million to support large restaurants, pubs and hospitality venues that are doing the heavy lifting to keep us safe and who are also donating their unused produce to those in need.

The package also includes the \$20 million fund to provide targeted support to businesses in Melbourne's CBD, which has been particularly hard hit by coronavirus as people right across the city of course are working from home. We will get through this, but this is a very simple reality: we cannot properly repair the economic damage until we get on top of the health emergency. We know that that means reducing the movement of people across the state in the short term, and one of the most important parts of the public health orders is that if you are feeling sick, you must stay home except to go and get tested. So the Andrews Labor government is making sure that there are no financial reasons for people who have symptoms not to get tested and then to isolate. That is why in June we announced the one-off \$1500 payment for those who have got a confirmed case or a close contact and who cannot rely on sick leave.

Victorian workers can also apply for a \$300 coronavirus test isolation payment to support them while they isolate to wait for their test results. This will assist workers, including those in healthcare and social assistance sectors who are at risk of transmission, meaning that they will not be forced to choose between self-isolation and financial capability, as their own health and the health of the broader community are of course matters that need to be balanced and a put at a premium. And we welcome the announcement of course of the federal government, who have indicated recently that they will provide a one-off \$1500 pandemic leave payment to eligible people as well.

Mr MAAS: Thank you, Treasurer. Would you also be able to tell me how this latest business survival package builds on previous support provided by the Victorian government?

Mr PALLAS: Yes. Thanks, Mr Maas. As you know, we have been making continuing efforts over time to ensure that our program is focused very much on the needs of industry and of course businesses to recognise that they need assistance to get through the current economic event but also recognise, importantly, that we need to keep the basic architecture of the economy functioning so that at the point of economic recovery—and that is not now; that is at some point in the future—we are with the capacity to continue to make investments to grow the economy and get people back into work as quickly as possible. As you know, because we discussed it at the previous PAEC hearing, the government has already put in place a \$1.7 billion economic support package on 21 March of this year. That package included payroll tax refunds, cash grants for small employing businesses, the Working for Victoria Fund helping Victorians who have lost their jobs as a result of the coronavirus into new work opportunities, refunding liquor licensing fees for more than 20 000 businesses and of course much more.

So the \$534 million business support package that I announced on 10 July is in addition to the more than \$7 billion of economic support we have already announced. Eligible businesses can apply for business support grants in addition to the \$10 000 Business Support Fund grant or any payroll tax refunds that they have received as part of the economic support package. Businesses in metropolitan Melbourne and Mitchell shire can apply for \$10 000 grants. Businesses in regional Victoria can apply for \$5000 grants. We have also extended and expanded the payroll tax deferrals that we announced in the original economic support package so that more businesses can get the cash flow benefit of these deferrals for longer. Businesses with payrolls up to \$10 million will be able to defer their payroll tax liabilities for the first six months of this financial year,

providing more than half a billion dollars in vital cash flow support. And, as you may recall, of course the government announced an exemption from payroll tax and WorkCover premiums for JobKeeper payments to workers who had been stood down or are getting paid more than they would otherwise have received. With the commonwealth's announcement that JobKeeper will be extended until 21 March, our targeted exemptions, can I say, will also continue.

Businesses of course are making extraordinary sacrifices in the current environment to play their part in slowing the spread of this virus, keeping Victorians safe, getting us through to the other side of this event as quickly as possible, and we all have to do our part in slowing the spread of this deadly and wildly contagious virus.

Mr MAAS: Thank you, Treasurer. The business survival package also includes grants for regional accommodation providers that refunded trips. Can you inform the committee how the government is supporting regional Victorians through the crisis?

Mr PALLAS: Yes. The government understands that the restrictions that we have put in place in greater Melbourne and Mitchell shire are also having an impact on regional Victoria, and particularly those businesses that rely on tourism. That is why the business support package included a \$40 million fund for regional accommodation businesses to cover the cost of providing refunds for cancelled bookings. Refunds will be available for accommodation providers in the 11 regional tourism board areas, and that includes regional Victoria as well as key tourism hotspots on the outer edges of metropolitan Melbourne, including the Yarra Ranges and Mornington Peninsula. Registered businesses will be able to claim a refund of up to \$225 per night per cancellation, provided that they refunded the booking in full for someone who can no longer travel as a result of course of these restrictions, and that includes people from greater Melbourne and Mitchell shire or, indeed, from interstate. We are also investing in marketing campaigns to boost regional visitation when and after restrictions are eased. This builds on the ongoing support and investment that the government has made in regional Victoria.

We have already halved the payroll tax rate for businesses in regional Victoria. I announced of course in the 2019–20 budget that we are halving it again, down to a quarter of the metropolitan rate and the lowest payroll tax in the nation. Earlier this year we extended the \$20 000 first home owner grant for homes in regional Victoria. Since 2017 more than 29 000 people have taken up the first home owner grant across Victoria, providing about \$380 million worth of assistance for Victorians getting into their first home. Four of the 10 most popular local government areas for the grant are in regional Victoria, so we are also halving stamp duty for commercial and industrial properties in regional Victoria. It is phased in over five years. This 50 per cent concession is available immediately in the bushfire state-of-disaster areas to help relocate businesses to expand and to move into those areas as well as to help them get through what has been a double whammy when it comes to an economic event—both the pandemic event, social distancing and the stage restrictions but also, of course, we cannot forget that those sections, particularly in Gippsland and the north-east of the state, have endured doubly hard times and that is why the effort is—

The CHAIR: Thank you, Treasurer. I am sorry to interrupt you there, but the member's time has expired. I will pass the call to Mr Sam Hibbins.

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

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

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

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

Mr HIBBINS: That would be great.

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

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

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

Mr HIBBINS: Great. Thank you, Treasurer. Staying on public housing, it was Homelessness Week last week, so you would be well aware of the need for or the benefit of building more public housing. That would not only have the great social benefit of helping end homelessness but also create jobs. Can you outline what the impact of the crisis is on the housing construction sector? And are you intending to bridge that gap or address that with a big build of public housing?

Mr PALLAS: Well, can I say that the impact upon the building and construction sector as a whole, a sector that provides about one in 10 jobs in the Victorian economy, of course is quite profound. The stage 4 restrictions have been aimed to wind back activity in those facilities, whether it be civil construction or, for that matter, the residential construction industry. That will mean of course that a lot of jobs in the short term fall out of this area—an area that has played a very substantial part in driving the Victorian economy. That is why we put \$2.7 billion into this industry, effectively in small capital works and also aimed at getting some maintenance work underway. Of course the six-week delay that will be implicit in the stage 4 restrictions will have an impact. As we said at the start of the pandemic, we acted swiftly to support over 2000 Victorians, to get them off the streets and into accommodation in vacant hotels. Since March 2020 the Victorian government has invested nearly \$25 million in emergency housing. The COVID-19 isolation and recovery facilities are aimed to keep people—

Mr HIBBINS: You will appreciate, Treasurer, my time is limited. I appreciate you going through a range of government initiatives, but it was specifically to do with the housing construction sector and the need for and the stated benefits of a program of building more public housing. Is this something that is on the government's agenda? Is it something you are intending to do?

Mr PALLAS: Well, the government continues to look at what more we can do in this space. There have already been announcements around public housing and investments that we have made in public housing. Of course on 28 July we announced a further \$150 million for our homelessness to home package, so \$150 million has already been put aside; over \$200 million for emergency accommodation and homelessness support; \$150 million, as I said, for the exit strategy for people experiencing homelessness; \$9.8 million to support—

Mr HIBBINS: Thank you, Treasurer. If I could move on, in a number of conversations that I have had with local councils they are putting together their own lists, their own projects, that would be economic stimulus projects. Are you working or engaging with local governments and are you looking to invest or partnering with local governments on economic stimulus projects?

Mr PALLAS: Yes, well, I have got to say I think that the way the government works best in terms of its response to this event is harmoniously. It is important that we recognise that the nature of the event that is confronting us often transverses areas of governmental responsibility, so making sure that we have got good partnerships is vitally important. We are working closely with the local government sector on issues that they are facing and indeed the ideas that they may have to offer going forward. Local governments, of course, have strong bases and in the large majority of cases very little debt. Just as the state government is borrowing to ensure that the state gets through this crisis and just as we are assessing and assisting state employees to get through the crisis, we would expect councils to do their bit, to take their share of the responsibility to see that communities and these staff get through the crisis.

We are looking at how we might partner with local government. We have had a number of very successful packages, as you would appreciate, whether it be our outer suburban infrastructure funds. I also note that some councils have done an exceptional job in retaining staff, and I encourage all other councils to look at how these high performers are going.

On 10 May the government announced an agreement with some 28 councils that we put in place right across Victoria to support more than 2300 people into jobs. That includes land and asset management, community outreach, hardship and relief, delivery and crisis coordination, and this will be done through Working for Victoria initiatives. Council workers who have been stood down can be redeployed into those new roles. But yes, we are also interested in hearing from local government about how we might be able to partner with them in terms of projects that they would consider to be shovel ready, projects that they would be prepared to make a substantial contribution to in order to see them going.

I hope I do not leave you in any doubt: I expect to see councils making the same sort of effort that the commonwealth and the states are making in being able to assist all citizens through this event.

Mr HIBBINS: Thanks, Treasurer. In your earlier graph it was younger people who are hardest hit, it was women who are hardest hit. Often when we think of these stimulus projects we think of construction and hard hats, as I have mentioned, but they are male-dominated industries. Can I ask: what are you doing to support young workers and women in those industries that are, say, for example, retail and hospitality or, for example, social services or healthcare workers? How are you going to support them in any future economic stimulus?

Mr PALLAS: Yes, well, I think we need to recognise, Mr Hibbins, that what efforts we put in place here it will be vitally important that we work cooperatively with the commonwealth in making sure that we are not basically duplicating each other's efforts and that we are also making a very substantial effort to ensure that those cohorts in the community that are most adversely affected—

Let us be clear: it is women who have borne the brunt, in many respects, of this event, both in terms of their responsibilities as principal caregivers at home but also because the nature of their employment tends to be more insecure and also because the industries that have been most adversely affected by this event tend to be those where there is a high predominance of female employment. There are two other cohorts that have been adversely affected as well. One, of course, is a broad area of insecure workers, and we have recognised that we have had to do more in terms of support and assistance. And of course unskilled workers and low-skilled workers do tend to fall into those areas of exposure as well. So in June we announced a \$1500 one-off payment for those who are a confirmed case or who are a close contact and who cannot rely on sick leave. They can apply if they are a Victorian worker—

Mr HIBBINS: I guess I am looking more towards the future rather than, say, the assistance that is being provided now. It is more looking towards the future—as you said, once we are through the survival stage, then looking to stimulate the economy. How are you making sure that young workers and those industries that are female dominated are looked after?

Mr PALLAS: Look, I think it is a very relevant question, and I do not mean to be dismissive of it in the current environment but I think—

The CHAIR: Sorry to interrupt you there, Treasurer. The member's time for questions has expired. I will hand the call to Mr Danny O'Brien, MP.

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

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

Mr D O'BRIEN: Sure. Thank you, Treasurer. Were you asked for any money from the Treasurer's advance to pay for the hotel quarantine program?

Mr PALLAS: Look, we have said that we will make the Treasurer's advance details available when we get to the *Financial Management Act's* determinations. What I can tell you is that the way that the Treasurer's advance operates is that we only provisionally agree to Treasurer's advance until we have fully acquitted the accounts of departments. And the reason we do that, Mr O'Brien, is essentially to satisfy ourselves that agencies have exhausted the funds available to them through the normal course of allocations before they get to draw down on special allocations, such as Treasurer's advance. So—

Mr D O'BRIEN: Sorry, just on that, Treasurer, you said in your presentation that \$2.6 billion had already been drawn down and spent against the Treasurer's advance in 19–20. So you must have some idea.

Mr PALLAS: Yes. Well, I can tell you, and I am more than happy to throw to the Secretary if he can elaborate on this, there is a list of Treasurer's advances that we will publish, as is our obligation under the *Financial Management Act*. That is not due to be published until the end of this year. But can I make the point that we do not confirm Treasurer's advances until we have finally acquitted the capacity of agencies to be able to manage the money within the existing allocations. I am not being cute about this. We think the overall magnitude is about \$2.6 billion, but we do not know with specificity whether or not each individual allocation will be approved. But it will be itemised, and maybe Mr Martine can add to that.

Mr D O'BRIEN: I think that probably answers the question, but I do have a question for Mr Martine as well. Mr Martine, perhaps if you could just confirm, though, that your expectation would be that if there is a Treasurer's advance request on the hotel quarantine program it would come from DJPR?

Mr MARTINE: That is correct.

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

Mr MARTINE: Yes, we have.

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

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

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

Mr MARTINE: Happy to supply that on notice.

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

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

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

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

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

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

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

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

Mr D O'BRIEN: I believe it was actually 14 at the start of the pandemic, Treasurer, and there has been criticism publicly that the Victorian public health team was the least well resourced. Are you able to provide any information on briefings you were provided as part of last year's budget process as to what the then headcount numbers were for 19–20 as opposed to what they have become as a result of this pandemic?

Mr PALLAS: Well, of course I would not be able to provide you with any matters that have been tabled before a cabinet committee, but what I can do is if there is any information that is relevant to your inquiry in terms of anything that was put to Treasury around numbers around the public health team, I can certainly provide that.

Mr D O'BRIEN: Staying on budget matters—and, Secretary, a question to you—the public service EBA I understand is at the ballot stage at the moment. What is the estimated employee expense growth of that EBA and the impact on the budget?

Mr MARTINE: Thanks for the question. In terms of the impact on the budget, departments and agencies will not receive any additional funding for the EBA. All departments and agencies receive indexation every year—2.5 per cent indexation—so this EBA will be fully funded by all departments and agencies, so in that sense there will be no additional impact on the budget.

Mr D O'BRIEN: Okay. Would you expect therefore that agencies, given CPI, would have to make cuts and reallocations within their own budgets to accommodate this?

Mr MARTINE: Well, part of the government's wages policy is for departments and agencies to deliver productivity gains. Departments get their global budget, it is indexed by 2.5 per cent and they are required then to manage their operations and resources within that budget, including employee expenses.

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

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

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

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

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

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

Mr D O'BRIEN: Okay. Thank you. Treasurer, we talked earlier about the \$2.6 billion that has already been spent, or has been allocated, of the Treasurer's advance, and we know that the government sought up to \$10 billion of advance from the Parliament to deal with this pandemic. You will be aware that the current restrictions are costing the Victorian economy \$6 billion to \$7 billion and that the federal Treasurer—and you have indicated that obviously they are doing a lot at a federal level to support the economy—has actually said that the states can do more. Can you do more and will you do more?

Mr PALLAS: Yes, I think is the short answer. Look, our budget situation, as you would appreciate, is under considerable stress as a consequence of this event. We have seen revenue fall away and we have seen demand for services in terms of support for businesses but also in terms of support for community members who are doing it tough. We have progressively rolled out support—some three separate packages of support—for business. But we accept that—and I believe the Premier said this on a number of occasions—we are going to stand with Victorians and we will progressively continue to make considerable contributions. So already 6 per cent—

The CHAIR: Thank you. Sorry to interrupt you, Treasurer, but the member's time for questions has expired. I will hand to Ms Pauline Richards, MP.

Ms RICHARDS: Thank you, Treasurer, for appearing before the committee this morning—and of course to your officials. I am conscious that economies all over the world have been challenged by the COVID crisis, and of course Victoria is no exception. This is a good segue from Mr O'Brien's questioning. I am interested in getting an update on the government's expenditure in response to the pandemic with reference to the \$24.5 billion emergency TA that was approved in the supply Bill. I am hoping you can enlighten us further.

Mr PALLAS: Yes. I suppose the first point I would make, Ms Richards, is that the financial facility that the government sought the authorisation from the Parliament for was of course a drawdown capacity should it be required. There is no doubt that this is an unprecedented global health emergency in terms of both the challenge for public health and of course the flow-on effects that that challenge is having to the economy. Governments do have a responsibility to respond in an exceptional way to assist their citizens through this, and that is why we, along with others around the world, are doing the sorts of interventions that probably you rarely see from governments, particularly state governments, becoming so substantively engaged in counter-cyclical investment and might I say also emergency funding investment. We are not chasing surpluses—let me be clear—and we are not courting deficits.

We are doing what we believe is ultimately necessary for Victorian businesses, for industries, workers and their families so they can make it through to the other side of this crisis. So our number one priority is at the moment not to be concerned about deficits. I have got to tell you that is a challenging situation for any Treasurer to find themselves in, but it is a necessary circumstance of the time and, quite frankly, any government that seeks to pursue surpluses in the current environment would cause enormous misery within the community and

ultimately would cause so much pain in terms of the provision of services and the capacity to secure and support businesses that it would be counterproductive in terms of the performance of the economy.

So I want to be very clear, however, that the \$24.5 billion emergency TA is not debt and nor is it a debt facility. It is simply the authority that the Parliament gave for us to invest as required to deal with this crisis head-on. We have announced \$10.4 billion in initiatives to support jobs and businesses, to deliver a frontline health response and to provide some extra education, transport and of course a variety of other social interventions and social support. That includes \$4 billion in economic support such as business support grants, payroll tax relief, almost \$2 billion in statewide health initiatives, and \$2.7 billion in the building works stimulus package. This is also being supported, might I say, in part by the additional parliamentary appropriation—that is, authority to spend through the emergency TA that formed part of the supply bill that passed earlier this year, which was necessary, I think, to make sure that we were in a position to apply every effort needed to support the needs of the community during the pandemic event.

I have said many times before and I will say it again: this is a highly volatile and uncertain time when it comes to economic planning, but of course the difficulties in planning fade into insignificance compared to the pain and the uncertainty that every Victorian must be feeling as a consequence of the onset of this event. That is what governments are here to do—to support the community. The supply bill, of course, authorised an additional \$10 billion that we could draw from in 19–20. The way it works is that it was in addition to the appropriation that we already had from the 19–20 budget in May last year. So only after all of that has been exhausted will we need to use any of the additional \$10 billion.

We have said consistently that these were conservative amounts, that we thought that we would not need all of it. At the moment it looks like we have only need for less than 3 billion—2.6 billion, thereabouts—of the 2019–20 amount. I do not want to be held to an exact figure because there will have to still be a continuing process of acquittal around the allocations as against departmental existing and continuing capacity. It is subject therefore to departments finalising all of their end-of-year reporting so that we know exactly how much they used of their original budget and therefore how much of the emergency TA will be required to apply.

This expenditure is in direct response to the pandemic. We estimate at the moment that the amounts look something like more than \$1 billion in economic support for businesses and jobs, more than \$950 million in support for our health system and pandemic preparedness. The remainder of the funds that will be drawn down are for support for vulnerable Victorians, such as family violence, emergency accommodation, mental health support, additional support for people with disabilities and support for vital industries and services to survive the initial shutdown period. The actual drawdown, of course, against that \$10 billion facility will be finalised and reported in the 19–20 financial year, which is due to be tabled later this year, and we have always said that we will account for all spending in accordance with the requirements of the *Financial Management Act*.

The same situation, might I say, will also apply for the \$14.5 billion emergency TA we allocated for the 2020–21 financial year. It will be applied at the end of the financial year and reported as appropriate. We will continue to make updates as appropriate on the use of these funds. I am trying to give people real-time assessment in terms of both the nature of the economic event but also how the government is managing it.

I understand and I absolutely accept that these are difficult times for people who are charged with the responsibility of scrutiny of government, because quite frankly we are in a period where a budget has not been delivered. We hope that we will be in a position, of course, towards the end of this year to deliver that budget. It is a highly volatile situation. I accept therefore that the reporting systems, the constant updating of the economic assessments, will change. The stances will change and our demands on funds will change.

Our obligation to you and to the community is to make sure that they get as real-time an assessment of what that expenditure looks like—what the impact on the community looks like—as we can reasonably be expected to do. We will go that extra yard, largely because I think the community demand it. The one thing that we can provide is the certainty of what we have done—what expenditure has occurred—so the community can have some comfort that the government is using the full force of its resources as prudently, as efficiently and as transparently as it can.

Ms RICHARDS: Thank you, Treasurer. You have announced a projected deficit in 2019–20 of around 7.5 billion. Can you tell us a little bit more about what contributed to the deficit and what the outlook is moving forward as well?

Mr PALLAS: Well, as the March quarterly financial report stated, excepting of course the extraordinary events of the bushfire and now the pandemic, the state budget was heading for a surplus—a substantial but not an exorbitant one. I would call it a modest surplus. That is obviously no longer the case. As we announced in July, we are expecting a deficit in the 2019–20 financial year of around \$7.5 billion. Contributions to this are not only the additional expenditure that has been necessary to minimise the impact of the pandemic but also the estimated \$2.5 billion hit to revenues that we received in 2019–20 compared to the budget update from falls in property tax, payroll tax and the GST and many other revenue bases, as you accept that as the economy starts to slow so too does the activity-based charging that the state will stand to get as a consequence. Of course the decline in the GST is a very substantial hit to the budget.

As with the allocations from the emergency TA, the final outcome will be reported in the annual financial report later this year. Of course it is already clear that the state budget is unlikely to return to surplus in the immediate future, and I suspect there will not be a jurisdiction in the world over who will be in a similar—or a dissimilar situation; you might put it that way. We are continuing to supply our existing significant support to the health system and to businesses and households during the second lockdown period. We will need to put a considerable effort into economic recovery later on. We are also predicting that revenues will be \$6 billion lower this year compared to the estimates in the budget update.

We are not alone, of course, in having needed to send the budget into deficit during this crisis. As I say, the federal government is reporting that its budget will decrease from balancing in 2018–19 to \$85.8 billion in 2019–20 and \$184.5 billion in 2020–21. That is not making a judgement against the federal government. In fact I have got to say we have very much appreciated the fact that the commonwealth have been prepared to recognise that this is not an obsession with deficits and debt at the moment; it is about helping people through to the other side of this event. Might I say it does not mean that therefore every expenditure item necessarily is a worthy one. We still have to make qualitative assessments about how we spend and recognise that we need to substantively work our way through this event so that of course we can help people through on the other side with a robust economy and a robust budget position.

Ms RICHARDS: Thank you, Treasurer, for those insights. Can you tell me: is there an alternative to the state going into a deficit during this crisis?

Mr PALLAS: Well, I do not think there is. Look, our economy and our society have undergone really quite dramatic changes as a result of the pandemic. That has had an impact on our budget—that is inevitable—but the impact it has had on communities, on families, on businesses is much more real, much more profound, in terms of the day-to-day effect it is having on people. The Leader of the Opposition I think made a comment earlier in the crisis about—

The CHAIR: Thank you, Treasurer. I am sorry to have to interrupt you there. The member's time has expired. I will pass the call to Mr David Limbrick, MLC.

Mr LIMBRICK: Thank you, Chair, and thank you, Treasurer. I would like to start by querying a couple of things about the chart that you showed in your presentation regarding unemployment rates. There are a couple of things that became apparent by looking at that. Firstly, it seems to imply that there will be significant easing of restrictions sometime during September to allow that economic activity to increase. I would like to ask the question: is that a realistic assumption to put into this model? Secondly, there have been concerns that some of these unemployment projections are significantly understated, because many of the jobs that are still going are effectively on life support due to the federal JobKeeper program. Would you be able to make some comments on that, please?

Mr PALLAS: Yes. Well, look, I suppose the first thing I would say, Mr Limbrick, is every model is only as good as the assumptions that underpin it, and the first thing that you need to do is have full declaration about what the assumptions are underpinning this model. Yes, there is an expectation that things will start to improve in that post-September period and, look, that is certainly why we are taking the action we are with regard to the stage 4 restrictions. We are expecting that things will improve. How quickly and how effective that process will

be—I suppose history will judge ultimately, but we have to model certain assumptions. Those are the assumptions we have made, and to go to the nub of your question: is it a realistic assumption? On the best advice that we have from the Chief Health Officer about the adequacy of the response that we have put in place and the immediate impact that that response is having upon the economy and the associated improvements that it will have to the economy as they are progressively removed, I think the answer is yes, I think they are realistic. But as we have demonstrated in the past, we have changed our modelling, and I can assure you we will almost certainly change our modelling again as we get closer to a more precise understanding of what is occurring. I do not lay claim to an all-knowing view. I am not putting this to you as the government's absolute holy writ that this will occur. All I am saying is this is our thinking at the moment and I am sharing it with you, but it will change, I can assure you of that. Perhaps if I could ask Mr Martine to elaborate on that issue, then I will come back to the JobKeeper tapering issue that you raised.

Mr MARTINE: Thanks, Treasurer. We are not actually forecasting a bounce back in the September quarter. So as you would have seen in the Treasurer's earlier presentation, the biggest economic impact is actually in the September quarter both in terms of GSP growth and the peak in unemployment. We obviously then need to make some assumptions about what happens after the announced stage 4 restrictions. So in terms of our modelling, we are assuming for the remainder of the September quarter that we move from stage 4 into stage 3. So that takes us to the end of September, and then for the December quarter we are assuming stage 3 migrating into a stage 2 scenario. So we have made those sorts of assumptions and built them into our forecast, but as the Treasurer said, we are in an environment where it is very, very difficult at the moment to do economic forecasting.

Mr LIMBRICK: Yes, I can appreciate that. Thank you. I suppose the other question was around: are you assuming that JobKeeper will continue in these forecasts?

Mr PALLAS: Well, yes, there are assumptions based on the commonwealth's stated announcements recently, the tapering of the JobKeeper scheme, although this modelling does in fact take that up, and I will take the opportunity to express my appreciation to the commonwealth for that. Any assistance, and this will be substantial assistance, will assist a lot of businesses and lot of families in being able to cope with this economic event.

Mr LIMBRICK: Okay, thank you. My next question was around: Mr Martine mentioned before around 2.5 per cent indexation. My understanding is that the CPI figures in the June quarter have dropped off a cliff and effectively the full year non-seasonally adjusted figure is negative CPI. How can we justify a 2.5 per cent indexation when we are effectively in a deflationary state?

Mr PALLAS: Well, I will make some opening comments if I could, and then I will throw to Mr Martine. I suppose the first and most important thing—and I have said this a number of times, Mr Limbrick—is that the one thing governments do not want to do is lead the market down. We need to recognise the quality, the skill and the hard work that our public service are making in very difficult circumstances but also to recognise that governments need to have a level of consistency so they provide certainty to the community about the way forward.

I know I was subjected to a fair degree of criticism because I was being too hard on the union movement in terms of the wages policy that we put in place prior to the pandemic event, and I note that many jurisdictions have said that they are going to wind back their wages policy—few actually have to this point in time. But I made the other point that even Boris Johnson in the UK has put in place arrangements for a 2 per cent to 3.1 per cent adjustment for the public service in the British public sector—in circumstances where the onset of the pandemic event has been more profound than it has manifested itself in this country to date, might I say. Nonetheless, we believe that the idea of a provision of a base allocation—a requirement for 2 per cent of assured value and then a bargained increase for value, not supplemented by the state—is therefore an appropriate level.

Of course as Mr Martine has indicated, supplementation of departmental budgets has been provided in order to assure them not only that they can fund this—they have to assure themselves that they are getting value over and above the funded amount—but they also need an increase in their allocated budgets for the purposes of being able to deal with the increased demands on public services at a time when the community requires them most obviously. I will hand over to Mr Martine.

Mr LIMBRICK: Thank you.

Mr MARTINE: Thanks, Treasurer. Just a couple of quick comments. It is important to remember that the indexation is both for employee and non-employee expenses. That is the first point: it picks up both. And just as a bit of context, the latest CPI forecast coming out of the commonwealth Treasury, which was the statement the commonwealth Treasurer released in July, has a CPI forecast in the year 2021 at 1.25 per cent, so while we did have a negative quarter, the expectation is still growth in inflation in 2021.

Mr LIMBRICK: Okay, thank you. My next question—I think I briefly brought this up last time we met—is: okay, this increase in debt is going to necessitate an increase in bond sales. Who are we expecting to buy these bonds? Because I know that previously superannuation funds and things like this have been purchasing a lot of these bonds; however, they have got more limited capacity now that the federal government has allowed superannuation account holders to withdraw some of their money, so they have seen declines in funds under management. Are we expecting superannuation funds to be buying these bonds? International investors? If it is international, who is actually going to be buying these bonds?

Mr PALLAS: I will leave most of the substance of the response to Mr Martine, but can I make the point that we generally raise bonds through a bond market, and it is generally a process that therefore does not include direct allocations to foreign national governments, for example. But can I leave it to Mr Martine to take you through how Treasury Corporation of Victoria, who are our banker and bond raiser, are managing the situation.

Mr MARTINE: Thanks, Treasurer. When the pandemic first started, we were worried about markets, and TCV were concerned as well along with bond issuers both with the other states and territories and also at the commonwealth level. What has happened in reality is that the market has actually performed much better than expected. As a bit of context, since the pandemic started to the end of July TCV has been able to issue around \$15 billion of bonds into the market without too much difficulty. The RBA has been buying on the secondary market state government bonds, but they have not needed to do that for several months. The market actually has settled down quite a bit, and the purchasers are as we have had in the past—so they are the major banks, international investors et cetera. So far TCV have been able to get their bond issuance out at a pretty good price too, because rates are very low at the moment.

Mr LIMBRICK: Thank you. My last question for the Treasurer if we can fit it in: with regard to the 8.00 pm curfew that has been put in, there was some economic activity that was still hanging on—things like ridesharing and takeaway food and things like this, that have been squashed by this curfew. Do you have estimates on the economic impact of implementing the curfew?

Mr PALLAS: I will ask Mr Martine to give us a broad assessment if he feels comfortable doing so. But I will make the point that these restrictions are essential to drive down numbers. There is no other way to put this than that it is a most debilitating and distressing period for a lot of businesses. The fact that we are making choices that wind back businesses is all about numbers. It is about human interaction and trying to cut down the capacity of people to interact and therefore the spread of the virus. The point I will make is—going back to the original point—that the quickest way through this event is not to pretend it is not happening but to deal with it as a health event, and that will allow us to repair the economy quickly. Mr Martine?

The CHAIR: I am sorry to have to interrupt you there. The member's time has expired. I pass the call to Ms Ingrid Stitt, MLC.

Ms STITT: Good morning, Treasurer. Thank you for appearing before the committee today with your officials. I think it goes without saying, Treasurer, that it is incredibly difficult for Victorian businesses at the moment, so I wanted to ask you about the establishment of the Building Victoria's Recovery Taskforce that you and Minister Wynne have established. Could you take the committee through the purpose of the task force and perhaps give us some indication of what the outcomes of that task force have been to date?

Mr PALLAS: Yes, thanks, Ms Stitt. Can I say that this has been one of the truly remarkable demonstrations of bipartisan effort—industry, unions, government all working very closely together to try and do the best they can. I want to express my great appreciation to Minister Wynne, who has really worked tirelessly to assist us in being able to engage with industry as the spread of the COVID-19 event increased.

We agreed that it would be useful to speak with industry to hear their concerns and to see if there were a way that we could assist them. We did two large teleconferences with large developers and a number of other greenfield developers. What was clear from our conversations with the industry was that they wanted a central point in government to raise issues that were affecting them as a consequence of COVID-19. That is why we have set up a dedicated task force to help keep the state's building and development industry running through the crisis. Of course, despite our current challenges, we are planning and delivering the major projects that Victoria needs, and we are supporting jobs and doing what we can, of course, to help businesses survive to the other side.

To give industry greater buy-in to the task force process, we did not just appoint public servants. We knew that this could not be a run-of-the-mill engagement with the private sector. It had to be something out of the ordinary. That is why we appointed three co-chairs to the task force: Roger Teale, Jude Munro and Stan Krpan, all of whom bring a depth of leadership and experience in private and public sectors, but more importantly the respect of the industry. Roger Teale, of course, is the former president of the property council and is senior executive at Lendlease; Jude Munro is chair of the Victorian Planning Authority; and Stan Krpan is a Victorian public service CEO.

The task force is currently investigating and planning investment opportunities to boost Victoria's building and development industry over the short, medium and long term. They recently submitted their final report to government, which we will respond to soon. Importantly, what that task force has shown us is that they were able to provide real-time advice to government on issues that impacted the industry, helping remove barriers to building and development works vital to supporting Victorian jobs, housing and infrastructure. The task force has also focused on overseeing the fast-tracking of planning approvals using ministerial powers where decisions have been delayed either due to coronavirus-related impacts or drawn-out processes. So the task force has been providing weekly updates to the minister and me, either verbally or with the latest update on the fast-track processes. I really want to commend what I think has been nothing short of an enormous power of work that they have already undertaken.

Of course with the task force, it was announced by the minister that he has approved four new building projects: 118 City Road, Southbank; 555 Collins Street; 52–60 Collins Street; and 550 Epsom Road, Flemington. They have created thousands of Victorian jobs at a time when we needed them most. Since then, as a consequence of the task force, over \$3.82 billion worth of projects have been announced, with many more in the pipeline. Really the point here is that we have recognised as a government that it has to be more than simply the government trying to find capital works that are state-provided. Of course that is an important part of this equation, but it is also about unblocking those impediments towards private-sector investment for projects that have been kicking around for a long time and really are ready to go, in effect. I do not like to use the term 'shovel ready', because of course they have got their investment ready, they have now got the requisite planning approvals and they are on the fast track to get the jobs rolling out.

Over the next 12, 18 months this industry is going to need to be supported, particularly given the stage 4 restrictions have sort of wound back their activity. The best way to do that is to plan ahead of ourselves, or to plan ahead of the events that we are currently confronting, so that the industry is in the best position into the future to move on with new and substantial work to get people back to work as quickly as possible.

Ms STITT: Thank you, Treasurer. On a related issue in terms of home building, can you give us an update on what the state government has been doing to facilitate the commonwealth HomeBuilder scheme?

Mr PALLAS: Yes. Look, I want to say at the outset that it is a commonwealth government program, and they deserve the recognition for it. The terms for this were worked through the national cabinet, so the exact content and the obligations for the states to meet have been a little challenging for us to put in the context of the access to information that the State Revenue Office would normally have. All that aside, SRO has been working with the other states to develop a consistent application process. Like most states, there have been delays in rolling out the grant, and to date there have only been several successful applications nationwide, but I think it is important that we get the process right. On Monday the HomeBuilder grant online application system was launched, meaning applications for the HomeBuilder grant are now open in Victoria.

The SRO has notified the nearly 14 500 people who subscribed to be notified when applications opened. Given the recent announcement around stage 4 restrictions of course we recognise that it will be difficult for new

builds and renovations to commence in the coming weeks. So as a consequence of that the commissioner, the State Revenue Office, will exercise his discretion under the national partnership agreement to provide a blanket extension of three months for the construction commencement requirements for the HomeBuilder grant. Really what that means is that all applicants for the HomeBuilder grant in Victoria have six months from the signing of the eligible home builder contract to commence construction. For those Victorians listening today or reading at their leisure in Hansard, further information will be available on the SRO website. HomeBuilder builds on the assistance, of course, that we have already provided through our Homes for Victorians package. First home builders have been significant beneficiaries from these packages. Our Homes for Victorians package abolished stamp duty for first home buyer purchases under \$600 000 and provided concessions for purchases up to \$750 000. It also doubled, of course, the first home owners grant to \$20 000. We have made sure that young people can access those housing markets and afford their own home, and it is working.

I think on 30 June 2020 we provided stamp duty exemptions to concessions to approximately 103 000 first home buyers across Victoria since 1 July. That represents savings of over \$1.8 billion for first home buyers. More than 33 000 Victorians have received first home owner grants to break into the housing market since 1 July 2017. Indeed the total collective saving for first home buyers under the Homes for Victorians grant system is over \$2.2 billion. So I think what this does demonstrate is if we get our processes right, if we get the policy settings right, we can make a substantive and real change to the material circumstances of the way that the industry operates and the way that people access homes. I want to once again just express my appreciation to the SRO and their tireless work in putting together these arrangements, and of course I am recognising the contribution of the commonwealth with the HomeBuilder fund, which of course we are proud to manage for them.

Ms STITT: Thank you, Treasurer. In terms of investment attraction, are you able to give the committee an understanding of what we are doing to make sure that investment attraction continues in this period of time during the pandemic?

Mr PALLAS: Yes, and it is a very difficult time, but I have got to say Victoria is regarded as a very attractive location for investment, and considerable overtures and opportunities continue to present themselves to Victoria. We are attracting the best and the brightest companies to Victoria, and they will be an important part of Victoria's economic recovery. We are making sure that we continue to attract the greatest talent and high-profile tech companies. Cutting edge tech consulting firm Sloan LLC will establish its Australian headquarters in Melbourne to support their work across Asia-Pacific—200 new jobs over the next two years. It is amongst a number of global companies that have chosen to invest in Victoria over the last 12 months. Digital technology is one of the priority industries that the government's long-term strategy to attract international investment and support Victorian jobs has targeted. That strategy will play a key role in Victoria's economic recovery, as we rebuild from the pandemic event and as we move to create jobs in what will be a different and dynamic economy as a consequence of this event. Over the last 12 months 15 international tech companies have invested and increased their investment in Victoria—some 950 jobs as a consequence. The areas they are looking at are cybersecurity, artificial intelligence, data analytics—companies including Zingtree, Ortec Finance, Top Desk, Cocodrilo Dog, Tradeplus24, Activision Blizzard, AIA Australia Limited, Dataminr, Lucid Software and KnowBe4. Victoria is all the better for having these companies invest here, and I hope that we will find many more, and certainly we will not leave any stone unturned looking for them.

The CHAIR: Thank you, Treasurer. The member's time has expired. I will pass the call to Ms Bridget Vallence, MP.

Ms VALLENCE: Thank you, Chair, and thank you, Treasurer. Treasurer, I just want to pick up on a comment that you provided in answer to Mr Maas earlier. Treasurer, you said that, and I quote, 'We haven't given up on a single industry or a single job'. That is not quite true, is it, Treasurer? You have given up on around 400 000 sole traders in Victoria, haven't you?

Mr PALLAS: No, not at all. In fact the point I would make, Ms Vallence, is it is not fair to simply look at a single initiative that the government has taken and say, 'Well, it has made a choice about where the state intervenes in order to provide assistance, and that therefore means it has made judgements against others'. We have not. What we have tried to do is make sure that where the commonwealth are making interventions we can seek to complement them. It is true, Ms Vallence, that all the assistance that the state could muster, even if it were a much more substantial resource than we have available to us, may not necessarily achieve the

outcome that we need in terms of being able to provide assistance for each and every provider. But I also make the point that, if you think about this, when it comes to sole traders—some 400 000, I think I heard you say the other day; I think that is broadly equivalent with the situation that we identified—they of course pay income tax and they therefore have a relationship with the commonwealth, and indeed the commonwealth are doing what they can in terms of access to the JobKeeper scheme. So from our perspective the fact that we have made a different area of activity simply goes to the point that I made earlier about how all tiers of government need to complement each other's activity, not necessarily seek to crowd each other out or duplicate effort. There are things that we can do—

Ms VALLENCE: Treasurer, you are responsible for the state government's budget and therefore the response. You mentioned yourself that there was not a single job that you had given up on. You have given up on sole traders. We have heard already from the Premier about federal government assistance. We are not talking about that; we are talking about state government assistance. There is not a single cent that a state government program has provided for sole traders in the second wave. These sole traders are on their knees. All of us here would be hearing from so many sole traders who are in utter distress. How many sole traders do you think—or have you estimated—will not survive as a result of this second wave impact?

Mr PALLAS: Well, I go back to my original point, and that is that of course what governments do needs to complement each other and needs to recognise that interventions that we make have to therefore be tempered—

Ms VALLENCE: Treasurer, you are not complementing the federal government at all.

The CHAIR: Ms Vallence, could you allow the Treasurer to answer the question, please.

Ms VALLENCE: Well, he is failing to answer it, Chair.

The CHAIR: Because you are talking over the top of him. Again, you are being rude. Could you allow the Treasurer to answer the question?

Ms VALLENCE: Treasurer, you are not answering the question at all. You are not complementing the federal government at all when it comes to sole traders. You have got not a single cent for sole traders in your program of relief for Victorians. You are leaving sole traders behind—400 000.

The CHAIR: Ms Vallence, is this a monologue or would you like the Treasurer to actually answer a question for you? Treasurer, you have the call.

Mr PALLAS: Okay. I am not sure there was a question there, but can I say, firstly, that it is not true that we are not providing any support for sole traders. That is far from the truth. In fact sole traders can access a range of existing supports, including state government support and commonwealth support. Sole traders are benefiting from our tenancy support package, including vital rent relief, to help them through this pandemic and get to the other side of the crisis. Sole traders are eligible, of course as I have indicated, for the JobKeeper program. Sole traders are also eligible for our government's \$36 million business advisory and wellbeing program to help them adapt and navigate their way through this crisis. And let us make it clear—

Ms VALLENCE: Treasurer, if they are not renting any property, that does not help them, and if they are actually forced to close and cannot reopen, your final point will not help them either. But we will move on. Treasurer, on what date in 2020 do you expect to deliver the budget?

Mr PALLAS: Well, we have not yet settled on a date, but it will be before the end of this year—sometime in October or November.

Ms VALLENCE: Okay. In your slides earlier in your presentation you indicated that of the additional \$10 billion granted as part of the Treasurer's advance, \$2.7 billion was spent on infrastructure projects. What specific projects were these and what is the nature of the spending specifically, Treasurer?

Mr PALLAS: Sure. So \$2.7 billion—we were pretty focused on making sure that the projects that we were identifying were projects that were very much focused on projects that we could get away. So if I take you through that building works package, \$2.7 billion, they had to be shovel ready. There is a mix of projects both big and small to get thousands of people back to work. Our assessment is that it will create about 3700 direct jobs for a variety of trades in the construction industry. Thousands more jobs, of course, will be created in

supply chains. So just going through those projects, \$1.18 billion of expenditure in education infrastructure, projects that will create more than 1600 local construction jobs—

Ms VALLENCE: So they are existing projects—

The CHAIR: Ms Vallence, you asked the Treasurer what the projects were.

Ms VALLENCE: Chair, I do not appreciate you trying to—

The CHAIR: He is listing the projects for you and you are not allowing him to answer the question. If he could answer the question, that would be appreciated.

Ms VALLENCE: Chair, I really do not appreciate you chewing up my time. Treasurer, so education—we know that many of those are existing projects. I thought that in the last hearings we had we heard from the Secretary and he indicated that none of the Treasurer's advance would be spent on existing government infrastructure projects. We know that those education ones, for example, are many already announced projects. What do you say to that?

Mr PALLAS: Well, I am not sure I agree with that. I think all of these projects, whilst they may have been in the planning stage, none of these projects have actually been funded. There may be examples where some funding has been augmented to accelerate the delivery of particular projects, there may be some examples of projects that have been extended in terms of their scope, but these are not projects that by their very nature are entirely already funded. So if the fundamental proposition that you are putting is that the projects that we have identified here are essentially just regurgitated existing spending, that is not correct. As I say, \$1.18 billion on new schools, new education facilities, the upgrade of those facilities; \$500 million for 23 000 dwellings and 168 new homes—

Ms VALLENCE: Okay, Treasurer; thank you. I am not after a reannouncement or a relisting of all of those projects. Treasurer, there have been recent media reports that there is only a 50-50 chance that Victoria will maintain its AAA credit rating, with Standard & Poor's placing the rating on a credit watch with negative implication. Treasurer, will Victoria lose its AAA credit rating?

Mr PALLAS: Well, certainly from my perspective we have got a pretty proud record. It was, after all, a Labor government that secured our double-rated AAA credit rating from both Standard & Poor's and Moody's. We are one of only about a dozen sub-sovereign jurisdictions on the planet that actually has that credit rating. We have made a very substantial effort, I think, to note that we continue to be highly regarded by the credit ratings agencies, but Standard & Poor's recently added a negative watch to our rating as a result of the latest coronavirus outbreak and the very necessary response to it—to be resolved once the impact is clearer. The report, however, notes that the predominant fiscal impact is a hit to revenue, with additional expenditure directed to supporting businesses and individuals—the sort of questions you have asked me about doing more, Ms Vallence—and the report states that Victoria's rising debt to fund its record infrastructure spending combined with rising revenue and expenditure pressures and the impact of coronavirus will exacerbate these budgetary pressures. However, whilst this will cause deterioration in the state's financial metrics, it will not damage them permanently. So this is a bridge, a necessary decision, that we are making, and they were very complimentary about Victoria's very strong financial management.

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

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

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

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

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

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

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

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

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

The CHAIR: I am sorry to interrupt the member, but her time has expired. I will hand to Mr Tim Richardson, MP.

Mr RICHARDSON: Thank you, Chair. Treasurer, I just want to take you to the economic modelling that we have been going over. As you have outlined in your presentation—and indeed across the world—there is a massive economic impact to the coronavirus pandemic on the Victorian economy. Are you able to please tell us a little bit about that updated economic modelling and what it is showing about the impact the coronavirus is having on the economic impact to Victorians and their jobs?

Mr PALLAS: Thanks, Mr Richardson. I think you are absolutely right. The nature of this economic event continues to confound us, and it gets bigger and bigger. We have known that this will be an economy-changing event. We have known for some time that the impact of the global coronavirus pandemic on the economy is massive right around the world, and here in Victoria of course we are not immune from that. We have invested more than \$10 billion towards protecting Victorians from the deadly health risks and also the economic effects of the pandemic. But even with these unprecedented efforts to cushion the economic blow to our state, the damage the pandemic will have on states and territories right across the country and countries around the world is substantial.

DTF modelling I released in July showed an 11 per cent decline in the size of the Victorian economy in the June quarter. That compares with forecasts that I released in April projecting a 14 per cent decline over that quarter. We know, and the health experts and the medical advice confirm, that the only way that we can have a sustainable economic recovery is to control the virus and its presentation. The move to stage 4 restrictions and the declaration of a state of disaster are designed to do exactly that. The government knows that, as necessary as these restrictions are to save lives and also to support a sustainable economic recovery, they have a devastating impact in the short term. Updated modelling from Treasury and Finance estimates a further decline in the economy of about 10 per cent in the September quarter followed by a steady recovery in the following quarters. So this economic hit is far worse than the global financial crisis and the worst in the postwar era.

And that is also true for jobs. We have also seen in the four months since March that the updated modelling indicates that Victorian job losses will peak at an estimated 325 000. Victoria's unemployment rate is likely to peak at around 11 per cent, which is the highest rate since the 1990s recession, and it is consistent with the forecast that I released in April. As we have seen over the last few months, the headline rate of unemployment is not capturing the full story of what is going on in the labour market, because of the large numbers of people who have left the labour force or are working fewer hours than they want. So there is a hidden impact in terms of the impact on the labour market. For example, if we included those that have left the labour market since March as unemployed, the effective rate of unemployment is currently 9.8 per cent in Victoria, which compares with the national rate of about 10 per cent. Just as the headline unemployment rate will get worse before it gets better, the effective rate of unemployment will also get worse before it gets better.

I need to be clear that there is a higher than usual degree of uncertainty around these forecasts. As I have previously indicated, the modelling makes necessary assumptions about the length of existing restrictions and

that international borders will begin to open in 2021. We do not know that as a matter of fact, and it is very much speculation. We will continue to monitor the economic outlook as the public health situation and the government response evolves.

These quite frankly are confronting numbers, but they are numbers that we have to share with the community. The fact is if we do not take the steps necessary to control the pandemic, then the long-term cost of the virus, the cost of denial of the situation that we are in, will only elongate the recovery process and will only make the suffering longer and harder. I do recognise that there is a lot of distress being felt in the community, but it is necessary that we take these steps in order to sustain the wellbeing of the economy in the medium term but most importantly—immediately—the wellbeing of the population. Those things would have been much more severe if the actions we have taken had not been taken. And as I have said and as I repeat, the quickest way through this event is not to deny it, not to pretend that we do not have to take the action that is causing such enormous distress right across the economy. And for that I am sorry, but it is necessary. It is necessary because we cannot get through this event unless we are prepared to acknowledge the reality of the situation that confronts us and we work as a community collectively, consistently and cooperatively to get through this event.

Mr RICHARDSON: While acknowledging the significant impacts that you have taken us through, Treasurer, and indeed this being a once-in-100-year event, the combination of the economic impact with the health impact, how has that determined what the government is providing to help Victorian communities through the crisis, acknowledging that we are trying to get as much of government support through the economy as possible?

Mr PALLAS: Yes. I think it is a very important point and it is a critically important question because whilst we are dealing with a finite resource we are also making choices. I said earlier that this will provide the largest hit to the Victorian economy in the postwar era. The government's response to the crisis is also the largest in our state's history by quite some distance. The government has responded quickly and at scale, not just to support our health system but also to support the economy. In the June quarter alone our support measures represented an estimated 6 per cent of the size of the Victoria economy. That is quite incredible. We know that this has played a vital role in cushioning the blow to the economy and to jobs.

Based on independent economic modelling by Deloitte Access Economics, the economy was around \$7.5 billion larger than it would have been without the government's investments. So the support has helped protect and create what we estimate to be around about 81 000 full-time equivalent jobs. Our focus has been on supporting jobs and limiting the economic damage from the coronavirus pandemic with measures designed to complement the welcome commonwealth support packages, such as JobKeeper and JobSeeker coronavirus supplements, and in total that \$10 billion in investments in the economy has had a profound and direct effect.

Mr RICHARDSON: Victorians are a resilient bunch. They have come together to wear the masks, to do all they can to stop the spread. Even though it is quite a struggle at the moment, they are starting to turn their minds to the recovery phase and what the community will look like under a new COVID normal. What about after the crisis, Treasurer, has passed? What is the plan for recovery and what is the government doing and thinking at the moment in that support phase?

Mr PALLAS: Can I say that there is a lot of work going on. Whilst we do not talk a lot about it, Mr Richardson, because I think, quite frankly, people are more focused on what the government is doing to deal with the pandemic event and how we can help businesses and communities through to the other side, we are not wasting the opportunity to start thinking about: what will the economy look like and what will the opportunities that present themselves as a consequence of this event look like? Of course I am working closely with the Premier and all other ministers around what those opportunities will look like.

So our focus, as I said, at the moment, is on public health. Getting the virus under control as quickly as possibly is the best thing we can do right now for economic recovery. As outlined in my previous answer, we have also announced a range of support measures to support businesses and workers through the crisis. Ensuring as many businesses as possible survive is key to our economic recovery. As the Premier has said, Victoria has a jobs-focused recovery that will play to our strengths. We are going to need all levels of government working on the recovery together: from the commonwealth right the way through to local government. We need to work together to support the economy through these incredibly difficult times, including picking up the slack in the economy by building productivity-enhancing infrastructure. That is of course why our massive Big Build

infrastructure program is continuing, whether it is the North East Link, the Metro Tunnel, our level crossing removal project. Of course we will have more to say about our plans for economic recovery in the future. Now is not the time to talk about those things because people expect this government, appropriately, rightly, to be focused in terms of our efforts and our interventions on survival and dealing with the pandemic event. We are doing that. But I want people to be assured that we are not wasting the opportunity of planning what constitutes a resurgent economy. We will be doing that work and we will be rolling it out when people are ready to engage with what those challenges look like going forward, and that is when they give us licence to have that discussion—when this challenge to public health and economic survival is dealt with.

Mr RICHARDSON: Thanks, Treasurer. Obviously economic activity has been impacted through this pandemic. That also has an impact on revenue. The economic update you released in July also indicated that there was an impact in that on government revenue. Can you explain what are the main drivers of that decrease in revenue?

Mr PALLAS: Yes. Look, the economic drivers that are dealing with this situation that we are confronting are clearly quite profound. The sort of revenue erosion that we are seeing, billions of dollars of revenue falling away, that has a direct impact upon our balance sheet and our bottom line. To see, for example, that the state is not in a position necessarily therefore to deliver a position of surpluses I think really needs to be recognised in the context that we are taking a hit on the amounts that we are getting returned to us as a consequence of a profound falling away in GST revenue, as a consequence of revenues falling away out of payroll tax revenue. Pretty much every revenue line that the state is receiving has fallen away. Now, that is a real challenge for those in the business of framing budgets, but the challenge has to be met in a practical and substantive way. By that I mean we can focus on trying to bring the budget back into balance too quickly, and that would have a deleterious effect upon the welfare of the community. We are not going to do that. We are going to rate the wellbeing and the priorities of the community first and foremost. Interventions—

The CHAIR: Thank you, Treasurer. I am sorry to interrupt you there. The time for questions has expired, so we thank you and your officials very much for appearing before our committee today. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request. The committee will now take a short break before consideration of its next—

Ms VALLENCE: On a point of order, Chair, the Deputy Chair earlier today raised a point of order, and I understand he could not proceed with that at that point in time. It was really on a very important issue that the committee really needs to consider fully. Yesterday the Premier made certain remarks about whether any assistance had been offered by the commonwealth government in relation to hotel quarantine. And as you may be aware, in accordance with previous rulings of the Parliament, reflections may not be made on the actions of members of other parliaments. And I quote directly from the Speaker's rulings at page 65:

In the best traditions of this place, members should refrain from making imputations concerning the official actions of members of other Parliaments which could be regarded as personally derogatory towards them.

As we know, the Premier gave his evidence. The Minister for Defence in the federal government released a statement after that in which the minister sought to correct the imputations which had been made against the official actions of members of the commonwealth government. So really, given the seriousness of this issue that the Deputy Chair raised earlier and the importance of this Public Accounts and Estimates Committee inquiry into the government's management of COVID, I support the Deputy Chair's point of order earlier, and I would like to move a motion that we convene a private meeting of this committee to discuss how the committee should deal with this matter, perhaps during a lunch break.

The CHAIR: Thank you, Member for Evelyn. As I advised earlier—I am glad you have raised this issue—the Member for Polwarth did not actually have a point of order, he raised a substantive issue. I am also disappointed that whilst this public hearing has been underway the Deputy Chair, I am advised, has been out there making media comments about this issue. I am impressed by his multitasking, although perhaps it is his multitasking that got him in a little bit of trouble yesterday, but at the time I ruled that there was no point of order. It is a substantive issue—

Mr Riordan: Chair, I have made the point there is plenty of time during the Dorothy Dixers to attend to other business—

The CHAIR: Mr Riordan, you are interrupting the Chair, and I ask that you be quiet, please. I ruled that there was no point of order. I did advise that it was a substantive motion and that I was more than happy for the motion to be considered, and that indeed the consideration of the recalling or indeed the addition of any other new witnesses will be considered by the committee at the appropriate time, which is a meeting of the committee. So I am more than happy for that to happen. There is no point of order. My earlier ruling stands. This is currently a public hearing with the consideration of the witness that is currently before us. I conclude this public hearing at this point in time—

Ms Vallence: Chair, I have moved a motion. I raised a point of order just—

The CHAIR: Member for Evelyn, you raised a point of order. There is no point of order. In terms of motions that are substantive, they can—

Ms Vallence: According to the rulings of the Chair, as we know, the Public Accounts and Estimates Committee is subject to the standing orders and all rulings of the Parliament, and it is a very serious matter. I raised a point of order purely because it is so serious that we needed to address it. But I move a motion that we convene a meeting during the lunch break so that the committee has the ability in a very timely manner to be able to address the seriousness of this matter.

The CHAIR: Member for Evelyn, in case you are unsure, this is currently a meeting of the Public Accounts and Estimates Committee. There is an item, as there is always, of other business. At that point we can consider your motion. At the moment we are in a public hearing with consideration of the evidence of the Treasurer and his officials. I am more than happy to add your item to the agenda under other business, which will be the private part of this meeting which does not require a separate meeting and therefore a separate motion to establish a separate meeting as you are proposing. I will conclude this session with the Treasurer. We thank you for giving your evidence, and the hearing is now adjourned. Thank you.

Witnesses withdrew.