

QUESTIONS TAKEN ON NOTICE AND FURTHER INFORMATION AGREED TO BE SUPPLIED BY THE DEPARTMENT OF TREASURY AND FINANCE

Question 1

With respect to the National Australia Bank business survey, please advise:

- a. whether there were small businesses included, and if so, what definition was used for small business
- b. reasons why results are not made public
- c. whether the survey includes public holidays such as the new Grand Final Eve public holiday as 'regulatory burden'
- d. whether questions were chosen by a consultant or by Treasury staff
- e. whether the Treasurer's office had input or sign-off on the questions.

From the results, please advise.

- f. which sectors and industries in Victoria are affected most by regulation
- g. whether the Government has placed any specific initiatives to respond to this.

(Pages 6, 20-1 of the Department of Treasury and Finance transcript)

Response

- a. DTF's understanding of the NAB methodology for the survey is that businesses of all sizes were included and each business was asked the same set of questions, irrespective of size. Some of the answers were broken down by business size. The sizes of the businesses were defined by the NAB. In their survey, small businesses were defined as having between 35-49 employees.
- b. The results were obtained under a commercial agreement with NAB for the purpose of providing advice to Government.
- c. The questions included in the survey were general in nature and encompassed the impact of all regulations.
- d. (Response for questions d. and e.) DTF drafted questions that were reviewed by the survey expert retained by NAB to check their suitability (e.g. for clarity) for use in the survey. The questions were checked by the Office of the Commissioner for Better Regulation and DTF's Communications Group. The Treasurer approved the survey questions.
- f. In March 2012, VCEC released a report titled 'Victoria's Regulatory Framework' which includes the results of an extensive Perceptions Survey conducted with Victorian businesses and not-for-profit organisations at the time. The survey found that more than half of organisations believed that the State regulations they dealt with had become more costly for them in the past three years. This proportion rose to more than six in ten businesses operating in Construction, Primary industries and Accommodation, cafes & restaurants. Over four in ten organisations also stated that they thought these regulations had become more complex, particularly those operating in the Education, Construction and Primary industries sectors.
- g. DTF uses this information as input to advise Government on the impact of regulation and red tape reduction initiatives.

Question 2

Please provide results of the staff recruitment trial whereby applicants' names and ethnicity are removed from applications allowing assessments to be made based on qualifications.

(Page 12 of the Department of Treasury and Finance transcript)

Response

In accordance with the announcement of the Minister for Multicultural Affairs on 20 February 2017, DTF (together with a number of other government departments and agencies and private sector bodies) is engaged in Recruit Smarter, a pilot project to de-identify personal details to reduce potential bias during the job application process. While DTF joined the pilot in 2016, significant preparation time was required across government to update systems and prepare for the commencement of the pilot. DTF is commencing its de-identification trial in April, and the results of the trial will be published by the Centre for Ethical Leadership in 2018.

Question 3

Please provide details of transaction costs with respect to the Port of Melbourne sale during 2015-16, broken down between legal, financial and professional advisory costs.

(Pages 15-16 of the Department of Treasury and Finance transcript)

Response

The Department of Treasury and Finance's 2015-16 Annual Report details the Port of Melbourne lease transaction (Transaction) costs in 2015-16.

The table below categorises the 2015-16 Transaction costs between legal, financial and professional advisory services.

Classification	Consultant engaged	Expenditure
		2015-16 (\$)
		(excl. GST)
Legal	Minter Ellison	2 760 320
	Total Legal Advisory Costs	2 760 320
Financial	PricewaterhouseCoopers Securities	1 926 129
Financial	Willis Towers Watson	44 068
	Total Financial Advisory Costs	1 970 197
Professional	Environmental Resources Management Australia Pty Ltd	405 387
Professional	Halcrow Pacific Pty Ltd	791 895
Professional	Houston Kemp Pty Ltd	37 666
Professional	Jones Lang LaSalle Australia Pty Ltd	177 173
Professional	Mercator International LLC and Oxford Economics Ltd	183 035
Professional	The Civic Group Holdings and Highchair Pty Ltd	144 347
Professional	William I Scales	32 073
Professional	Wirramurra Pty Ltd	13 495
	Total Professional Advisory Costs	1 785 071
	Total Port of Melbourne Transaction Costs	6 515 588

As indicated by Mr Martine at the Public Accounts and Estimates Committee on 13 February 2017:

- Morgan Stanley and Flagstaff Partners (Joint Financial Advisers) were both paid \$550,000 (including GST) in June 2015 for the planning phase of the Transaction; and
- in December 2016, the Joint Financial Advisers were paid a total of \$28.05 million (including GST) for the transaction execution phase.

Question 4

Please provide the relevant extract of Transurban's concession agreement that governs the calculation of equity return for the company. Has the additional \$2 billion of work completed by Transurban had an effect on this calculation?

(Page 19 of the Department of Treasury and Finance transcript)

Response

Relevant extract from the CityLink Concession governing Equity Return

Equity Return is defined in clause 1.1 of the Concession Deed as:

... at any time, the expected real after tax internal rate of return which a Notional Initial Equity Investor is projected to receive on its investment (and taking into account actual receipts) in Project Securities, which (subject to any provision of this Deed to the contrary) is to be made using the Financial Model, assessed over the entire Concession Period (assuming no early termination of the Concession Period) and assessed having regard to amounts actually distributed in respect of Project Securities, provided however, that where this term is used in the context of Concession Notes, "Equity Return" shall mean "Adjusted Equity Return".

Clarification whether additional work completed by Transurban on CityLink had an effect on Equity Return

As noted in the definition outlined above, the calculation of Equity Return (when measured to a specific point in time) is to be assessed having regard to amounts actually distributed in respect of Project Securities. To the extent that CityLink's costs and revenues are impacted by new developments undertaken in compliance with the Concession Deed, this could flow into amounts actually distributed in respect of Project Securities.

Therefore there would be consideration of the financial consequences associated with any developments (being all of the financial consequences including both costs and resulting increases in revenue associated with a development) in determining the Equity Return at any particular time.

Question 5

Please advise the total remuneration of staff transferred from DTF to Industrial Relations Victoria within the Department of Economic Development, Jobs, Transport and Resources, and the dollars that were transferred.

(Pages 13, 21 of the Department of Treasury and Finance transcript)

Response

16 staff (by headcount, or 15.8 FTE) were transferred to IRV in DEDJTR. The staff comprised 2 Executive Officers and 14 VPS. The total remuneration of those transferred staff was \$2,074,069. The annual budget transferred was \$2,793,737 (including administration costs).

Note that on page 21 of the transcript, DTF indicated that 19 staff were transferred to DEDJTR equating to 15.8 FTE. In fact, 16 staff were transferred to DEDJTR.

Question 6

Please advise which National Partnership Agreements received a decrease in funding or did not continue during 2015-16.

(Pages 25-6 of the Department of Treasury and Finance transcript)

Response

The table below lists the National Partnership Agreements (NP) where funding either decreased or was discontinued in 2015-16. Reductions and discontinuations are assessed as the difference between funding estimates to Victoria for 2015-16 as published in the 2014-15 *Mid-Year Fiscal and Economic Outlook* and actual payments in 2015-16 as published in the Commonwealth's 2015-16 *Final Budget Outcome*.

- The most significant reduction in NPs to Victoria in 2015-16 was driven primarily by a reduction of around \$269 million in financial assistance grants for on-passing to local government due to early payment in 2014-15. As had been flagged, the first two quarterly financial assistance grants for 2015-16 were paid in 2014-15.
- DisabilityCare funding, previously published with state allocations, was removed and held in the Commonwealth's contingency pending the finalisation of negotiations. Victoria had previously been allocated \$21.3 million from the fund in 2015-16, and \$240.6 million over the forward estimates.
- Payments under the Infrastructure Investment Programme, which comprises several components, is Commonwealth funding for road and rail infrastructure under the *National Partnership on Land Transport Infrastructure Projects*. While some components were reduced in 2015-16, others increased.
- Note that some of these reductions reflect indexation or project milestones, or the renegotiation of agreements, and do not necessarily indicate a unilateral change to funding.

Reductions in NP funding in 2015-16

Program name	Estimated 2015-16 funding as published in the 2014-15 MYEFO (\$m)	Actual 2015-16 funding as published in the 2015-16 FBO (\$m)	Reductions to NP Payments in 2015-16 (2014-15 MYEFO estimates to 2015-16 FBO actuals) (\$m)
National perinatal depression initiative ^(a)	1.9	0	-1.9
Remote Indigenous Housing ^(b)	2.5	0	-2.5
Assistance to States for DisabilityCare Australia ^(c)	21.3	0	-21.3
Natural disaster resilience	4.2	2.1	-2.1
Adult public dental services	49.6	38.5	-11.1
Essential vaccines	56.9	33.7	-23.2
Financial assistance grants	538.9	270.1	-268.8
<i>Infrastructure funding</i>			
Infrastructure Growth Package – Asset Recycling Fund - New Investments	105.6	99.3	-6.3
Infrastructure Investment Programme - Heavy vehicle safety and productivity	10.0	1.8	-8.2
Infrastructure Investment Programme - Black spot projects	13.7	4.1	-9.6
Infrastructure Investment Programme - Bridges Renewal Programme	14.9	2.8	-12.1
Infrastructure Investment Programme - Investment - Rail	19.0	0.1	-19.0
Infrastructure Investment Programme - Investment - Road	698.1	218.3	-479.8
<i>Other - reductions under \$1m</i>			
National School Chaplaincy Programme	12.6	12.6	- 0.001
OzFoodNet	0.3	0.3	-0.001
Developing demand-driver infrastructure for the tourism industry	1.8	1.7	-0.1
Bushfire mitigation	1.0	0.9	-0.1
Interstate road transport	19.0	18.8	-0.3
Albury-Wodonga Cardiac Catheterisation Lab	1.0	0.5	-0.5
Pay equity for SACS	28.5	27.9	-0.6
Schools Security Programme	2.3	1.4	-0.8

(a) NP not continued.

(b) In 2014, the Commonwealth negotiated buy out arrangements with Victoria and Tasmania for the Remote Indigenous Housing NP.

(c) Funding held in contingency until agreement finalised.

Question 7

Please provide a list of foreign-built motor vehicles that were leased during 2015-16, including why exemption from the locally-manufactured requirement was granted.

(Page 26 of the Department of Treasury and Finance transcript)

Response

The Minister for Finance is responsible for the Standard Motor Vehicle Policy (SMVP) that governs the selection, management and use of government vehicles. All imported vehicles leased during the 2015-16 financial year, have been selected in accordance with the requirements of the SMVP, or granted an exemption either directly or with delegated approval from the Minister for Finance.

The Standard Motor Vehicle Policy (SMVP) requires that: *“Only passenger and light commercial vehicles that are manufactured in Australia are permitted for lease or purchase”*. However, the policy allows the purchase of vehicles imported for sale by an Australian vehicle manufacturer, in the event that Australian manufactured vehicles are not fit for purpose.

The SMVP allows Government departments or agencies that require an exemption to these requirements, to apply in writing to VicFleet, demonstrating a clearly defined operational need to purchase a vehicle that is not manufactured in Australia or imported for sale by an Australian vehicle manufacturer. Such requests must be approved by the requesting department secretary or agency chief executive officer.

The SMVP also exempts light commercial vehicles and passenger vehicles that are required for specific purposes, including emergency services vehicles and vehicles intended to transport people with a disability, if a suitable vehicle is not manufactured in Australia or imported for sale by an Australian vehicle manufacturer. In addition Victoria Police have a standing operational need exemption.

The Independent Broad-based Anti-corruption Commission (IBAC) received approval from the then Assistant Treasurer on 18 August 2013, to allow the purchase of imported passenger vehicles to be used for surveillance or covert purposes.

In addition, the Minister for Finance approved on 24 June 2016, that General Government entities, not currently bound by the requirements of the SMVP, could lease imported vehicles through the Finance Lease Facility on a fit for purpose basis.

The tables below detail imported vehicles that were financed by the Victorian Government's finance lease facility during the 2015-16 financial year, that were not imported for sale by an Australian vehicle manufacturer .

Specific vehicle details relating to Victoria Police and IBAC vehicles used for surveillance or covert purposes are not included below.

Department / Agency	Imported Passenger			Exemption
	Make	Description	No	
Economic Development Jobs Transport and Resources	Kia	People Mover	1	A
Environment Land Water and Planning	Volkswagen	People Mover	1	A
Health and Human Services	Hyundai	People Mover	40	A
	Kia	People Mover	8	A
Justice and Regulation	Kia	People Mover	1	A
Environment Protection Authority	Subaru	AWD Wagon	1	A
Total			52	

Department / Agency	Imported Light Commercial			Exemption
	Make	Description	No	
Economic Development Jobs Transport and Resources	Mitsubishi	4WD Wagon	1	A
Health and Human Services	Hyundai	Van	2	A
	Renault	Van	17	A
	Volkswagen	Van	1	A
Justice and Regulation	Renault	Van	16	A
	Volkswagen	Van	27	A
Monash Health	Renault	Van	1	B/A
Victoria Police	Mitsubishi	4WD Wagon	14	C
	Nissan	4WD Wagon	44	C
	Volkswagen	Ute	5	C
Van		17	C	
VicTrack Corporation	Volkswagen	Van	2	A
Total			147	

Department / Agency	Imported Heavy Commercial			Exemption
	Make	Description	No	
Justice and Regulation	Isuzu	Truck	1	A
Zoological Parks And Gardens	Isuzu	Truck	1	A
Total			2	

A: Delegated approval - no Australian manufactured vehicle, or vehicle imported by an Australian manufacturer fit for purpose.

B: Ministerial approval.

C: Standing exemption to the SMVP.

Question 8

Regarding the contract with Rod Glover Consulting, please provide further details, including:

- a. what specific services were provided under the contract
- b. whether Mr Glover was based in DTF during the period of the contract
- c. what the start and end dates of the contract were
- d. whether the Treasurer's office was consulted or involved in dealing with Mr Glover either before or after the contract was awarded.

(Pages 27-8 of the Department of Treasury and Finance transcript)

Response

Mr Glover was engaged on a part time basis to provide advice to support and guide the Government's economic strategy and to assist in the development of a Treasurer's presentation on these issues.

Mr Glover was not based in DTF during the period of the contract. The contract period was 7 August 2015 - 16 November 2015.

Given that the services provided by Mr Glover included assisting in a presentation to be given by the Treasurer, the Treasurer's Office did interact with Mr Glover during the contract period.

Question 9

Can you advise the Committee of infrastructure investments by Victorian region in 2015-16?

(Page 30 of the Department of Treasury and Finance transcript)

Response

Total infrastructure investments by Victorian region in the 2015-16 Budget

Government Region	TEI (\$m)
Barwon South Western Region	125.222
Eastern Metropolitan Region	91.860
Gippsland Region	41.941
Grampians Region	99.415
Hume Region	15.153
Loddon Mallee Region	52.212
North West Metropolitan Region	12 096.503
South Metropolitan Region	728.132
Statewide	606.668
Various	8 176.736
Total	22 033.842

Question 10

With respect to the advice sought by the Department on the appropriate accounting treatment for the \$1.5 billion received from the Commonwealth for the East-West Link project please advise:

- a. how much did the advice cost
- b. how much interest has been earned on the \$1.5 billion since it was received from the Commonwealth?

(Pages 31-2 of the Department of Treasury and Finance transcript)

Response

The Department obtained accounting advice from Ernst & Young on the appropriate accounting treatment at a cost of \$28,000 (including GST).

The \$1.5 billion, once received, formed part of the State's general Consolidated Fund and overall borrowing requirements managed by the Treasury Corporation of Victoria. It was not set aside or quarantined separately.

Question 11

Please advise:

- a. the total amounts paid under 'stakeholder support', and amounts paid under 'stakeholder support' to
 - i. the Gippsland Asbestos Related Diseases Support/Asbestos Council of Victoria
 - ii. the Trades Hall Young Workers Centre.
- b. the total amounts paid under 'injury prevention funds', and amounts paid under 'injury prevention funds' to Trades Hall.

(Page 33 of the Department of Treasury and Finance transcript)

Response

In the 2015-16 financial year:

- a. The total amount paid under 'stakeholder support' was \$2,919,689. The amounts paid under stakeholder support to:
 - i. The Gippsland Asbestos Related Diseases Support/Asbestos Council of Victoria was \$60,000
 - ii. Trades Hall Young Workers Centre was \$900,000.
- b. The total amount paid under 'injury prevention fund' was \$174,372 and the amount paid under 'injury prevention fund' to Trades Hall was \$174,372.

Question 12

Is there a correlation between the change in number of public servants (reported by the VPSC) and the change in number of consultants?

(Pages 33-4 of the Department of Treasury and Finance transcript)

Response

It is not possible to determine any relationship between an overall change in the number of public servants across the State (6772 FTE) and the spend on consultants. The definition of 'Consultant' contained in Financial Reporting Direction 22F refers to the provision of expert analysis and advice. The expert nature of such engagements is not typically a set of capabilities that is considered as a core function of a department. Accordingly, the use of consultants by departments is unlikely to have a direct relationship to the change in the number of its public servants.

Question 13

The 2015-16 Financial Report (p.16) notes that the Director of Housing has been relieved of obligations for debt repayment. The accounting treatment of this debt forgiveness involves a once-off revenue item for the Director of Housing, which is in the PNFC sector. The DHHS Annual Report (p.63) notes that in the future, 'grant revenue provided to the Director of Housing will be reduced by an amount equal to the annual repayment'. The AFR also notes (p.16) that this has been a major factor in the PNFC sector turning a net deficit (for 2014-15) for the sector into a net surplus for 2015-16. Please advise:

- a. why this approach has been taken
- b. what the effects on general government sector revenue (and consequently the net result) have been
- c. what the PNFC net result would have been without the once-off revenue
- d. why funding the Director of Housing through grants is considered preferable to the model it replaced?

Response

- a. This approach has been taken to simplify the financial arrangements of the Director of Housing with respect to the debt repayment until 2021-22 to provide the Director with greater flexibility in relation to the Director of Housing's expenditure. This approach will enable the Director to allocate revenue provided by the general government sector to either operating or capital expenditure to meet asset renewal and maintenance pressures.
- b. The general government net result from transactions has been reduced by \$314.8 million in 2015-16 due to the debt forgiveness. This is made up by a reduction in interest revenue of \$18.6 million, reduction in grants paid to PNFCs of \$18.6 million and recognition of the debt forgiveness expense of \$314.8 million.
- c. The value of the one off revenue to the PNFC sector was \$314.8 million, therefore without the transaction the PNFC net result from transactions would have been -\$160 million.
- d. The Director of Housing's operations is funded by a combination of user pays revenue and grants revenue from the general government sector. The grants from the general government sector are predominately a pass through arrangement for contributions from the Commonwealth to social housing via the National Affordable Housing Agreement SPP. This has been the funding model for the Director of Housing for some time with the percentage of revenue from user pays and grants changing over time due to changing client profile.