



Office of the Treasurer of Victoria

Department of Premier and Cabinet

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The Hon Daniel Andrews MP
Premier
1 Treasury Place
EAST MELBOURNE VIC 3002

Dear Premier

OUTCOMES REPORT – MINISTERIAL OVERSEAS TRAVEL

In accordance with the *Guidelines for Official Ministerial Overseas Travel*, I seek your approval for the attached Outcomes Report.

I believe this trip has been beneficial to the State of Victoria through the interaction with international financial, business and infrastructure investors.

Once approved, I can instruct my Department to publish this report on the Department of Treasury and Finance website.

Yours sincerely

TIM PALLAS MP
Treasurer

17/10/2016



**OFFICIAL MINISTERIAL OVERSEAS TRAVEL
Outcomes Report**

The provision of the information below is consistent with the *Guidelines for Official Ministerial Overseas Travel*. This report must be sent to the Premier within 40 working days of return, and published on the relevant department website within 60 working days of the Minister's return. The published version of the report does not need to include the 'next steps / follow up' section or the Premier's signature.

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|--|---|---|
| Name of Department / Agency | Department of Treasury and Finance | |
| Departmental / Agency Contact | Andrew Beaufoy, Office of the Secretary | |
| Telephone Number | 96511338 | |
| TRAVEL DETAILS | | |
| Minister's Name | Tim Pallas, MP | |
| Portfolio/s | Treasury | |
| Did the Minister's spouse accompany the Minister in an official capacity? If Yes – please outline the role of the spouse in achieving the outcomes of the visit | YES (official capacity) <input type="checkbox"/> YES (private capacity) <input type="checkbox"/> | NO <input checked="" type="checkbox"/> |
| Accompanying Ministerial staff | Chief of Staff | |
| Countries visited | UNITED STATES CANADA | |
| Date of travel | 4 July to 16 July 2016 | |
| Number of official travel days (include day of departure and day of return) | 13 | |
| Funding source (list Department/s or Agency) | Office of the Treasurer Department of Treasury & Finance Victorian Funds Management Corporation | |

| EXPENSES <i>Include combined expenses for Minister, accompanying staff and spouse (if accompanying in an official capacity)</i> | \$ |
|---|---|
| Air fares (including taxes and fees) | \$ 23,083.68 |
| Accommodation (including taxes and fees) | \$ 16,019.26 |
| Other expenses (including surface travel and travel allowances) | \$ 8,318.18 |
| Travel cost for Minister and ministerial staff (<i>and spouse or de facto partner if applicable</i>) | \$ 47,421.12 |
| Are the above costs final and complete? | YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> |

Purpose of travel

The aim of the trip was to:

- i) brief ratings agencies on the State of Victoria and gain insight into global risks;
- ii) meet potential infrastructure investors and outline opportunities for investment in Victoria;
- iii) gain insight into the changing global investment and capital markets and implications of a low return environment; and
- iv) understand emerging global trends in innovation and technology impacting funds management.

Benefits of travel to the State of Victoria

The primary benefit has been deepening relationships with credit rating agencies, infrastructure investors, funds managers and technology companies, and gaining insights into innovative approaches to managing a challenging global economic and investment environment. Meetings occurred in New York, Toronto, Connecticut, San Francisco and Silicon Valley.

Ratings agencies

- Met with central office of Moody's Investors Service and S&P Global in New York, strengthening the relationship with key agencies assessing Victoria's fiscal position.
- Delivered an update on Victoria's strong economic and fiscal outlook. This included a presentation from the Treasurer on Victoria's strong economic and fiscal outlook.
- Gained greater insight into rating agency views on Victoria's economic and fiscal position and assessment of emerging risks to the global economy.

Institutional investors and funds managers

- Met with large funds managers in New York, San Francisco and Connecticut, gaining insights into the US and global economic outlook, uses of data in forecasting and in investment decisions, and navigating a low yield and volatile global economic environment.
- This included meetings with:
 - Deutsche Bank, discussing implications of a slowdown the global economy; future monetary policy directions of the US Federal Reserve; and investment opportunities and risks in a prolonged low-inflationary environment.
 - Cerberus/Silvercreek Capital, including a presentation from former US Treasury Secretary John Snow on US growth forecasts; impact of quantitative easing policies on domestic growth and foreign asset values; economic conditions in emerging markets and key trading partners; and the increasingly important role of trade in driving productivity improvements.
 - Blackrock, a global investment manager, discussing the evolving importance of 'big data' to decision makers; use of unconventional data sources to guide decision making in periods of prolonged uncertainty; infrastructure investment approaches across leading economies, including the use of public private partnerships; and investment strategies for large funds managers in the current global investment environment.
 - Morgan Stanley Infrastructure Partners discussing the attractiveness of Australia as an infrastructure investment destination; potential growth in the use of electric vehicles and driverless cars, and implications for government infrastructure planning; and future requirements in telecommunications investment to maximise economic opportunities.
 - Bridgewater, a global hedge fund manager, discussing the role of organisational culture, transparency and shared understanding as the basis of generating insights; the importance of systematic decision making and ongoing innovation; optimal approaches to investment in a low interest rate, low yield environment; and the importance of pricing risk efficiently.
 - Albourne, a specialist hedge fund consultant, discussing strategies to manage market volatility.
 - Makena, an investment manager specialising in private markets, discussing the global market outlook; expected future inflationary pressures; changes to long-term growth trajectories; and managing investment risk in a low-return environment.
 - State Street discussing the impact of high-performance computing and machine learning; the use of high-frequency economic data to inform forecasting; and use of latent factor modelling to extract new information from existing data.
- Met with institutional investors in Toronto, including the Ontario Teachers' Pension Plan, Caisse De Depot Et Placement Du Quebec and Ontario Municipal Employees Retirement system to discuss infrastructure investment.

Technology companies

- Met with technology companies in Silicon Valley to develop a deeper understanding of emerging global trends in innovation, including the role of transformational technology in driving economic growth and promoting more efficient and effective government service delivery, and to better understand the regulatory challenges for government in facilitating innovation while promoting community wellbeing and safety.
- This included meetings with
 - Cisco discussing STEM skills and the development of human capital, and opportunities to examine regulations to ensure they best promote innovation.
 - Microsoft to discuss advances in cloud computing; use of new approaches to journey mapping; and new approaches to the use of data and analytics.
 - Stanford Centre for Financial and Risk Analysis discussing the use of neural networks and deep machine learning to capture different market relationships; use of micro and macro data from large datasets to better understand risk; building new tools to assess systematic finance market risk; and use of financial optimiser tools to balance risk and return using analytics.
 - IBM discussing the disruptive impact of blockchain technologies to facilitate transparent and secure direct financial transactions without the need for intermediaries, with potential use in 'smart contracts' and shared ledgers; use of cognitive systems in computing to understand and adapt to data; opportunities to extract value from data; and potential uses of 'deep learning' computing networks to improve analysis and forecasting through large, non-linear computations.

Next Steps / Follow Up

Trips such as this also create an opportunity to deepen ongoing dialogue with investors and funds managers. While ongoing management of relationships with many visited parties is undertaken by VFMC, the ability of the Treasurer to augment that dialogue is significant, and will support long-term investment relationships.

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| Noted by Department Secretary (Signature) |  |
| Name | David Martine |
| Date | 29/9/16 |
| Approved by Minister (Signature) |  |
| Name | The Hon Tim Pallas MP |
| Date | 17/10/16 |