

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Budget Estimates 2016–17

Melbourne — 19 May 2016

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Mr Martin Foley, Minister for Creative Industries,

Mr Richard Bolt, Secretary,

Mr Andrew Abbott, Deputy Secretary, Creative Victoria, Department of Economic Development, Jobs, Transport and Resources.

The CHAIR — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2016–17 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome the Minister for Creative Industries, the Honourable Martin Foley, MP; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; and Mr Andrew Abbott, Deputy Secretary, Creative Victoria.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Comments made outside the hearing, including on social media, are not afforded such privilege. Witnesses will not be sworn but are requested to answer all questions succinctly, accurately and truthfully. Witnesses found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty.

Questions from the committee will be asked on a group basis, meaning that specific time has been allocated to members of the government, opposition and crossbench to ask a series of questions in a set amount of time before moving on to the next group. I will advise witnesses who will be asking questions at each segment.

All evidence given today is being recorded by Hansard, and you will be provided with proof versions of the transcript for verification as soon as available. Verified transcripts, presentations and handouts will be placed on the committee's website as soon as possible.

All written communication to witnesses must be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way and cannot photograph, audio record or videorecord any part of these proceedings. Members of the media must remain focused only on the persons speaking. Any filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

Visual presentation.

Mr FOLEY — Thank you, Chair. It gives me great pleasure to very briefly bring committee members' attention to the creative industries presentation that you have before you. The Victorian creative industries sector is an important part of our cultural, economic and social fabric, an increasingly important part.

Work that my department has carried out points to the fact that currently the sector contributes some \$23 billion to our economy in gross value added and that it is growing at twice the rate of the general economy. All sectors employ some 220 000 people, representing some 8 per cent of Victoria's increasingly diverse workforce, and the fact that it is a major pillar of an increasingly diverse economy and society is its strength. We know from that work that the products and services deliver some \$1.4 billion in exports as well as being a significant driver of our tourism, both domestic and intrastate, as well as attracting cultural tourism from around the country and around the globe — it contributes some \$1 billion to the state annually.

Beyond the economic value, our creative industries make a vital contribution to our livability, to the strength and cohesion of our communities and to regional development, and they are increasingly seen as instruments as to how social issues can be dealt with through cultural solutions.

Could we perhaps jump to the 'Opportunities' slide that you have there in front of you. We think that our creative industries have a very good story to tell, and there are opportunities for Victoria to become a truly global leader in this field. We think that we have got the prospect of doubling our creative and cultural economy — its worth and size — over the next decade, but we realise that there are significant challenges and particularly increased competition from around the globe and particularly around this region. We are very lucky to be in the fastest growing part of the globe in this area as well.

That is why last year a sector-based task force that I established identified a number of areas that can be improved and led by government in partnership with the sector, and based on their report we recently launched *Creative State*, Victoria's first creative industries strategy, which seeks to make sure that we deal with the sustainability and growth of our creative industries and that we partner with the sector in raising the finances, the skills and the development and indeed in reaching both global and domestic audiences and markets. In doing

so, we know that we have to address gaps in pathways, in careers and in barriers to both career development and opportunities for market and cultural growth.

This report is of course online on the department's website. The *Creative State* initiative in this budget is funded to the tune of \$115 million of new investment, which is a record investment to boost the capacity of the sector, and based on that task force report, it has 40 strategic actions across five broad areas. If I could jump to the next slide, those five broad areas are set out there in your presentation, but the first is fundamentally the cultural intrinsic value — that is, backing our creative talent to make sure that our sector does not exist without creative people first and foremost, that we develop, pursue and sustain those creative careers and opportunities right here in Victoria and that we generate, particularly through small, medium and independent organisations that pipeline of high-quality work that increasingly builds our international reputation.

The success and sustainability of these practices and organisations is really the basis of the whole cultural and creative industries ecosystem. It increasingly breaks down through technological disruption and new forms of cultural and artistic expression the forms of the traditional organisation of the sector, and that is both disruptive and enormously challenging in terms of opportunities that are being grabbed by Victorians more than in, I would suggest, any other state, and it gives us a real focus.

The second area there is strengthening the creative industry ecosystem with its dedicated funding. We want to make sure that we invest in developing the business side of these sustainable creative organisations. There is no point having the best cultural value if you cannot sustain it. There is a leadership role for government to assist in the spaces that can be developed and in the acceleration of the skills that are necessary there.

There are also roles there for our screen-based production and services, again which are bleeding all over the place in terms of that sector changing, no more so than as a result of these things that we all carry around with us. The screen-based opportunities and the digital and World Wide Web opportunities for both production and distribution of cultural content are enormous.

On the third and fourth areas — the key actions from the policy — making sure that we deliver both the wider economic and social impact on top of the cultural intrinsic value, we think that there are real, real opportunities in the design area, and design is a fairly fluid but increasingly emerging area of both cultural practice and economic activity that is an enormous multiplier of value right across both the cultural and economic fields of activity. Victoria has a real leadership and indeed global leadership role, whether it is through architecture, architectural services, design services, digital, electronic gaming. A whole range of reasons, some of which have been as a result of the decline in the value of the Australian dollar internationally, have placed us as real global leaders, as a result of sustained investment over a number of years now, which has given us a real edge. So we are looking forward to how that can be delivered, but we are also looking at the cultural impact arrangements.

Part of my role here is to work with other ministers and other communities about some of the social impacts, and the report talks about projects like the Torch Project as one of many, whether it is music in schools. But particularly just to focus on Torch and the role that through the corrections system with our Indigenous community engaging around cultural product to both produce that cultural product but to sustain and rehabilitate and re-ground people out of the correction system into a sustainable, long-term productive future is quite important. We have seen models based on that right over the state. That is but one, whether it is in mental health, whether it is in schools, whether it is in disabilities.

There should be an object here of every Victorian being given the opportunity of seeing not just themselves reflected back on our cultural and artistic formats but having the opportunity to access and participate. That is why in the second area there, whether it is inclusion and diversity through the different communities that make us such a strong society, whether it is through suburban and outer suburban communities or indeed through the regional communities, we want to make sure that all Victorians have that access.

Finally, the fifth and final slide there goes to the international engagement strategy, and whilst it is a modest increase of some \$5 million it nonetheless reflects the enormous leverage opportunities that it can bring as we seek increasingly to make sure that Victoria is one of the top international cultural producers of content. As a result of that in this increasingly service-based linked-up world in which we live, we have got the opportunity of sharing, partnering and promoting the best of what we do internationally as well as competing on our own feet in that international competitive field, particularly in this region. So we are quite pleased as to how that rolls out.

The very last slide simply sets out those budget outcomes in the different areas that I have just briefly gone through. And then we go — and now he says, ‘To the very, very last slide’ — you will just see what the weighted average from the former government in this space was to what we have been managing to bring together. Not quite apples and apples, but nonetheless by any measure a substantial increase in both capital and output investment in this area.

Ms SHING — Thank you, Minister, for your opening presentation and the outline of the Creative State priorities as they relate to the forward estimates period. Minister, I will take you to budget paper 3, page 26, if I may, in relation to the output initiative — Victoria’s Creative State strategy — and also to refer to the key actions in your presentation. One of the key objectives I note from your comments and evidence and also from the budget papers themselves refers to enhancing and creating a better network of investment across rural and regional Victoria. Obviously that is manifested in a number of key initiatives around the Bendigo arts precinct, and we have seen some significant money in Warragul and Traralgon as well, but can you talk to us about how rural and regional Victoria will benefit from that increased participation and access along the lines of what you discussed at the outset?

Mr FOLEY — Thank you, Ms Shing. In terms of the focus of the Creative State on our rural and regional parts of the state — that is a particular emphasis here — I do not think it would come as a surprise to anyone that our regional communities should both as a right have the opportunity to have the same access to quality facilities and quality services, particularly in the cultural and artistic field, but increasingly see the economic and social value that those bring.

That is why this particular budget in this sector we think will deliver significant economic, social and cultural outcomes to regional and rural communities, and that is reflected in the \$20 million regional arts and cultural package that we were able to bring to last year’s budget. We are confident that the further building that this will bring, whether it is in cultural venues, some of which you have referred to, but there are others. There is investment in the Shepparton Art Museum, where we have announced a \$10 million contribution there, and all we need now is the federal government to finally get us to that \$30 million target that that community has set. I am confident that we will get there. Whether it is the investments in the storage and other areas of facilities that the Bendigo community will see through the state libraries packages that is out there. I had the pleasure of announcing over \$1 million worth of touring investments out at South Morang just two nights ago — —

Ms SHING — On your birthday, no less, Minister.

Mr FOLEY — Yes, thank you for your kind wishes. There is nowhere else I would rather be on my birthday than South Morang.

This will see Melbourne Theatre Company, the Melbourne Symphony Orchestra, Chunky Move and the NGV, amongst others, touring around the state. But we will also see the funding announcements to be rolled out very shortly through Regional Arts Victoria through their Small Town Transformations project, a project that we inherited from the former government but are now taking to a higher level.

As you indicated, whether it is small regional towns that take the opportunity to lever off wider benefits here or whether it is our regional centres, whether it is investment, perhaps led by Bendigo but far from exclusively, given their sustained effort, we are now seeing the whole state, particularly larger centres, taking this opportunity to make sure they get their fair chop out of the cultural economy.

Ms WARD — Just quickly, Minister, talking about a fair chop, let us talk about the suburbs, like the outer suburbs where I live. We have got great institutions like Montsalvat. You talk about creative suburbs on page 5. What are you doing for the outer suburbs?

Mr FOLEY — Well, one of the specific action areas that are set of those 40-plus action areas is a whole strategy around how we partner with suburban performing arts and cultural centres as well as leveraging off the support of local government. And we have been — —

The CHAIR — Order! Mr Smith until 12.25 p.m.

Mr T. SMITH — Minister, I refer to budget paper 3, page 123. Your media release of 20 April talks about a \$152 million investment in the Creative State program, but the output for the creative industries portfolio is

decreasing by \$8.2 million in 2016–17. So for the record, your \$152 million announcement is not really new money, is it? It is a 2.4 per cent decrease. It is not really pumping money into arts at all, is it?

Mr FOLEY — You are, I am afraid, incorrect, Mr Smith. This is a substantial investment in an entire array of cultural and creative economy.

Mr T. SMITH — Speak into the microphone please, Minister.

Mr FOLEY — I am sorry. This is a substantial investment in cultural and creative investment right across our state. As that same media release points out, there is a dedicated new strategy of funding — \$115 million worth of initiatives in the Creative State policy. In addition to that, whether it is capital to develop key cultural institutions, whether it is to make sure that as a result of inheriting arrangements whereby sadly in 2012 indexation was taken away from many of our cultural institutions — —

Mr T. SMITH — No, no, Minister. It was a very specific question around a decrease. You have decreased.

Mr FOLEY — There is no decrease.

Mr T. SMITH — There is a decrease. It is in your own budget paper.

Mr FOLEY — Well, I am afraid you are misinterpreting deliberately for whatever reasons those arrangements. I am indicating that, as a result of, for instance, amongst a range of factors, the changes in funding that saw the removal of indexation from the entire sector, but particularly from key cultural sectors, that placed substantial pressure on a number of key cultural institutions.

Mr T. SMITH — Are you bringing back indexation?

Mr FOLEY — And as a result of that, we funded those organisations, particularly the State Library, particularly the Arts Centre Melbourne and particularly the MRC at Southbank — the whole necessary arrangements, new additional funding that will sustain them not just in their key activities where they are but in their outreach and their whole-of-state approach to deliver this.

Mr T. SMITH — But that is not indexation. Are you bringing back indexation?

Mr FOLEY — I do not think I said that, Mr Smith. What I said is that we are putting in place sustainability measures that, in addition to our Creative State policy, will secure the future of key institutional players in our rich ecology, and in doing so, making sure that they can build their capacity for the future —

Mr T. SMITH — But if we can return to the original contention —

Mr FOLEY — so as to undo some of the damage that we inherited from the previous government.

Mr T. SMITH — it is a 2.4 per cent cut.

Mr FOLEY — You are simply wrong in misinterpreting the range of investments across the budget papers in both capital and programs as reflected in the Creative State and in the range of other investments that are a substantial increase in cultural institutions, in film, in digitals — —

Mr T. SMITH — No, this is rhetoric. Show me where I am wrong then.

Mr FOLEY — Well, Mr Smith, it is not my job to point it out to you if you are incapable of reading budget papers, so what I would like to make sure — —

Mr MORRIS — You are making a claim, you should be able to point to the money.

Mr FOLEY — Thank you, Deputy Chair.

Mr MORRIS — You are making a claim, you should be able to point to the money.

Mr FOLEY — Well, I will seek the assistance of my deputy secretary and secretary, but I can assure you — —

Mr MORRIS — So you need the deputy to point you to the money?

Mr FOLEY — No, no. I am seeking to answer — —

Members interjecting.

The CHAIR — Order! Government members!

Mr FOLEY — I am seeking to answer in good faith a presumably well-intentioned question. Victoria seeks to roll out the substantial new investments in the rich ecology that we are the custodians of in the cultural space and in the creative industries space and a record investment across the field. I am happy to have either the secretary or the deputy secretary take you through it in detail, but I point to the budget papers in their totality. If we simply look at any of the numbers of the cultural infrastructure and facilities arrangements as one instance and if we look at the film and digital arrangements, for instance, we will see substantial recurrent and capital investment improvements in this sector.

Mr T. SMITH — Okay, we are not getting an answer here. Moving to pages 126 to 130 — —

Mr FOLEY — So I take it that the honourable member does not wish to have the detail from — —

Mr T. SMITH — You have not answered the question, Minister, so I am moving on. We have got 9 minutes. I have further things to pursue. Pages 126 to 130 and the targets for 2016–17 compared with 2014–15 — attendances at major performing arts organisations down 9 per cent; artists resident in schools down 11 per cent; organisations recurrently funded down 2 per cent; regionally based organisations funded down 13 per cent; website visits down 15 per cent; attendances at all agencies down 12 per cent; members of agencies down 7 per cent. Why do your own figures have the arts going backwards under your government despite your announcement of \$152 million?

Mr FOLEY — Well, again, and with your indulgence, Chair, I will seek assistance, after I make some initial comments, from my officials here. But there are a variety if we, for instance, look at the visitation arrangements. We see some institutions are absolutely going gangbusters in increased numbers and we see others that are not increasing. That is for a variety of reasons, some of which are the scheduling arrangements. In a competitive market for major events and visitations some institutions do better than others. I point to for instance the wildly successful figures that the National Gallery of Victoria has been able to achieve with an over 200 per cent increase in visitation rates over the last few years to record levels.

Mr D. O'BRIEN — Why is that not on your list?

The CHAIR — Order!

Mr FOLEY — Whilst there might well be other institutions, sometimes for a variety of reasons, like the scheduling of international shows and arrangements which are set years in advance, which might well reflect at this point in time in the outputs that are measured here as a result of decisions that we inherited about cultural products.

Mr MORRIS — The outputs are reviewed every year. They are your outputs, and you pushed them down.

Mr FOLEY — No, in terms of — —

Mr MORRIS — They are your outputs.

Mr FOLEY — Thank you, Deputy Chair.

The CHAIR — Order!

Ms WARD — Please keep trying to answer the question, Minister. You are doing a good job.

Mr T. SMITH — We might just move on.

Ms WARD — Thank you for answering the question.

The CHAIR — Order, Ms Ward!

Mr MORRIS — It is your budget. They are your targets. They are your outputs, and they are down.

Mr FOLEY — No, in terms of how — —

Mr D. O'BRIEN — How? They are in the budget papers.

Ms WARD — Thank you for attempting to answer the question, Minister.

Mr FOLEY — Given that Mr Smith referred to a variety of outputs — —

Mr T. SMITH — We have only got 1½ minutes left, Chair, if I could move on.

Mr FOLEY — One of which was attendances, which is but one issue.

The CHAIR — Order! Does Mr Smith wish to ask another question?

Mr T. SMITH — There is another question I need to ask before — —

Mr FOLEY — I am happy to.

Mr T. SMITH — Minister, I only get 9 minutes, I am sorry.

Ms SHING — They are just more statements than anything else, Minister. I would not be too concerned.

Mr FOLEY — If it is clear that the honourable member does not wish to have an answer — —

Ms WARD — I do not think Mr Smith was expecting a response.

The CHAIR — Order, Ms Ward!

Mr T. SMITH — Minister, I refer you to BP4, page 36, on the expenditure for South Melbourne Park Primary School, which includes the relocation of Orchestra Victoria. How much of the \$6.4 million estimated expenditure is for the relocation of the orchestra, where will it be relocated to, and where are the costs factored into the budget of the relocation?

Mr FOLEY — I missed the first part of your question, but having at least heard the back half I will assume it was relating to Orchestra Victoria's relocation from the South Melbourne Park Primary School site.

Mr T. SMITH — Yes.

Mr FOLEY — I could answer that that is in part a responsibility of the Minister for Education and not my ministerial responsibility, but that would be disingenuous. Orchestra Victoria, as a result of decisions of the former government, is a subsidiary of Australian Ballet, and they are on schedule to relocate out of their current facility to a facility — —

Mr T. SMITH — But where are those costs in the budget? We have only got 30 seconds left, Minister. Where are those costs in the budget for relocating Orchestra Victoria?

Mr FOLEY — As I indicated, I could answer that this is an issue under the Minister for Education's responsibility, given that that land site is now, as a result of legislation — —

Mr T. SMITH — All right, where is Orchestra Victoria moving to? Where is it moving to?

The CHAIR — Order! Dr Carling-Jenkins for 5 minutes.

Dr CARLING-JENKINS — Welcome, Minister. I would like to talk a little bit in relation to budget paper 3, page 128, and this is actually around video game production and Film Victoria. Before I do, I just wanted to note that someone told me recently that Film Victoria apparently creates jobs at a rate of 1 per 20 000 investment, which is five times more cost-effective than the grand prix. So if anyone can double check that for me, I would be really interested

Mr D. O'BRIEN — Sue would like to.

Dr CARLING-JENKINS — And I am sure Ms Pennicuik, if she was here, would be very interested in that little fact as well.

Ms WARD — She would; she would be very interested.

Dr CARLING-JENKINS — Anyway, to be serious, in relation to video games, which my son particularly thinks are very serious, as we can see in this budget paper there were a higher number of jobs created through production supported by Film Victoria than expected and this appears to have been driven by games. Games, as I understand, are a very cost-effective industry in terms of translating taxpayer support into real jobs and incomes, because of the costs of production being quite low. So, Minister, I would like to invite you to speak about this part of your portfolio and to inform the committee of the extent to which economic factors are driving the distribution of funding among the different sections within your portfolio.

Mr FOLEY — Thank you, Dr Carling-Jenkins. The global games industry has long outstripped the global film industry in terms of its net worth, its capacity for growth and its capacity to generate jobs. It is a massive and growing market, and Victoria is disproportionately well placed geographically, educationally and strategically to take advantage of that. As a result of investments not just by Film Victoria but particularly by Film Victoria, there is also the design group within Creative Victoria that has had a role around the innovation in and businesses support of this sector.

We are extremely fortunate to have key partnerships with academia, with industry, to be really the hub — if not of Australia, increasingly of this part of the world — of what is a hugely interlinked global sector when it comes to the benefits that games play. Not just games in that, if you like, hats on backwards in the beanbag, nerdy teenage boy market — —

Dr CARLING-JENKINS — Although that is significant, yes.

Mr FOLEY — Your son excepted, I am sure. But increasingly across the board for other aspects that this sector is spinning off Victoria is disproportionately well placed. It goes by the terrible name of ‘gamification’, but we are seeing the spillover effects in health, in emergency services, in government business delivery, in private sector delivery of the benefits that the game technology can bring. It is so important to innovation, to the jobs of the future, to decentralisation opportunities, as the power of the internet and the linked-up world increasingly brings together.

Whether it is the 1 in 20 figure that you have indicated — I will take that on notice — but in terms of the leverage effect that investment in this space brings this is one of the areas where there is a real leadership role for government, and we are extremely keen and extremely proud that one of the focus areas of the Creative State strategy is particularly around gaming and the magnifying and leverage opportunities that gaming brings to jobs and creativity in Victoria. It does not end at just gaming, because it is a major driver of all sorts of other artistic formats and participations, which I am happy to provide further details to the committee on.

Dr CARLING-JENKINS — Thank you, Minister. We do not actually have a lot of time, as you can see. So I just wonder if you could finish off some of the comments that you were making to Ms Ward’s question about the outer suburb investment. It was going to be my next question.

The CHAIR — Maybe take that on notice too.

Mr FOLEY — So extremely quickly, there is an area of action in the Creative State strategy that talks about partnering with local government, who are one of the key providers of infrastructure in those areas. We look forward to that area in particular, together with a partnership of whole of government, to focus on the action outcome in this space, which I refer the committee to in the Creative State report, which is online.

Dr CARLING-JENKINS — Thank you, Minister.

The CHAIR — Order! I would like to thank the Minister for Creative Industries, the Honourable Martin Foley, MP; Mr Bolt and Mr Abbott. The committee will follow up on any questions taken on notice in writing. A written response will be provided within 14 calendar days to that request.

Witnesses withdrew.