

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Budget Estimates

Melbourne – Friday 2 June 2023

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell

WITNESSES

Mr Tim Pallas MP, Minister for Trade and Investment,

Mr Tim Ada, Secretary, Department of Jobs, Skills, Industry and Regions, and

Ms Danni Jarrett, Chief Executive Officer, Global Victoria and Invest Victoria, Department of Jobs, Skills, Industry and Regions.

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

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian economy.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Treasurer, for the portfolio of trade and investment, the Honourable Tim Pallas; officers from the Department of Jobs, Skills, Industry and Regions; and other officials. Treasurer, I invite you to make a 5-minute opening statement or presentation. This will be followed by questions from the committee. Your time starts now.

Tim PALLAS: Thanks, Chair and committee members, great to be with you again. It is good to be here to talk about the achievements in the trade and investment portfolio. The trade and investment portfolio continues to perform favourably, with exports playing a critical role in supporting Victoria's economy, and international companies continuing to establish their presence in Victoria, cementing the state's international reputation as a destination for investment.

Visual presentation.

Tim PALLAS: On the trade side, our exports performed well in 2022, growing by 8 per cent, compared to 2021, to \$48 billion. Of that \$48 billion, \$30.5 billion is attributed to goods exported and \$17.5 billion is attributed to services. The outlook is positive for our largest service export, education, with the number of onshore student visa holders more than doubling since borders have reopened. Victoria's foreign direct investment attraction performance continues to demonstrate success despite uncertainty in the global investment environment. In 2021–22 Victoria secured almost \$600 million in FDI. The state attracted more FDI and projects in 2021–22 compared to the previous year, which saw a 76 per cent increase to \$8.8 billion from 91 projects. Our achievements in the export and international education sectors are continuing to demonstrate their value.

Continuing the Victorian government's trade mission program, establishing a new trade and investment office in Paris and supporting key trade facilities that strengthen Victoria's international efforts in 2021–22, we delivered 39 trade missions supporting over 490 Victorian businesses, we provided over 860 one-to-one trade facilitation services, and to be a leading global study destination we launched *Victoria's International Education Recovery Plan 2025*, which set out 19 actions to support Victoria's international education sector and students.

The Victorian government has directly supported investments from across key markets, including renowned games development company Keywords Studios from Ireland; leading technology company UST, which has relocated its Australia–New Zealand headquarters from Sydney to Carlton, creating 250 jobs; and Ørsted, a

leader in offshore wind power production from Denmark, choosing Victoria for its Australian headquarters. To maintain Victoria's position as a competitive global investment destination, we have delivered alternative access to finance initiatives, including \$25 million in the Venture Growth Fund, \$50 million in the R and D cash flow loans, and \$20 million in the Equity Investment Attraction Fund.

To provide the committee with an example of how the Victorian government's strategic approach to trade and investment is shifting the dial in particular markets, I thought I would share a snapshot of our activities in Singapore. In 2021–22 Singapore was Victoria's fourth-largest two-way merchandise trading partner and fifth-largest export market. As part of our *International Investment Strategy*, we have focused on attracting investments from Singapore's world-renowned innovation and tech startup sectors. The investments we have made into our relationship in Singapore are paying dividends, resulting in several Singaporean companies choosing to grow their businesses in Victoria, supporting local jobs and enhancing our own capabilities in high-growth areas. The most recent investments include Seventh Sense, a deep-tech AI company specialising in facial recognition, which I announced would be establishing an R and D hub in Melbourne, during my economic mission to South-East Asia earlier this year, and SunGreen H2, which, as you may have read about in the *Herald Sun* this week, will be setting up an R and D hub in Clayton, not only creating local jobs but growing critical renewable hydrogen production capability right here in Victoria.

As outlined in the Victorian budget 2023–24, we have committed \$12 million over two years to support Victoria's trade missions and trade mission enablers and \$20 million over two years to boost the International Investment Attraction Fund. Victoria's performance continues to deliver in trade and investment targets, exceeding all its trade and investment targets in 2021–22. In 2021–22 we supported \$627 million of actual export sales. Victoria's national market share of international students remained strong in 2021 at 31.7 per cent in 2021–22. FDI investments secured by the Victorian government are expected to generate more than 3721 full-time jobs, so we are looking ahead. We are on track to achieving the 2022–23 targets.

The CHAIR: Thank you, Treasurer. Thank you for that. First up is going to be Mr O'Brien. Mr O'Brien, you have 8 minutes.

Danny O'BRIEN: Thank you, Chair. Welcome back again, Treasurer and officials. Mr Ada, can I begin with you, Secretary. The Minister for Climate Action and Energy and Resources went on an overseas trip to northern Europe for 12 days in March, and the Premier to China in late March. Both have still not formally accounted for their trips, but was the department involved in organising those trips or facilitating them?

Tim ADA: Thanks for the question, Mr O'Brien. I believe we were consulted and worked with the department that you referred to, but we were not explicitly involved in administering the trips. Our commissioners both based in Europe and the United Kingdom would have played a significant role in those trips. That is probably a question for the other secretaries and departments.

Danny O'BRIEN: In terms of payment for those trips and everything, that is done by their departments.

Tim ADA: That is right.

Danny O'BRIEN: Okay. Do you know – and I know that as you said, Mr Brett Stevens certainly met with the Premier in China and I assume probably accompanied him throughout the trip –

Tim ADA: Yes, that is right. Brett Stevens, Victoria's commissioner to greater China, did accompany the Premier during his travel to China recently.

Danny O'BRIEN: As you know, there was no media on the trip in particular, but can you advise: did the Premier meet with anyone from the Chinese government with respect to debt financing?

Tim ADA: I think that is perhaps a question for the Premier, Mr O'Brien, and/or his department. I just do not have that information to hand.

Danny O'BRIEN: Okay. Did any other departmental representatives travel with the Premier or the minister on her trip?

Tim ADA: Not from my department, no – just the commissioners based in those two markets that we have spoken about.

Danny O'BRIEN: Okay. All right. I just might hand to Mr McGowan for a brief question or two.

Tim ADA: Sure.

Nicholas McGOWAN: Mr Ada, can you just enlighten me. In brief, what is your job?

Mathew HILAKARI: Sorry, Chair, could I just draw attention – which budget paper are we referring to at the moment, because I am just not clear. I would just like to follow along –

Danny O'BRIEN: BP3, pages 245 and 246.

The CHAIR: Thank you, Mr O'Brien.

Tim ADA: Your question was: what is my job?

Nicholas McGOWAN: Your job.

Tim ADA: My job is the Secretary of the department, and obviously I am the employer of the staff in the organisation and support nine ministers, including Mr Pallas as the minister responsible for trade and investment.

Nicholas McGOWAN: And what kind of salary does that attract?

Tim ADA: My salary? My salary is within the band of the salary, towards the lower end of the band if not the lowest part of the band, for salaries as a newly appointed secretary.

Nicholas McGOWAN: Is it in the order of \$500,000? What are we talking about?

Tim ADA: Yes, of that order, I think.

Nicholas McGOWAN: And how long have you been in this job for?

Tim ADA: I have been in this job about two months, Mr McGowan.

Nicholas McGOWAN: How many times have you taken recreational leave since you have been appointed?

Lauren KATHAGE: Chair, is this an appropriate line of questioning for a budget and accounts –

The CHAIR: Mr McGowan –

Nicholas McGOWAN: If it goes to the work of the Secretary of the department, I would have thought it was absolutely in line –

Lauren KATHAGE: It is quite private information, not budget information.

Tim ADA: I am happy to answer the question if it is –

Nicholas McGOWAN: Yes, please.

Tim ADA: I have obviously worked in the Department of Premier and Cabinet for four years before taking on this role. I had booked some leave with my family prior to being appointed to this role, and I think I have had six days of recreation leave since I have started. That is because they were booked family commitments before I was interviewed and appointed to this role, Mr McGowan.

Nicholas McGOWAN: And given you have mentioned your previous work, how many trips overseas did you take in that period and do you know the cost of those trips, perhaps to Europe?

Tim ADA: During my employment at the Department of Premier and Cabinet?

Nicholas McGOWAN: In your previous role, that is right. You mentioned your previous role. That is right.

The CHAIR: Mr McGowan, I do not see how this is relevant to the budget papers. Can you please keep your questions relevant to the budget papers that this inquiry is about.

Nicholas McGOWAN: Well, it is relevant to the performance of the Secretary, and he has mentioned his previous position, so I think it is entirely appropriate to ask questions that go to the transparency of how the government operates.

Michael GALEA: On a point of order, Chair, it is not relevant to Mr Ada's current portfolio.

The CHAIR: On the point of order, I ask you to keep your questions relevant to the inquiry at hand. I am conscious of your time, Mr McGowan, if you want to move on.

Nicholas McGOWAN: I am very conscious of my time. 'Ms' or 'Mrs Jarrett', sorry?

Danni JARRETT: Ms.

Nicholas McGOWAN: Ms Jarrett, just in respect to the offices, obviously you have trade commissioners, you have general managers and the agent-general – have you received any complaints on disciplinary matters relating to those people?

Danni JARRETT: No, I have not.

Nicholas McGOWAN: Any in relation to the 26 offices, including the office here in Melbourne – do you have any complaints in terms of bullying or workplace behaviour that have been lodged at all in those offices?

Mathew HILAKARI: Chair, again, I ask what relevance this has to the budget.

Nicholas McGOWAN: It is a simple question about the operation. It is entirely about the budget.

The CHAIR: Mr McGowan, can you point to where in the budget papers this is relevant so Ms Jarrett can open the papers and have a look and –

Nicholas McGOWAN: The budget papers refer specifically to 26 offices. It is specifically the budget that we are talking about here today. It is absolutely in order. It is a simple question: how many complaints have there been?

Danni JARRETT: So the question is regarding complaints for the international network of offices?

Nicholas McGOWAN: The international network and the head office, that is right.

Danni JARRETT: No, I have not received any complaints of bullying or harassment.

Nicholas McGOWAN: Not a single complaint – bullying or other inappropriate behaviour?

Danni JARRETT: No, I have not.

Nicholas McGOWAN: Across all offices?

Danni JARRETT: Not that I have received in my time in this job, no.

Nicholas McGOWAN: Okay. Thank you.

Danny O'BRIEN: Can I continue on BP3, page 246: there are a number of measures there, Secretary. For example, innovation expenditure generated from international investment secured through government facilitation services – so the job of the department – dropped from \$596 million in 2021–22 to \$135 million in 2023–24. Likewise, jobs generated from international investment dropped from an actual of 3721 two years ago to 1500 projected this year. There is 'wages generated' as well. These are all the tables there on page 246. Wages generated from international investment attraction dropped 70 per cent, which is actually not a proportionate fall to the number of jobs. If all of these outcomes have dropped, why has the expenditure for these outputs actually increased from \$74 million two years ago to \$113 million in this year's budget?

Tim ADA: Thanks for your question. Are you happy to take that?

Danni JARRETT: The question, if I may just clarify, Mr O'Brien, is that the deliverables have dropped in this time? On page 246, which you are talking about, the actual in 2021–22 was \$596 million in terms of innovation expenditure.

Danny O'BRIEN: Generated. Yes, I understand.

Danni JARRETT: That is right.

Danny O'BRIEN: And then the target has dropped down to \$135 million this year.

Danni JARRETT: It is in fact an increase. Last year was \$110 million.

Danny O'BRIEN: Well, no, last year the expected outcome, according to the budget papers, was \$135 million.

Danni JARRETT: Oh, sorry, it has stayed the same. It has not dropped. The target has not dropped.

Danny O'BRIEN: But the question is that the actual two years ago – 2021–22 – was \$596 million. Likewise, the actual jobs generated was 3700 in 2021–22. The target this year is 1500. The wages generated was \$431 million and it is down to \$132 million, yet the output has actually grown in cost to the taxpayer.

Danni JARRETT: The targets are set also based on the investment pipeline that we have and the number of investments and the nature of those investments that we are working on. Often with these investments we are looking at what we have in the pipeline and what we are expecting to achieve. Sometimes there are investments where there are one or two investments that are significantly larger than anticipated, which may then make the actual outcomes far higher than the targets.

Danny O'BRIEN: But the point remains: we are spending more, but on the targets actually in the budget paper we are getting less outcomes for Victorians.

Danni JARRETT: I am not sure that we are –

The CHAIR: Ms Jarrett, I am just going to stop you there. Mr O'Brien, your time has expired. We are going to move on to Ms Kathage.

Lauren KATHAGE: Thank you. Treasurer, I am going to refer you to budget paper 3, page 79. That sets out some of Victoria's investment in programs to support trade. Historically international education has been an important export for our state, but obviously with international borders closing the sector suffered a significant shock. I am just interested if you could explain what the government is doing to support the recovery of the international student sector.

Tim PALLAS: Well, thanks very much for the question. I would say at the outset our international student diaspora and the effort that our universities in particular put in in this space is vitally important not only for the economic circumstances of the state but also for the cultural vitality of the state as well. So we are very much indebted to our international students, and we – perhaps the only jurisdiction in the nation – spent a lot of time making sure that they were well protected during the course of the pandemic.

You are quite right that international education is indeed one of Victoria's most important export sectors. In fact it is our largest services export sector, full stop. So when we talk about Victoria having a very large services sector – it is about 77 per cent of our GSP – our international education plays a very considerable part and role in that. In 2021 the sector generated \$6.9 billion in export revenue and it contributed to around 41,000 jobs in the Victorian economy.

But of course international education brings Victoria so much more than just those financial benefits. International students are such an important part of our state's rich multicultural society, and their contribution to our communities and businesses quite frankly is beyond measure. Students support our cultural, our tourism and our event sectors. They often invite their families to visit them to experience the wonders that Victoria can display firsthand. They also support our small businesses in very dramatic and telling terms – and that perhaps

became all the more obvious during the course of the pandemic – as both consumers of course but also often as critical part-time workers. And it is great to see so many of them coming back and participating in the broad variety of Victorian life, whether it be economically or socially.

The Andrews Labor government has always placed the utmost importance on international education because a thriving international student sector is part of what we see ourselves as, and that is of course the Education State. Indeed for eight years Melbourne was Australia's top performer in the QS best student cities index based on affordability, quality of life, standard of university and diversity, and in 2023 the city has moved up a spot in the world rankings to fifth, behind only London, Munich, Seoul and Zurich. So we remain at the top of the list domestically, but we are very high on that international list.

As you correctly pointed out, the international student sector was significantly disrupted by international border closures during the COVID pandemic. There was a loss of \$3.5 billion in export revenue in 2021 alone, down 34 per cent compared to the previous year. I can tell you that the Global Vic and Study Melbourne teams have been working tirelessly to support our existing international students through their own individual hardships, and might I say that did not go unnoticed in the market internationally. On many occasions it has been drawn to my attention that as a state we were seen as being different, as being much more substantively concerned about our international students. That matters because it goes very much to relationships as much as it does to the commercial offering we have got, and relationships endure long beyond just the commercial engagement of a student's course. It gives them the opportunity to see that this is a location of desirable future economic activity and involvement.

I would like to also acknowledge the work and guidance of Victoria's International Education Advisory Council, in particular chair John Brumby. The council, made up of experts from across all of the education sectors, have provided government with invaluable advice on the impact of the pandemic on the sector, and it has informed our responses. And I am proud to say that the Victorian government provided comprehensive support to our international student education sector, more than any other state and territory and certainly much more than the federal government did. And while some criticise the fact that we used our healthy balance sheet to borrow and to support the community during the pandemic, I am really proud to say that what we did was that we did not turn our back on those students who were there for us and who have been great contributors to our community, and we recognise that. I am proud that when the times were tough the Andrews Labor government did not turn away from our international students, and when the Commonwealth government, the Morrison government, told our students to, quote, 'return to their own countries', instead of turning away, we wrapped our arms around them, because Melbourne is not Melbourne without our international students. We acted swiftly to roll out the \$45 million International Student Emergency Relief Fund for international students who were locked out of the Commonwealth emergency welfare support, helping over 33,000 international students to stay on their feet. Our Study Melbourne team provided and continues to provide international students with free and confidential 24/7 assistance and advice on matters like employment rights, accommodation matters and legal services so that students know that they are never alone and they are not simply an economic proposition for us. We value their participation in the rich cultural life that exists in Victoria.

In 2021 our jobs plan was funded with \$33.4 million in rapid short-term recovery initiatives, which included amongst other things a rollout of online and international marketing and investment in new offshore Study Melbourne hubs in strategic international markets in like places like Vietnam, Malaysia and China. And can I say, they work a dream. I have visited a number of these both here and overseas, and they give us a product differentiation and they give a general impression that we are happy to go in country to be there and to support students in whatever way they see that their educational experience can best be enhanced. Certainly we do see a number of students who are participating in universities interstate perhaps congregating in these areas, and believe me, they see exactly how much better the product we offer is by comparison.

We have also provided \$10 million through the Melbourne City Revitalisation Fund to cement Melbourne's status as Australia's best student city, supporting upgrades to the Study Melbourne student centre in Hardware Lane and the creation of welcome packs for newly arrived students from around the world. I am also proud that we did not turn our backs on the university sector, recognising the disproportionate impact that that sector had suffered through a \$50 million contribution for the International Education Resilience Fund. That was on top of the \$350 million that we put aside for the Victorian higher education fund, which was rolled out to support universities in capital works.

To help realise the Andrews Labor government's aspiration for a strong rebound in international education, in September last year I launched our *Victoria's International Education Recovery Plan 2025*, which was backed by \$52.9 million through to 2025. That recovery plan outlines Victoria's vision, our goals and our actions to support an even brighter future for the sector to be more resilient and more innovative than before, one that prioritises the student experience above all else. I think this is where we differ from so many other locations around the world. We actually make an investment in the student experience, recognising that it cannot simply be about focusing on the economic value that international students bring to this state and recognising that they are more than a commodity, they are vital contributors to our cultural and economic wellbeing. The plan outlines the 19 actions to support Victoria's international education sector and students. These include the expansion of the Global Education Network to 19 locations worldwide, with additional resources in Colombia, Korea, Japan and Vietnam. Make no mistake, through achieving a strong recovery we know that that journey will not be easy, but it will be made that much better through engagement with our international students. We are seeing fierce global competition from countries like the UK, the US and most recently Canada, but as you can see, we are throwing everything at this. If the latest international student data tells us one thing, it tells us that we have got cause to be optimistic.

Lauren KATHAGE: Thank you, Minister. Are you able to update the committee on how those international student numbers are tracking?

Tim PALLAS: Yes. I could say that the Department of Home Affairs data has shown that since international borders opened in December 2021 the number of student visas onshore in Victoria has doubled to more than 141,000, plus Victorian education providers are also delivering up to 14,000 students offshore. I am also pleased to see the growth is occurring across all education subsectors and in key markets. Victoria's rebound in the English language sector was above the national average, with about 168 per cent growth in commencements between 2021 and 2022. That is a promising sign really for further growth, given the large number of international students.

The CHAIR: Apologies for interrupting, Treasurer. The time has expired. I am going to hand over to Ms Sandell, who has 3 minutes.

Ellen SANDELL: Thank you. Treasurer, I would also like to ask about international students. One of the issues we are hearing from international students is they simply cannot find an affordable or appropriate place to live and this is leading to significant financial stress. We are also hearing that many, many apartments, especially in Melbourne, where most international students end up, are lying empty most nights. We do have a vacant residential land tax. Do you feel like it is working to bring properties onto the rental market?

Tim PALLAS: Well, the important role the vacant residential tax was put in place for was to ensure that there was some economic assessment made for overseas owners who had to satisfy themselves about whether or not their properties were being adequately utilised, and indeed domestic owners of properties as well. We identified it in inner city locations as being appropriate. This is one of the few locations in the world that actually has a tax of this nature, and I think Vancouver in Canada is one of the other locations. That has to be looked at in the context of a broader variety of initiatives that the government has put in place, whether it be absentee owner surcharge arrangements, which you will note in this budget are being doubled and brought into consistency with the New South Wales payments. Absentee owners of course often do not have full occupation of those properties, and we are once again trying to put some economic rigour into the process. The effort around the housing, and I perhaps –

Ellen SANDELL: Sorry, I only have 3 minutes so I might just interject there. We also have thousands of properties listed on Airbnb in Melbourne on any given night. There will be thousands tonight that are empty most of the time. Will the government regulate the short-stays industry to bring those properties onto the long-term rental market, given that that would be very significant for international students coming back as well?

Tim PALLAS: Well, this is a matter that the government has indicated is the subject of policy considerations that will be considered in the context of the housing planning statement that we are intending to produce at the end of September.

Ellen SANDELL: Okay. Thank you. There are reports that education agents tell prospective students they can live on much less than what is actually feasible in Melbourne. Does the government have any oversight or

control over what education agents tell prospective international students they can live on, to avoid them being misled?

Tim PALLAS: I will stand to be corrected by Ms Jarrett, but I would not see that the state would necessarily have a great capacity to influence what is being said overseas. I mean, we do have a pretty substantial overseas network, but those conversations are –

The CHAIR: Apologies for interrupting, Treasurer. Ms Sandell, your time is up. That it is the end of questions. Treasurer, Ms Jarrett and Mr Ada, thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to take a short break before beginning its consideration of the industrial relations portfolio at 12:35 pm sharp.

Witnesses withdrew.