

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2023–24 Budget Estimates

Melbourne – Tuesday 6 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 Ben Carroll MP, Minister for Industry and Innovation,

Mr Tim Ada, Secretary,

Mr David Latina, Deputy Secretary, and

Ms Ylva Carosone, Executive Director, Small Business 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.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be here with us today.

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 community.

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.

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.

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

I welcome the Minister for Industry and Innovation the Honourable Ben Carroll, as well as officers from the Department of Jobs, Skills, Industry and Regions and any other officials that are joining us today. Minister, I invite you to make an opening statement presentation of 5 minutes. This will be followed by questions from the committee. Your 5 minute starts from now.

Ben CARROLL: Thank you, Chair. It is a pleasure to be here with the Secretary Tim Ada, Deputy Secretary David Latina and Ylva Carosone, who heads up Small Business Victoria. Can I also join you in acknowledging the traditional owners and pay my respects to elders past, present and emerging and any Aboriginal people that may be watching online.

Visual presentation.

Ben CARROLL: Chair, the Victorian economy does remain very strong. It is robust despite the challenging economic conditions. Our labour market is also very robust at this point in time, with low unemployment and high demand for skilled workers. Incredibly, in February 2023, 25.4 per cent of Victorian businesses recorded job vacancies, with vacancies at 85.7 per cent above prepandemic levels. The rate of unemployment is below 4 per cent, and this is what it has been at for the past 12 months – quite an achievement. It has not been like this for the past 50 years. Underemployment – that is, people wanting to work more hours but cannot at the moment – is also at multidecade lows. After peaking at 8 per cent over the year to December, inflation is also falling. In March 2023 annual CPI growth in Melbourne was 6.8 per cent. Economic growth is forecast to moderate in 2023–24 as high interest rates and inflation start to weigh on spending. Targeted action is therefore essential to support ongoing jobs growth, innovation and investment.

Next slide, please. Over 1500 new jobs were created from the Victorian industry growth programs in our department. This does also exceed our targets. Over 900 Victorian employers have registered to host placements for the Victorian government's digital jobs program. That is 12 free weeks training and then job placement in some of our key industries in the digital sphere. Victoria has also nominated 14,900 highly skilled

migrants to settle in our state. The Victorian early-stage startup ecosystem has grown incredibly, more than 10 times larger in value since 2018. By June 2023 it is anticipated Victoria will have recovered 84 per cent of international direct flights per week and 83 per cent of seat capacity.

How are we supporting industry and innovation? Business growth and new jobs have been supported through initiatives such as the digital jobs program. The startup ecosystem has been supported through LaunchVic and Breakthrough Victoria. Our skilled migration nominations have allowed our state to attract talent for growing industries. International air services have secured bolstered tourism, international education, business and trade. This work builds on Victoria's track record in innovation and technology. We know innovation is a key driver of economic growth, and it is crucial for Victoria's economy as well as our productivity. The state continues to provide funding for the Industry Capability Network, a really important forum that advises local industry about local content and capability requirements and also facilitates local industry participation in and compliance with our Local Jobs First policy on behalf of the Victorian government.

Our government is also investing in attraction services and programs that have helped stimulate growth across the economy. The Commonwealth Bank, for example, is opening a new tech hub in the Melbourne CBD. This hub will support 400 new engineers and software developers in established partnerships with both Monash and RMIT universities. We have also just recently welcomed Bamboo Airways setting up their Australian head office here in Victoria, and over 900 Victorian employers have registered as business hosts to recruit digital jobs program participants. These range from major employers like our banks, including ANZ and CBA, to Amazon Web Services, Microsoft, Carsales, Salesforce, Zendesk and Infosys.

Some of our achievements, Chair and committee members: we are supporting industry across the state, in particular our startup and innovation system. Breakthrough Victoria is a \$2 billion fund, investing in cutting-edge Victorian technologies in advanced manufacturing, agrifood, the clean economy, digital technologies and health and life sciences. A great example is the FLAIM Systems, a virtual training system for firefighters where they use, basically, headsets and replicate real-world immersed technology in firefighting. This is a great investment by Breakthrough Victoria. LaunchVic has also supported approximately one-third of startups in Victoria.

Our skilled and migration program delivers the Australian government's state-nominated visa program to attract highly productive, skilled migrants to Victoria. The 2022–23 program has helped address critical skills in health, with over 4000 nominations for doctors, nurses and allied health workers; in education, over 900 nominations for early childhood, secondary and other teachers; in social services the care economy has seen 380 nominations for demand workers.

Our international airline attraction is really helping us right through, with Singapore Airlines, United Airlines, Qantas and Emirates all announcing direct and more flights to Melbourne. I have touched on our digital jobs program.

The CHAIR: Thank you, Minister. I will stop you there; your time has expired. The first lot of questions are going to be asked by Ms McArthur. You have 8 minutes from now.

Bev McARTHUR: Mr Ada, at budget paper 2, page 72, the breakthrough fund is described as a public financial corporation that generates revenue for the state similar to the Transport Accident Commission. How much revenue has the breakthrough fund generated for the state through its investments since its inception?

Tim ADA: Thanks for the question, Mrs McArthur. It is obviously only early in its maturity. It has made a series of investments, some 20-odd investments –

Bev McARTHUR: How much?

Tim ADA: It has made about 20 or so investments. I do not know how much revenue has yet been made by the company.

Bev McARTHUR: Can you find that out?

Tim ADA: I would have to take that on notice.

Bev McARTHUR: Thank you very much. How much is forecast to be generated over the forward estimates? Maybe you need to take that on notice.

Tim ADA: I would have to take that on notice too, Mrs McArthur.

Bev McARTHUR: Okay. Mr Ada, budget paper 3, page 242: the performance table states Breakthrough Victoria supported 15 companies and consortia in the 2022–23 financial year. Can you please provide the names of the 15 companies and consortia that were supported by Breakthrough Victoria in the 2022–23 financial year? Fifteen companies.

Tim ADA: I will give you as much as I can here, Ms McArthur. There was an announcement by the government, I think this morning, related to an investment in the Centre for Eye Research Australia, CERA, of \$10 million. There was an investment of \$600,000 in Cadmus; Cadmus is a university software platform used to support learning and assessment. There was a \$5 million investment in FLAIM Systems, which the minister mentioned in his presentation, which brings safe and innovative virtual reality training to firefighters. There was an \$8 million investment in Quantum Brilliance to expand its operations and research partnerships with several Victorian universities to develop its manufacturing and fabrication techniques. There was a co-investment in the Tin Alley Ventures fund, which is Australia's first university-specific large-scale venture capital fund. There was a \$17 million investment in Samsara, an Australian startup that has developed revolutionary technology to recycle plastics. There was a \$500 000 investment in a Victorian agricultural company called Smart Paddock to expand production of its Bluebell tag. The technology is like a Fitbit for cows, allowing farmers to access real-time data about the health and location of their livestock.

There was a \$29 million investment in Inflection to help establish an Asia-Pacific quantum computing and tech facility at Swinburne University of Technology. There was investment in Kite Magnetics to continue development of a new lightweight electric motor to support the transformation of transport and consumer sectors towards decarbonisation and electrification, and there was an investment in Seer Medical to support its goal to become a global leader in home monitoring and management of epilepsy. That gives you a good indication of some of the investments made over the last 12 months.

Bev McARTHUR: Great. And of the \$2 billion allocated to the breakthrough fund, how much has actually been spent to date?

Tim ADA: I would have to take that question on notice, but to give you a sense of magnitude, several hundred million dollars have been committed by Breakthrough Victoria from that \$2 billion fund. But I will take the question on notice to come back to you with specifics.

Bev McARTHUR: Thank you very much, Mr Ada. Labor Premier John Brumby is chair of Breakthrough Victoria. Is he remunerated or is he a volunteer?

Tim ADA: Mr Brumby is remunerated as the chair of the board. The board has eight directors that were selected through an open EOI process.

Bev McARTHUR: Can you tell us what his remuneration is?

Tim ADA: I would have to take that question on notice.

Bev McARTHUR: Excellent. Thank you very much. Budget paper 3, page 70, states \$15 million will be invested to establish the industry R and D infrastructure fund, with no further funding over the forward estimates. What will the maximum dollar value of grants available under this fund be?

Tim ADA: The government has not yet determined the final program guidelines for that fund. It is set to open on 1 July, so that decision is yet to be taken by the government. David, I am wondering whether you would like to add some more information.

David LATINA: It is very timely because, since the announcement of the initiative in the budget, we have been undertaking a lot of consultation both across government and across industry stakeholders. We held a really significant industry forum last Thursday, where we had 55 people across industry, government, research organisations and so on, and we are getting their feedback as to what they consider the appropriate parameters of the program would be. So it is something that has not been determined by government yet.

Bev McARTHUR: Are you interested in any particular type of infrastructure?

David LATINA: I think particularly a couple of the important considerations for us include alignment with the government's manufacturing strategy and investment strategy around priority sectors – so, life sciences, agrifood, defence, advanced manufacturing, digital and so on. The other element for consideration is also ensuring that this program is very complementary to the federal government's R and D tax incentive as well, so ensuring that whatever is supported under this program – is it also supported under the federal government's program?

Bev McARTHUR: I imagine there would be quite a long lead time to all this sort of activity, but is the fund only expected to last for one year?

David LATINA: That is the funding that the government has determined for this financial year. We hope that it is a success, but we cannot obviously anticipate any future funding on it.

Bev McARTHUR: So if it is a success, you might not need to fund it any longer.

David LATINA: That is to be determined by government.

Bev McARTHUR: Mr Ada, back to you, budget paper 3, page 232, states that one of the department's objectives is to strengthen Victoria's global connections, and a media release in April 2023 announced the government was supporting LATAM Airlines to commence direct flights to Melbourne from San Diego in September. How much government funding has been provided to LATAM to commence these services?

Tim ADA: David, did you want to answer that question?

David LATINA: There are a number of airlines that have been supported to try to attract direct airlines to Melbourne. But the negotiations on those are very commercial-in-confidence because we are often competing against other locations, so all of those negotiations and the support that is provided are commercial-in-confidence.

Bev McARTHUR: But we are talking about taxpayers money here, Mr Latina, aren't we?

David LATINA: Yes.

Bev McARTHUR: Do we not agree there should be some sort of transparency?

David LATINA: I think it has been a well-established principle for a long period of time where the interests of the state require commercial-in-confidence negotiations and settlement. The overall amount of funding that is provided is reported in the department's annual report, but the individual support to individual companies is not.

Bev McARTHUR: So we are supporting a number of airlines, aren't we?

David LATINA: Yes.

Bev McARTHUR: Qantas, Cathay Pacific, Qatar, Singapore, United –

The CHAIR: Thank you, Mrs McArthur. Your time has expired. The next lot of questions are going to be asked by Mr Galea. You have 11 minutes from now.

Michael GALEA: Thank you, Chair. Good morning, Minister; good morning, officials. Thank you for joining us. Minister, I would like to refer first to your presentation, in which you discussed the Local Jobs First policy. I am wondering if you could please outline for the committee in a little bit more detail the government's current procurement policy and what the government intends to do in order to strengthen this.

Ben CARROLL: Sure. Thanks, Mr Galea. Local Jobs First is really important because it goes without saying that the Victorian government is the largest procurer of goods and services in this state. So it is about using our buying power to really get good dividends and really good outcomes for Victorians. It does help us develop local industries, create jobs and also boost economic activity in not just the Melbourne CBD but the outer suburbs and regional Victoria. This policy supports also not just large businesses but that supply chain of small and medium-type enterprises as well. And then it is right across the different sectors, Local Jobs First, and

I get to deal with all my ministerial colleagues right across the board, whether it be the health minister, building the Education State, the transport infrastructure minister, right across. We continue to make sure that our Local Jobs First policy applies to all our government investments and our programs.

Interesting, too, Local Jobs First was created by the Bracks government back in 2003, and it is coming up to its 20th anniversary, which is really important. And I am also pleased that when I was industry minister the first time, back in 2018, with the support of the department we actually passed legislation in the chamber to update it and made the appointment of a Local Jobs First commissioner. And that has seen, essentially, like a cop on the beat, if you like, to go around, look at government projects: is the procurement right, is the labour right, is it using the proper materials, are they meeting their content requirements? It really works well in terms of grassroots, hands-on industry. It works very well with that Industry Capability Network as well, Mr Galea. So we are really proud of it, and it is a real strength to our arm that we make sure that all of our government investment delivers jobs and services right throughout the state.

Michael GALEA: Thank you, Minister, and can you please provide some examples as to how the Local Jobs First policy has helped Victorian businesses and Victorians in general?

Ben CARROLL: Yes, certainly, Mr Galea. Since we came to office, it has been quite remarkable. Like, we are a government that gets things done, and we have not wasted a minute. So some 281 strategic projects have had Local Jobs First applied to them, so those sort of major big builds right across the state in health and transport – 170 are in metropolitan Melbourne, 59 of these projects are in regional Victoria. So that is a combined total value of \$130 billion supporting over 45,000 jobs. So you really get to see that economic dividend that is coming through, and it also supports projects, as I said before – whether it is the Big Build, the Big Housing Build, health, building the Education State or big transport infrastructure projects like North East Link – that will see not just big, major tier 1s and tier 2s working on the project but going right through to small and medium-sized enterprises getting access to deliver them too. So we basically mandate that 90 per cent of local content needs to be on North East Link. Our train procurement, for example – 65 per cent needs to be local procurement, which sees, you know, companies in Broadmeadows supplying the seating, the glass coming from Dandenong and different places like that too. So it is really important.

And we are not resting on our laurels. The Premier announced some more commitments as well during the campaign that will see us strengthen our Local Jobs First procurement policies as well.

Michael GALEA: That is great to hear, especially with the Big Build too and how that can actually work hand in hand. That is very exciting. Can I also ask about the Fair Jobs Code and how that benefits Victoria?

Ben CARROLL: Yes, certainly. Thanks, Mr Galea. And this is also an election commitment going back to 2018, the Fair Jobs Code. It is basically ensuring that suppliers and businesses that are engaged by the Victorian government, if they are a construction project with a value of \$3 million or more, contracts valued at \$10 million or more, that essentially they are good employers – that they have a very good health and safety record, that they treat their employees well, in many respects that they are a modern citizen as a business. The code introduced two mandatory requirements for doing business in the state with the government. Basically, you get a pre-assessment certificate and a Fair Jobs Code plan, and then you work with the government and you ensure that all the suppliers that you contract with, the people that you employ – everyone – is running very much an ethical business. So some of the standards we ask for through the Fair Jobs Code. Essentially there are probably about four or five, including complying with applicable employment – that is, you have got good industrial relations and occupational health and safety laws; you also promote secure employment; you encourage constructive relationships between both employers and employees; you also have, you know, where appropriate, adequate diversity so that you almost represent the customers that you seek to serve; and your supply chain – it just does not end with you – also signs up and has all of these good bona fides as well. And Mr Galea, I can just tell you that as at 14 April some 1740 businesses have obtained a Fair Jobs Code preassessment certificate. So it is working well. It is a really good collaboration between industry and government.

Michael GALEA: That is great to see. And can I ask in addition to that – I understand that the funding for the Ethical Clothing Australia body is also taking place. Could you please expand on that for the committee and on how that is supporting the textile, clothing and footwear industries?

Ben CARROLL: Yes. It is really important, Mr Galea. Mr Hilakari was with me, and other members of Parliament would have been there, recently when we hosted ethical clothing Victoria at the Victorian Parliament. They have been allocated \$4 million to continue this really important work.

Essentially, Ethical Clothing Australia accredits garment manufacturers to do the right thing. We have all been, you know, upset seeing what has happened in some of these jurisdictions overseas, particularly Bangladesh, where garment manufacturing has really seen substandards and even worse than that – horrific fires, all sorts of things. So this is essentially a really good voluntary accreditation system that also works with the union movement.

It is also seeing a real spurring of social enterprises. So at Parliament recently we had an Indigenous social enterprise garment maker. We had another one, Assembled Threads, that is working right throughout the state helping people from migrant backgrounds and CALD communities get into manufacturing garments. We all remember when Bonds and all that closed down their manufacturing. It quite warms the soul to see small and medium-sized garment manufacturers coming back to life in Melbourne, also having great ethics and diversity and doing the right thing by their employees. So, yes, it is a really good investment. It has been going ever since we were elected to office, and I hope other states take it up.

Michael GALEA: Wonderful. Thank you, Minister. I refer you now to budget paper 3, pages 70 and 74, specifically ‘Supporting the innovation ecosystem’. I am wondering if you could explain to the committee a bit more about the Alice Anderson Fund, what this is and what you expect to do with this project.

Ben CARROLL: Yes. The Alice Anderson Fund is a really important fund. To give you some context, about only 4 per cent of venture capital in our state goes to women-led startups. The Alice Anderson Fund is all really about trying to bridge that gap. So under LaunchVic, headed up by a wonderful CEO in Dr Kate Cornick, we are providing \$5 million to really ensure that female-led startups get access to capital just like any other startup should. And we want to really be certain that we are targeting female entrepreneurs. We really put within LaunchVic’s mandate that you must seek out and work with young female entrepreneurs.

I did an event with the Governor just recently at Government House with our startup community. Mr Latina was there. We are really starting to see that where you essentially leverage \$5 million and you give the mandate to LaunchVic and the Alice Anderson Fund to invest with female entrepreneurs and female startups, you actually see that you begin to change the dial, and you slowly but surely begin to bridge the gap. And really proudly since its establishment the Alice Anderson Fund has delivered direct investments to some 21 startups, and that has activated more than \$33 million in private sector co-investment, and that is approximately leveraging some six-to-one leverage ratio. So it is working well. It is a really important part of LaunchVic and our ecosystem. And I am hoping we see more and more of that, because the innovation startup system is almost a bit more of an untold story in Victoria with some of the entrepreneurs that are coming through, and we hope it continues to innovate and create jobs.

Michael GALEA: Thank you, Minister. And I note from the same budget paper reference that the funding for the Alice Anderson Fund is actually increasing as well. Can you outline what the government hopes to achieve from this increased investment?

Ben CARROLL: Yes. Essentially we really do want to bridge the gap. I mean, to think that only 4 per cent of venture capital in our state is going to female-led startups – that is a big gap we need to bridge. We have been working on this for some time, but now by putting \$5 million into the fund through our budget we will really be able to leverage that and make sure LaunchVic, under the leadership of Dr Kate Cornick, really helps to close that gap and gives female entrepreneurs and female startup entrepreneurs every opportunity to succeed.

Michael GALEA: Thank you, Minister.

The CHAIR: Thank you, Mr Galea. The next set of questions will be asked by Ms Sandell. You have 3 minutes from now.

Ellen SANDELL: Thank you. I would like to ask about industry transitions. We obviously need to go through a big transition in terms of our energy system. Budget paper 3, page 70, shows \$7.2 million in funding next year for the Latrobe Valley Authority, which is an important organisation in terms of the transition, but

obviously it will be important for many years to come as we ramp up to renewables. It looks like there is not any funding in future years. Doesn't this kind of uncertainty hamper that transition?

Ben CARROLL: I am happy to start, Ms Sandell, and let the Secretary or Mr Latina supplement my answer. The Latrobe Valley obviously – you are exactly right – is an area that is going through transition, and you would be very mindful of the recent difficult decision over hardwood. The Latrobe Valley Authority will play a very important key role in that. We are very mindful across portfolios – not only me as the industry minister but obviously the regional development minister and the Minister for Climate Action – that we need to continue to invest in the Latrobe Valley and we need to continue to support them, and authorities like the LVA are really, really critical to that. I might get Mr Ada just to supplement my answer.

Ellen SANDELL: Maybe just specifically about why there is not funding in future years. It is just in one year.

Tim ADA: Ms Sandell, obviously that is a matter for the government as part of their next budget deliberations, but obviously the support in this budget of \$7.2 million will continue the good work that the LVA has been doing, in particular – and maybe it is a question for the Minister for Regional Development when she is here – the work that the LVA has been doing with the local community about a transition plan for the valley out to 2035, recognising the transition underway in our energy sector but also more broadly related to forestry transition. The question about a one-year commitment is probably a matter for the government as part of the next budget process, but their good work continues for another 12 months.

Ellen SANDELL: I might ask about the gas transition then. The *Gas Substitution Roadmap* was supposed to be the plan to transition Victoria away from gas, but I cannot see much in there to transition industry away from gas. There is a little bit for households; some of that has also been cut. What are the government's plans around transitioning industry away from gas usage?

Ben CARROLL: The *Made in Victoria 2030: Manufacturing Statement* is really key to helping industries transition to a clean economy and a green economy. No doubt Ms D'Ambrosio will also touch on the SEC and her gas substitution plan for households, but we are working very closely obviously with Minister Bowen at the Commonwealth level on some of the reforms he is doing. We continue to talk with industry about –

The CHAIR: Thank you, Minister. As much as I regret cutting you off, the time has expired. Minister and department officials, 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 will now take a very short break before beginning its consideration of the manufacturing sovereignty portfolio at 9:05 am sharp.

I declare this hearing adjourned.

Witnesses withdrew.