

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **2021–22 Budget Estimates**

Melbourne—Tuesday, 29 June 2021

### **MEMBERS**

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor



**WITNESSES**

Mr Martin Pakula, MP, Minister for Trade,

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary, and

Mr Andrew Abbott, Acting Deputy Secretary, Global Victoria, Department of Jobs, Precincts and Regions.

**The CHAIR:** I declare back open this hearing of the Public Accounts and Estimates Committee with Minister Pakula, this time for the consideration of the trade portfolio.

We again invite you to make a 5-minute opening statement, and this will be followed by questions from the committee.

**Visual presentation.**

**Mr PAKULA:** Thank you, Chair. I will try and be brief. In 2019–20 total Victorian exports including goods and services were \$55.5 billion, and of that, goods exports contributed \$30.5 billion and services about \$25 billion. Our largest single export industry has been international education, and that has obviously been significantly impacted by the pandemic, not just here but around the world. In 2018, for example, international education supported close to 80 000 jobs. The pandemic has had a significant impact on exporters. There has been severe disruption to freight and global supply chains. At their height back in April and May 2020 airfreight prices were 13 times pre-COVID levels. That has now settled at more like one and a half to three and a half times pre-COVID levels depending on the route, but those impacts are becoming more apparent as data becomes available.

Our education exports were down by \$3.2 billion to \$10.5 billion in 2020. Total exports declined by about 3.5 per cent in 2019–20. There has been understandably a relatively greater impact on service exports. That has been a function of the fall in international ed and tourism, and that reflects a reliance on face-to-face delivery and international travel. So they have been severely impacted. Some export sectors have remained resilient, particularly beef, cosmetics and dairy. In 2019–20 beef exports actually increased by 28 per cent, cosmetics by 16 per cent and dairy by 8 per cent, but if you look at June of this year there were about 90 000 international student visa holders in Victoria from about 100 different countries. That is a 40 per cent decline on peak levels, so that is a substantial impact.

We have delivered an export recovery package via Global Victoria of \$15.7 million. Over 180 high-performing exporters have received grants under the Global Gateway program to a total value of \$8.6 million, and those grants are about supporting exporters to access professional services to support their export strategies, including market diversification. Twenty-eight virtual trade missions have been delivered. They are not quite the same as a face-to-face trade mission, but they are what we are able to do in the current situation, and they have involved over 460 Victorian companies in key sectors like food and bev, med tech and ed tech. There has been a range of other important projects that have been supported through those mechanisms.

I want to talk briefly about international education and the International Student Emergency Relief Fund. \$45 million was allocated that provided payments of \$1100 to about 33 500 students. It has also supported \$2 million in food relief for international students, including the free Foodbank supermarket for international students in the CBD, which has supported over 30 000 students since November 2020. Food relief was also through SecondBite and through the City of Melbourne's Our Shout program, which provided 5000 international students each with a \$200 Queen Vic market voucher. I have made this point before, but in terms of the global race to secure international students again once travel liberalises, the way that we look after and treat our international students and the sorts of stories they take home will be very important in that effort.

This budget includes funding for the Global Education Network to continue delivery of the newly expanded and strengthened network of education service managers in priority markets and in our offshore Study Melbourne hubs. Those Study Melbourne hubs are to continue delivery, and we opened one in Shanghai in

March 2021. Depending on restrictions, hubs in KL and Ho Chi Minh City are scheduled to open in the coming months, and the hubs in Bangalore and Santiago will maintain a virtual presence until local conditions allow works on a physical site to start. Study Melbourne brand marketing and engagement programs continue, as do the flagship Study Melbourne Student Centre, the Study Melbourne inclusion program, the Study Melbourne empower program and indeed stakeholder engagement. The trade strategy and programs are being supported with \$5 million in this budget, including the trade mission program, local campaigns and international campaigns. And our VGTI network is continuing to be supported—our presence in Tel Aviv, in India and other parts of the world.

**The CHAIR:** Thank you, Minister. Mr Maas.

**Mr MAAS:** Thank you, Chair. Thanks, Minister, and to your team for your appearance today. If I could take you to international education recovery and growth, and specifically budget paper 3, page 72, I was hoping you would be able to say how that initiative, the international education recovery and growth initiative, will support the long-term stabilisation and growth of Victoria's international education sector.

**Mr PAKULA:** Well, thanks, Mr Maas. I hope everyone agrees that international students make a significant contribution to Victoria, whether it is to our university sector, to industry, to the employers that engage them or to our cultural life, and international education is our largest export. It generated approximately \$10.5 billion in export revenue in 2020 and supported close to 80 000 jobs back in 2018. The impact of COVID on international students and the international education sector more generally has been significant. It has disrupted education and life plans for a lot of people here in Victoria and around the world. It has meant a significant hit to our education export performance, and so we need to shore up international education and support international students.

So there is \$50.9 million which has been provided over four years through that international education recovery and growth initiative, and that includes strategy and market development to support the long-term stabilisation of the sector and to drive growth; promotion of the Study Melbourne brand, which is well regarded around the region; and student initiatives to continue to support those students themselves. As part of our work on strategy and market development we are providing, as I said in my presentation, further support for our Study Melbourne hubs and the Global Education Network to build a pipeline of international students in Victoria. We want to continue to promote that Study Melbourne brand and reinforce our global reputation as a high-quality provider of education and of training and of research but also of student experience, which I think is a critical part of the overall equation. So whether that is the Victorian International Education Awards, which acknowledges best practice in student achievement, or the funding which supports a number of student initiatives—including the Study Melbourne Student Centre, the emergency and welfare services, the professional development, the community engagement programs—that is all, I think, incredibly important, and across this year's budget initiatives and other funding packages we have invested more in international education and international students than any other state or territory. But it is going to be extraordinarily competitive not just as against other states and territories but, you know, the UK and Canada and other countries, which can be very attractive destinations for students. They will all be in there trying to obtain their share of this really incredibly important market.

**Mr MAAS:** Thanks, Minister. You have made reference to Study Melbourne as a brand. If I could take you to the Study Melbourne hubs and the Global Education Network as initiatives referred to in the budget papers: I was hoping you could tell the committee a bit more about these programs, including how they will assist Victoria to grow its pipeline of international students.

**Mr PAKULA:** Well, those hubs and the expanded Global Education Network were key components of the international education short-term recovery plan which we released in December last year. So we are providing further funding for those initiatives. The hubs are about connecting overseas students to online study at Victorian education providers. They create a longer term pathway to onshore learning, which is really what we want to ultimately promote, but they provide a physical location for online learners to come together to access support and information and to connect overseas investors—ed tech companies, education providers, researchers—through a central physical point. So we have indicated that they will be rolled out in five locations: Shanghai, which opened in March; Ho Chi Minh City; KL; in Latin America; and in Bangalore. The network comprises 12 education service managers in priority markets. They provide on-the-ground support to our education and training institutions who are interested in accessing students in new markets. They promote

our international education sector to facilitate education, training and research partnerships between Victoria and offshore markets. Our support for market development activities really right now is more critical than it has ever been. We have really got to build that pipeline of international students who want to come back and foster other opportunities like research partnerships.

**Mr MAAS:** Thank you. On to student initiatives and the reference to continuing the Study Melbourne Student Centre and the Study Melbourne inclusion and empowered programs, would you be able to explain to the committee how these programs will help support international students who are currently studying in Victoria?

**Mr PAKULA:** As I said in my presentation, earlier this month there were about 90 000 international student visa holders in Victoria, which is about 40 per cent down from last year. We have got about 52 000 international students enrolled who are currently offshore; that is about a 50 per cent increase on the same time last year. A lot of the international students that are here are continuing to face some significant challenges—they have had long-term separation from their families, they have had financial difficulties and other difficulties. We have to try and make the experience as good as we possibly can in these circumstances, so we are continuing to fund key student initiatives through the budget, including the Study Melbourne Student Centre. That place has been an incredibly welcome location for international students for some time now. It delivers engagement and support and referral services to the international students that are here. It includes a free and confidential legal service, which has been really important. It is staffed by international lawyers. They specialise in employment rights and they specialise in tenancy laws. So that has been an important part of the support.

We are also continuing the Study Melbourne inclusion and empowered programs. The inclusion program really is about building sector capacity, innovation and partnerships. We want to deliver international student initiatives through support for student organisations, support for education providers and support for community organisations. To give you an example, IndianCare's project South Asian Student Support assisted South Asian international students by delivering services to promote knowledge of their rights and to encourage social connections and their workplace skill sets. And the city and the community's international student football program really created more opportunities for international students to play sport, to connect with the local community and to undertake health education and personal development. All of these things really are designed to try and make the international student experience as good as possible and to enhance the reputation of our sector.

**Mr MAAS:** Thanks, Minister.

**The CHAIR:** Thank you, Minister. Mr O'Brien.

**Mr D O'BRIEN:** Thank you, Chair. Minister, my BP reference is BP3, page 251, the trade output and also the department's questionnaire. I would like to ask why the government will not release the third Belt and Road deal with China, titled 'The development and implementation of public-private partnerships in infrastructure fields'.

**Mr PAKULA:** Sorry, why the government will or—

**Mr D O'BRIEN:** Will not release it to the public when the other two were widely available.

**Mr PAKULA:** Could you just give me the name of the—

**Mr D O'BRIEN:** It is called 'The development and implementation of public-private partnerships in infrastructure fields', signed in March 2017.

**Mr PAKULA:** Mr O'Brien, I think I can say with a high degree of confidence that there is no crossover with my portfolio in regard to that agreement, so you should probably ask the minister that is responsible for infrastructure.

**Mr D O'BRIEN:** Secretary, can I ask: did the department have anything to do with this particular deal given that it is a deal with a foreign sovereign government?

**Mr PHEMISTER:** Mr O'Brien, deals like that are constructed through the central agency. PPP is a responsibility of Treasury, and obviously the infrastructure component is a responsibility for the Department of Transport, facilitated by the central. So no, our department did not have anything to do with the creation of this.

**Mr D O'BRIEN:** No relationship with the department of trade on a key trade issue?

**The CHAIR:** Mr O'Brien, I think the Minister and the Secretary have just clarified that.

**Mr PAKULA:** I think we have answered the question. I think you probably need to ask the correct minister.

**Mr D O'BRIEN:** Okay. Minister, do you even know what it is? Do you know what this—

**The CHAIR:** Mr O'Brien, I think the Minister and the Secretary have clarified that the question is to be directed to a different portfolio, and you have had that opportunity.

**Mr D O'BRIEN:** Given that this is effectively an agreement with a foreign sovereign government, I want to know whether the department that handles our arrangements with foreign sovereign governments actually knows anything about it.

**The CHAIR:** Mr O'Brien, I think the Minister and the Secretary have answered your question.

**Mr D O'BRIEN:** Chair, in the December hearings, as the Minister will recall, I spent my entire 5 minutes asking about Belt and Road and there was no objection.

**Mr PAKULA:** No, and I do not have any objection to you asking me about Belt and Road, but if you are asking about a specific infrastructure agreement which was not entered into by my department and for which I have no ministerial responsibility, I am afraid I am constrained in what I can tell you because it is not an agreement that I have any oversight of.

**Mr D O'BRIEN:** Did you know anything about it, Minister?

**Mr PAKULA:** Well, Mr O'Brien, why would I be engaged in an agreement about infrastructure when I am not the minister for infrastructure?

**Mr D O'BRIEN:** Because you are the Minister for Trade and it is with a trading partner.

**Mr PAKULA:** It does not sound to me, Mr O'Brien, like it is a trade agreement.

**Mr D O'BRIEN:** Can I remind you that in December you said to me, and I quote, that with Belt and Road agreements:

It is about a range of different issues. It relates to infrastructure, it relates to technology, it relates to investment, joint research, pilot programs, knowledge sharing, capability building, and it is about the relationship.

**Mr PAKULA:** Yes, that is the Belt and Road MOU more generally, which has of course been cancelled as a consequence of the foreign relations Act, but the specific agreement that you are asking about is an infrastructure agreement, judging by its title.

**Mr D O'BRIEN:** Does anyone at the table know whether that agreement has also been cancelled by the federal government's actions?

**Mr PAKULA:** Well, the—

**Mr D O'BRIEN:** You can say no. I understand.

**Mr PAKULA:** Well, as I understand, the foreign relations Act has led to the cancellation of the Belt and Road agreement, and that is a matter for the commonwealth. We have made that very clear.

**Mr D O'BRIEN:** Okay. Secretary, can I just ask a few questions. Perhaps you might need to take these on notice, but the Minister referred to the agent-general and commissioners for Victoria. Could we please get, for all of our overseas offices, the budget breakdown for 2021, the revised 2021 budget and the budget for 2021–22 for each of those offices?

**Mr PHEMISTER:** Could I just clarify one thing? So, for example, those offices extend back into domestic activities, so are you looking for budget directed towards, say, the UK and North Africa, or are you looking for the specifics of the offshore offices?

**Mr D O'BRIEN:** Each offshore office.

**Mr PHEMISTER:** So just the offshore component of the expenditure?

**Mr D O'BRIEN:** Well, both would be good, if it is easily broken down between the two.

**Mr PHEMISTER:** It is blended, because we attribute certain costs to different markets, but I am sure I can come up with something that would be useful for the committee, Mr O'Brien.

**Mr D O'BRIEN:** Okay. Likewise, the Minister referred to the virtual trade missions. I think there were 28 delivered this financial year. Can you provide a list of where they were, like what they were actually about? So a list of those 28, the participants for each mission and also any missions that are proposed for 2021–22.

**Mr PHEMISTER:** Mr O'Brien, with regard to where they were directed and for which sectors, absolutely, yes. With regard to participants, I am unsure of the privacy status of their participation, so if you will allow me to check into that, I can get back to you.

**Mr D O'BRIEN:** Appreciate that. Thank you.

**The CHAIR:** Thank you, Mr O'Brien. Mr Hibbins.

**Mr HIBBINS:** Thanks, Chair. Thank you, Minister and team, for appearing. With the proposals for bringing international students back—the federal government has asked the states to submit proposals. I think South Australia has got a hub, the Northern Territory has undertaken a pilot scheme. Where is Victoria up to in that request?

**Mr PAKULA:** We have submitted a proposal for—well, let me go back. We have always said that we wanted to welcome back international students when it is safe and reasonable to do so. We have submitted a proposal for the commonwealth for a dedicated facility for up to 120 international education and other economic cohort arrivals per week. That has not yet been approved by the commonwealth. In the meantime we are working with our university sector and other education providers and the commonwealth government on a student arrivals plan. I have read a number of comments that, for instance, New South Wales has one ready to be approved, but as I understand it, it is not yet approved, and other states and territories of course are doing a lot. I think you mentioned South Australia is working on a pilot plan. We have provided a draft student arrivals plan to the commonwealth Department of Education, Skills and Employment. As I understand it, the commonwealth is now giving consideration to that plan and the economic cohorts proposal more generally. When we get feedback from the federal government, we will then finalise that plan. We will obviously submit it to the chief health officer as well. Then a final non-draft plan will be lodged, and we would hope that the commonwealth would give it positive consideration. The return of international students is proposed to be very safe, gradual and staged. It is not designed to impact the ability of overseas Australians to return to the state. But I would note that I think as recently as today and yesterday state and territory leaders are indicating to the commonwealth that there should be certainly a reduction in the overall number of international arrivals, given what we are seeing with the delta variant at this stage. So there is a draft plan in with the commonwealth at the moment, and we are waiting for feedback from them on it.

**Mr HIBBINS:** Okay. Does the plan include scope for not just tertiary international students but secondary international students as well?

**Mr PAKULA:** I might have to take that on notice. It does? Yes, it does. But of course at the secondary end of things it is a matter for the Minister for Education and at the tertiary end it is me.

**Mr HIBBINS:** Okay. Thanks. You have outlined a number of steps. Do you have a preferred time line in mind?

**Mr PAKULA:** Look, no, I would not say that I have a time line in mind. I think these things are all very fluid and dynamic, given what is happening. A month ago no-one probably would have expected that state and

territory leaders would be arguing for a reduction in the overall intake, so these things do change quite rapidly. I understand that there are many things for the commonwealth to focus on, but obviously the sooner we get their feedback the sooner we can provide them with a final plan for their consideration.

**Mr HIBBINS:** Terrific. Thanks, Minister. Thanks, Chair.

**The CHAIR:** Thank you, Mr Hibbins. That concludes the time we have set aside for consideration of the trade portfolio this morning. We thank you and your officials for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request. The committee will now take a short break and resume consideration at 10.05 with you on your business precincts portfolio. I declare this hearing adjourned. Thank you.

**Witnesses withdrew.**