

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2008–09

Melbourne— 23 May 2008

Members

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Witnesses

Mr G. Jennings, Minister for Innovation,

Mr H. Ronaldson, Secretary, and

Mr R. Straw, Deputy Secretary, Department of Innovation, Industry and Regional Development.

The CHAIR — On behalf of the committee I welcome to the table Howard Ronaldson, secretary, and Randall Straw, deputy secretary. I now call on the Minister for Innovation to make a brief presentation of no more than 5 minutes on the innovation portfolio.

Overheads shown.

Mr JENNINGS — Thank you, Chair, for the opportunity. I will be very quick with this presentation because I do not want to prevent the committee from asking me questions about how we go forward with the innovation agenda, but it is important for us to know where we have been in terms of the journey, because sometimes members of the Parliament are not as aware of the innovation agenda as they might well believe that they are. This is actually built on a number of outstanding commitments of our government on deliverables in the community. The innovation portfolio has seen significant investment in science and technology, and the STI grant program has been a major builder of that; \$620 million has been invested, and it has facilitated a large degree of private sector investment and seen significant benefits in terms of Victoria's scientific capacity.

Beyond the science of the STI element we are wanting to make sure that we build on Victoria's design capacity. We actually will try to make sure that design is the feature of the innovation and productive capacity of Victoria, the various ways in which design can support manufacturing right through to what might be seen as the graphic arts, or anywhere in between, in terms of its permeating the potential for economic activity in Victoria, which is very important.

Consistent with our commitment to science has been our investment in Healthy Futures. One of the major successes of innovation has been biotech space supporting new capability in terms of health investments and expenditure. That has been a major achievement of the government so far and has led to a momentum for Victoria to be at the heart of developing a national framework for innovation going forward. What has that actually meant in a tangible way? What we have seen is that there have been significant investments in infrastructure, of which the synchrotron is the most famous, in terms of its underpinning a capacity that drives international research. It has proven to be an attractor of scientific endeavour from way beyond Victoria's shores in terms of some of the best scientific minds around the world being interested in using the beam lines that have been established there, and we believe that will be a feature of that research effort going forward.

In terms of biotechnology there have been a number of significant investments made to underpin our biotechnology strategic plan. We have seen a significant take-up of investment opportunities that have come off those investments, or that capability. There have been more than \$4 billion worth of deals and partnerships established during the life of the program and there has been a significant raising of capital that has come into Victoria. Indeed that is a hallmark of our investments in the creative industries by creating the film studio and the associated activity there. Significant investment has come into Victoria and lead to a great degree of productive capacity, so the creative industries are worthy of our consideration in this agenda going forward.

I may apologise in advance to PAEC in terms of perhaps not being able to share with you in all its glory the next iteration of the Victorian innovation statement. As budget paper 3 on page 10 indicates, there will be a significant rewriting and reformulation of the Victorian innovation statement going forward, and there are certain contingencies within the budget to account for that. But in terms of the direction that builds on our momentum in building the biotech sector, the Healthy Futures sector, of actually underpinning our research and development capability, of driving design further, trying to actually see how innovation underpins our export-oriented industries, how indeed we leverage off a renewed commonwealth interest in innovation, these will be features of a statement that will be issued during the course of 2008, and when that statement is issued there will be associated output.

This is an important issue in terms of the output considerations, because I want to foreshadow to PAEC, as we start, in terms of output measures that are associated with the innovation statement, that they will be developed and delivered during the course of the year, and the Victorian government will be happy to be accountable for both the way in which the allocation of funds will be disbursed and the way in which we will measure the output effectiveness. So we will work on those and deliver them subsequently to PAEC during the course of the year as we issue the statement.

The CHAIR — And that will include the 11 million?

Mr JENNINGS — The 11 million is part of this budget presentation.

The CHAIR — Okay, but it will be further explained in the statement, will it?

Mr JENNINGS — Yes.

Mr PAKULA — Minister, I am looking at budget paper 3, page 10, under the heading 'Innovation'. In it the government has signalled that it will be renewing its innovation policy and its investments over the course of the year and will be particularly building on investments like the science technology innovation initiative. I would be pleased if you could expand on that to some extent and explain how the interest of the new commonwealth government and investment in this phase will affect states' investment decisions over the course of the budget.

Mr JENNINGS — Thanks, Mr Pakula, for the opportunity to expand on how I introduced the subject in my presentation. I will not go over the same territory; I will just take up the momentum from your question. What we have actually seen, through STI, for instance — the \$620 million investment program — is over 62 strategic science and technology programs being funded. We have seen through that 58 infrastructure programs that actually support the development and capability of the sector.

In terms of leveraging the results, by being a government determined to be an early investor and to stimulate a private sector leverage, we have seen a leverage factor of 3.6-to-1, in terms of the return to the government. What has it meant for our scientists? We have actually seen 326 scientists — PhDs that have actually been achieved — through those STI projects. We have actually seen over 400 businesses' researches assessed for STI funding infrastructure. The Allen report that has been undertaken indicates that the Victorian gross state product will increase by a cumulative \$3.9 billion-worth of investment, thanks to the program, by 2014, and that real investment will have over \$1.2 billion of additional investment, increasing more than 1700 jobs. All of those things are great in terms of our scientific capacity and capability in Victoria. They have been great for the economic performance of Victoria and place Victoria at the leading edge of innovation across the country.

As I indicated to you, the commonwealth government is currently undertaking an innovation review. For the first time, after that review is completed we believe Victoria is an essential part of that. An officer of the Department of Innovation, Industry and Regional Development, David Hanna, is chairing one of the important working groups in relation to supporting the work of that review. We believe Victoria will be well placed to leverage outcomes to take the combined focus of Victorian investment and commonwealth investment to get an even better return than we have had previously.

The CHAIR — I hope we get our fair share of any federal investment, too.

Mr WELLS — Minister, can I ask you about the synchrotron? How much are you expecting the synchrotron will cost from the forward estimates, and how much funding has been received or promised from the private sector? I notice the nine beam lines by 2009. Is that the maximum? Has there been an agreement between the commonwealth government and the state government to share costs moving forward?

Mr JENNINGS — Just going back through those to try to do justice to the sequence of the question, can I say that at the moment it is planned for nine beam lines. That is not necessarily the physical restriction of the development. In fact over time there may be opportunities to extend on the nine beam lines. In fact the Minister for Health, Daniel Andrews, and I turned the sod for a new beam line that will be dealing with life sciences issues and hopefully supporting our efforts in cancer. That is a long beam line and we turned that sod, and work is under way to deliver on that beam line. In terms of your question about an agreement between the commonwealth and the state, yes, there is an agreement between the commonwealth and the state. Mr Dalla-Riva has previously asked me in Parliament whether in fact that — —

Mr DALLA-RIVA — Me?

Mr JENNINGS — Yes, I give you credit where credit is due. You asked me a question in the Parliament about whether the commonwealth's commitment to provide funding was deliverable or whether it was subject to budget considerations by the commonwealth. My answer to him — and my answer to you — is yes, they have committed to funding to provide ongoing certainty to underpin the investment going forward. What it means is that both the Victorian government and the commonwealth government have committed \$50 million each over the forward estimates period. The allocation of that money is in a trust fund that will be released on an annual basis to

the Australian Synchrotron Company, subject to my approval for the release of those funds. It is anticipated that the operating expenditure will be in the order of \$20 million a year.

Mr WELLS — The other part about the private sector; how much is the private sector chipping in?

Mr JENNINGS — In terms of support beyond that provided by the state, the commonwealth and other partners to the agreement, which make up the other jurisdictions, the only level of investment or support actually comes by those companies that bring specific projects to the synchrotron. The synchrotron's value will be in its ability to underpin ongoing science and science capacity and capability and indeed to support technological breakthroughs from a whole range of areas that may straddle medicine right through to metallurgy and anything in between. In terms of the financial benefit to companies, there will be a financial benefit. In terms of what was a reasonable expectation by this synchrotron, or any synchrotron around the world, a private investment in this infrastructure is not a usual phenomenon.

Mr WELLS — So the only private investment will be that on a user-pays basis?

Mr JENNINGS — Ultimately the answer to your question now is the decision making of the Australian Synchrotron Company, which is made up of representatives of all jurisdictions, including the commonwealth, and which includes Victoria and headed up by an independent board. They would be in a better place to answer your question rather than me.

Mr NOONAN — Minister, in your presentation you touched on the new design strategy, and there were a couple of dot points about the State of Design Festival, the role of RMIT and also an MOU with Singapore, and also reference on page 147 of budget paper 3, the design sector initiative targets. I wonder whether you can explain the rises for the 08–09 period and how they feed into the Victoria strategy in this part?

Mr JENNINGS — As I briefly introduced it in my presentation, I thank you for providing me with the opportunity to talk about it. Design is a significant contributor to economic activity. Currently somewhere in the order of 67 000 Victorians undertake design as a professional discipline, and some 3000 firms provide that design capability. We estimate that somewhere in the order of \$4.8 billion worth of economic activity is generated in the state of Victoria through design, and Victorian design products contribute about \$600 million in export to the Victorian community. So design is not small bickies in relation to its contribution now and what it will be going forward. As I indicated in my presentation, it can permeate all aspects of productive capacity, systems and processes and products, and it is permeating a great deal of community life on a daily basis. We actually see great architects, we see great environmental management designers and we see great people who design aesthetic products for around the home. These smart solutions that design often brings to technical problems are a feature of our economy going forward.

So we have tried to actually create a momentum for that, and the RMIT brief is to develop Victoria's capability to see design as an industry sector in its own right, so we try to make sure that we have capability. We try to pick international best practice and attract it to Victoria. We try to make sure that our businesses can identify the opportunities that design brings, and create a mechanism, so that businesses can actually start to see how design may assist in their productive capacity or their commercial benefit. They are the things that RMIT is charged with, bringing our strategy together to underpin that. It will be very visible in terms of our emphasis on design. We have a state-supported State of Design festival, which will be happening in July. It will be trying to showcase best examples of our design. It will be trying to develop a marketplace where people come from not only around Australia but internationally to be exposed to our designers and the outcomes of their work. It will be crowned, in a sense — sorry I have used that phrase. It will be showcased, highlighted by a Premier's award for design.

The CHAIR — Crown Casino, is it?

Mr JENNINGS — It will not be at Crown Casino — I am sorry I used 'crown'. But nonetheless it will clearly highlight and showcase the fantastic capability we have in designers. The Premier's award will, as part of the festival, demonstrate that we have great talents and capacity in Victoria.

The CHAIR — I have been to some of the furniture design awards and we really have some great talent in Victoria.

Mr DALLA-RIVA — Minister, I refer to the service delivery budget paper pages 148 and 441. We are looking at science and technology and some of the areas associated with your area. Just as an aside, I understand there was also a Deloitte report released?

Mr JENNINGS — Eighty one?

Mr DALLA-RIVA — Four forty one and 148.

Mr JENNINGS — Yes.

Mr DALLA-RIVA — Rumours abound that there was a first draft of it sent back to Deloitte with alterations. No? No knowledge of it?

The CHAIR — I am not sure that — —

Mr DALLA-RIVA — No, I was just curious.

The CHAIR — Okay, you have made a statement. I do not think it is a question, so just ignore that one.

Mr JENNINGS — I just want you to know that I was very relaxed with the question, wasn't I?

Mr DALLA-RIVA — It was very relaxed, but it seems to me that people from DIIRD get very sensitive if they are criticised. That aside, the discontinued performance measures here, I am just curious — —

Mr PAKULA — Mr Dalla-Riva just likes getting these things into Hansard. It does not mean it is true.

The CHAIR — Question and answer please.

Mr DALLA-RIVA — I notice in expected outcome on page 148 is \$140.2 million set on a target of 127. You are now moving into this forward estimates of 124. It references, I guess, to the reason I draw you to page 441, that there are a range of STI-funded projects. When you look at the foot notes, they say that the STI program is ceasing. I am trying to get clarity on the difference between the current year and the obvious increase and the forward estimates. Has that had an impact with some of those programs ceasing, moving forward?

Mr JENNINGS — In fact one of the reasons why I pulled up and drew everyone's attention to my presentation — and that is okay, Mr Dalla-Riva, it is a fair enough question; I am very happy to answer it. But one of the reasons why I drew attention in my presentation was the fact that the details in terms of output measures — so what you have referred to on page 441 are discontinued output measures because the STI program has lapsed. What I foreshadowed is that there will be a replacement program — it may or may not be called exactly the same program — as part of the Victorian innovation statement that we release subsequently during the course of the year. When we release that I am very happy to prepare and to share with PAEC any output measures that relate to that. So in terms of the budget change that is on page 148, that is chalk and cheese in relation to — no, sorry, it is small bickies in relation to what it means on page 148.

The CHAIR — So when you announce a statement you will send us a letter with the new output measures for the department relating to those.

Mr JENNINGS — Yes.

The CHAIR — Just a final question. In relation to biotechnology, on the same page that Mr Dalla-Riva has pointed out, your biotechnology program is under way. I notice you actually have changed some of the output measures in this regard.

Mr JENNINGS — Yes.

The CHAIR — But I am on the board of one of the medical research facilities, so I always have a strong interest in biotechnology and medical research. Could you give us a quick minute or two on where we are going with biotechnology going out to 2010 and the Healthy Futures program?

Mr JENNINGS — Thank you for that declaration of interest, and hopefully we are not conflicted. I do appreciate the opportunity to talk about how we try to take Victoria's already great track record in relation to

biotechnology forward. We have achieved great things in terms of strategic investments, and I have outlined some of those in terms of our infrastructure and our capability. We have actually supported, through the three iterations of the biotech strategy, a significant level of investment.

We have set ourselves a target to be one of the top five destinations for biotech in the world, and there are a number of ways in which we could say that that has a tangible meaning rather than just being an ambit claim. We have actually seen partnerships under the program — more than \$4 billion worth of partnerships and deals that have been leveraged through the program.

Research and development has increased by 66 per cent to be more than \$500 million in the sector. We have actually seen \$387 million worth of capital raised in the sector which is a significant element of the national total, 43 per cent of the national effort. In relation to your question before about Victoria getting its fair share, this is one area where Victoria, in terms of NHMRC grants, gets far beyond its share and that is partially because we have the talented people and we have the capability and we have worked on it assiduously to cultivate that, and those returns in terms of research dollars that are coming back to Victoria have been enhanced.

What does it mean going forward? The Premier will be going to BIO in San Diego. It is my intention to be there as well, and we will try to support the connections between our research capability, our businesses, our start-ups in terms of what is one of the largest marketplaces in the world. We will be trying to make sure that we continue to build on the strategy that we have already created to create the business capability and those international connections so we can actually see investment and collaboration occurring from around the world to support our sector here.

In terms of healthy futures and in relation to regenerative medicine — it is connected with what we have been talking about — our support for stem cells, and Victoria has great capability in relation to stem cells, whether they be applied in regeneration or whether they be through looking at some of the most bedevilling health issues that our global community is confronting. There is a great centre of gravity of scientific endeavour in Victoria, and we will be wanting to move forward with that through our strategy going forward and hopefully doing it in collaboration with the commonwealth.

The CHAIR — Thank you, Minister. Perhaps you can email or give us a copy of your overhead on innovation so we can circulate it to the members of the committee who have expressed strong interest in it. That concludes consideration of the budget estimates for the portfolios of environment and climate change, and innovation. I thank the minister and departmental officers for their attendance today — there are a number of issues to follow up which we have mentioned — and the committee requests written responses to those matters be provided within 30 days. Thank you very much to everybody; and thank you, Hansard.

Committee adjourned.