

VERIFIED TRANSCRIPT

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2010–11

Melbourne — 10 May 2010

Members

Mr R. Dalla-Riva

Ms J. Graley

Ms J. Huppert

Mr W. Noonan

Ms S. Pennicuik

Mr G. Rich-Phillips

Mr R. Scott

Mr B. Stensholt

Dr W. Sykes

Mr K. Wells

Chair: Mr B. Stensholt

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Witnesses

Ms J. Allan, Minister for Industry and Trade,

Mr H. Ronaldson, Secretary,

Mr R. Straw, Deputy Secretary,

Dr A. Smith, Deputy Secretary, and

Mr J. Strilakos, Director, Finance, Department of Innovation, Industry and Regional Development.

The CHAIR — I declare open the Public Accounts and Estimates Committee hearing on the 2010–11 budget estimates for the portfolio of industry and trade. On behalf of the Committee I welcome Ms Jacinta Allan, Minister for Industry and Trade and Minister for Regional and Rural Development; Mr Howard Ronaldson, secretary; Mr Randall Straw, deputy secretary; Dr Alf Smith, deputy secretary; and Mr Jim Strilakos, director, finance, Department of Innovation, Industry and Regional Development. Departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his or her chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days of this hearing. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's web site.

Following a presentation by the minister committee members will ask questions relating to the budget estimates. I remind members and also ministers that we are dealing here with budget estimates: it is not about glorifying what they have been doing in the past year, and that has been the practice. Generally, the procedure followed will be that relating to questions in the Legislative Assembly. I ask that all mobile telephones be turned off.

I now call on the minister to give a brief presentation of no more than five minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of industry and trade.

Overheads shown.

Ms ALLAN — Thank you, Chair. I understand that in terms of giving a presentation this morning I will also give a brief departmental overview as lead minister for the department—

The CHAIR — That would be good, thank you.

Ms ALLAN — And then go quickly through some of the key industry and trade items.

With the budget that was released last week we have seen how as a result of very strong financial and economic management we have been able to weather the global economic downturn; all of us remember the cloud under which last year's budget hearings were held. This year we have seen that as a result of a number of strategies put in place in last year's budget we have been able to weather the storm better than pretty much most economies around the world. We have a budget that is in strong surplus and also, most importantly, our AAA rating has been preserved.

The outcome of this performance means this budget has been able to see a reduction in payroll tax, a reduction in WorkCover premiums and \$9.5 billion come forward in capital projects, on top of the \$11 billion in last year's budget; also, supporting people to buy their first home, particularly in regional Victoria, and an ability to deliver on more services and key investment in education and health. Also too, what we are seeing, which is important to note as we are looking at our economic performance, is our population is continuing to grow very strongly with the highest rates statewide of population growth since 1971.

The next slide looks at the jobs that have been created. We know the budget last year predicted 35 000 jobs would be created over the past financial year. As the Treasurer reported to the Parliament last week, nearly 100 000 — it is actually 99 400 jobs — were created over the last year, and that represents almost half of all jobs created anywhere in Australia.

What we are seeing too, importantly, is that the participation rate has increased, and the unemployment rate has declined to 5.4 per cent from 6.2 per cent last year. We are also seeing true employment increase over 11 of the

19 industry divisions, and I will draw out one in particular because no doubt it is going to be the focus of some of our discussions this morning.

We have seen jobs growth returning to the manufacturing sector, which is obviously very important for us here in Victoria, with an increase of 15 200 jobs in manufacturing. For regional Victoria it has also been a very strong story with 23 500 jobs created in regional Victoria, and a similar reduction in the unemployment rate in regional communities.

Importantly, too, for this department is the focus on skills and making sure we are lifting the overall skill levels of the Victorian population. We are doing this because we know it is good for the individual to have a high level of skills. They can have a more secure job, a higher paid job, it is good for them and their family but also it is good for the economy as we know from both having a more productive workforce but also a workforce that can attract new investment into the state. That is where the ongoing, major work the department is doing with the skills reform agenda, which was announced a couple of years ago, continues to be an important part of the department's work.

We have also seen a very strong result in exports with a 32 per cent growth over the past 10 years to now reach \$33 billion. Obviously this includes solid growth with a 7 per cent increase in the goods sector, but also services have grown very strongly with around an 113 per cent increase in service exports. It has been interesting to note that our goods exports have been the most resilient of all the states. This is particularly important when you consider we are continuing to face challenges with a high Australian dollar and some slow recoveries coming out of the GFC from some of our trading partners. It is putting some pressure on our export industry.

We are also seeing that private business investment had a sharp rise over the past quarter, in particular of 14 per cent to the December quarter. It is important to note that was the largest of all of the states. I might keep moving through, Chair.

The CHAIR — Just keep moving.

Ms ALLAN — The budget outlook for 2010–11 is much improved, as you will see there, and I am sure PAEC is very familiar with the revised forecasts that were put forward in the budget last week. That is important for this department because obviously so much of the work we do in attracting jobs and investment into Victoria depends on a strong economic framework.

Moving very quickly to the industry and trade portfolio, over the past period when we have had the challenges of the global economic downturn we have maintained our ambitious targets for attracting jobs and investments and increasing our exports from the state of Victoria. That is why the targets that are before you on the screen have been maintained. We also want to make sure we can continue to achieve our average \$1.6 billion per annum investment and 5000 jobs per year on a rolling four-year basis.

This is supported in the industry and trade portfolio in particular by a number of key initiatives to assist companies and particularly how they were focused to assisting companies through the global economic downturn. That is why we have focused on working very closely with investors, with exporters and industry to support jobs.

There has been the work under the Victorian industry and manufacturing statement; there has been the work we have done to promote Victoria quite strongly as an attractive investment destination, and again, as I said before, having a AAA-rated economy, having a highly skilled workforce, having strong economic fundamentals is very important to be able to attract investment.

Finally, our expert facilitation work continues to be very important. As I said, in line with the rising Australian dollar — although we have seen it drop a little bit over the last few days — it continues to be at high levels historically.

We have also seen how the initiatives that we have had in place have had some significant incomes for Victorian industry. That is important because if you put the policies in place, it is important to make sure they are delivering what we need, and these programs certainly are.

There are a couple of programs there that I will draw the committee's attention to: the industry transition fund, which has been successful in both retaining and creating jobs in Victoria; the Victorian industry participation policy continues to be very successful in not just creating jobs, but making sure locally based businesses are able to gain contracts from major projects.

We are also seeing how in the export area, as I have mentioned before, we have seen a 32 per cent increase in our exports over the past few years.

Finally, the priorities for the coming financial year are obviously very much to work with industry and business to make sure that they are benefiting from the improved economic outlook. On this slide it is important to note that this in addition to the day-to-day activity of the department, which is all about, as I said before, attracting jobs and investment to Victoria.

There is \$16 million that has been provided over the budget to make sure that we have new programs in place to support Victorian businesses and industry. There is the competitive business fund; there is the ongoing work of the Victorian industry participation policy, particularly with our focus on the strategic policies that are being able to be applied. We are making sure we continue our strong and aggressive investment attraction program, particularly through the expanded operations of the Victorian government business offices, and then finally there has been a real focus, as you have seen in this budget, on making sure we are supporting our exporters cope with the higher Australian dollar, and that is where you will see initiatives in the budget that are about supporting Victorian exporters compete internationally.

The CHAIR — Thank you very much, Minister, for that presentation. We have around about 40 minutes for the portfolio. Minister, the budget aims to allocate funds for 2010-11 and subsequent out years. It stated government priorities and the outcomes to be achieved. Would you please advise the committee of the medium and long-term planning strategy or strategies upon which the budget for your portfolio is based and whether this is changing in the future from last year?

Ms ALLAN — Yes, it sort of starts where I have just finished the presentation in terms that the budget very much underpins the strategy of this department in terms of attracting jobs and investment into Victoria. This budget has been welcomed, particularly by the business community, and the Victorian Employers Chamber of Commerce and Industry described this as 'business has achieved a short odds trifecta from this state budget', and I think we have seen with the broader settings how we have been able, through this budget, to reduce business tax, to reduce WorkCover premiums, to put that \$9.5 billion of investment in infrastructure — plus maintain a surplus and a surplus in forward years; it means we can allocate for future capital work programs.

It does mean that the underpinnings that we can work on are very, very strong and certainly demonstrates once again the commitment that we have in terms of wanting to attract jobs for Victoria. That is why we are maintaining those ambitious targets to facilitate \$1.6 billion in new investment to Victoria, the 5000 jobs and \$739 million in new exports per annum. Those targets are being maintained from the department.

But obviously from this time last year our strategy has shifted a little, as you would expect. As I said before, the budget last year was obviously about supporting jobs in Victoria, stimulating jobs through the investment in infrastructure, and we saw last year's budget was \$11 billion in infrastructure and 35 000 in new jobs. I have already mentioned the nearly 100 000 new jobs that were actually created in the last 12 months. I am sure the Treasurer will emphasise this point when he appears before the committee, about how more than 90 per cent of those jobs were full-time jobs — sorry, 90 per cent of all full-time jobs nationally were created here in Victoria over the past 12 months, so that is why you are seeing, as a result of the work that we have been doing, that this budget builds on our existing programs.

You have mentioned the medium to long-term strategies that we are working through at the moment. There is, of course, the Victorian industry and manufacturing statement. It was released in late 2008. It continues to be an important document to guide the work that we are doing in supporting Victoria's manufacturing sector because it has a number of programs.

There is the work that we will be doing through the industry transition fund and moving to the competitive business fund to support Victorian businesses. There is the manufacturing action plan that has several initiatives. If I can just mention the competitive business fund. It is part of a \$16.4 million package, transition to

a global future package, under the budget that also includes \$11 million for the competitive business fund; it includes \$4 million to particularly target foreign investment opportunities.

I mentioned earlier how we need to work quite aggressively internationally and domestically in other states as well in terms of bringing investments to Victoria. There is \$1 million in funding to help Victorian firms to better understand the impact of the higher Australian dollar and looking at how we can support them work with other organisations like VECCI, like the AI group, who have these sorts of supports in place.

Some of the other work that also is underpinning the activity of the department in this area is the Victorian automotive manufacturing action plan, which will continue to deliver direct support for our important automotive industry. We partner in a lot of this work with the federal government, which is also a very strong supporter of Victoria's automotive industry.

Then there is work in a couple of key areas that we are sharpening our focus on at the moment and looking at developing some further strategies. There is a new export strategy to support Victorian exporters, and we are also looking at the aviation sector. This is a growing sector; it is an important sector. It really is where we want to be in terms of the high-end jobs that it supports, the international investment that it brings to our state, and we are wanting to make sure that the existing 20 000 people who are employed in this industry are supported, and we can grow that number as we grow the investment in aviation here in Victoria.

Mr DALLA-RIVA — Minister, welcome to the new portfolio.

Ms ALLAN — Thank you.

Mr DALLA-RIVA — Budget paper 3 at page 119 — I just want to look at the output summary at table 3.3 in regard to the industries and innovation component. I notice in the budget that there is a slashing of 15.9 per cent from the budget into the forward estimates. I am just trying to work out what is the biggest slashing, given that you talk about the success and the jobs that it is meant to create, yet from reading the notes I note it is ceasing the small business statement and the industry transition fund.

I also note on the following page that part of your output as to the key government achievements on the top of page 120 is more quality jobs and a thriving innovative industry. My question is: why has there been a substantial cut in that sector, and what are you proposing that these cuts will achieve? How do you expect to support industry with such a reduction in output?

Ms ALLAN — Thank you, and thank you for the welcome to the portfolio. It is indeed a great portfolio to be holding. Some of this that you go to is also addressed in the questionnaire that we have supplied to PAEC members. Obviously we have identified — as you have — what is in the budget papers.

Largely the explanation for this variance is the conclusion at the end of this financial year of the industry transition fund. If you recall the reasons why we established the industry transition fund at the end of 2008 — it was because we recognised that we needed an additional measure on top of all of the other investment attraction, the job attraction, the job creation activities that our department does but also other departments do within the Victorian government.

We recognise that, for various reasons — I am sure the committee know these reasons well — Victoria's manufacturing sector was more exposed than other sectors in the economy to the global economic downturn. So we moved quickly and strongly to introduce the \$50 million industry transition fund. We said very clearly at the time that it was a fund that we anticipated would be a short-term measure over two financial years to provide a direct injection of support to Victorian manufacturers, and we have seen that has worked.

It has worked: it has helped a number of companies, and it has retained, from memory, over 1000 jobs and created more jobs. So you see that the variation in the budget papers that was identified in this area is largely as a result of the conclusion of the industry transition fund. But I note that we are continuing our support in this area through the competitive business fund. But also, as I said before, it is only one of a suite of various activities, whether they are the programs and the new funding that has been provided. I think there was about \$13 million through the small business area provided in this year's budget for the work that we continue to do with small businesses in helping them to skill up their workforce, and then the whole raft of investment attraction and facilitation activity that the department does will complement the competitive business fund.

Mr DALLA-RIVA — I do not know if it is in the summary, but you mentioned — —

The CHAIR — Question 9.2.

Mr DALLA-RIVA — Yes. Has it been broken down as to the components?

Ms ALLAN — The CBF?

The CHAIR — It is not quite broken down according to table 3.3, but my reading — listening to it; I am not sure, but maybe the minister can take this on notice — is that there seems to be a transfer between the top line and the second line in order to respond.

Mr DALLA-RIVA — Maybe if you can on notice provide the committee with a breakdown as to how that amount of money has been distributed or redistributed to various areas?

The CHAIR — And then what you are looking for, for the future as well?

Mr DALLA-RIVA — Yes.

Ms GRALEY — Having a job is very important to all Victorians. I would just like to refer the minister to page 124 of budget paper 3, which details the government's key investment and trade targets. I would like to ask the minister to advise the committee of how the government is looking to perform in the critical areas of jobs and investment in 2010–11.

Ms ALLAN — Thank you. I think you have hit the nail on the head when you said having a job is very important for Victorian individuals and families. We are very proud of our job-creating record. But, as the Chair says, we have to make sure we focus on the future. We do see how this year's budget makes sure that we are very much focused on supporting targeted investments in the export area, continuing to support increasing levels of the skills of the Victorian population and also the tax cuts that I mentioned before. I have mentioned them a couple of times, and I will no doubt continue to mention them because they are an important part of making sure that we have a competitive business environment that is very attractive to businesses and to investors.

I have also mentioned before that we have well exceeded the target that we set in last year's budget of 35 000 jobs. It is now at approximately 100,000 jobs. I am very pleased to provide the committee with a handout that talks about Victoria's employment rate, because I know how important the committee is.

Mr WELLS — A question without notice!

Mr DALLA-RIVA — How did you know that? Maybe she is a clairvoyant. How did you know that question was going to be asked? I wanted a table, and that has to be on notice.

Ms GRALEY — Why wouldn't I ask a question about job creation?

The CHAIR — Thank you, Hansard has enough trouble with recording, so one at a time. Minister, you have the call.

Ms ALLAN — And I am only the first one; you have got many more to go through. As you will see, the table that is being handed around for PAEC members' interest shows that the job creation we have seen over the past 12 months. Also importantly it provides a comparison to other states. We have to make sure that we do present these things in a way that positions Victoria very strongly compared to other states. It is a competitive environment out there, and this shows that we did do very well over the past 12 months, and the budget, of course, forecasts jobs growth into the future. The unemployment rate also in some ways speaks for itself, which I will not go into in any more detail.

The important part of creating jobs, though, as Judith has mentioned, is making sure that we are continuing to see investment into the state by businesses; they may be businesses that are already operating here and are wanting to expand, but also by attracting new business to the state of Victoria. As at 30 April for this current financial year the government has facilitated \$1.73 billion of new investment, and we have created nearly 5000 new jobs, so we are well on the way to achieving our target.

To assist PAEC members there is also a table on the investments that have been created, because it will help PAEC members for future reference so you will be able to see that we have achieved our investments.

What I think PAEC members in all seriousness will find useful is on the back of this page — some of the major investments that we have been able to attract to the state over the past 12 months. This is only a snapshot. This is not a definitive list; it is only a representative sample of the sorts of businesses. You will see there are big multinational companies there — companies like BAE Systems, which has won the major contract at Williamstown. Wade was with me when we were with the federal minister, Greg Combet, to celebrate the cutting of the first steel of the modules there. There are the investments that Ford has made in Geelong, and we know that that is such a remarkable story. I mentioned the aviation industry before. You will see there that Qatar Airways has chosen Victoria as the destination for its first passenger service. It is critical in terms of moving people between the Middle East and Australia. It is such an important market, and we want to make sure that they are well served by increased numbers of flights. The rest of the list, as you will see there, really does speak for itself, but I am wanting to be helpful for PAEC members to see the suite of different investments and jobs that are created here in the state of Victoria.

The CHAIR — Thank you, Minister.

Mr RICH-PHILLIPS — Minister, I would like to get an update on support to the aviation industry — a couple of matters you mentioned last year I am looking to get an update on. The first is the funding for regional airports. I do not know if you want to take it now or under the next session. You indicated last year there was about \$12.5 million left from the funds that had been committed under the transport plan. I was wondering what the updated figure is and what has been committed thus far and how much remains.

The other part of the question related to the Aviation Training Academy at Tullamarine — \$3 million was committed last year, with an indication that that would be spent by 30 June this year. That now appears not to be the case. Can you update on why the delay with that project?

Ms ALLAN — Thank you for those questions. I did speak about both those areas last year, and I mentioned in my comments earlier how important the aviation industry is to Victoria. I will endeavour to answer those questions as best as I can now and look at providing additional information. I say that because regional airports actually sit within my regional portfolio, so I will just have to do a quick little bit of cross-referencing with my other folder. Also, last year when I spoke about the training academy, that was in my capacity as minister for skills. Whilst I do work with the minister for skills on this area, I am no longer the minister for skills. As I said, I will endeavour to see, because there has been a lot of work and, as you have identified, \$3 million was allocated to enable the training academy business case to be undertaken.

If I can comment on it insofar as I can in relation to my own portfolio, this is important because in order to attract major airlines — it is not just about making sure they are flying in and out of Melbourne. We want to make sure they stay here for a while. We want to make sure that they are doing their maintenance here and we want to make sure that they are training their pilots and their staff here, because that brings with it the additional value-add that you get when you are having the planes coming in and out of the city.

Just a couple of weeks ago I saw the benefit of this at firsthand when I was at the Ansett training academy. That is now a private company. They kept the name Ansett; it is an internationally recognised name for quality training. With the government support of, I think, around \$300,000 — I am getting nods; I will confirm that figure for the committee on the way through — they have made this major investment in these training simulators.

If any of you get the chance — I think some of you might have some previous experience in this area — with the advanced technology that sits behind these simulators, I got the chance to land a plane at Melbourne Airport. It was quite a remarkable experience, even down to getting the motion sickness, so obviously I did not do very well, did I? This is really important, making sure that we have these sorts of investments in our state to attract, as I said before, those companies, but we will obviously have to come back to you with an update on the training academy.

In regard to the Regional Aviation Fund, just very quickly looking at the notes, 10 projects have been announced to date. Of course you are right that there was a further allocation in the Victorian transport plan. Ten

projects have been announced to date at a value of just over \$18.5 million. Some of the examples are the Mildura Airport upgrade. I am not sure how recently any of you have flown in or out of Mildura, but that has enabled Virgin to start their flights to Mildura, which is fantastic for Mildura, because obviously that brings more tourists and more visitors to the region but also more business opportunities. There has been support to the Latrobe Regional Airport of just under half a million dollars to enable the expansion of Gippsland Aeronautics. Some members will be familiar with the story of Gippsland Aeronautics. That thankfully is proving to be a good story. They are one of those companies that did have some challenging times as a result of the economic downturn. They are now establishing a relationship with Mahindra, an Indian-based company, and are now looking at going very strongly. If I can put in a quick plug, there is currently a Gippsland Aeronautics plane in the air right now travelling around the world with two Bendigo pilots raising funds for the fight against malaria. They are doing a non-stop flight — I do not know; I think they are still.

Dr SYKES — Does the Victorian government use them at all for bushfire work or anything like that?

Ms ALLAN — Bill, there are some conversations that I and other parts of the government have had over a little while with Gippsland Aeronautics. I think part of the issue is obviously our emergency services. I can only speak from my knowledge — obviously the greater details could be provided by other ministers — but I do know that there are certain specifications that need to be met and those sort of things need to be worked through. Gippsland Aeronautics are aware of this; I know they have had conversations over the time. But at the moment they are very much focused on the opportunities that come with their relationship with Mahindra, and the huge potential to increase the number of aircraft. The important thing to note about Gippsland Aeronautics, too, is that they are the only company in Victoria that designs and makes a commercial plane, so they are very important for the aviation industry.

The CHAIR — On the budget going forward, in terms of Mr Rich-Phillips's question?

Ms ALLAN — In terms of how much is yet to be allocated?

Mr RICH-PHILLIPS — Yes. There was no new allocation, was there?

Ms ALLAN — It was a \$20 million fund of which, as I said —

Mr RICH-PHILLIPS — \$18.5 million.

Ms ALLAN — \$18.5 million has been allocated.

Mr RICH-PHILLIPS — Last year you gave us a list of what must have been the first seven projects. Are you able to give us the details of the other three?

Ms ALLAN — The projects?

Mr RICH-PHILLIPS — Or maybe just on notice.

The CHAIR — Maybe take it on notice.

Ms ALLAN — I can. Hamilton airport was one that we announced in March. Portland — —

Mr RICH-PHILLIPS — How much was Hamilton?

Ms ALLAN — Hamilton was \$2.3 million.

Mr RICH-PHILLIPS — Yes?

Ms ALLAN — Portland was one that I think has been announced in the last financial year — I think Gayle Tierney announced that one on my behalf. That was \$1.35 million. Stawell airport — which is stage 2, because we have previously supported Stawell airport — and that is \$2.497, to be precise.

The CHAIR — Okay. If that needs to be added to, you can do that on notice, Minister. Mr Noonan?

Mr NOONAN — Minister, I wanted to ask you about the industry development component to this budget, and you touched on it in your presentation under the manufacturing action plan. Specifically you went to the

Victorian automotive manufacturing action plan. I note with interest in the handout that you have provided to the committee under 'major achievements' the announcement at Ford for the \$20 million expansion of its Geelong casting plant.

My question is whether the minister can advise the committee how the automotive industry has been faring through these difficult economic conditions, and how funding in this budget aims to assist it?

Ms ALLAN — Thank you. Being a proud representative of the western suburbs you know how important the automotive industry is to your region in particular. We do have a really good story to tell here in the automotive industry, and I think we should all be very proud of it because we have seen again that the car industry was one of the sectors — and continues to be one of the sectors — that is presented with some great challenges as a result of the global economic downturn.

There was huge pressure placed on the local automotive industry. Just one example of that is the sale of locally produced light vehicles was down 35 per cent in 2009 compared to 2008. That gives you, I guess, a sense of the scale of the downturn. But importantly we are seeing that recover and the car manufacturers are reporting a recovery. Of course, Victoria is proud to be home to Ford, Toyota and Holden, who all have a very major presence in our state.

In response to the economic downturn — I think I mentioned this in my presentation, about the work that we do with the federal government — we sat down with the federal government, and also with the industry itself, and put in place an action plan to help see the industry through the downturn and position them strongly for the future. As we are seeing now, coming into economic recovery, we are positioned well for the future.

Last February, the government launched its action plan. That is expected to run through to 2013, so it will continue into the forward period. To date, \$2.8 million of those funds has been committed.

We are also seeing some major investments announced in the automotive industry. There was Ford's investment that was announced just a few weeks ago — and I was lucky enough to be with the Premier, the federal minister and the Ford workers at the Ford casting plant — where the investment that they are making there is going to retain 100 jobs and also create 50 new jobs. That is quite a dramatic turnaround. There is the production of the Hybrid Camry at Altona, in your backyard, I suppose, Wade?

Mr NOONAN — Yes, it is.

Ms ALLAN — I am soon to be picking up a Hybrid Camry, because the government has committed to picking up 2000 of these Hybrid Camrys as part of the Victorian car fleet; I am getting mine later this month. Holden has made a decision to localise the production of their new smaller car — the Cruze. Obviously some of that is going to be in South Australia, but it is also going to deliver important work for the supply chain.

This is another area where we have been doing a lot of work because there is a big focus on the big companies, but we should not forget that a big part of the automotive industry in terms of employment and capacity is the supply chain. Here are just a couple of examples of investments during the economic downturn that have been made that have been able to secure the industry.

One is the purchase of the former CSR Viridian plant in Geelong by the MH Group. They have been able to purchase that plant. They have been able to make an investment of just under \$14 million, and that has retained the 60 jobs at that plant. That is important. It has also meant that we have retained locally within our supply chain part of the component work in glass manufacturing. They have been working with Toyota, and they have been able to pick up some additional work with Holden, which is very important.

Also too a company in Ballarat, OzPress, has made an investment in a new automotive pressing facility, and that too is about retaining jobs in the automotive industry in regional Victoria.

There are a whole lot of other things that I could continue to go through about the work that we do in promoting them overseas — particularly through our trade fairs and missions program — but I think you can see that we are now seeing, as a result of the work, that sales are up this year. In March this year compared to March last year, vehicle sales are up 25 per cent. Therefore I think that, whilst we are going to see some challenges ahead — particularly as consumers shift to smaller cars and more environmentally friendly cars — our industry

needs to respond accordingly. Government will be working very closely with it to make sure that we are doing all we can to support Victoria's automotive industry.

Mr NOONAN — Thank you.

The CHAIR — Thank you. Minister, I noticed Toyota made a profit of \$1.2 billion and their car production is up 80 per cent compared to this time last year, and I hope Victoria shares in that. Mr Dalla-Riva?

Mr DALLA-RIVA — Where is that in the budget, sorry? Anyway, I will just refer you to budget paper 2.

Ms ALLAN — That is the one I do not have.

Mr DALLA-RIVA — Page 26. Just at the top, under 'International trade' — and I note that on your slide that you have provided to us, under 'Exports grew' — I am just curious about the comment where it says:

In contrast to the general positive outlook for domestic final demand, the outlook for Victoria's exports is softer.

Given that we also know — and if you look at the chart, you have put a componentry there of the services exports, we know that they are suffering at the moment through the international students et cetera. Given the admission by the government that exports will drag down the Victorian economy, what strategies has the government — in particular, DIIRD — implemented in this budget to turn that position around?

Ms ALLAN — This is quite an important question, because obviously we have recognised it in the budget papers. We have been very upfront that as a result of a number of factors — the high Australian dollar and the fact that a number of our major trading partners continue to face a period of economic uncertainty — we should not forget from our position here in Victoria that whilst we are talking about a budget in surplus, a budget that is creating jobs, a budget that is cutting taxes and a budget that is investing in capital, that is not the story internationally. We are seeing some of the real instability that is occurring right now in Europe points to why we have to be very careful in terms of managing this period over the next few months.

The other important thing in terms of talking about the high Australian dollar is that the Australian Industry Group has released some work that shows when the Australian dollar rises above 85 cents, more than 60 per cent of Victorian companies face difficulties in remaining competitive with their exports. I think that is a useful marker, because historically our long-term average for the dollar has been about 73 to 74 cents, so that is where most of our companies are geared towards. As we have seen over this most recent period, with the dollar up until last week above 90 cents, it does present some real challenges. So that is the first thing I would say.

The second thing I would say, though — and again I have a handout to assist the committee with information.

Mr DALLA-RIVA — Don't extend yourself!

Ms ALLAN — Your colleagues will be very concerned, Richard, about what we have been cooking up.

The CHAIR — The minister, to continue please.

Ms ALLAN — So what this will show you is the growth in exports but also, too, some of the breakdowns and the differences, because the goods sector has grown by 7 per cent but you will see the services sector is growing by 113 per cent. As you have identified, international education has been a major part of that growth, and international education too — and the government has acknowledged this previously, and I can speak with some experience as the former minister for this area — it is a really challenging area.

We will continue to see, as a result of the very strong action that the Victorian government has taken and the strong action that the federal government has taken, a challenging period in the international education sector.

But what is important to note is that Victoria remains a destination of choice for many students. Whilst we have seen a drop off in the numbers of students, we are still seeing more students come to Victoria.

On the back of this handout there is a list of the Victoria's top 20 export destination countries. You will see there that, as I mentioned before, China is top of the list. We are fortunate with China as our major trading partner, that has been one of the ingredients for why we have been able to come through this period of recovery,

because it is growing strongly. China is continuing to perform well although it did also revise its forecasts down through the economic downturn; however, it continues to play a very important role.

With that in mind, the Premier and I are both heading to the Shanghai World Expo in the coming couple of weeks. It is critical that Victoria has a very strong and powerful presence at the Shanghai Expo. I guess, Richard, this goes to the part of your question around what we are doing about it. Having a strong presence at expo is one of the things that we are doing.

It is anticipated that 70 million people will go through the expo site over the six months so we had to be there and we had to have a strong presence there. Next week is Victoria week at the expo in the Australian pavilion. We will take over the pavilion; we will have a very strong presence there for that week; but we will also have a strong presence over the course of the expo with a range of trade missions and the like going through the period of the expo.

The other area where this is important in terms of what we are doing to address the challenges is working on how we can assist Victorian companies to maximise the opportunities that are coming from the growth in China's urban population. It is projected that China's urban population will grow at the rate of 20 million people per annum, so the population of Australia every year is being added to China's cities.

What that presents for us here in Victoria is a fantastic opportunity for our Victorian-based companies — planning companies, building-based companies — to capture contracts in China around urban design and planning.

We have helped to establish the Australian Urban Systems cluster, which has already been very successful in winning contracts. Over the last 10 years we have seen that Victorian companies have been able to capture about \$100 billion worth of export contracts. We see only opportunities to grow that amount of those sorts of exports. So that is just one example of where the work we are doing broadly as a department in the development of an export strategy, which was identified in the statement of government intentions at the start of the year, coupled with the initiatives that are in this year's budget around helping companies in the immediate term to work through the challenges with a high Australian dollar come as a result of two roundtables that the Treasurer and I hosted with businesses, employer and employee organisations and financial institutions.

Those roundtables were designed, given a lot of the factors around exports — obviously there are international levers and there are the levers that the federal government has — to get to what are the things that the Victorian government can do to support our exporters. What came through very clearly was, 'Give us some additional support to work within the challenges of the higher Australian dollar' and that is where you have seen the budget respond accordingly.

The CHAIR — Thank you. We will have two more questions on this portfolio.

Ms HUPPERT — Minister, in the handout that you gave us regarding investment attraction, one of the things I noted was the steps by Qatar Airways to invest in Victoria. I note that in budget paper 3 on page 124 you have listed some of the major outcomes for investment attraction and facilitation. I wonder if you could please outline to the committee the steps the government is taking to support investment attraction from international companies and in particular to support the aviation and aerospace industries?

Ms ALLAN — Thank you. As I mentioned a couple of times this morning, we see this as a really important sector. It attracts high-value jobs and skills that are transferable across the broader economy, and it has particular relevance for the manufacturing sector. We have also seen a number of companies vote with their feet and choose Victoria as their home. Boeing most recently announced a decision to locate 300 jobs here in Melbourne, which was also a great win for the state of Victoria.

We have seen additional flights into Melbourne. I have mentioned Qatar Airways already, but there are also Singapore Airlines, Etihad and V Australia. I was lucky enough to join Richard Branson for the announcement by V Australia of its direct flights from Johannesburg to Melbourne. Obviously with the World Cup coming up that is a great opportunity to encourage travel between those two destinations.

Also, for the first time, Melbourne Airport has now overtaken Sydney Airport in cargo exports. So it is not just people movement, it is the movement of goods as well. If you think about the fact that Melbourne Airport does

not have a curfew — there are not the operational constraints other airports have — we are positioned very strongly. Plus you have Avalon Airport, which is emerging as a key second airport, plus the key regional airports. We were talking about some of those before. There are fantastic opportunities to grow the industry.

There are a number of things we do. We have helped facilitate network development agreements to attract more flights into Victoria. We are providing funding for marketing and air services attraction, promoting Victoria as a destination of choice. I have mentioned the funding for the regional airports upgrades. There is support for the Australian International Airshow, of course, which is held biennially at Avalon, so the next one is in just under 12 months time. That is an important showcase for the industry and an important networking event, too, for the industry.

There is work, too, in supporting skills development. We have talked about some of the training activities previously. We do really see this as a fertile ground, I suppose, for future investment opportunities.

The CHAIR — Thank you, Minister. A final question on this portfolio, Ms Pennicuik.

Ms PENNICUIK — Thank you, Chair. Minister, I am looking at all the figures here about job creation. I have a couple of questions. In your handout, the slides that you started with, you mentioned the 99 400 new jobs and that 57 per cent of these were full-time, but the chart that you then handed out later seems to indicate around 70 per cent of them are full-time jobs, on the graph, 'Victorian Unemployment Rate'. Also in your handout you mention, as is often mentioned by ministers in the upper house, that Victoria has strong growth in construction and retail and you mentioned some growth in manufacturing. I am just wondering what percentage of these jobs are in terms of retail, manufacturing and construction. Given that 57 per cent of them are full-time and 43 per cent are not full-time, are they casual or are they permanent part-time?

Ms ALLAN — The second part of that question I will have to take on notice because obviously I cannot go around and count every single one of the part-time and casual jobs. I think the important thing to note is that is it not a positive thing that we are talking about job creation in Victoria? We are not where we could have been 12 months ago, talking about a much more challenging period. We are talking about a pool of nearly 100 000, 99 400, additional jobs that have been created here in Victoria. I think that is very positive.

In terms of the manufacturing sector, I mentioned this in my presentation. We have seen unemployment increase over 11 of the 19 industry divisions. We have seen the biggest increase in the financial and insurances sector, the retail trade sector — so that goes, I guess, to one of the areas you were focused on. In terms of the other area, Sue, you were focused on, in terms of manufacturing, we have seen an increase of 15 200 jobs.

There is no doubt that it has been a challenging period. Some sectors have faced more challenges than others, but again, if I can focus on manufacturing, the fact that we are reporting 15 200 additional jobs in manufacturing and not a decline, I think is a very, very positive thing for the state of Victoria.

Ms PENNICUIK — Just to follow up — —

The CHAIR — Quickly.

Ms PENNICUIK — This 99 400, is that a net figure or a gross figure?

Ms ALLAN — Sorry?

Ms PENNICUIK — Is that a growth figure of jobs without — —

Ms ALLAN — They are EFT, the equivalent. These are the ABS figures.

The CHAIR — They are net figures?

Ms ALLAN — Yes, net.

Dr SYKES — Just to clarify, you have created how many more net new jobs? How many net more jobs are there?

Ms ALLAN — Ninety-nine thousand four hundred.

The CHAIR — I thank Mr Straw, Mr Smith and Mr Strilakos for their attendance.

Witnesses withdrew.