

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2022-23 Budget Estimates**

Melbourne—Tuesday, 17 May 2022

### **MEMBERS**

Ms Lizzie Blandthorn—Chair

Mr Danny O'Brien—Deputy Chair

Mr Rodney Barton

Mr Sam Hibbins

Mr Gary Maas

Mrs Beverley McArthur

Mr James Newbury

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor



**WITNESSES**

Mr Martin Pakula MP, Minister for Industry Support and Recovery,

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary, and

Mr David Latina, Deputy Secretary, Jobs, Innovation and Business Engagement, Department of Jobs, Precincts and Regions.

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

I ask that mobile telephones please be turned to silent.

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

On behalf of the Parliament, the committee is conducting this Inquiry into the 2022–23 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

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

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

We welcome Minister Pakula, in the first instance for the industry support and recovery portfolio, as well as officers of your department. We invite you to make a brief opening statement, which will be followed by questions from the committee. Thank you.

**Visual presentation.**

**Mr PAKULA:** Thank you, Chair. I will zip through this. David is going to drive the slides. Go to the next one, please.

Since November last year we have seen the economy rebound. I am sure you have heard some of this from the Treasurer. There has been strong household spending. We have seen employment increase by 168 000 people since October and the unemployment rate down to 4 per cent in March. Hours worked have risen to 3 per cent above pre-COVID levels. Our CPI rose by 2.3 per cent in the March quarter and 4.5 per cent annually, so that is a little bit concerning, but we have already seen the Reserve Bank take the first step in that regard. There are still some supply chain disruptions; it is a global phenomenon. There are some changing trade patterns and some skill shortages which are continuing to create challenges for industry. There are some sectors where employment does remain below pre-COVID levels—accommodation and food services, art, recreation, admin and support services—and there are higher input costs and hiring difficulties as a result of a reduction in skilled migration, a reduction in international students and a reduction in working holiday-makers. But we do expect strong growth to continue in 2022–23 from further growth in business investment and a gradual return of international tourism and migration.

If you look at the next slide, we have got some major businesses which are continuing to invest in the state. Qantas announced that we had secured the airline's largest engineering line maintenance hub and an expansion of Jetstar's heavy maintenance facility at Melbourne Airport, and we retained Jetstar's HQ, which is 750 FTE. Hanwha are delivering LAND 8116 in Geelong—that is 300 jobs; that is the fleet of locally built and maintained self-propelled howitzers. 3DMEDiTech is transforming its existing Port Melbourne facility into a world-class 3D printing medical manufacturing facility. Worldline has chosen Melbourne as the location for its Australian headquarters and innovation centre; it is delivering 185 highly skilled jobs in financial technology.

And Nissan Casting, which I visited with the Member for Dandenong recently, has made a \$15.5 million investment in its casting facility—that is 41 new jobs in engineering, management and production.

We have talked a number of times outside this forum about business stimulus. Since the pandemic began we have allocated almost \$13.3 billion in business support to 270 000 businesses—most of that from the state government, a little bit of it from the commonwealth. In February we announced a \$200 million stimulus package through a range of rebate and voucher programs, including Midweek Melbourne Money, which was run by the City of Melbourne but with financial support from us; the dining and entertainment program, which is ongoing, \$60 million there; a \$30 million travel voucher scheme that has issued some 140 000 vouchers, including a dedicated round to seniors; some small business support initiatives, which undoubtedly Minister Pulford will take you through this afternoon; Jobs Victoria placements as well, which also sits with Minister Pulford; and the Melbourne City Revitalisation Fund, which is jointly funded by us and the City of Melbourne.

In terms of ongoing industry development policies and local growth opportunities, Local Jobs First continues to ensure that our procurement in construction, in manufacturing, in maintenance and in services has mandated local content requirements as a policy—to set local content requirements on 238 strategic projects worth \$115 billion and supporting 40 000 jobs. There are also really great opportunities in defence. The commonwealth in 2020 announced \$270 billion in new defence equipment investment. We did have some supply chain initiatives on the go in relation to the French subs through Naval Group, and that has obviously changed in recent times, but our defence capture plan has supported the growth of our defence industry and helped attract defence businesses like SYPAQ, Segula and Hanwha, amongst others.

Final slide. In terms of this budget we have allocated \$40 million over two years to help fast-growing companies expand in the state through the Victorian Industry Investment Fund. That will support companies in key sectors—like health, food production and advanced manufacturing—to invest. Our manufacturers will also benefit from nearly \$20 million to invest in renewable energy and low-carbon component manufacturing as well as help workers transition into the high-skilled digital jobs that industry needs. That specifically includes digital jobs for manufacturing, a pilot of the low-carbon manufacturing grant program, money for the Defence Science Institute for defence workforce development, \$3 million for the Made in Victoria campaign and a business case to locate CSIRO agrifood research and development capabilities alongside AgriBio at La Trobe University. I think that is my 5 minutes done, Chair, so I will stop.

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

**Mr NEWBURY:** Thank you. Minister, can I take you to the Commercial Landlord Hardship Fund, which, as you would know, is a fund for eligible small private individual and joint owner and commercial landlords facing financial hardship after reducing rents to their tenants—a \$20 million fund. Only \$12.7 million was actually expended. Why do you think that is? The reason I ask is I think there is a real need.

**Mr PAKULA:** Well, if you are asking why I think it is, I am somewhat limited, Mr Newbury, because the fund sits with Minister Pulford; it is not mine. So you will have an opportunity to ask her about it this morning. The CTRS sits within the small business portfolio, so I would be speculating rather than giving you a knowledgeable answer, because it is not my fund.

**Mr NEWBURY:** No worries. I will talk to the minister about it this afternoon. In terms of CBD revitalisation and the work you are doing there, what type of work is the department doing—perhaps it is a question for the Secretary—in terms of tracking the revitalisation of the city, in terms of people who are there, number of small businesses that are returning, number of shops that are remaining vacant et cetera?

**Mr PAKULA:** I will give you a general answer, and then Mr Phemister, who has been dealing closely with the City of Melbourne on this matter, might be able to augment it. The foot traffic analysis is fundamentally carried out by the City of Melbourne. We have worked very closely with them on CBD revitalisation. I can tell you anecdotally, based on the discussions I have had with the Lord Mayor and the CEO of the City of Melbourne, apart from some lulls early in the week early in the morning, if you are looking at midday onwards traffic, weekend traffic, night-time traffic, in some respects it has returned to greater than prepandemic levels—that is, foot traffic. Obviously there are a number of businesses which closed down during the pandemic, many of which I suspect we would have frequented ourselves in this region, but a number of new businesses have opened. If you look at somewhere like 80 Collins Street and some of the restaurants and shops that have opened

around there, that is a really impressive development, and you are seeing a lot of new businesses now taking that opportunity. But in terms of data itself and what the City of Melbourne has shared with the department, I might get the Secretary to fill you in further.

**Mr PHEMISTER:** Thanks, Minister. Thanks, Mr Newbury. There are multiple data sources. Anecdotally foot traffic is driven by intel from VCCI, City of Melbourne, AHA, the building council—that kind of stuff. ARA has also been a really good source of advice. We have public transport data, obviously, coming in, so we have traffic flow movement, we have public transport utilisation. Visit Victoria track hotel occupancy, which is a really good signal for the night-time economy, which Minister Pakula spoke about. I am getting some really good turnover data from restaurant and caterers and AHA as well. That informed basically the design of midweek dining, for example, because we could track not only the amount of economic activity in the CBD but also when during the day and during the week it was happening.

**Mr NEWBURY:** Would you mind taking on notice the issue to see whether there is anything you can provide to the committee in terms of that data—just a point-in-time type response?

**Mr PHEMISTER:** No problem.

**Mr NEWBURY:** If I can also ask, Minister: have you heard the issue of the day about the wetlands, the proposed five wetlands that the council—

**Mr PAKULA:** The Greenline?

**Mr NEWBURY:** The five wetlands they want to install. Have you got any thoughts on that? Has the council come to you seeking money for five floating wetlands?

**Mr PAKULA:** Not to me. The council raised this idea with me in a general sense some months ago. I can tell you that we have made no commitment to financially support that.

**Mr NEWBURY:** And the Greenline more generally?

**Mr PAKULA:** I am sorry, what is the question?

**Mr NEWBURY:** Have they come to you in terms of the Greenline?

**Mr PAKULA:** They have not come to us specifically—well, they have not come to me specifically asking for financial support. That is not to say that they will not. We have not made any commitment to do so with regard to the Greenline or wetlands more generally.

**Mr NEWBURY:** No, I think they are two separate things. The wetlands are five floating wetlands between Princes Bridge and Yarras Edge in Docklands. But if there is anything that you could take on notice in relation to that, you are more than welcome to provide that.

**The CHAIR:** Mr Newbury, can I also just remind you that we are here to discuss the forward estimates, so if you could relate your questions to the budget, that would be appreciated. Thanks. Your time has expired. Mr Maas.

**Mr NEWBURY:** Oh, we are starting early, aren't we?

**Mr MAAS:** Thanks, Chair. Thanks, Minister, for your time this morning. And to department officials as well, thanks for being here. Thank you for your presentation, Minister. The last slide referred to the Victorian Industry Investment Fund and a \$40 million contribution there, also referred to in BP3, page 80. I was hoping you could inform the committee how the fund will support growing and expanding businesses in Victoria.

**Mr PAKULA:** Yes, thanks, Gary. Look, it is a fund that is about targeting fast-growing, expanding businesses in health, in food production, in advanced manufacturing and in business services. We think of them as strategic, and we think they have growth potential. You have got to kind of focus your energy in certain parts of the economy. In health, as a result of the pandemic and the pressure on supply chains, there is a desire within the industry to manufacture and develop new diagnostic products in Victoria. The global market is estimated to be worth well over \$100 billion, and the sector thinks it will grow to over \$150 billion by 2027. So there are

huge opportunities there. In food the global market is worth about \$8 trillion, and that will grow to \$9 trillion by 2025. And we are already a leader, as you well know through our previous roles, in food manufacturing.

So it is a fund that will help companies in those sectors develop more products, create jobs and boost sales through the provision of grant funding to catalyse some of their business investments, and it will target supply chain companies in those sectors, which will underpin our economic resilience. We think the fund will lead to the creation of 2500 direct jobs and \$1 billion of private sector investment over two years. It follows on from the MIDF, which I talked about last year, and the Industry Recovery and Growth Fund. They have already helped secure significant investment. I talked about Hanwha already—that was supported through one of those funds—Worldline, Nissan Casting and others. That MIDF was the 2020–21 budget. It supported Nissan Casting's investment in that line at Dandenong, a \$15.5 million investment, and other manufacturers like Quickstep Holdings in Tullamarine. So these funds are really important. They allow government to focus on certain sectors to allow those sectors to invest and grow. We need a future in advanced manufacturing. We need to target them very cleverly, and that is what we think this fund does.

**Mr MAAS:** Great. Thank you. You also mentioned that the program focuses on investments that are strategically aligned to economic recovery and growth and that generate capital investment with the aim of creating new jobs for the state. Can you provide the committee with an update on some of the types of investments secured by Victoria?

**Mr PAKULA:** Yes. You would have noticed in my presentation I talked about Qantas, I talked about Hanwha, I talked about Worldline. So if you think about aviation, advanced manufacturing, food production and the like—if you think, for instance, about business services, we announced that Alinta Energy will be establishing their customer service operations hub in Morwell, so that is 230 jobs in the valley. In med tech, Seer Medical are going to invest in the establishment of their global headquarters plus an expansion of their AI capabilities at North Melbourne, so that is 200 jobs, \$50 million in exports.

You have also got companies like Compumedics, Planet Innovation, Moderna—which I am sure Minister Pulford will talk about—and Seqirus, which is a subsidiary of CSL. Seqirus will manufacture influenza vaccines in Victoria; that is more than 1000 jobs secured. In logistics NewCold is investing its Asia-Pacific HQ in Melbourne's west—another 50 jobs being created. I went to SYPAQ recently down at Fishermans Bend. They do advanced work for defence, on drones, and they would expect to grow by 280 people in the next few years. And you have already got a number of other defence companies down in that precinct—Leonardo, Elbit, Segula. This is a real cluster of defence companies setting up in that area, and that means good advanced manufacturing jobs but also great R & D.

In aviation we are partnering with Melbourne Airport. We do not trumpet it quite the same as our neighbours to the north, but we have partnered with them to bring a lot of direct flights back. So United Airlines are resuming direct flights from Melbourne to San Francisco and back. We have recently announced Melbourne to Dallas Fort Worth with Qantas. Bamboo Airways, Etihad, Emirates—a whole lot of expansion there, bringing people back in as well. Sounds like my time is up.

**Mr MAAS:** Terrific. Thanks, Minister.

**The CHAIR:** It is, Minister. Mr Barton.

**Mr BARTON:** Thank you, Chair, Minister, team. The budget allocates \$196.2 million for small and medium businesses. Minister, can you tell me how much business support will actually be able to be accessed out of that for the commercial passenger vehicle sector businesses?

**Mr PAKULA:** Do you mean—I am not being oblique—out of the business support that we provided during the pandemic?

**Mr BARTON:** Well, that is another question for me to ask you. In this round of funding that is coming up, this \$196 million, is there support for the commercial passenger vehicle sector in that?

**Mr PAKULA:** Well, I suppose if you could point me to the money that you are actually referring to, I will be able to give you a better answer about what it is for. Where is the \$196 million that you are referencing?

**Mr BARTON:** I do not have that before me, Minister, and I apologise for that.

**Mr PAKULA:** Okay. Well, I am not aware of a specific allocation in this budget for the commercial passenger sector, but as I say, it is difficult for me to answer that without having—

**Mr BARTON:** The reference, yes.

**Mr PAKULA:** a reference about the fund. I would say our industry support packages generally create grant rounds for which people can apply. So whether or not any of that is ultimately applied for by the commercial passenger sector and whether they would be eligible once those funds are created would be something we will not know until they open. But I can tell you that there has been substantial support for the sector, which I think you are aware of, throughout the pandemic, which I would take you to, but I do not want to jump the gun if that is not what you are interested in knowing.

**Mr BARTON:** Well, I can help you jump the gun now and ask you: how much support, Minister, did you give the commercial passenger vehicle sector?

**Mr PAKULA:** My recollection, Mr Barton, is that in the business cost assistance program, where there were somewhere between 100 000 and 125 000 applicants, those in that sector, which were effectively commercial passenger vehicles, were something like—here we go: the ANZSIC code was 4623 and some were in 5299. Those ANZSICs received about \$1.1 billion in funding under BCAP 2 and about \$20 million in funding under the Small Business COVID Hardship Fund, and they supported collectively close to 60 000 businesses.

**Mr BARTON:** Well, we certainly did better than New South Wales, who actually deregistered their vehicles and had more than 50 per cent of their fleet actually deregistered and put into factories.

**Mr PAKULA:** That was where, here?

**Mr BARTON:** No, in New South Wales. We would not have survived. We would not have had taxis or wheelchair vehicles on the road.

**Mr PAKULA:** Yes. Look, I know that there was a lot of distress in the commercial passenger vehicle segment of the economy because people were not moving around using cabs, or for that matter Ubers or Lyfts or others. But we decided through the majority of our payments to treat commercial passenger vehicle drivers in exactly the same way as we treated other small businesses—so as I say, well over \$1 billion in support over the period.

**Mr BARTON:** Thank you, Minister. I will just quickly ask, then, Minister, your role in industry support and recovery, what are your responsibilities and budget responsibilities in regard to the recovery of the commercial passenger vehicle sector—which has still got issues, of course—and do these responsibilities overlap with the minister for transport's? How do you manage that?

**Mr PAKULA:** Well, the minister for transport would say that his responsibility is primarily—he has got regulatory oversight and responsibility. I suppose from my point of view I viewed my responsibility through particularly the later part of the pandemic as being to get the joint as open as I could and get people moving around again and being in cabs. There has also been a lot of support provided for mental health support and mentoring in the sector, and again a lot of that has been through the Minister for Small Business and her programs.

**Mr BARTON:** Thank you, Minister. Thank you, Chair.

**The CHAIR:** Ms Richards.

**Ms RICHARDS:** Thank you, Minister and officials, for your time here this morning. I would like to follow on from the conversation and the discussion you were having with Mr Maas and particularly in the areas around how we are supporting local firms. I will refer you to budget paper 3, page 80. You have outlined new investments secured by Victoria. What is the government doing to support local firms' investment in new technology and building local supply chain capability? And how is the government going to create support for the creation of more high-value jobs across the state?

**Mr PAKULA:** Well, we have been working really I suppose diligently with a number of sectors in regard to that. If you think about medical technology, for example, I think one of the great outtakes from COVID will be the need for domestic sovereign manufacturing capability in a whole range of areas, but particularly medical technology. In last year's budget we established the Australian Medtech Manufacturing Centre as part of that budget, and that is all about growing med tech manufacturing in Victoria, creating new jobs and enhancing skills. It is a sector which generates over \$20 billion in revenue and \$3.5 billion in exports annually. That med tech manufacturing capability program will assist at least a dozen small and medium manufacturing and med tech businesses to accelerate their manufacturing programs. There will be one-to-one matched grants of up to half a million dollars, and they have partnered with the Industry Capability Network. So that is one example. AMMC has provided support to Lumos, as an example—they are a local diagnostics manufacturer—to establish a rapid diagnostics manufacturing facility.

In defence industries we know that supply chain support is really critical and provides opportunities alongside prime contracts. Most of the time focus is on where is the prime—who has got the prime contract—but wherever the prime is, we would say that our supply chain will benefit greatly because we have most of the supply chain companies. If you look at something like the F-35 joint strike fighter program, two-thirds of the supply chain companies are here in Victoria. So we partnered with DMTC in 2021 to deliver the Smart Enough Factory program. There are five Victorian companies participating—AW Bell, Ronson Gears, Australian Precision Technologies, APV and Heat Treatment Australia. Then more broadly we have the Local Jobs First program, which ensures that small and medium-sized enterprises in the state are given the opportunity to compete for both large and small government contracts, and that is very, very important. In more recent years I have set more prescriptive local content requirements, particularly on strategic projects because we want to see our supply chain companies in steel, in textiles, in clothing and footwear and in advisory services being able to be sourced locally wherever we can, so we have been setting much higher local content requirements, and we think it has really benefited local industry.

**Ms RICHARDS:** Thanks, Minister. I am going to move onto advanced manufacturing capability in the short time I have got left, and particularly refer you to budget paper 3, page 72. There is a table there which includes a \$20 million initiative for supporting Victorian advanced manufacturing capability. Can you please outline for the committee how this will support manufacturing growth in Victoria? It is a good segue from the discussion you were just having.

**Mr PAKULA:** Yes, so I talked at the outset about the \$120 million Victorian Industry Fund and \$20 million of that for Victorian manufacturers to invest in renewable energy and low-carbon component manufacturing, but it will also help their manufacturing workers transition into the highly skilled digital jobs that the industry needs. So that will be workers in defence. We will see 300 internships over two years augmenting workforce supply. There will be a pilot of the low-carbon manufacturing grant program to help manufacturers undertake large-scale productivity-enhancing investments. We are also providing funding for the growth of the defence industry, including funding for the Defence Science Institute so that they can do additional defence R & D in Victoria. I think I mentioned early on a business case being done to co-locate CSIRO's agrifood R & D capabilities at La Trobe University. That is something that La Trobe is very, very keen on. In the digital jobs space the budget has allocated money for a digital jobs for manufacturing program to upskill manufacturing workers with advanced digital skills.

**The CHAIR:** Thanks, Minister. Deputy Chair.

**Mr D O'BRIEN:** Thank you, Chair, and good morning, Minister and officials. Can I begin with some questions on the Victorian Travel Voucher Scheme, Secretary? The minister confirmed back in March that of the 200 000 vouchers for the Victorian Travel Voucher Scheme from previous rounds only 116 000 had been redeemed—so that is more than 40 per cent that went unclaimed. You have got another \$30 million announced for another round. What has the department done to ensure that we get a much better take-up, particularly for people that have been able to access them that have suffered through homeschooling and lockdowns and things to get out and get a break and use these vouchers?

**Mr PHEMISTER:** Thanks, Mr O'Brien. The travel voucher scheme is relatively new. We have run a couple of rounds now. We have run a CBD, a regional and a statewide round; we have also run a seniors round most recently that used a slightly different model. The treatments to all three are slightly different, so bear with me. First and foremost, we allocate and we exhaust the vouchers every single time. We allocate the vouchers,

and then it is over to the person who receives the voucher to redeem the voucher. There has to be a sunset on the voucher, and then once that sun sets on the voucher, we roll those vouchers through, basically, into subsequent rounds based on the needs of the visitor economy and the community who uses them. But effectively if somebody receives a voucher and they need assistance in redeeming that voucher, we have call centre staff that do that. Previously we had to navigate various constraints on people using their vouchers. At the moment that is not an issue for us.

**Mr D O'BRIEN:** As in COVID restrictions?

**Mr PHEMISTER:** Absolutely. So we moved between metro and regional et cetera, et cetera. This time around we did two things. We had a seniors ballot before the general round opened up because, as you know, it is first in, first served with the vouchers. They are incredibly popular and we exhaust them within minutes. Anybody who has tried to access one knows how popular they are. So we quarantined 10 000 for a seniors ballot and ran a subsequent seniors ballot that allowed people to apply under conditions where speed did not determine who received the voucher. They went into a ballot system. We are case managing a bit more closely those vouchers, and where people, as I said, are having difficulty using them, we are extending offers. We are seeing a higher utilisation rate this time around.

**Mr D O'BRIEN:** You are seeing a what, sorry?

**Mr PHEMISTER:** A higher utilisation rate this time around.

**Mr D O'BRIEN:** Right. What is the rate, because more than 40 per cent did not use them last time.

**Mr PAKULA:** It is still open.

**Mr D O'BRIEN:** But if you are seeing a higher utilisation rate—have you got an idea?

**Mr PHEMISTER:** We are seeing a faster burn rate based on it, but I will not know until the sunset arrives.

**Mr D O'BRIEN:** When that sunset arrives, what happens? Will you simply roll the money over, or will you look at extending the extension?

**Mr PHEMISTER:** We will take instruction from government.

**Mr PAKULA:** Well, if you are happy for me to jump in—

**Mr D O'BRIEN:** Sure.

**Mr PAKULA:** there are a couple of points about it.

**Mr D O'BRIEN:** No, not a couple of points, sorry, Minister. I have got 2 minutes left.

**Mr PAKULA:** Okay.

**Mr D O'BRIEN:** Will you roll it over or extend it? What happens?

**Mr PAKULA:** Well, we have rolled them over every time so far. Let us get to the end of this and we will decide whether or not we roll it over again, whether another voucher scheme would be useful or whether that money could be applied to a different purpose.

**Mr D O'BRIEN:** My next question should perhaps go to the Secretary. Could you provide, perhaps on notice, what the entire expenditure on the travel voucher scheme has been, given that there have been announcements, under-utilisation and rollovers et cetera? We have got in the questionnaire \$30.2 million allocated for this particular around, but for the whole scheme could we get what has been allocated over the past—I do not know how long; was it in 2020 that it first started?

**Mr PAKULA:** Yes.

**Mr PHEMISTER:** So what was allocated for travel vouchers?

**Mr D O'BRIEN:** And actually spent.

**Mr PHEMISTER:** And actually spent—noting that if I do it at a point in time now, I will not be able to give you the most recent round, because the sunset will not have occurred, but I can certainly do—

**Mr D O'BRIEN:** Up to this round would be good, including how much of this round was rolled over from previously. While I am on that topic, looking at the questionnaire, there are quite a number of programs where there has been money allocated but it has either not been spent or it has been under-utilised: 'COVIDSafe Outdoor Activation Voucher Program', \$9.9 million allocated and only \$3.7 million spent; 'Live Music Restart' for venues, \$8 million allocated and zero spent; festivals, \$8 million allocated and zero spent; and 'Live Music Restart—On the Road Again—Metro', \$4 million allocated and zero spent. What has happened with those, and what happens with the money that has not actually gone out the door?

**Mr PHEMISTER:** At the point of writing that questionnaire—Minister Pearson is intending to release the plans. He is speaking to the sector now about a few of those. I am really sorry; the answer is different for every single one of those. In some instances it is still to happen, so the end of the financial year has not reached us yet for that money. For others, where there is a need to carry the money forward because economic conditions have changed or there has been some kind of change in the environment, we go back to government and have a conversation about whether or not that money should roll into the next financial year.

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

**The CHAIR:** Thank you, Deputy Chair. Ms Taylor.

**Ms TAYLOR:** Minister and officials, I was thinking it would be good to explore sovereign manufacturing capability, noting that the pandemic really shone a light on some of the issues with sovereign capability and sovereign manufacturing. How do these budget initiatives further support manufacturing capability in Victoria?

**Mr PAKULA:** I mentioned before, Nina, that sovereign manufacturing capability is something that I think state governments all over the country are looking at—and the commonwealth as well. Manufacturing, despite numerous claims of its demise, still supports over a quarter of a million jobs, is expected to provide about \$23 billion in annual exports and is about 7 per cent of the total value-add of the economy every year. If you are talking about R & D investment, Victorian manufacturing leads all other sectors in R & D investment.

This budget included \$120 million across government for the Victorian Industry Fund. That will support the advancement of domestic manufacturing. So there is the \$40 million Victorian Industry Investment Fund, which I mentioned, and another \$40 million to attract business investment into Victoria; that sits with the Minister for Economic Development, who I think you have already spoken to. That is part of the international investment strategy.

Last year we invested \$50 million to establish mRNA manufacturing capabilities here in Victoria to fight COVID and other viruses. Moderna secured a commonwealth contract to produce mRNA here in Victoria, and construction on a new manufacturing plant in Victoria is expected to begin this year, which will have the capacity to produce up to 100 million vaccine doses every year for COVID-19 and for other diseases like the seasonal flu.

We allocated \$2 billion over 10 years for Breakthrough Victoria. That is about driving investment in research, in innovation and in growth into these sectors. We have supported local manufacturers to develop their sovereign manufacturing capability in the production of critical medical and PPE to respond to the pandemic. So we have seen lots of examples of that over the last couple of years. Whether that be masks or gloves or gowns or hand sanitiser or face shields, we have been supporting businesses to do that. We also supported businesses to make ventilators. We have supported a rapid diagnostics manufacturing facility and innovation hub to produce rapid antigen tests—that is the Lumos plant that I talked about earlier—and they will be able to produce 50 million tests a year. There are another 70 jobs in med tech just there.

**Ms TAYLOR:** Excellent. So returning to the specific initiatives in the budget regarding manufacturing, I note the initiative for a low-carbon manufacturing grant program, which you just touched on a little bit earlier. Can you outline for the committee the benefits of supporting low-carbon manufacturing technologies.

**Mr PAKULA:** Yes. Well, we want those manufacturers to be able to participate in global and local supply chains for renewable energy and low-emission components, so the program will help build up that capability within industry. It will contribute to an ecosystem of suppliers and manufacturers and service offerings. We think there is an opportunity for Victorian businesses to meet what we think is about to become an exponential demand for low-carbon technologies and products. We are seeing that here locally, and we are seeing it right around the world. Basically we want Victorian companies to have a piece of that action, so we are going to help Victorian firms to diversify their production into those sorts of emerging low-carbon technologies. We think that will further catalyse local manufacturing, and it will support the sector to adopt advanced manufacturing techniques.

So there will be a pilot program delivered over two years to provide co-contribution grants on a one-to-two basis to support large-scale productivity-enhancing investments in capital and organisational capability. There is some final design work to be done, but we would estimate that the program would support the creation of approximately 400 direct jobs and, importantly, leverage more than \$20 million of investment by the private sector. Whenever government money can effectively leverage private sector investment, we think you have got a win-win. So there is a lot of upside here—there is a huge amount of upside. Whether it is in photovoltaics or electric vehicles, you name it, there is work to be done, there is money to be made by Victorian businesses, and our support and our assistance will help them get into those global supply chains.

**Ms TAYLOR:** Very exciting. I love it. It is great hearing that news, actually. Thank you. I do not think there is time for another question.

**The CHAIR:** Thank you, Ms Taylor. Mrs McArthur.

**Mrs McARTHUR:** Thank you, Chair. Thank you, Minister. Minister, I am sure you are well aware of the crippling worker shortage across Victoria, worsened substantially by your illogical vaccine mandates that you insist on retaining, which mean that Victorians can go out to shop, eat, go to mass, even visit a brothel—fortunately they were able to go to the May races—but they cannot work. This might even be why Victorians are walking with their feet and leaving the state. So what are you doing to assist overseas workers to come to Victoria to allow our hospitality, tourism, agriculture and health sectors to function properly?

**Mr PAKULA:** Mrs McArthur, I do not want to get into a debate with you about vaccine mandates, but I would suggest to you that your assertion that that has any type of significance in regard to work shortages is misplaced when you consider that north of 95 per cent of Victorians are double dosed. So it is a—

**Mrs McARTHUR:** So why keep the mandates on?

**Mr PAKULA:** I am not the Minister for Health, but I am just making the point that its impact would be negligible from a workforce shortage point of view. In regard to providing additional workers, we have said quite unashamedly that we believe the commonwealth should increase the skilled migrant cap. I wrote to Minister Hawke in February and asked for an additional 3000 places for the state nomination process. There are 4250 places available and we had 15 000 registrations of interest. I asked for an additional 3000 places and the commonwealth gave us 250. So that is not ideal. I am sure that all of the other states would also be asking for more and probably also falling short in terms of what they have been granted, but we were hoping for more than 250. Beyond that, things like increasing the number of direct flights into Victoria increases tourism and increases backpackers and workers of that nature, but that is scratching the surface. Beyond that we would say that the reduction and the removal of a range of health settings—for example, the change to the close contact definition or the primary household contact definition—means that there are fewer people that are required to isolate and therefore more people that can engage in work at any given time.

But having said all that, none of that undersells the supply chain problems in terms of workforce. There have been some changes in people's conduct and behaviour in terms of willingness to be out and about and doing jobs which cannot be done from home. That is a factor. There are fewer international students, but those numbers are increasing. There is a global competition for skilled migrants that we have not seen really ever before. So part of the problem is, whether it is international students, tourists or skilled workers, there is enormous competition from around the world because this global labour shortage is a problem everywhere so everyone is in the market all at once trying to get the same group of people. I am not saying that to be fatalistic about it, I am just indicating it. We are doing a whole range of things to try and ameliorate that: working with our universities, working with the commonwealth, working with the airlines, but it is a slow build.

**Mrs McARTHUR:** Okay. Minister, the \$246 million of taxpayers money that you reserved for the sick pay guarantee pilot—the Treasurer told me on Friday that he agrees with the ACT that all casual employment falls within the definition of insecure work. As the Minister for Industry Support and Recovery, do you therefore support the expansion of the scheme to all Victorian casual employees?

**Mr PAKULA:** First of all, the scheme itself sits with Minister Stitt. I think the whole purpose, Bev, of a pilot is to run it for a couple of years with taxpayers support—with government support—and take some lessons from it and some learnings from it.

**Mrs McARTHUR:** So would you rule out in the future, if you thought it was good, applying a tax or a levy to businesses?

**The CHAIR:** Sorry to interrupt you, Mrs McArthur, but your time has expired. I will pass the call to Mr Richardson.

**Mr RICHARDSON:** Thank you, Chair. Thank you, Minister and department officials, for joining us today. Minister, I want to take you to the topic of defence industries. I refer you to budget paper 3, page 80:

... funding for the Defence Science Institute to facilitate additional defence research and development in Victoria.

I am wondering if you could provide for the committee's benefit how this funding support will support the defence industry sector.

**Mr PAKULA:** The DSI is a very important part of the defence sector. It leads to facilitation of defence-focused collaboration and R & D between the Defence Science and Technology Group, eight Victorian universities, other research organisations and the industry itself. It facilitates the flow of defence R & D in Victoria. It has attracted nearly \$100 million of defence R & D spending in the state. That is a very important part of our offering in terms of defence. When you talk to defence companies and ask them what is attractive about Victoria, it is about our research capability and the quality of our graduates; that is what they love about Victoria. We are over-represented in R & D spending. We have got 38 per cent of the national university spend in defence R & D. Those industries contribute over \$8 billion to the state's economy. They support between 35 000 and 40 000 workers within the Australian Defence Organisation and Industry. People would not appreciate this, but there are over 6000 SMEs in Victoria in the sector, so we want to have a thriving R & D sector in defence.

If you think about previous budgets, we have had the Smart Enough Factory program, the Victorian defence industry advocate John O'Callaghan, who does an amazing job, Defence Council Victoria, the Victorian Defence Alliances. They all collectively support companies to invest in R & D. Elbit Systems have established their centre of excellence for human and machine teaming here in Melbourne. That will support their R & D. We have got Segula Technologies, which have established their Australasian HQ and engineering and design centre here in Melbourne—that is 100 FTE. I have talked about SYPAQ, I have talked about Hanwha, so I will not go on about them anymore. But this is an incredibly exciting space and one that does not just provide jobs but good-quality, well-paid, secure jobs, which is I think what we are all after.

**Mr RICHARDSON:** And in that context, given the investment in the DSI and the significant investment proposed by the federal government in defence expenditure over the next decade, how is Victoria placed to capitalise on those opportunities?

**Mr PAKULA:** I think really well. As I said at the start, the federal government has indicated a desire to spend \$270 billion for equipment upgrades for the defence force. We have got a Defence Capture Plan, which is about maximising our share of that, and it is not all about capturing the primes, as I indicated before. Regardless of which prime gets the shell, the supply chain and the componentry, we are very well placed. So we want to bring together expertise, we want to attract supply chain companies through strategic investment. We want to coordinate with industry to pursue those opportunities in a way which is intuitive, and we want to have a single point of entry for defence companies to talk to government and to coordinate that industry development.

I think there is no secret that we are pursuing LAND 400, Phase 3, which Hanwha has been downselected for along with Rheinmetall based out of Queensland. I think there was some coverage recently about the provision of Bushmasters to Ukraine, which are manufactured here at Thales in Bendigo. I have talked about Hanwha already having the howitzer program, LAND 8116. So there are huge opportunities. If you talk about LAND 400, Phase 2

was awarded to Rheinmetall. They are based in Queensland, but we would expect to get about \$635 million of supply chain spend through that project. As it relates to Phase 3, the Defence Minister, I think a month or so ago, indicated that the commonwealth will not make a final decision until September. That will either be Rheinmetall or Hanwha. But regardless of who gets that, Victorian companies will do very well out of it.

**Mr RICHARDSON:** Fantastic. I might leave it there. Thanks, Chair.

**The CHAIR:** Thank you, Mr Richardson. Mr Hibbins.

**Mr HIBBINS:** Thanks, Chair. Thank you, Minister and your team, for appearing this morning. I want to ask you about—and we have corresponded about this—the eligibility for the dining and entertainment program and some of the difficulties customers of some venues have in actually accessing that program. I know, for example, some venues simply do not print receipts on the door, or they have got such a high volume of transactions that it is impracticable. There is also that entry may be over \$40, but again they are not necessarily providing tickets. I understand that there are some venues that are just missing out on being able to promote that program overall. Is there any way that those barriers can be overcome?

**Mr PAKULA:** Well, look, let me say we have corresponded about this. I would make the point to you that where government is trying to process a huge number of applications and trying to ensure that the applications are valid, not fraudulent, you have got to put some controls in place. That is why, for example, the starting position is a printed receipt, because quite frankly it is not that difficult for someone to mock up a handwritten receipt, and we do have an obligation to prevent fraud. Having said that—and I think I have corresponded with Mr O'Brien about this as well—we do have a case-by-case approach if there is what I would broadly describe as a non-compliant receipt. Now, they are quite manually time consuming. In certain circumstances if, as you say, there is an establishment which does not issue a till receipt but issues a handwritten receipt, we have got a way of going back and verifying that, but it is quite labour intensive and manual. The other point you made was about places where people enter and pay a cover charge but do not get issued a receipt. I have to say to you I think it is pretty difficult for the government to be issuing a refund to someone for a cover charge for which they have no documented evidence.

**Mr HIBBINS:** What about, for example, bank statements?

**Mr PAKULA:** I have seen my own bank statements, Mr Hibbins, and it is not always clear from a credit card invoice what sort of establishment is referenced by 'ABC Pty Ltd' or whatever might be referenced. You have also got to, I think, appreciate that for government, for the department, you have got to put in place a rebate and verification method which can be dealt with and processed reasonably expeditiously. I do not think it is reasonable to ask public servants to be analysing individuals' bank statements to try and discern what a receipt or a payment might involve. The other thing is it might—

**Mr HIBBINS:** Well, the ATO accept it.

**Mr PAKULA:** Do they?

**Mr HIBBINS:** Yes.

**Mr PAKULA:** In what context is that?

**Mr HIBBINS:** They accept that as documentation.

**Mr PAKULA:** For what purpose?

**Mr HIBBINS:** For tax purposes.

**Mr PAKULA:** I would suggest to you that that is quite different to the government having to ascertain whether funds have properly been expended in an environment where someone is seeking rebate money from Victorian taxpayers.

**Mr HIBBINS:** Are you actually undertaking an evaluation of that program in terms of its success in generating economic activity?

**Mr PAKULA:** I think, frankly, the proof of the pudding is in the eating. I think it was Mr Newbury that asked earlier about the foot traffic and anecdotal evidence. I remember very clearly the first round of the Melbourne money program, which I concede is run by the City of Melbourne but 50 per cent funded by us, and two weeks later a conversation with the accommodation association, who said not only were the restaurants full but the hotels were filling up as well, because people were taking the opportunity not just to come into town for a meal but to stay over in hotels. I think through every iteration of the support packages we have seen activity increase and we have heard anecdotally from VTIC, from the restaurants and caterers, from the City of Melbourne and now from other councils, because it has been taken beyond the CBD, nothing but positivity about the sort of activity that has been generated.

**The CHAIR:** Thank you, Minister. That concludes the time we have set aside for consideration of the industry support and recovery portfolio with you today. The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

The committee will now take a short break before resuming consideration with you of the business precincts portfolio.

I declare this hearing adjourned.

**Witnesses withdrew.**