

# **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 Trade,

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary, and

Ms Gönül Serbest, Chief Executive Officer, Global Victoria, 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 again welcome Minister Pakula, this time for the trade portfolio, and officers of his department. We invite you to make a brief opening statement, which will be followed by questions from the committee. Thanks.

**Visual presentation.**

**Mr PAKULA:** Thanks, Chair. I will be brief. We all know exports are incredibly vital to our economy. They contributed 10 per cent to our GSP in 2021. Our largest services export industry is international education. Our latest available data, which is for calendar year 2020, shows that it generated \$10.5 billion in export revenue and supported 55 000 jobs, and thankfully international students who are fully vaccinated for international travel purposes have been able to return since 15 December last year without a travel exemption.

In terms of the ongoing impacts, they have been substantial. International border closures and others caused our exports to fall by 5 per cent in 2021 to \$46.3 billion. Our service exports relying on travel have been hit harder. Our goods exports actually grew by 4 per cent in 2021, so that is encouraging, but services exports are down quite substantially, driven by international education and tourism, which were particularly impacted by those border closures. Our top goods exports did perform very well last year, especially grain, benefiting from strong global demand. Among our top 25 goods export markets there was growth to 20 markets in 2021. They account for more than 90 per cent of our goods exports. In terms of student visa holders, as of April this year—18 April—75 per cent of our Victorian primary student visa holders were located onshore, which is up 19 per cent since December 2021. So that is an additional 13 500 students onshore. So, as I say, it is coming back slowly.

In terms of key activities in 2021–22 we have the Global Victoria Trade Alliance; the trade mission program, focusing on virtual trade; ecommerce initiatives, including the Victorian eCommerce Network; the access program which provides tailored support through the trade and investment offices; an export skills program; and the expansion of our presence in the United States through an investment of \$12 million to bolster in-market support and the fact that we now have two commissioners to the Americas rather than one.

In terms of international education we created the International Education Resilience Fund of \$50 million to support universities and \$50.9 million in the international education recovery and growth space to support our education sector to recover and return to growth. We have a number of initiatives through that, including the Study Melbourne Student Centre; the Study Melbourne Inclusion Program; the hubs in Shanghai, KL and Ho

Chi Minh City, a virtual hub in India and pop-up hubs in Latin America; the Global Education Network of staff expanded to Brazil, Kenya and Vietnam; and some successful international marketing campaigns, including ‘Make Melbourne part of your story’.

In terms of this budget we have the trade mission program to continue virtual trade missions and a reintroduction of physical trade missions; the establishment of our new trade and investment office in Paris; funding to support International Chamber House and the investment centre in Victoria; and \$2 million over two years for the international student travel pass to continue to provide public transport concessions to international students. I will stop there.

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

**Mr D O’BRIEN:** Thank you, Chair. And welcome back again, Minister. I want to go to—surprisingly enough—the Paris office. Can the minister explain which other cities were shortlisted for consideration for a trade office but ultimately rejected?

**Mr PAKULA:** We looked at a number of places across Europe. I would not describe the process as ‘short-listing’ but I would describe it as us having analysed a number of options. From memory, one of those was Amsterdam and one of those was Milan, and we would have looked at others beyond that as well. But based on a range of factors we thought Paris was the most appropriate place.

**Mr D O’BRIEN:** The figures on page 73 of BP3 show \$12.8 million but \$10 million in the first year—so obviously heavily front loaded. Presumably that is for set-up. How much of that money will be spent on palatial accommodation for the new Paris trade commissioner?

**Mr PAKULA:** First of all, let me say that \$12.8 million is not all about the Paris office.

**Mr D O’BRIEN:** I get that, yes.

**Mr PAKULA:** Some of it is for International Chamber House, some of it is on a Trade Mission Program, some of it is on the Investment Centre. We have not turned our mind to accommodation, but normally what we would do in regard to that would be we would provide support for the commissioner to rent a place in the initial stages.

**Mr D O’BRIEN:** So the intention would not be to purchase?

**Mr PAKULA:** I would not have thought so, no. We do not normally do that.

**Mr D O’BRIEN:** Okay. Will you be the new trade commissioner for Paris, Minister?

**Mr PAKULA:** I would not have thought so, Mr O’Brien, for a number of reasons. Let me go through them. First of all, I do not speak French, and I think it requires a French speaker.

**Mr D O’BRIEN:** You are taking away my questions now.

**Mr PAKULA:** Would you like me to stop? No. Look, let me make three points.

**Mr D O’BRIEN:** Well, perhaps, because it will be probably relevant to the answer you will give, can you give a guarantee that no current or former Labor member or minister will be the new trade commissioner?

**Mr PAKULA:** Well, I cannot give you a guarantee, and I will explain why. First of all, I do not expect that it will be me for a number of reasons. One, I do not speak French. Secondly, in the time we have been in government we have not made a single political appointment to an overseas trade office. Every one of those commissioners that are in place is and has been since we have been in government a long-term public servant; all of them are at the moment. The last political appointment was Michael Kapel, and we reappointed him because he had done such a good job. So it has not been our form. I would also make—

**Mr D O’BRIEN:** In that particular area perhaps.

**Mr PAKULA:** I would also make the point to you, Mr O'Brien, that we have said we do not expect the office to be open until 2023. That is after the election, so I would imagine that you think you will be making the appointment. I do not think you will, but I assume you think you will.

**Mr D O'BRIEN:** Well, when will the commissioner be appointed? That was the—

**Mr PAKULA:** Well, as I was saying, we would not expect to fill that this year.

**Mr D O'BRIEN:** Okay. Righto. Minister, can you tell me what the government's export target is in five years time in terms of value?

**Mr PAKULA:** Off the top of my head, no, I cannot.

**Mr D O'BRIEN:** Do you have a target at all for four years time or three years time?

**Mr PAKULA:** Well, what we will do is we will take that on notice, and we will get you some numbers about what we perceive to be the likely export growth.

**Mr D O'BRIEN:** Okay. Well, noting that—

**Mr PAKULA:** Do you mean goods or services or both?

**Mr D O'BRIEN:** Both—exports overall. Speaking of which, page 29 of budget paper 2 indicates net international trade in goods and services is forecast to detract from growth in 2022–23. Sorry, that is on pages 28 and 29, both net services trade and goods. Do you accept that this is an indication that the high taxes, the high debt and the difficulty of doing business are making it difficult for Victorian businesses to export?

**Mr PAKULA:** No, I do not concede that at all. I think one of the things that you would know—I would assume you would know—is that global trade is somewhat gummed up and has been for a while. There is something like a third to a quarter of all of the containers in the world that are currently stuck in port. There is a global shortage of raw materials. A lot of industries cannot even get pallets—that is how constrained global trade is at the moment. And the ongoing impact of the pandemic, particularly in China, is also contributing to net international trade in goods being lower than it was before the pandemic. I think those are the factors that are being taken into account by Treasury in their forecasts.

**Mr D O'BRIEN:** Minister, page 73 of BP3 again lists the travel pass, which is for international student travel passes to be handed out. How many will actually be handed out over 2022–23?

**Mr PAKULA:** Well, \$2 million is being provided for that program over that period of time. I do not know—

**Ms SERBEST:** There will be changes to the program. Previously it was for one year. We have now made some tweaks to that so students can apply for three- and six-month concessions. And it will be in conjunction with their provider, so we are still to see how many that will result in.

**Mr D O'BRIEN:** Okay. Minister, if we are trying to help boost the economy with the return of international students, why does this funding decrease in the second year but then it is not in the eight years at all? There is \$1.1 million, then \$0.9 million, and then there is no further ongoing funding for it after that.

**Mr PAKULA:** Well, I would make the point to you, Mr O'Brien, that before we get to the end of the second year there will be two more budgets in order to extend the program. Given that, as Gönül indicated, it is a new program, I do not think it is unreasonable to see how it goes for a couple of years and understand demand—particularly in this environment of flux, where we do not know how many international students are returning—before we make projections about years beyond the second year.

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

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

**Mr MAAS:** Thanks, Chair, and thanks again, Minister. I would like to go to Paris as well, so to speak, but putting all the politics to one side, perceived, I would like to talk about the strategic importance of that office opening to the state of Victoria, if you could take us through that.

**Mr PAKULA:** Yes, I will. There are a couple of things that I really think are important, and again to try and remove the politics from it as much as possible. Our two-way trade with France is about \$1.8 billion. New South Wales recently appointed a trade and investment officer in Paris. That is not something we had to compete with before. Austrade moved their most senior trade official from Frankfurt to Paris. I think those things are a demonstration of the fact that Paris is becoming front and centre of the EU effort. It is important to remember that since Brexit we do not think it is appropriate anymore to try and run Europe from London, in an environment where the UK is no longer part of the EU. That created the need for an overseas office on the continent. Now, I note that when the opposition released their policy I think in about March 2020 I think the opposition's view at that point was Brussels. I do not know if that is still the position, but we think Paris is a better option.

France is a major investor in Victoria. We have got French companies delivering significant projects—the CNRS, Segula Technologies. Just the other day I was at a French-Australian Chamber of Commerce and Industry lunch with the ambassador. If you just look at some of the companies that were around the table—Michelin, Saint-Gobain, Accor, BNP Paribas, CEVA Logistics, Circa Group, Engie, Transdev, Air Liquide, Bureau Veritas, ANL, CMA-CGM—this is a major source of international investment but also a major source of international trade.

We actually also see that we as a government have a role to play in doing some of the repair work to the relationship that has been unfortunately damaged in recent times by the submarines decision, and we think there are opportunities that emerge from that. So it is a really important opportunity. There are still negotiations on the free trade agreement with the EU. A presence in France again helps to build that strong relationship with Europe. As you know, we have got some real imperatives out of that Australia-EU free trade agreement. We have got some industries we are really seeking to protect and support, including our wine industry in the King Valley and elsewhere.

We think there are lots of benefits from having an office in the European Union, and for the reasons I have outlined, particularly the fact that both Austrade and our main rival to our north are building their presence there, we think Paris is an important place for us to be.

**Mr MAAS:** Thanks, Minister. You have taken us through the strategic alignment. You have also gone through how that will enhance the trade outcomes for businesses. You talked about existing connections to France and continental Europe. Would you be able to provide the committee with examples of those links?

**Mr PAKULA:** Yes. As I said, they are our largest two-way trading partner. Our two-way merchandise trade with Europe in 2021 was \$16 billion plus. This year—you are going to have to pardon my French—Le Centre national de la recherche scientifique, or CNRS—

**Mr MAAS:** Definitely not going.

**Mr PAKULA:** Was that better than Pallas? One of the world's leading public research institutions and the largest in Europe, they established their Oceania representative office here in Melbourne, so that will drive research and collaboration between Australia and France. Last month we had Worldline choose Melbourne as the location for its Australian headquarters and innovation centre. They are a leading global payment solution provider, so that will support hundreds of highly skilled jobs in fintech. Last year I announced that Segula Technologies was expanding its office in South Melbourne to oversee all of its Asia-Pacific regional activities, so that is 100 jobs here. They are a French engineering company with 140 offices and 10 000 employees in 30 countries. Their Melbourne headquarters will be focusing on defence, automotive, rail and medical here in Australia and throughout the Asia-Pac region. And France is a major investor in Victoria. They have got EREN Groupe, Neoen, Engie, Air Liquide, Atos, Onepoint, Dassault Systemes, Capgemini—all of those investing in Victoria. And we have got some great sporting and cultural ties as well, I think most recently shown off by Les Bleus versus the Wallabies at AAMI Park, where they bested us by a couple of points. So, yes, there are some great opportunities.

**Mr MAAS:** Thank you. Not a bad pronunciation of Les Bleus there. Thanks, well done. BP3, page 87—I will take you to the trade mission program. Can you provide the committee with more information on the program, including how it will benefit Victorian exporters?

**Mr PAKULA:** Well, trade missions have been incredibly important to our export performance for a long, long time, and they have been very difficult to run for the last couple of years. So we are providing money for trade missions as part of that \$12.8 million that Mr O'Brien referenced. They are very important for exporters. They rely on that relationship-building to create economic outcomes, and I am sure if we had a long time Gönül could probably go through dozens of examples of companies that have picked up trading partners across the world as a result of relationships that they created through those trade missions. They are particularly useful for small and medium businesses, because they do not always have the same resources, and they are able to make connections that they would not otherwise be able to make. So whether they are virtual or in person, those trade missions involve networking events, exhibitions, panel sessions, presentations, pitch training, collateral creation, marketing creation. So it will be focused on health, medical technologies and pharmaceuticals; other technology; food and bev; defence and advanced manufacturing; professional services; sport, wellness and beauty; and international education and ed tech. We think that is where the greatest opportunities lie, and the program that is funded in this year's budget builds on the success over the last 12 months, including the delivery of virtual trade missions that we have had to undertake in response to international border closures.

**Mr MAAS:** Great, thanks very much. With 20-odd seconds to go I might leave it there. Thanks, Chair. Thanks, Minister.

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

**Mr HIBBINS:** Thank you, Chair. I want to ask about international students. If you could further outline to the committee just what the status is of the international students returning, what some of the challenges there are and just what supports the government is putting in place to really support the wellbeing of international students, because obviously that was pretty difficult on a lot of them, or very difficult on a lot of them, over the past two years.

**Mr PAKULA:** Yes, thanks for that. Look, I can tell you that in the calendar year to February this year there were about 31 000 Victorian international student commencements. Now, that is a mix of onshore and offshore, and that is an increase of 72 per cent compared with the same period in 2021. So there is no doubt they are coming back. At 18 April this year there were just under 82 000 student visa holders enrolled with providers onshore and about 27 300 enrolled offshore. And again, that is up from last year but down from prepandemic levels.

In terms of the challenges, I would say that there are probably three key challenges. One is that, as I say, for a variety of reasons China is not the international student market that it was not so long ago. That is partly about domestic considerations there, it is partly about alternative locations that they can go to and it is probably partly a consequence of the fact that the relationship is not wonderful right now. That is the first challenge. Secondly, during the period when Australia's international borders were closed when others were open, there was a migration of international students to other markets, to places like Canada, the United Kingdom and to some extent the USA. So there has been probably a cohort which has been lost to Australia—not to Victoria, but to Australia.

In terms of the sorts of things that we are doing, we have already talked about the travel pass, which we think is important to provide those international students with that support. I have talked about the study hubs which we have got in locations around the region. I talked about the resilience fund which we provided to universities. You might remember that during the height of the pandemic we were one of the only jurisdictions that were providing food vouchers to international students and were providing direct grants. And there are a range of other support services that we have provided and continue to provide through Study Melbourne.

**Mr HIBBINS:** Okay. All right. Thanks, Minister.

**The CHAIR:** Thank you, Mr Hibbins. And that concludes the time we have set aside for consideration of the trade portfolio today, Minister.

We thank you and your officers for appearing before the committee in these capacities. 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 break before resuming consideration with the Minister for Employment at 1.25 pm.

I declare this hearing adjourned.

**Witnesses withdrew.**