

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2024–25 Budget Estimates**

Melbourne – Thursday 16 May 2024

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak



**WITNESSES**

Tim Pallas MP, Minister for Economic Growth;

Tim Ada, Secretary, and

Danni Jarrett, Deputy Secretary, Industry, Trade and Investment, Department of Jobs, Skills, Industry 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.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 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 of this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream and other committee members.

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.

I welcome the Treasurer and Minister for Economic Growth the Honourable Tim Pallas, as well as officers from the DJSIR. Treasurer, I am going to invite you to make an opening statement/presentation of no more than 5 minutes, and this will be followed by questions from the committee. Your time starts now.

**Tim PALLAS:** Thanks, Chair and committee members. It is really great to be back here to talk about the achievements in what is now the economic growth portfolio.

**Visual presentation.**

**Tim PALLAS:** I am pleased to say that the portfolio is performing favourably, with exports playing a critical role of contributing to the state's economic prosperity, international companies continuing to establish their presence in Victoria, international students choosing Victoria to live and study and Victorian businesses connecting with global markets' opportunities. On the trade side, Victorian exports performed well in 2023, and the outlook remains positive as Victorian businesses are reconnecting with international markets. Victoria's exports continue to contribute to economic recovery, reaching \$63.5 billion in 2023. International education, our state's largest service export, is continuing its impressive recovery trajectory, with exports of \$14.8 billion in 2023, up 77.44 per cent on 2022, and Victoria continues to welcome international students attracted to our outstanding student experience.

Foreign direct investment attraction continues to demonstrate Victoria's strength. Despite uncertainty in the global investment environment, in 2022–23 Victoria secured about \$625 million in FDI and facilitated 2549 jobs. That is the highest number of jobs across all Australian states. We are continuing to support and invest in the state's emerging high-potential businesses, including through LaunchVic and Breakthrough Vic. LaunchVic continues to deliver an incredible offering to help Victorian startups, founders, investors and talent, from programs like the 30x30 Initiative, supporting Victoria's next billion-dollar unicorn companies, to upskilling investors and supporting angel networks to unlock capital. Since establishment, Breakthrough Victoria has committed more than \$330 million in capital, with direct investments in 23 companies, one fund, one grant and six university partnerships. As I am sure the committee would agree, there is a lot to be proud of in the portfolio of trade responsibilities. Through participation in the government's export program and services, Victorian companies have generated over \$550 million in export sales for the state, and over 1550 clients have been supported through tailored programs.

Study Melbourne and international education have supported international students in the state through their dedicated services, reinforcing Victoria's reputation as a leading global student destination and, I can proudly

say, Melbourne's ranking as Australia's best student city. Study Melbourne continues to promote the benefits of studying in Victoria to a global audience. In working with our Victorian government trade and investment offices across the globe, Victoria continues to strengthen its global connections, including visiting foreign officials from 41 countries and 35 Australian ambassadors. Our local and international teams are dedicated to connecting local businesses with global market opportunities, facilitating trade and investment in support of economic growth and jobs.

The Victorian government has directly supported investments from across key markets, including Amazon, Medsalv, Impack Pratama, and of course Victoria secured BioNTech to establish an mRNA manufacturing facility in Victoria, making Victoria the only place in the world to have secured a manufacturing presence from both global mRNA leaders, Moderna and BioNTech. Since 2021 Victoria has supported 43 mRNA research projects through \$26.9 million in grants. Finally, the CarbonNet project has hit a major milestone in the past year, including the completion of front-end engineering design in February 2024.

Let me take you quickly through the budget outcomes in this portfolio. In 2024–25 the budget provides \$7.3 million over two years for trade and investment facilities and services. The VGTI network plays a vital role in facilitating international engagement and raising Victoria's profile. Every dollar invested in the network has returned \$40 to the Victorian economy. In short it is good for jobs, it is good for the economy and it is good for innovation. We are also continuing to grow our economy through LaunchVic. Forty million dollars of funding will ensure LaunchVic can continue to support Victoria's vibrant startup ecosystem, which includes an estimated 3400 startups to a value of \$103 billion.

**The CHAIR:** Thank you, Treasurer. I am going to go to Mr O'Brien for the next 8 minutes.

**Danny O'BRIEN:** Thank you, Chair. Good morning, Minister and team. Secretary, can I first begin on Breakthrough Victoria, and can I in passing express my displeasure that we have got no-one here from Breakthrough Victoria despite it being given a \$2 billion taxpayer fund to play with. On page 92 of budget paper 3 there are the savings initiatives listed, and one of the savings listed is 'rephasing allocations to Breakthrough Victoria over a 15-year period, rather than 10'. Can you confirm that there is still a \$2 billion allocation, it is just stretched out over 15 years now? Is that how it works?

**Tim ADA:** Thanks for the question, Mr O'Brien. Yes, unfortunately, Mr Dooley, the CEO of Breakthrough, was not able to attend the hearing this morning. He is on leave this week. He has got unfortunately a serious family matter.

**Danny O'BRIEN:** I understand that, but surely there would be someone who could come in.

**Tim ADA:** To answer your question, yes, my understanding is that the government made a decision through the 2024–25 budget process to spread the full \$2 billion investment in Breakthrough Victoria over 15 years rather than 10.

**Danny O'BRIEN:** How much of the \$297.5 million that is indicated for 2024–25 as a whole-of-government saving can be attributed to that change for Breakthrough Victoria?

**Tim ADA:** I do not have that phasing. Do you have that, Ms Jarrett?

**Danni JARRETT:** No, I do not, Mr O'Brien.

**Tim PALLAS:** But, look, the phasing, if we look at it, essentially \$2 billion over 10 years now rephased to over 15 years –

**Danny O'BRIEN:** So it is not a saving to the taxpayer overall, just in forward estimates.

**Tim PALLAS:** Well, it is a recalibration of the allocations to the fund. Yes, it is a saving in the context of the forward estimates, but it is a liability that the state acknowledges going forward. Probably, to be honest, Mr O'Brien, it is valuable that we recalibrate and reset. We have got to appreciate that they have got a lot of investments that they now have to have asset management strategies around to ensure that we are getting value out of those 1800 jobs plus that we have –

**Danny O'BRIEN:** Thanks, Treasurer. That is not the question I asked. Secretary, are you happy to take on notice the question about how much is actually being saved over the forward estimates?

**Tim ADA:** Yes, I will take that on notice, unless we can – Ms Jarrett, have you got it there?

**Danni JARRETT:** I have. It is an allocation reduced by an average of \$90 million per year over the forward estimates.

**Danny O'BRIEN:** \$90 million a year? Okay, thank you. Secretary, when the fund was announced it was said that it would create 15,700 jobs in the 10-year period. After three years, how many jobs are we up to?

**Tim ADA:** They have made good progress, Mr O'Brien. We do have that number. Have you got it to hand, Ms Jarrett?

**Tim PALLAS:** I addressed this in the opening comments – it is in excess of 1800 jobs.

**Tim ADA:** Yes.

**Danny O'BRIEN:** 1800?

**Tim PALLAS:** 1809, I think, to be precise.

**Danny O'BRIEN:** Okay. Likewise, Treasurer, I think you indicated in Parliament that Breakthrough Victoria is expected to deliver an 8 per cent return on its investments. Can you tell me, Secretary, what the return is so far on investments?

**Tim ADA:** I think, Mr O'Brien, that the target return of 8 per cent, as you mentioned, is at the end of the 10-year period, that the fund would have an 8 per cent return per annum after the full investment allocation.

**Danny O'BRIEN:** Are you tracking that figure now?

**Tim ADA:** Yes. Well, of course I do not have that specific information to hand, but the company of course is – you know, with 20-plus investments as the Treasurer said – actively managing those investments. I do not have that specific figure to hand.

**Tim PALLAS:** Perhaps I can give you some clarity on this. They are required under their obligations of reporting to produce an annual report that will have to monitor their performance. I think that is due in a few months, and those matters, given that you will be looking at a full reporting period, will be publicly available.

**Danny O'BRIEN:** Yes, but we have had it for three years. Can you tell me what the return is at the moment?

**Tim PALLAS:** Well, no, because essentially the reporting process will be able to tell us so that we can monitor the return. All I can say is that –

**Danny O'BRIEN:** What was it for last year then, Treasurer?

**Tim PALLAS:** Well, the government is of the view that Breakthrough Victoria will in the long term justify and meet the investment mandate that they have been given.

**Danny O'BRIEN:** I understand that, but as the Secretary has indicated, there is no point in getting to 10 years and finding that it has only delivered a 4 per cent return. It is too late then. You need to be tracking it.

**Tim PALLAS:** That is why we have continuous reporting processes for the –

**Danny O'BRIEN:** But you cannot tell me what so far, after three years, it is actually delivering?

**Tim PALLAS:** Well, we can go back, and if you are particularly interested in seeing what previous reporting has occurred in this space, we can take you back through those numbers.

**Danny O'BRIEN:** If you could provide that on notice, Minister, that would be great.

**Tim PALLAS:** But let me just be very clear about this: these are early-stage investments –

**Danny O'BRIEN:** I understand that.

**Tim PALLAS:** and therefore you will not necessarily see a clear pattern of outcome. As they mature, you will see a better indication of how these investments go.

**Danny O'BRIEN:** Secretary, last year in a question on notice you indicated that Breakthrough Victoria would be expected to be self-sustaining after the 10 years. Is that still the case, or is it now extended to the 15-year timeline?

**Tim ADA:** I think you would expect, given the government's decisions, that that would be after the 15-year period.

**Danny O'BRIEN:** Fifteen years; okay. Breakthrough Victoria has invested a total of \$43 million in Deakin, Monash, La Trobe, Swinburne and RMIT universities to assist with the commercialisation of various projects – and I think you actually mentioned six, so there might be another university there as well. Can you provide us with a list of the specific projects that the fund has invested in for those universities? Are you happy to take that on notice?

**Tim PALLAS:** Well, I can take you through the full list of investments they have made if you like. Essentially what we have been able to ascertain through Breakthrough Victoria's investments is that they have made quite a number in quite a number of areas and activities.

**Danny O'BRIEN:** I am very limited in time, Treasurer. Unless you can give me this very quickly –

**The CHAIR:** Mr O'Brien, I do not want to have to interrupt your time, but I am going to make it very clear, again, because I made it very clear last year, questions are not to be asked assuming that the Treasurer or witnesses will take them on notice.

**Danny O'BRIEN:** I am asking him to give me that information quickly, Chair. That is all.

**Tim PALLAS:** There is a lot to get through. In Amber Electric we have made a \$4.5 million equity investment –

**Danny O'BRIEN:** Hang on, sorry – for the universities was the specific question. Thank you, Minister.

**Tim PALLAS:** With regard to the universities, I suppose we could go through those investments. The Jumar biocubator, which is a \$25 million grant, is aimed to establish an incubator in Parkville in partnership with CSL, the Walter and Eliza Hall institute and the University of Melbourne – that occurred on 23 November 2021. The Tin Alley Ventures fund was Australia's first university-specific large-scale venture capital fund, a joint venture between the University of Melbourne and Tanarra Capital. The fund will invest in University of Melbourne affiliated startups from seed stage to pre-IPO, and the fund announced a first close of \$100 million in January 2023. The university innovation platform partnerships –

**Danny O'BRIEN:** Minister, I am terribly sorry, but I am going to run out of time. Would you be happy to provide that document on notice?

**Tim PALLAS:** No. Either you ask the question and I am given the opportunity to respond –

**Danny O'BRIEN:** I know, but unfortunately the rules of the committee –

**The CHAIR:** Mr O'Brien, as much as I dread to interject during the time you have allocated with the minister, I will state again the purpose of this inquiry is a public hearing, and if the Treasurer and the ministers and witnesses have the information and want to provide it and can provide it here as part of the hearing, they should be entitled to do so.

**Danny O'BRIEN:** Chair, I was very happy for that to occur, but your –

**The CHAIR:** Apologies, Mr O'Brien. Your time is up.

**Danny O'BRIEN:** On a point of order, Chair, I have asked a significant question to the minister. The minister is happy to answer. I am happy for him to answer it now. But your rules prohibit me from having as much time as I want. You are then cutting off the answer and stopping the people of Victoria getting access to the information that the minister is prepared to give to me. I am simply asking: would he please be prepared to provide that on notice? What is the issue with that?

**The CHAIR:** Mr O'Brien, your time is up. We are moving on.

**Danny O'BRIEN:** Does the committee not want to get any of this information?

**The CHAIR:** Mr Hilakari.

**Danny O'BRIEN:** Chair, I have raised a point of order. I would like you to rule on it.

**The CHAIR:** I have ruled on the point of order, Mr O'Brien. There is no point of order. Mr Hilakari.

**Danny O'BRIEN:** Chair, I have asked for this to be provided on notice. Why can I not ask that question?

**The CHAIR:** Mr Hilakari.

**Mathew HILAKARI:** I appreciate that you have got questions, but I have got questions as well, so if I could –

**Danny O'BRIEN:** Oh, they will be really good. They will be insightful, won't they, mate? They will be great.

**The CHAIR:** You are out of time, Mr O'Brien. You are out of time.

**Danny O'BRIEN:** Why don't you get him to finish the list that he was just giving?

**Mathew HILAKARI:** I hope they will be insightful, Treasurer, and –

**Nick McGOWAN:** On a point of order, Chair, I understand your ruling previously, but it was clear to me that Mr O'Brien had no intention of simply asking for documents to be tabled in anticipation, so to speak. If we are going to fall into the trap of misusing or misapplying your former ruling, then reasonably we cannot expect any members, including the Greens and any crossbenchers, were they to be here – particularly where the minister is prepared to give the document, it would seem to be somewhat unreasonable not to provide that opportunity to all members present, including the government members.

**Tim PALLAS:** Chair, if I can, I will make this out of deference to this committee and its smooth running. There were only two more investments to note, and I will provide them to the committee.

**Mathew HILAKARI:** I can even ask for those now, for you to add, if you would like.

**Danny O'BRIEN:** Thank you. It is not that hard. Thank you, Minister.

**Tim PALLAS:** Well, indeed, if you want me to read them out now as part of that response, this will make your question even greater. I am happy to indicate the last two were the university innovation platform partnerships, up to \$9 million per university: new partnerships totalling \$87 million with Deakin, Latrobe, Monash, RMIT and Swinburne universities, which aim to help commercialise with market potential research. So up to \$9 million in match funding provided to each partnership as part of Breakthrough Victoria's university innovation program. These partnerships show the genesis fund announced in partnership with the University of Melbourne and follow that precedent, which was announced last year.

And the final one is the University of Melbourne Genesis Pre-Seed Fund, with \$7.5 million, a pre-seed funding vehicle to support commercialisation of research through prototyping and proof-of-concept trials as part of the \$100 million university innovation platform commitment partnership with the University of Melbourne, from 16 June 2022.

**Mathew HILAKARI:** Thank you. But I am going to go on to LaunchVic now, noting that I have got a little bit less time than I would like for the questions. You started to finish it off in your presentation with some of

your comments on LaunchVic, but I will take you to chapter 1, page 60, as well. I am just hoping you could expand on the investment and policy approach that the government takes to start-ups and the start-up sector.

**Tim PALLAS:** Yes. This is an area that I am quite passionate about, and it is an area, can I say, that is one that is vitally important for Victoria going forward, and I thank you for what I consider to be a great question. The government's investment in growth industries is setting up Victoria as the innovation leader in the nation. Of course this includes the start-up space. Start-ups are not typically small to medium enterprises. They are new businesses that generally have lower growth potential than traditional small to medium enterprises, and they focus on the development of innovative solutions, scalable products and identifying new markets to maximise growth. Vibrant, robust start-up ecosystems generate significant whole-of-economy benefits, including promoting innovation and knowledge spillovers, facilitating increased productivity and efficiency and generating high-value employment opportunities that promote talent attraction.

Access to capital is a key barrier for Victorian start-ups, perhaps more so than we see from that small city slightly to the north of our state, with Victoria's angel investment and our Victorian capital communities still relatively undeveloped compared to leading jurisdictions around the world. This government recognises this, and we established LaunchVic in 2016 as an independent agency which was dedicated to driving the growth of Victoria's start-up ecosystem, the first of its type in Australia. LaunchVic has a particular focus on fostering a thriving entrepreneurial culture and supports founder, investor and talent capabilities, helping Victorians transform their ideas into companies. Our approach to this sector involves LaunchVic delivering a broad suite of programs and initiatives both through direct delivery and through partnership with the sector to achieve its strategic priorities. These priorities include catalysing early-stage startup investments, supporting startups and scale-ups to grow, and driving awareness and advocating for the startup ecosystem. Quite frankly, what we are seeing through the growth in this ecosystem is that the strategy is working and working quite dramatically. I am pleased to advise that Victoria's vibrant ecosystem now includes an estimated 3400 startups with a total valuation of an estimated \$103 billion, and LaunchVic reports that approximately one-third of Victorian startups have received support through its program, which is quite incredible really. They have become part of the culture of startups, and they are providing remarkable support and assistance to those planning to get started in this innovative and entrepreneurial undertaking. That support includes scale-ups that are participating in LaunchVic's 30X30 program, which seeks to identify Victorian companies with billion-dollar potential as part of the state's plan to boost startups and ensure Australia's next big thing is from Victoria.

LaunchVic has delivered a range of programs to date. In 2023–24 they include supporting pre-accelerators and accelerators to help founders establish startups and help them grow; the abovementioned 30X30 program, which supports startups' in C-suite leaders, in human resources, operations and finance functions to help them to succeed; CivVic Labs to connect startups with the public sector; the Hugh Victor McKay Fund, which is a sidecar fund for Victorian ag-tech startups; the med-tech market growth program to help med-tech companies accelerate their pathways to market; and support for angel networks and investor education to improve startups' access to capital.

**Mathew HILAKARI:** We have got a significant sector. I am particularly interested also in the Alice Anderson Fund and the female-founded startups, but with that significant sector, what is our growth? Has it been successful? How are we tracking on this?

**Tim PALLAS:** Certainly the Alice Anderson Fund has been quite innovative in its involvement. In many ways Alice Anderson recognises that we have undervalued the entrepreneurialism of women in this state, and it has certainly demonstrated a clear and apparent capacity to provide opportunities that otherwise might not be available to female entrepreneurs in an area that I think demonstrates that they have been undervalued and that they are returning the faith that the fund is investing in them. If you look at the fund's performance data received through LaunchVic in the 2023–24 financial year, LaunchVic reports that the Alice Anderson Fund has generated the following outcomes. In the year to date there are seven investments in startups that have been made. No follow-on investments have been made. The fund has also executed over a million dollars in direct investments and leveraged \$4.4 million in private sector co-investment, which is a ratio of course of 4.2 to one, reasonably impressive. Overall to date the Alice Anderson Fund has generated the following positive outcomes. It holds 34 equity investments and 33 startups through the fund and is on track to exceed its 2023–24 target of 30 investments held. The fund has invested over \$7.1 million in women founders, which has activated more than \$41.2 million of private sector co-investment in women founders, and the fund's portfolio companies have reported the creation of 321 jobs, including 238 jobs for women, including 40 women in executive positions.



This is valuing female entrepreneurs, and quite frankly, the value is being returned quite significantly. It is well above the three-to-one ratio that we expected of the fund, and it highlights the importance of initiatives to close that gender investment gap as well as demonstrating that there are some fantastic investable female-led startup companies in this state.

**Mathew HILAKARI:** Thank you. I am really glad to hear that, particularly about that fund. I might just take you, in the very brief time we have left, to trade and investment and foreign direct investments that we have both here and globally, and I will ask you to be succinct in the 38 seconds we have. I donated too much time.

**Tim PALLAS:** In response, what we know is that Deloitte Access has forecast over the next five years our economic performance is going to lead the nation. Our priority has been to continue to grow the economy, and of course our trade and investment strategy is a key part of that growth. The VGTI office network – 23 offices globally; it dwarfs what for example New South Wales have, some eight offices – has a very substantial return. Additionally if you look at what the VGTI did in 2022–23, 8000 Victorian businesses participated in our export enhancement strategies.

**Mathew HILAKARI:** Thank you.

**The CHAIR:** Thank you, Treasurer. Thank you, Mr Hilakari. We will go to Mr Puglielli.

**Aiv PUGLIELLI:** Thank you, Chair. Thanks, everyone. Minister, as part of the economic growth portfolio you have responsibility for Invest Victoria and promotions of economic growth through global engagement. Now, this includes Invest Victoria's office located in Tel Aviv, Israel. Could I just ask: what sort of defence investment opportunities does Invest Victoria undertake in Israel?

**Tim PALLAS:** I will throw to the dep sec. with the responsibility. It is outside of my area. Yes, trade and investment have an office, but because it deals with defence issues, which is more in the industry portfolio, I am happy to answer it in terms of trade and investment and the office's function and responsibilities.

**Aiv PUGLIELLI:** Thank you. I appreciate that.

**Danni JARRETT:** Thanks, Treasurer. The office that we currently have in Israel is in Tel Aviv. The services are delivered through an arrangement with the Australia–Israel Chamber of Commerce, and they provide trade and investment facilitation services for Victoria.

**Aiv PUGLIELLI:** Thank you. Is Invest Victoria actively seeking investment from any weapons manufacturers in Israel or anywhere else in the world?

**Danni JARRETT:** Sorry, can you repeat the question?

**Aiv PUGLIELLI:** Is Invest Victoria actively seeking investment from any weapons manufacturers in Israel or anywhere else in the world?

**Danni JARRETT:** I would say that we look to support the defence sector in Victoria primarily to provide services and products to the Australian Defence Force, to the Commonwealth.

**Aiv PUGLIELLI:** So that is a yes, it sounds like?

**Danni JARRETT:** Not specifically targeted at Israeli defence companies. We look to support the defence supply chain in Victoria. We work with multinational companies that are already located in Victoria – multinational companies.

**Aiv PUGLIELLI:** Thank you. I appreciate the response. Is this Invest Victoria office in Tel Aviv that you have mentioned working directly with Elbit Systems?

**Danni JARRETT:** Not that I am aware of at the moment, no.

**Aiv PUGLIELLI:** Thank you. Could you outline to the committee with my remaining time how much money has been committed to the operation of that office in Tel Aviv?

**Danni JARRETT:** I do not have that figure at hand at the moment.

**Aiv PUGLIELLI:** You are welcome to take that on notice if that suits.

**Tim PALLAS:** Just to be clear, those arrangements are with the Israeli chamber of commerce. They effectively support the efforts that we have put in place. But the question around our MOU with Elbit has been one that has to get the approval of the Commonwealth government under federal legislation. We signed in 2022, well before the Israeli–Gaza war commencing, and it in no way contributes to the war in Gaza.

**Aiv PUGLIELLI:** Right. That is my time. Thank you.

**The CHAIR:** Apologies. Thank you very much for appearing before the committee today. The committee will now follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is going to take a really short break – 5 minutes, I suspect – before beginning its consideration of the industrial relations portfolio.

I declare this hearing adjourned.

**Witnesses withdrew.**