

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Budget estimates 2020-21 (Pakula)

Melbourne—Thursday, 3 December 2020

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr Danny O'Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

Ms Bridget Vallence

WITNESSES

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

Mr Simon Phemister, Secretary,

Ms Penelope McKay, Associate Secretary,

Ms Lill Healy, Deputy Secretary, Industry Coordination and Recovery, 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 would like to begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their culture, their elders past, present and future and elders from other communities who may be here today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2020–21 Budget Estimates. Its aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

We note that witnesses and members may remove their masks when speaking to the committee—

Interruption.

The CHAIR: My next sentence is ‘that mobile phones please be turned to silent’.

We note that witnesses and members may remove their masks when speaking to the committee but must replace them afterwards.

If people could follow the Chair’s lead and turn their phones to silent, that would be appreciated.

All evidence taken by this committee is protected by parliamentary privilege. Comments repeated outside this hearing may not be protected by this privilege.

You 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 as soon as possible.

We welcome Minister Pakula and officers from your department. Minister, I invite you to make an opening statement or presentation of no more than 10 minutes, and this will be followed by questions from the committee. Thank you.

Mr PAKULA: Thank you, Chair, and thank you for having me today.

Visual presentation.

Mr PAKULA: Industry support and recovery: this year we negotiated the most difficult year in living memory. We introduced strict measures to protect public health, and they were necessary to save Victorian lives, but we know that as a result many businesses have struggled greatly this year. Thirteen billion dollars since March has been invested to help communities and businesses to get to what we hope is the other side of the pandemic—there is still a way to go. Further action is required, however, for the economy to recover and to drive growth in key priority sectors.

In regard to some of that support, the Business Support Fund—through that we have supported small and medium employing businesses impacted by COVID-19 restrictions. There have been three rounds of that fund. As of November 2020, more than 129 000 businesses have shared in over \$2.6 billion from three rounds of the fund. That includes over 22 000 in regional Victoria and over 106 000 in metro Melbourne.

Round 1 was a key element of our \$1.7 billion economic survival package. That provided \$10 000 one-off grants to support businesses, and more than 78 000 employing small businesses with an annual payroll of less than \$650 000 were supported.

The expansion program was a \$980 million fund, and that provided \$5000 and \$10 000 one-off grants to businesses in regional and metropolitan Melbourne plus Mitchell shire. To date more than 106 000 businesses have received payments under the BSFE. The larger grant for businesses in metro Melbourne and Mitchell shire reflected the longer period and severity of restrictions on businesses in those locations.

Round 3 was an \$822 million fund which provided one-off grants to businesses and sectors impacted by ongoing COVID-19 restrictions as described in the road map. That program closed on 23 November. There have been 91 000-plus applications, and 65 000-plus applicants have been approved for payments totalling \$682 million. Since 23 July we have also paid out more than 114 000 claims worth more than \$48.9 million under the Test Isolation Payment Scheme, and since 20 June the Commonwealth and our government have paid more than 13 500 claims worth more than \$20 million under the Pandemic Leave And Worker Support Payment programs.

In terms of hospitality there have been unique impacts on hospo businesses arising from COVID-19 restrictions and the pandemic, and so additional grant support through the COVID-19 programs were developed with advice from industry since May this year: the \$251 million Licensed Hospitality Venue Fund, which was about helping bars, restaurants, pubs, clubs, hotels and reception centres and, in the end, microbreweries that serve food and alcohol on licensed premises to survive; a \$100 million Melbourne City Recovery Fund to support the CBD prepare for the reopening in the summer season and the lead-up to Christmas; and an \$87.5 million outdoor eating and entertainment package to help businesses adapt their operations to outdoor dining. That includes \$58 million in grants for businesses and \$29.5 million for local councils, and more than 5600 businesses have received support through grants from that package.

There has also been support for CBD businesses facing large and sustained impacts, with a \$10 million CBD small hospitality grant program, a \$30 million hospitality business grant program for the hardest hit larger businesses across Victoria and a Night-time Economy Business Support Initiative for group hospitality businesses operating licensed venues and experiencing rental hardship that were not within the scope of the Commercial Tenancy Relief Scheme.

In addition to those initiatives, we have worked closely with businesses and industry to help them understand the requirements of public health directions and implement COVID-safe practices. There has been something like 220 industry round tables and engagement sessions. We have expanded the Business Victoria hotline to answer over 20 000 calls a day and to proactively engage with businesses in outbreak areas, and that has resulted in 13 updates to workplace directions and informed the guidance materials which are critical to reopening the economy.

I just want to talk a bit about other support for industry because there has been impacts on global supply chains, so we have got to continue to support industry to pursue new market opportunities, to support onshoring and to promote supply chain resilience whilst growing jobs across multiple sectors. We are investing \$135.6 million over three years to drive stimulus and recovery, and support Victorian industries, with over 4200 jobs being created from that funding alone. There is a new \$20 million Australian MedTech Manufacturing Centre in Melbourne that will be built, a new hub to put Victoria at the forefront of medical technology, innovation and design, and that hub will champion, develop and identify new opportunities for our med tech manufacturing and innovation sector.

There is \$60 million to create a new Manufacturing and Industry Development Fund, and that fund will focus on supporting businesses that make medical products and medicines and other key industries like food manufacturing, strengthening our status as the manufacturing capital of the nation. There is a new \$40 million Industry Recovery and Growth Fund to help attract more investment and create more jobs in key areas like manufacturing, clean energy, digital technology, regional tourism and many others. And there is funding of \$9.6 million for the implementation of the *Local Jobs First Act* to further enable the setting of requirements for local content above those that the market would ordinarily deliver.

Chair, there is also, in regard to defence industries—the commonwealth is spending something like \$270 billion on new equipment and systems, and an estimated \$180 billion on sustainment over the next decade, and that

provides significant opportunity for the sector to contribute to economic recovery post COVID-19. We want to ensure that Victorian industry is well placed to benefit from that, so the government has allocated \$6 million to continue to advocate for and support our sector, to attract strategic opportunities, to support the digital uplift of SMEs and to further develop a defence-capture plan which will outline the strategy to ensure the long-term growth of the sector.

I should just mention finally, Chair, the Breakthrough Victoria Fund, which is a 10-year commitment in the budget to drive investment in research, innovation and growth in key industry sectors, including health and life sciences, agrifood, advanced manufacturing, clean energy and digi tech. That fund's efforts will be anchored at our key innovation and employment precincts, including Parkville, Arden-Macaulay, Fishermans Bend, La Trobe Bundoora and Monash Clayton. It is a massive new investment. It is all about ensuring that Victoria remains one of the leading destinations for research and innovation, and it will set our state up for the industries and jobs of the future. With those comments, Chair, I am in the Committee's hands.

The CHAIR: Thank you, Minister. I will pass to the Deputy Chair, Mr Richard Riordan, MP.

Mr RIORDAN: Thank you, Chair. Welcome, Minister and support crew. I will get into it—business support. I am referring to budget paper 3, page 83, which I think may have been the tail end of your presentation there. Minister, the budget allocates \$2.163 billion 2020–21 only for business support. This is described as contributing to three separate outputs across three separate departments. Is the full amount of \$2.163 billion allocated to DJPR?

Mr PAKULA: Let me find the reference first of all, Mr Riordan.

Mr RIORDAN: Budget paper 3, page 83.

Mr PAKULA: Yes, \$2.163 billion, 'Business support'. Well, it is certainly in the DJPR table. I will just seek some advice. Is your question about whether all of that money goes to our department?

Mr RIORDAN: Yes. Is all of it staying with your department? We have heard a lot from ministers where some of it is theirs, some of it is not.

Mr PAKULA: Well, if you look at page 88, Mr Riordan, it goes to all of the different outputs that are contemplated by that \$2.163 billion. If you go through it, the direct financial support through the Business Support Fund and Sole Trader Support Fund would be with DJPR. The First Peoples' COVID-19 Business Support Fund I think is with DJPR, but I will seek some advice. Certainly the Safe Business Fund with grants for small businesses is with the Minister for Small Business, so that is DJPR. The business advisory and wellbeing program, yes; support to local chambers of commerce and trader groups—

Mr RIORDAN: I guess the question we are trying to tease out is that there is quite a lot of reference to medical support there, so is that money transferring across to the health portfolio or is it actually—

Mr PAKULA: Well, as I go through the outputs that fall within that headline—Click for Vic, Commercial Landlord Hardship Fund, Business Victoria hotline, the Industry Coordination Centre, the Small Business Digital Adaptation program—they are all DJPR programs.

Mr RIORDAN: It does say, 'This initiative contributes to the Department of Health and Human Services'.

Mr PAKULA: I think the reference there, Mr Riordan, would be about the procurement and distribution of the face masks to support the public health response. Some of those face masks I imagine would ultimately go over to support the Department of Health, but I think the money is being acquitted to our department for the purposes outlined on pages 88 and 89.

Mr RIORDAN: I notice that Mr Phemister is looking keen to answer. No? Okay; all right. Has DJPR modelled the impacts of jobs growth against industry support? With this considerable investment, have you estimated what the impact for jobs will be?

Mr PAKULA: Well, I think what you will find, Mr Riordan, is that with the industry support that has been provided and that continues to be provided, whether it is through the various funds that we have announced, whether it is through the grants that have already been made or whether indeed it is in the context of the

infrastructure program and other things that the government is rolling out as part of the budget, effectively the impact of that would be contained in the forward estimates and the estimates about productivity growth, employment growth, unemployment rate, gross state product et cetera.

Mr RIORDAN: The budget does not predict returning to pre-pandemic job rates in the forward estimates, so with this considerable investment you are not expecting that to bring us back to where we were in January, I guess.

Mr PAKULA: Well, as I said, I have not been pulling together all of the DTF estimates in regard to employment growth and GSP, but the budget does estimate that there will be steady growth in both GSP and employment as a consequence of economic recovery, and that is in part a consequence of the measures that we have put in place.

Mr RIORDAN: Okay. Just with the little bit of time we have got left, in your presentation you talked about \$822 million in the last round of support for businesses—

Mr PAKULA: I did.

Mr RIORDAN: and I think you said there were 95 000 applicants and you had paid out 65 000. What is the delay? There still seems to be a very slow turnaround in supporting many small businesses.

Mr PAKULA: Well, let me first of all go to the question of delay.

The CHAIR: I am sorry to cut you off there, Minister, but the member's time has expired. I will pass the call to Mr Gary Maas, MP.

Mr MAAS: Thanks, Chair. Thank you, Minister, and thanks, departmental officials, for your appearance this morning. Minister, if I could take you to budget paper 3, page 91. There is a reference to support being provided for manufacturing and industry development. I was hoping you would be able to outline for the committee the opportunities that exist for Victoria in manufacturing.

Mr PAKULA: Yes, thanks, Mr Maas. Look, as difficult as the year has been, we remain the centre of Australian manufacturing. The manufacturing sector has held up quite well. Historically it has contributed some \$30 billion to the economy. It makes up the majority of our goods exports. We have got close to 12 000 manufacturing firms. They employ in excess of 270 000 people. You know that as well as most people around this table. Importantly, at something like 85 per cent, it has the highest rate of full-time employment in the economy, so it is a really important sector of our economy. It is the number one sector for R and D spending in Victoria. Manufacturers do a lot of research and development. It spans a really broad range of high-growth industries: defence, construction, food and fibre, transport, med tech, pharma. And med tech and pharma, you know, as we have demonstrated, I think will be more important than ever. So there has really been a rethink about global supply chains for manufacturing. I think one of the things that the pandemic has demonstrated is in times of scarcity when everybody wants the same thing you cannot rely necessarily entirely on global supply chains, and suppliers and customers are much more alert to supply chain risks. They are placing greater emphasis on local supply and diversified manufacturing locations, so that is really strong in sectors which produce essential goods: food, med tech, essential components of heavy manufacturing.

So the opportunities in manufacturing I think are profound, and they will create industry growth and jobs in Victoria. We want to really focus on enhancing our strategic capabilities and those supply chains. So that Manufacturing and Industry Development Fund—I am not going to use the acronym—is \$60 million, and it is about contributing to that growth by securing and facilitating access to multinational supply chains for our companies by encouraging international manufacturers and suppliers to include Victorian companies in their investment opportunities by supporting the retooling of our current design, engineering and advanced manufacturing capabilities so that we can produce sovereign and essential products.

We want to support small and medium-sized manufacturers to become more efficient and to build their advanced manufacturing capability, including by applying really up-to-date technology. We want them to enter into collaborations and partnerships. We want to see coinvestment in equipment that is relevant to increasing productivity in supply chains. That is going to be I think in collaboration with universities, with TAFEs, with other education and innovation organisations. So we think our manufacturing sector is really well placed to lead

the recovery. We have got really well established technology in food, in medical products, in defence, in mining, so there are a lot of existing opportunities that can be grown further.

There are then some emerging industries: recycling I think is a really important emerging industry; new energy; transport; and there are also opportunities emerging to onshore the manufacture of essential supplies like pharmaceutical and medical equipment—we saw that in the early days of the pandemic. We have seen an increase in the manufacture of personal protective equipment—masks and the like. We have seen the development of a ventilator manufacturing sector that did not exist here before. This fund really represents the opportunity for a step change in manufacturing. There are initiatives that can really reorient manufacturing to fulfil essential local needs, to build better supply chains, to replace a higher proportion of imports and to make better use of government as a major customer, so there are all those opportunities. It will attract and secure private investment projects which will realise immediate gains, and we want to capture new and emerging opportunities by companies which already have a presence here in Victoria but as a result of global disruption might be able to really expand their presence here. I think it is a great opportunity.

Mr MAAS: Thank you, Minister. With my time about to run out, I will leave it there.

The CHAIR: Thanks very much, and I will pass the call to Mr David Limbrick, MLC.

Mr LIMBRICK: Thank you, Chair, and thank you, Minister and team, for your presentation today. I wanted to ask a couple of questions about the Melbourne City Recovery Fund, and that is I think on page 93 as well, budget paper 3. I am sure you have gone for a walk around the city, as have I, to have a look at what is going on, and it is pretty grim at the moment. There are lots of ‘For lease’ signs, lots of restaurants with not many customers, and it appeared to be a common issue that there are just not many people around. We have heard from Treasury in their estimates in modelling that we are not expecting international tourism to even start until sort of the middle of next year, international students not until calendar year 2022. Businesses are not bringing all of their workers into the city. How is this fund going to support those businesses when you have such a massive drop in customer numbers and probably for a long time, it would appear?

Mr PAKULA: Well, look, I do not take issue necessarily with all of what you say. Certainly not in terms of the way things have been. I have been here the last couple of days. There is no doubt in my mind that you are seeing the city return to life. I was at a city restaurant last night in Chinatown, and it had more people in it than I have seen for probably 12 months. If you would walk up and down Bourke Street, whether you look at Florentino or a number of those restaurants in Bourke Street, the numbers are really starting to improve, but yes, it is not what it has been. I think you will see that there are a number of things that we have already done outside the fund. We have been gradually increasing the numbers available to those restaurants in terms of their density limits and their caps. From Monday just gone workers are starting to filter back into the city, so we have announced 25 per cent, and that number will grow, all things being equal. You will start to see other things that will draw people back to the city—so later this month, the Boxing Day test. Hopefully we are very close to a resolution on something like the tennis. I am working really hard to get live theatre up and running—we are not there yet but of course, as you know, that also plays a role in bringing people into the city. So I think there is a lot of pent-up demand and there is appetite for people to come back to town.

I accept that the businesses in the city have been doing it really, really tough—tougher than some other parts of Melbourne because, as you know, in the suburbs, with a whole lot of people who have been at home who would have otherwise have been at work, a lot of those suburban locations have probably been in some respects busier than they would be in a normal year. That is why when we put the funds together we created a dedicated fund for CBD venues, because we recognised that they had been doing it tough—so the Melbourne City Recovery Fund; the Licensed Hospitality Venue Fund was not exclusively about the CBD but there was a specific recognition that CBD venues had been doing it tough, and that is why they got the possibility of a higher payment; the night-time economy fund was about some of those larger city venues that were not able to be supported by the Commercial Tenancy Relief Scheme because of the way their corporate structure operated; and all of the work that we have done with the City of Melbourne about providing support so that outdoor dining can be increased, and you would have seen around the city the way that road space has been taken up. So, look, I am not suggesting for a moment, Mr Limbrick, that any of that is perfect or it is pre-COVID trading conditions, but they are getting better, and we are supporting them very strongly to help them through this period until the vaccine arrives and things go back to a pre-COVID situation.

Mr LIMBRICK: So although international students and tourists might be off the cards for a while, it seems that interstate travel might be opening up soon. What are we doing in that space to get interstate tourists back into the CBD?

Mr PAKULA: The first point I would make is our border has been open all along. Our interstate border has been open all along. The issue has been that people coming here would have had great difficulty getting back because of the way other states were treating their borders. The border with New South Wales is open. We have had a few issues with South Australia in recent times. Queensland has made recent announcements. We are very keen for Victorians to see Victoria, but one of the things which we might come to in the tourism and major events portfolio is a very substantial marketing campaign. First of all, it has been domestically focused—Stay Close, Go Further—but there will also be a substantial marketing campaign into interstate markets to try and encourage interstate visitors down to Melbourne. And that—

The CHAIR: Sorry to cut you off there, Minister, but the member's time has expired.

Mr PAKULA: I could go on for ages, Chair.

The CHAIR: I am sure you can. I will pass the call to Mr O'Brien, MP.

Mr D O'BRIEN: Thank you, Chair. Minister, can I just clarify first, the Growing Suburbs Fund, is that your portfolio?

Mr PAKULA: No.

Mr D O'BRIEN: It is not. Okay.

Mr PAKULA: I think it is with the Minister for Suburban Development.

Mr D O'BRIEN: Yes. Okay. Can I just go back to the questions Mr Riordan was asking. The \$2 billion in business support—or \$2.1 billion, I think it is—there are no performance measures listed in the budget for this expenditure, so how will the public and the Parliament be able to track expenditure and what are the employment outcomes expected from that expenditure?

Mr PAKULA: Well, first of all, in regard to performance measures, I think given the recency of it, it is probably difficult to put a performance measure in this budget. That does not rule out the fact that there might be one in a future budget—I am not saying there will be—but this is a fund that we are still basically rolling out as we speak. Look, I think in terms of business support the way that its efficacy is ultimately measured is going to be about the number of businesses that we have supported and our desire for as many of them as possible to survive through the pandemic to be able to trade on the other side. Now, I do not think there is an economy on the planet where every business who has suffered through the pandemic has survived, but I have no doubt at all that the number of businesses who have survived the pandemic to date is eminently greater than it would have been without those support measures.

Mr D O'BRIEN: Okay. Minister, on the same output, the \$2.1 billion, the DJPR—

Mr PAKULA: The same one that Mr Riordan asked about?

Mr D O'BRIEN: Yes. The DJPR questionnaire lists the three programs: 'Business Support Fund—Expansion', 'Business Resilience Package—Business Support Fund 3', and the Sole Trader Support Fund, which collectively total \$1.9 billion. So are they all funded—

Mr PAKULA: Are you referring to a page on the questionnaire?

Mr D O'BRIEN: Yes, pages 74 to 76. Those three programs, do they all come from the \$2.16 billion?

Mr PAKULA: The Secretary is nodding at me, so yes.

Mr D O'BRIEN: Can I just ask what other programs are funded? Those three are \$1.9 billion, roughly speaking. What is funded from the balance of—

Mr PAKULA: Well, I would go back, Mr O'Brien, to pages 88 and 89 of budget paper 3, which has a dozen dot points that go through all of the different items that are contemplated by the line item on page 83.

Mr D O'BRIEN: Okay. So all of those would make up the balance?

Mr PAKULA: Yes.

Mr D O'BRIEN: Okay. The questionnaire also shows that \$1.033 billion of that fund was expended by 1 October, just gone.

Mr PAKULA: Right.

Mr D O'BRIEN: What is the expected timing on the rest of it? That probably also gives you the opportunity to finish answering Mr Riordan's question about the businesses that are yet to actually receive support.

Mr PAKULA: Well, let me go back to that question. The first point is not every business that applies is eligible. So that makes up part of the difference. I know I have corresponded with a huge number of MPs on both sides about some of those issues, and some of those have been resolved and some of those have not because there has been a difference in regard to whether or not a business is eligible. I do not think I can, off the top of my head, Mr O'Brien, give you a date on which every dollar of that expenditure will be expended, other than to say that it is slated to be spent during the 2020–21 financial year.

Mr D O'BRIEN: Yes. So it should all be gone by 30 June.

Mr PAKULA: If there is some more information we can provide, we will.

Mr D O'BRIEN: And are you satisfied with the performance of your department in getting the dollars out the door? I mean, my experience and the experience of other MPs has been many businesses who do qualify just got a knockback and then it has taken them months in some cases to actually get support.

Mr PAKULA: Well, I will take a moment to deal with that. The first point to make is there are—

Mr D O'BRIEN: You have got about 20 seconds.

Mr PAKULA: tens of thousands of applications in each stream. The average processing times for BSF1 was 12.7 days; for BSF2, 10.8 days; and for BSF3, approximately 10 days. I know that there will be stories of certain businesses who waited much longer than that, but the average processing times I think are well within expectation, given the volume of applications that have come before the fund.

Mr D O'BRIEN: Thank you.

The CHAIR: Perfectly timed. I will pass the call to Ms Pauline Richards, MP.

Ms RICHARDS: Thank you, Minister and officials, for appearing today and for what has been a busy year. I would like to take you to budget paper 3, page 91, and gain some more insights again into sovereign manufacturing. So in relation to sovereign manufacturing opportunities, can you provide the committee with some examples of the types of manufacturing that are being supported?

Mr PAKULA: Yes. Thanks, Ms Richards. Look, under the Manufacturing and Industry Development Fund there are significant opportunities to support reorientation and retooling of existing design engineering and advanced manufacturing capabilities towards sovereign manufacturing. We have already supported the onshoring of manufacturing across a number of sectors—automotive, defence, aerospace, and PPE as a direct result of the needs of the pandemic.

So to give you an example of some of the projects and companies we have supported already, we have supported the scale-up and created new production lines to onshore some engineering capability and convert right-hand drive vehicles for General Motors through upfitting the GM Specialty Vehicles company, which used to be Holden Special Vehicles—I think people would remember them. That is a project worth \$30 million and creating 200 jobs in south-eastern Melbourne. There has been an expansion of Moog's Australian headquarters in Heatherton. That includes a new multi-use facility to attract international defence primes to

Victoria, and that will onshore both R and D and product development which is currently done overseas. There is the establishment of capability to locally manufacture internal thermoplastic components for Boeing 777, 737 and 787 planes, as well as parts for dynamite boosters for the mining sector by Hosico Engineering in Braeside. And there is support for the expansion of Aware Environmental's current facility in Dandenong to enable them to increase hand sanitiser production capacity and to secure local supply to replace imported products.

I think in a previous hearing I talked about Grey Innovation and their local manufacture of ventilators in response to COVID-19 with the backing of a half-a-million-dollar grant from government. They secured a licence from a leading global manufacturer to develop ventilators. They are working with local suppliers and a network of world-class engineering and advanced manufacturing operators right here. I think they have got an order of a couple of thousand from the commonwealth. So they are just some examples of some of the onshoring and sovereign capability we are building.

Ms RICHARDS: Thank you, Minister. Some great south-eastern employers there as well. So that is nice, making our hearts sing. What other actions has the government taken to develop capability in the manufacturing sector?

Mr PAKULA: Well, if you go back to the advanced manufacturing statement which was announced by one of my predecessors—I think Minister Noonan—back in September 2017, there were a whole lot of initiatives in that that supported manufacturers: the Additive Manufacturing Hub in Wantirna that gives local businesses access to 3D printing technology, including Build It Better vouchers, which offer up to \$20 000 in support—that is in cooperation with AMTIL, which I think a number of members have dealt with; the regional manufacturing clusters in 10 regional locations; the advanced manufacturing stream, with the Boost Your Business vouchers, which have helped almost 80 manufacturers increase their competitiveness and develop new products; and the Advanced Manufacturing Industry 4.0 Hub, which is being developed by Swinburne—that tailors advice and training to local manufacturers to help them use digi tech and AI and smart robotics and other innovations to help grow their business, and we contributed \$2 million to that. And then of course there is our overseas office network, and that really gives our manufacturers access to global supply chains and connects them to outbound trade missions. And I think the last thing I will mention is Local Jobs First, which has been a real step change from the old VIPP, which was in place when I was last industry minister in 2009. And the opportunity to supply or contract on government infrastructure projects really is the difference between a lot of these businesses being small or becoming large.

If you look at the North East Link as one project, the local content requirements to maximise the use of locally manufactured or fabricated steel products from locally milled steel made a massive difference to the local steel sector. So there is a whole lot of different initiatives, Ms Richards, and they are all making a huge difference.

Ms RICHARDS: Terrific, thank you. And I am just interested in the Industry Recovery and Growth Fund initiative at budget paper 3, page 90, and the sectors and investment which will be targeted by this fund.

Mr PAKULA: Well, I think I have probably only got a very short amount of time, so I will—

Ms RICHARDS: Oh, sorry. Yes.

The CHAIR: The time has expired.

Mr PAKULA: Health, agri, clean energy, advanced manufacturing and digi tech.

Ms RICHARDS: Right, thank you.

The CHAIR: Mr Sam Hibbins, MP.

Mr HIBBINS: Thanks, Chair, and thank you, Minister, and your team for appearing this morning. I just wanted to ask some details about the outdoor eating and entertainment package. Are you able to provide the committee with a list of how much has been expended so far, the list of successful applicants and how much they received?

Mr PAKULA: I would say with probably a reasonably high degree of certainty that I cannot provide you with that level of detail about exactly how many applicants have been supported, but I am happy to take it on notice and provide that to you post this hearing.

Mr HIBBINS: Great, thanks. Are you the minister responsible for the Latrobe Valley Authority?

Mr PAKULA: No. That is the Minister for Regional Development.

Mr HIBBINS: Right. Okay. You have got all of these funds, and you would be aware of, speaking of regional development, the sorts of issues VAGO raised with the administration of the regional development fund in terms of getting the outcomes that you said you were going to get. What are your reporting requirements for these funds, and how are you actually going to make sure that you achieve the aims that you actually set out to do?

Mr PAKULA: Well, starting with the regional development fund, I cannot speak with any high degree of knowledge about that because it is not a fund that I administer. Government funds and grants that are made from them all come with various obligations on the recipient of the grant. So there are milestones, and that is why, Mr Hibbins, often we will end up in these debates with companies and local members about the fact that a grant that might have been announced for a company ends up not being paid because the company has not achieved the milestones which are set out and which are required of them in order to receive the grant. So the answer to your question comes in the design. You do need, when you are providing support in some of these programs, whether it is the fund you referenced or another fund, to ensure that the recipients are fulfilling obligations required of them under the grant and that payments are being made only upon the achievement of those objectives.

Mr HIBBINS: Well, I asked about the Latrobe Valley Authority, and I think you were probably talking about the grant to the electric vehicle company down there which has had some issues, but I will ask that of another minister. But I wanted to ask, I guess more touching on electric vehicles as well, are they being provided with any support—electric vehicle manufacturers or those within the supply chain—out of your funds?

Mr PAKULA: Well, the guidelines for the funds are yet to be drawn up, but if you look at the industries that I have sort of referenced as being the sort of areas where the government wants to focus, and renewable energy being one of them, without presupposing everything that will be in the design guidelines or everything that will be in the guidelines for the applications to those funds, I can see no reason why electric vehicle manufacturers or electric vehicle technology would be barred from those funds. In fact I am quite sure that under a number of different streams they would be eligible. It does not mean they would necessarily get payments, but they would be eligible to apply.

Mr HIBBINS: And in terms of those guidelines, are those guidelines made public when you come up with them or when you finalise them?

Mr PAKULA: Well, the applicants have to have reference to them in terms of the way that their applications are designed, so the applicants for the funds need to be able to know what they are applying for and what the requirements on them are.

Mr HIBBINS: So they will be public documents?

Mr PAKULA: Yes.

Mr HIBBINS: Okay, great. Thanks, Minister. Thanks, Chair.

The CHAIR: Thank you, Mr Hibbins. Mr Tim Richardson, MP.

Mr RICHARDSON: Thanks, Chair. Thank you, Minister and department officials, for joining us today. I do want to take you back to where you finished off, Minister, with Ms Richards—and for the committee's benefit, budget paper 3, page 90, the Industry Recovery and Growth Fund—to elaborate a bit further on the sectors and investment that will be targeted as part of that fund.

Mr PAKULA: Yes. Thanks, Mr Richardson—good tag team.

Mr RICHARDSON: Richo and Richo.

Mr PAKULA: Yes. Look, it is a \$40 million fund. It is about driving economic stimulus and recovery. It is about stimulating sectoral recovery across what we see as priority areas, and this might go to some extent to

Mr Hibbins's question as well: manufacturing, clean energy—and I think electric vehicles would probably fall within both those headings—digital technology, regional tourism and the like. So grants to businesses and co-investments will be made from it. They can be applied to sectors hard hit by the pandemic but also those sectors that have competitive advantages in medium to longer term job creation opportunities across metropolitan Melbourne and regional Victoria.

It complements the Breakthrough Victoria Fund, which I think sits in DPC, and that is about driving investment in research and innovation in those industry sectors I referenced before: health, agri, clean energy, advanced manufacturing, digital technology. Business sectors that do not have alternative dedicated funding programs can be targeted through the Industry Recovery and Growth Fund. Co-investment through that can align to a bunch of different themes, so growing a strategic business in the state—a very important sort of stream; boosting onshoring and local content; boosting import replacement; strengthening our sovereign capability, which I talked about in the answer to a previous question; enhancing the movement of people, workers and goods to stimulate activity; delivering industry-enabling infrastructure. Sometimes you really need that infrastructure before that private sector investment can really be catalysed.

I think in particular an emphasis for this fund will be to stimulate investment in projects that will help companies recover from the disruptions caused by COVID-19. The sorts of sectors and investments that the fund will target are twofold: firstly, those sectors significantly impacted as a result of the pandemic, so aviation and tourism straight off the bat, and creative industries have been affected by restrictions on gatherings, the closure of galleries, events spaces being closed, the cessation of screen production. Then you look at things like transport, logistics and distribution that have been affected by the reduction in airfreight capacity—it has been a substantial brake on the economy—but also COVID-19 outbreaks in businesses which are key parts of the supply chain. Then there are those sectors with competitive advantages in medium to longer term job creation opportunities across Melbourne and regional Victoria, so manufacturing, where we are a leader in advanced manufacturing, like med tech, pharmaceuticals, defence, agriculture, food production, digital technology, clean energy. And then there is meeting our economy-wide target of zero net emissions by 2050. This is not just about putting everything back the way it was; it is about using this as an opportunity to see what our growth opportunities are.

Mr RICHARDSON: Can I take you to budget paper 3, Minister, and page 252. The objective is obviously to see growth in industries and business across Victoria. Are you able to provide the committee with some examples where the government has worked with industry to facilitate that increased investment in private sector growth?

Mr PAKULA: I will give you a couple of examples. So on 16 November I announced that we had helped secure what we know is going to be incredibly important: a major new biotech manufacturing facility in Melbourne to help protect against future influenza pandemic threats and to safeguard hundreds of jobs—that is, Seqirus, which is a subsidiary of CSL. So they are investing more than \$800 million to build a facility at the Melbourne Airport Business Park. They will start operations there in 2026. The commonwealth played a role there as well in terms of forward orders. That secures more than 1000 local jobs. It will generate export contracts. It will ensure continuing support for hundreds of organisations worth hundreds of millions of dollars in the local supply chain. So that is an incredibly important example.

In October Bombardier announced a new Australian-New Zealand aircraft-engineering and service centre at Essendon Fields—again with support from the state government. That is expected to create 50 to 60 permanent full-time jobs. It will be used to perform light and heavy maintenance, component repair, engine checks and wheel and tyre repair. We see from the fact that Qantas is shopping around how important maintenance capability is in Victoria. Then last year Nissan Australia—

The CHAIR: Sorry to cut you off there, Minister, but the member's time has expired. I will pass the call to Ms Bridget Vallence, MP.

Ms VALLENCE: Thank you, Chair, and thank you, Minister and team. Just to pick up on what we have been talking before about the Business Support Fund, the average days that you outlined, Minister—12 and 10—is that for the pool of businesses that have been paid or the average for all businesses that applied?

Mr PAKULA: They are the average processing times for applications in total. I think—

Ms VALLENCE: So not businesses that have been paid? That is for all applications in total?

Mr PAKULA: They are the average processing times when you take all of the applications and then work out the total number of days and divide it. It is a mean average.

Ms VALLENCE: Right, yes. It was just whether that was the average of those that had been paid or not. Can you explain then why some businesses—and I know that there are a number of businesses in my electorate, and I think many MPs have experienced the same thing—are waiting seven and eight weeks? How does that factor into the average calculation?

Mr PAKULA: Well, at a macro level I would say it is because some applications are much more complex than others, and some applicants—I am not reflecting on the applicants—get every element of their application right and some make errors. I do not make any negative comment about that. So, for example, sometimes—

Ms VALLENCE: But these businesses are not being told that they have made errors. These businesses are being told they are eligible, and the feedback is, 'It's still being processed'.

Mr PAKULA: Right, well—

Ms VALLENCE: So they are not being told, 'There's an issue with your application'. They are not being told that it is a particularly complex case. They meet the criteria, they are told they are eligible and there is a delay for up to two months.

Mr PAKULA: Well, there might be some examples of that. I would make the point, as I said at the outset, that there are literally tens of thousands of applications. In any program of that nature people will be able to find examples of some where there have been difficulties and delays, but those difficulties and delays do not fairly represent the experience of the vast majority of applicants to the fund. Whether sometimes it is in regard to ABN numbers, JobKeeper eligibility, industry sector in the early iterations of the fund, differences in terms of whether or not they are properly identified as metropolitan or regional, difficulties in regard to whether or not they meet payroll thresholds, there are any number of issues which might make what would have otherwise been a straightforward application a more complex application.

Ms VALLENCE: Thank you for that explanation, but as I said these businesses were told that they were eligible. So in terms of the lessons learned, and hopefully you are already looking at that, what were the causes for those that have been told they are eligible and have no issues with the application and no issues with eligibility? What are the factors that are causing the delay? Would you say it is confusion about eligibility within your department? Resourcing? Can you describe what some of these issues might be?

Mr PAKULA: No, look, I do not think it is a matter about confusion or resourcing. We have put significant resources to this program, and to the extent that there have been issues where there might have been unreasonable delay and where those have been brought to my attention, I can say hand on heart that I have asked, whether it has been my office or the department, to look into those issues immediately.

I can tell you of one example. I will not name the business. I got an email from one hospitality venue, which Mr Latina is aware of, where there was some concern about whether or not they were being appropriately designated as plus or minus 100 patrons. I called them myself and organised for that to be dealt with as quickly as possible. So I understand that for some businesses this has taken longer than they would have liked. When there has been a query raised, we have attempted to deal with it as quickly as humanly possible, and we have resolved a huge number of complaints. But with a program of this size, where there are tens of thousands of businesses seeking assistance at once, some delays are unfortunately sometimes going to occur, and we resolve them as quickly as we can when they are brought to our attention.

Ms VALLENCE: Thank you. Budget paper 3, page 90, with the defence capture plan, which major defence procurements are being targeted in this plan?

Mr PAKULA: Well, the defence capture plan itself is still being put together. That is why some of the support in there is for the creation of that plan. We have got Hanwha working very closely in regard to howitzers. I can tell you, Ms Vallence, exactly the sorts of programs which are currently before the commonwealth. So when you look at some of the investment opportunities which are being pursued,

Land 8116 phase 1, mobile protected fires, the commonwealth has announced Hanwha as the sole supplier for that. That will be located in Geelong. Land 400 phase 3, that has been down selected between Rheinmetall and Hanwha. Rheinmetall are fundamentally cooperating—

The CHAIR: Sorry to interrupt you there, Minister, but the member's time has expired, and I will pass the call to Ms Nina Taylor, MLC.

Ms TAYLOR: Good morning, Minister and department officials. Yes, so factoring in that some industries have been disproportionately impacted by COVID-19, in addition to direct investment support, what other actions has our government taken to support—

Mr PAKULA: Sorry, can you just tell me the budget paper reference again? I missed the start of that.

Ms TAYLOR: Oh, yes, sure. I will take you back: budget paper 3, page 252.

Mr PAKULA: Yes.

Ms TAYLOR: Yes, so looking at the disproportionate impacts of COVID-19 on certain industries, in addition to direct investments support, what other actions has this government taken to support these industries?

Mr PAKULA: Well, I think I said in the presentation we had provided something like \$13 billion to support business and \$2.6 billion of that was cash payments directly to business. So there were those three large business packages at the start of the pandemic: the \$1.7 billion economic survival package that was announced in March; the further business support package which was announced in July; and then in September the Premier, Treasurer and I announced a \$3 billion business resilience package. That had more than \$1 billion in grants to small businesses and sole traders in the third round of the BSF, and that third round of the BSF specifically targeted businesses that were closed or their operations were restricted or heavily restricted under the road map. Those industries that had been disproportionately impacted, as you referenced, were those that had to remain closed while others started to open up. So that was hospitality and retail, accommodation and tourism, hair and beauty, repairs, gyms, outdoor entertainment and the like. So that third package was very specifically targeted at those that did not open up under that part of the road map. The hospitality sector had been very heavily impacted as a consequence of restrictions, so that is why they got a dedicated licensed hospitality venue fund—a quarter of a billion dollars, payments from between \$10 000 and \$30 000, so lots of pubs, clubs, hotels, bars, restaurants and reception centres. And then those with a producers licence, which I got a lot of correspondence on—microbreweries and the like—we added them in later on. And then there was for small business and sole traders, which sits within the Minister for Small Business's purview—I think she is on later today—the Sole Trader Support Fund and the small business digital adaptation program. So that was a whole suite of grants. And then of course there was the tax and cash flow support, which was worth about \$1.8 billion in terms of the deferral of payroll tax for the full 2020–21 financial year, which was announced by the Treasurer.

Ms TAYLOR: Thank you very much. I would just like to move along here to the Australian MedTech Manufacturing Centre, so if could direct you to budget paper 3, page 88. Can you please outline how the centre will make better use of the government's role as a med tech customer?

Mr PAKULA: Well, we have got a very strong reputation in the biomed sphere. We have got 10 universities, we have got 16 major medical research institutes, we have got 11 major metropolitan teaching hospitals. They are all recognised internationally. We are one of only three cities in the world with two universities in the global top 20 biomedical ranking, so it gives us a great head start. Monash is second-ranked uni in the world in pharmaceutical sciences according to this year's world university rankings. So we have got a sector, medical research, which employs already close to 5000 people in the institutes, and the wider medical research sector supports something like 30 000 jobs across the institutes, university and indeed industry. And when you think about our leading research clinical trial and manufacturing companies—CSL, Grey Innovation, Starpharma—the opportunity to translate what is already a pre-eminent position in medical research really can become a world-leading capability in med tech manufacturing.

I think commercialisation has been an issue for a long time. So that is the purpose of the med tech manufacturing sector. We want to enhance those local supply chains. We want to increase the global integration of the med tech sector. That is about connecting organisations across those supply chains and clinical and industry stakeholders to

allow them to collaborate on innovation and product development. We want to be able to invest in programs that promote those innovations across companies' shared use of assets like sterile testing facilities. Around the world you will see some great examples of those sterile facilities that can be co-used by a number of different parties. We want to be able to ensure the industry is up to date on what the sector trends are, so being a focal point—I have started to learn what that bell means. That means I am out of time, doesn't it?

The CHAIR: It does. Sorry, you probably cannot see it from that side of the table.

Mr PAKULA: I can hear it.

The CHAIR: Thank you very much. That concludes the time we have available for consideration of the industry support and recovery portfolio. We thank you and your officers for appearing before us in that capacity today. The committee will follow up on any questions taken on notice in writing, and responses are required within 10 working days of the committee's request.

The committee will now take a short 5-minute break before moving to consideration of the trade portfolio with you. Thank you.

Witnesses withdrew.