

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2021–22 Budget Estimates

Melbourne—Tuesday, 29 June 2021

MEMBERS

Ms Lizzie Blandthorn—Chair

Mr Richard Riordan—Deputy Chair

Mr Sam Hibbins

Mr David Limbrick

Mr Gary Maas

Mr James Newbury

Mr Danny O’Brien

Ms Pauline Richards

Mr Tim Richardson

Ms Nina Taylor

WITNESSES

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

Mr Simon Phemister, Secretary, and

Ms Penelope McKay, Associate Secretary, 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 2021–22 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 but must replace them afterwards.

Mobile telephones should now be turned to silent.

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

Ministers 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, in the first instance for the industry support and recovery portfolio. We invite you to make an opening statement of no more than 5 minutes, and this will be followed by questions from the committee. Thank you.

Visual presentation.

Mr PAKULA: Thanks, Chair. Thank you for the opportunity. It is nice to be back in the LCCR. Throughout the pandemic industry restrictions on business and individuals have been needed to stop the spread of the virus and to restrict the movement of people. At the end of last year and the beginning of this year there had been some strong signs of recovery—for example, in the accommodation and food sector employment was at about 91 per cent of its February 2020 level and employment in arts and rec had recovered to 98 per cent. But of course the May-June circuit-breaker action restrictions were a setback, and indeed the issues that we are seeing around the country at the moment are also a challenge. We continue to work with industry directly and provide financial assistance, such as the latest half a billion dollar package that was announced in May and June.

In regard to that package, it included over \$390 million through the business costs assistance program round, BCAP2; another round of the Licensed Hospitality Venue Fund; and \$20 million for a Victorian events support package. We also announced over \$30 million for regional tourism support. That included a supplement to BCAP2 of top-up payments of \$4500, support for the alpine sector and some new regional travel vouchers. There have been close to 90 000 regional vouchers claimed so far, and they have injected something like \$130 million into local economies. That package came on top of the February circuit-breaker action support package, which was valued at \$143 million. That included, again, the first round of the BCAP at \$92 million; a Licensed Hospitality Venue Fund support payment; and the Victorian accommodation support program, which was about supporting businesses who had cancellations, particularly over that Valentine's Day long weekend; and more regional and Melbourne travel vouchers.

In terms of hospitality programs, over the course of the pandemic we have supported hospitality through the Licensed Hospitality Venue Fund, which has helped bars, restaurants, pubs, clubs, hotels and reception centres. There have been the CBD small hospitality grants, a hospitality business grant program, the outdoor eating and entertainment package, the \$100 million Melbourne City Recovery Fund and just under \$30 million to 78 councils across the state for outdoor eating and entertainment money—that went to local government.

Moving beyond COVID—and I am mindful of the 5 minutes, Chair—last year’s budget, the November budget, contained \$60 million for the Manufacturing and Industry Development Fund, which is about attracting and securing private sector investment projects that create near-term jobs and support essential and sovereign manufacturing and industry capability in Victoria. It also includes a business competitiveness program. There was \$40 million for the Industry Recovery and Growth Fund, which has really targeted those sectors hardest hit by COVID as well as future economy sectors, and projects supported by that fund are expected to leverage hundreds of millions of dollars in private sector investment and create over a thousand new jobs. We provided support for the med tech manufacturing sector, the Local Jobs First initiative, the Defence Capture Plan and of course the \$2 billion Breakthrough Victoria Fund, which undoubtedly the Treasurer has spoken about and I am sure my colleague Minister Pulford will be enthusiastic about.

In this budget, finally, there is \$107.4 million for the Melbourne CBD economic package. That includes the Melbourne City Revitalisation Fund and support for the City of Melbourne’s dining experience scheme; \$40 million to create local jobs, particularly through the Local Jobs First policy; and again further support for defence through the Defence Capture Plan. Given we only have an hour, Chair, I will leave my comments there and give the committee an opportunity to ask me some questions.

The CHAIR: Thank you, Minister. Mr Riordan.

Mr RIORDAN: Thanks, Chair. Good morning. My first question is to Secretary Phemister, if I may. Mr Phemister, we have been through the pandemic now for 18 months. Your department has been responsible for supporting small businesses forced to shut down and lock down at random times throughout the last 18 months. Why has it in this current lockdown, 4.0, taken your department over four weeks to get much-needed support for a short, sharp lockdown out to small businesses?

The CHAIR: Mr Riordan, could we also just relate the questions back to the budget estimates for 2021–22 please.

Mr RIORDAN: It is directly related to budget paper 3, page 79, which is the lockdown COVID support. Is it a matter that the budget does not have enough resources in there to support businesses during lockdown?

Mr PHEMISTER: Thanks, Mr Riordan. Are you referring to the BCAP program, the business costs assistance program?

Mr RIORDAN: I am just referring to the promised support for small business during the lockdown. We are still sort of coming out of a lockdown. Businesses were told to close their doors on a Thursday night at 11.59 pm. We are now a month later and support I think just started going to businesses on the weekend. So why does it take four weeks to get support to businesses that you have already sent cheques to, already given money to in the past 12 months? Why does it take so long?

Mr PHEMISTER: So two answers. We have run two programs for this most recent lockdown: BCAP and the licensed venue hospitality grant. Licensed venue hospitality is per premises. We were able to go directly to those businesses who had received it before because it was a strictly defined group by ANZSIC code. We were able to go to those businesses and prompt.

Mr RIORDAN: All the businesses that locked down this time in lockdown 4.0 are the same businesses that had to shut down last time, so why does it take four weeks to help them?

Mr PHEMISTER: So we have got the licensed venue hospitality fund—I am just going to have to describe the two funds—and we have also had a top-up round as well, so bear with me. With the licensed venue hospitality fund we were able to directly approach those that had received it before to prompt applications. We have been meeting 10-day payment time frames, so if businesses have taken a while to confirm the fact that they are still around and eligible and willing to participate, then that adds some time in. For the business costs assistance—

Mr RIORDAN: Are you telling me that when people have filled in their application form for this current lockdown, you have only taken 10 days to pay them?

Mr PHEMISTER: So for the business costs assistance program, applications were invited immediately after the announcement by the Acting Premier. Businesses then submitted applications. When applications were true and correct in their first pass through, we have been meeting on average our 10-day payment turnaround. If businesses did not—

Mr RIORDAN: That is simply not—

Mr PHEMISTER: Sorry—

Mr Newbury interjected.

The CHAIR: Mr Newbury, you do not have the call.

Mr RIORDAN: Mr Phemister, we heard this evidence from you last time that you had a quick turnaround.

Mr PHEMISTER: Because it is the truth, Mr Riordan.

Mr RIORDAN: It is just not the truth. Every small business got an email from your department last Thursday telling them, ‘Sorry for the delays. We’ve got your forms. We’ll be processing them shortly’. No mention of when the money was coming, how it is—

Mr PHEMISTER: That is just incorrect, Mr Riordan. That is incorrect. So you just said to me—

Mr RIORDAN: Would you like me to show you the emails you sent people?

Mr PHEMISTER: Can I clarify the email? You just said to me ‘every business’. We have paid some businesses within a matter of days. Every business—

Mr RIORDAN: Well, I have not heard of anyone who has got their money.

Mr PHEMISTER: Well, I am happy to share those statistics with you, Mr Riordan.

Mr RIORDAN: Okay. Can you table for this committee: of the total amount of support you give out in lockdown 4.0, how much you gave out within 10 days? Of the quantum that have applied, how many—

Mr PHEMISTER: No, I cannot do that because that is an irrelevant statistic. What I can do is I can say when an application is lodged with us and that application is complete. If somebody submits an application and their ABN is wrong or they have not provided GST—

Mr RIORDAN: No, no. I am not talking—

Mr PHEMISTER: No, no. If I may finish—

The CHAIR: Mr Riordan, could you allow the Secretary the opportunity to complete his answer.

Mr PHEMISTER: If they have not provided a particular piece of information, we go back to those businesses through email and then phone calls and texts and say to the business, ‘We’ve noticed there’s something missing in your application’ or ‘We’ve had an issue processing your application and we need either more time to get to the bottom of it through crosschecking commonwealth systems or we need more information from you’. If that happens, Mr Riordan—

Mr RIORDAN: But, Secretary, you had all this information from the last three lockdowns.

The CHAIR: Mr Riordan, could you allow the Secretary to complete his answer, please.

Mr RIORDAN: If this government is going to have a policy of shutting businesses down with almost zero notice, if they are the same businesses, how can you not already have all that data and just literally—

The CHAIR: Mr Riordan, you are refusing to listen to the explanation.

Mr RIORDAN: No, because the—

The CHAIR: Mr Riordan, if you could please allow the Secretary the opportunity to complete his answer, then that may be fruitful for all of us, please.

Mr PHEMISTER: ‘Licensed venue hospitality’ was a discernible group that was the same as previous rounds. We direct approach those businesses. The business cluster assistance program—

Mr RIORDAN: Tell us about all the other ones.

The CHAIR: Mr Riordan, you are interrupting.

Mr PHEMISTER: The business cluster assistance program was based on a discrete set of ANZSIC codes that were related to those sectors that were shut down in either regional Victoria or metropolitan Melbourne at various phases of the lockdown. They are very, very different groups of businesses, and therefore we had to run an application processes for the BCAP. An application process takes time, and if businesses do not submit their full and correct information, then we have to go back to them and ask for it.

Mr RIORDAN: So what about the email—

The CHAIR: Mr Riordan, your time has expired. Mr Maas.

Mr MAAS: Thank you, Chair. And thank you, Minister and departmental officials, for your appearance this morning. Minister, the same budget paper reference as Mr Riordan, but if I could take you to the topic of the City of Melbourne revitalisation fund and if you could outline for the committee why there is this need for the fund and—I guess to its name—how it will rejuvenate or revitalise the city.

Mr PAKULA: Thanks, Mr Maas. Well, of course the inner city has been significantly impacted by the pandemic; capital cities generally have been. Before COVID the CBD had a daytime population of nearly a million people. The gross local product of the CBD was \$104 billion. It represented 37 per cent of greater Melbourne’s economy and 24 per cent of the state economy. So we are now in a situation where restrictions have been eased but the trading conditions for the city are still difficult, particularly with international borders still closed. So all of those international tourists you would normally expect are not here. So we have got decreased pedestrian activity—pedestrian numbers are down 55 per cent—and decreased spending by a factor of about 28 per cent in February this year compared to last year. We have got a visible increase in vacant shopfronts—there are probably a quarter of shops in the city either temporarily vacant or permanently closed—and a reduction in the number of payroll jobs in inner Melbourne. That is something that Melbourne has experienced in the last few months. It is a situation that other capital cities are experiencing as we speak, and it is evidence of the fact that this virus is pretty indiscriminate. So there is a \$100 million contribution from us, which is matched by a \$100 million contribution by the City of Melbourne to create a \$200 million pool over a two-year period. It adds to the recovery fund that we launched last year, and the government and the City of Melbourne will partner to deliver \$8 million in business support grants to 1220 businesses.

So the recovery fund last year was focused on immediate COVID-19 support as part of the broader pandemic response. The new funding is really more about longer term recovery and the transition opportunities that might exist in the CBD. The final design of the fund is still being worked on, but some of the initiatives that we would expect include urban renewal of some of those vacant spaces, some CBD-based arts and cultural events, some experience marketing and other strategic initiatives. There are more than 16 500 businesses registered in the CBD in the City of Melbourne. They support close to half a million jobs. So the increased patronage of events, the targeted marketing campaigns, are all really important to those businesses, and the visitors to the city will see some local infrastructure enhancements and retail and hospitality offerings that will be a bit different to what we have seen in the past. The Melbourne CBD is one of our great assets and we have got to protect it, and this fund and the work that we are doing with the City of Melbourne is just part of that effort.

Mr MAAS: Thank you. Still on the City of Melbourne, if I could take you to the Melbourne City Recovery Fund which you referenced—there is \$100 million there—can you tell us a bit more about that fund?

Mr PAKULA: Well, that was launched last year at the height of the pandemic. That was focused on immediate COVID support. It was, as I say, part of that broader pandemic response, a partnership between ourselves and the City of Melbourne. It was focused on the central city—that included not just the CBD but Docklands as well—but it also supported business recovery in some other parts of the city, so Southbank,

Lygon Street and the like. It has been fully committed. Seventy per cent of that will be spent by the end of the financial year, which is tomorrow. We would expect all the funds to be spent by the end of the calendar year.

There was one stream which was about SMEs becoming more COVID safe. We have spent \$8 million in support grants to 1220 businesses to adapt across indoor and outdoor settings. There was another stream which was about COVID-safe events and cultural activities. We supported New Year's Eve Street Feasts, Melbourne Fashion Week, Urban Blooms, an expanded Melbourne Music Week, the 'always on' campaign—a real reminder of everything the city has to offer. And then stream 3—in the last 10 seconds—was dedicated to infrastructure work, including the installation of some 200 parklets for outdoor dining and the construction of footpath extensions and streetscaping in the CBD.

Mr MAAS: Thanks, Minister.

The CHAIR: Thank you. Mr Hibbins.

Mr HIBBINS: Thanks, Chair. Thank you, Minister and your team, for appearing this morning. Just continuing on on that theme, I have noticed for the CBD you have obviously got some place-based and targeted action going on there, which is terrific, but that is not the case in other areas.

Mr PAKULA: Like Prahran.

Mr HIBBINS: Well, our shopping strips are the hearts of our communities, not just in Prahran—shout-out to Chapel Street and all our fantastic shopping strips—but a lot of our shopping strips are also struggling. I noticed that you have obviously got a lot of different streams of support which variously go to different businesses but not that similar place-based support that you are putting in place for the CBD, like, as you mentioned, your urban renewal, your events, your marketing and what have you. Why aren't you taking a place-based approach to our other shopping strips?

Mr PAKULA: Look, it is a reasonable question, and the simple answer—the short answer—is that the impacts on the CBD have been unique and have been quite different to the impacts on other parts of suburban Melbourne in particular. It is not as if suburban Melbourne has been overlooked. As you rightly indicate, all of the business support has been paid broadly and the support that we provided to local government, which Minister Leane has had primary responsibility for, has allowed things like outdoor dining and urban infrastructure to be implemented across LGAs, not just in metropolitan Melbourne but in the regions as well. I was down at Queenscliff and Point Lonsdale over Easter and there were a number of outdoor dining set-ups that had been created with the support of funds that had been created and provided to local government. But if you think about the CBD, it has been uniquely affected by stay-at-home orders. It has been uniquely affected by last year's lockdown, where what you saw in suburban Melbourne was a lot of reasonably thriving local businesses because everyone was at home, they were shopping locally, they were buying their coffees locally and they were getting takeaway locally. And the CBD has been also uniquely affected by the absence of international visitors. So the combination of a reduction in international visitation, a reduction in events, a reduction in people working from their CBD offices—and that has been substantial at times—has meant that there was a particular, unique and critical impact on the Melbourne CBD, and that is why we have placed some particular focus on the CBD in regard to some of the support packages that we provided.

Mr HIBBINS: Thank you. In taking a place-based approach to the CBD, and a variety of measures, do you think there could be scope to take that approach more widely? For example, your local council or your traders association are always on the lookout to do things with their shopping strips—seek funding or something—but they have got to go to various different areas, whether it is the transport department or I think in crime prevention there are some grants there. Do you think there could be some scope there to actually consolidate that and have a dedicated unit to focus on our shopping strips?

Mr PAKULA: You would never say never. I meet with local governments not just from the metropolitan regions, but I had a meeting with the regional cities group just a couple of weeks ago. I am always open to requests and ideas that are within my portfolio responsibility from local councils. If they have good ideas that are worthy of consideration for funding, then certainly they will be considered. If you look at, say, some of the packages that we have got available in the tourism, sport and major events portfolio, which we will come back to, they provide local governments with the opportunity to make claims and applications for support for tourism infrastructure projects that might attract people to their regions. But beyond that, if any council has a

particularly strong idea that they believe is worthy of support, I would be more than happy to listen to them, as I am sure other ministers would be as well.

Mr HIBBINS: Terrific. Thanks, Minister. Thanks, Chair

The CHAIR: Thank you, Mr Hibbins. Mr O'Brien.

Mr D O'BRIEN: Thank you, Chair. Good morning, Minister and team. My question is budget paper reference budget paper 3, page 251—the business support under 'Jobs'. Minister, you will be very aware, I am sure, that businesses and most of the community want no more lockdowns. When we get to the magic figure of herd immunity or immunisation level, which has sort of been variously talked about as about 80 per cent, will you guarantee there will be no more lockdowns?

Mr PAKULA: Mr O'Brien, you must be mistaking me for the CHO.

Mr Riordan interjected.

The CHAIR: Mr Riordan.

Mr PAKULA: I am not sure how much time to spend on this answer, Mr O'Brien. The fact is that this pandemic is changing all of the time. You have a look at the UK at the moment, where their two-dose vaccination rate is up around 52, 53 per cent, and given this delta strain, cases are now starting to rise very rapidly again and there is talk about whether or not the relaxation of restrictions might have to be delayed. One thing that is, I think, quite clear is that an increase in vaccination rates makes the situation better and it makes lockdowns less likely, but at a national two-dose vaccination rate of something like 4 or 5 per cent, the lowest in the OECD by some distance, we are a long way from having that conversation.

Mr D O'BRIEN: But to get that rate up, people want to know there is a point to it. People want to know: what is the way out? You are the Minister for Industry Support and Recovery. Is there a point where you can say we will manage it without lockdowns?

Mr PAKULA: Well, perhaps people would be probably just as comfortable with you asking that question of the Premier of New South Wales right now.

Mr D O'BRIEN: Well, unfortunately I am a member of the Victorian Parliament, Minister, so that is why I am asking you—because I do not get to ask the Premier of New South Wales.

The CHAIR: Mr O'Brien.

Mr PAKULA: I would have thought it self-evident, Mr O'Brien, that I am not an epidemiologist or a virologist.

Mr D O'BRIEN: You are the Minister for Industry Support and Recovery—

The CHAIR: Mr O'Brien, could you allow the minister the opportunity to consider your question, please?

Mr PAKULA: This is an interesting approach that you are taking, which is sort of just talking over the top of ministers. I am not sure what you think it achieves.

We are in a situation where of course we want to see people get vaccinated, and of course there is a point to it. You have seen in other parts of the world where vaccination rates in some jurisdictions are reaching 70 and 80 per cent where restrictions are now being lifted, but I do not think anybody is giving carte blanche guarantees about what that might mean in the future, because people do not know at this stage how this virus might mutate. We have seen it mutate about seven or eight times already. It has become far, far more infectious, and in those circumstances you need to adapt and your approaches need to adapt with the change in the virology and the epidemiology. High vaccination rates will of course be of great assistance. It would be greatly, greatly enhanced by having sufficient supply and consistency of messaging and by a national vaccination campaign. Now, we have not seen any of those things yet, and I hope that is about to change.

Mr D O'BRIEN: Minister, the same budget paper reference is the outputs for the department of which you are the senior minister. Every single output line has been cut dramatically. The least—

Mr PAKULA: Do you want to show me? Do you want to take me to a page number?

Mr D O'BRIEN: Budget paper 3, page 251. Every single output line has been cut. Notwithstanding that obviously the job support packages from last year are a big component of that, there is still a 57.8 per cent cut to the entire department's budget. What programs and services have been cut as a result of this?

Mr PAKULA: Well, programs and services are not being cut, Mr O'Brien. What you—

Mr D O'BRIEN: Well, there is 57.8 per cent less funding available for the department.

Mr PAKULA: Would you like me to answer the question?

Mr D O'BRIEN: I would like you to give an honest answer to the question, not a waffle.

Mr PAKULA: Well, I was about to start. Mr O'Brien, what you are seeing there is the fact that in 2021 in all of those portfolio areas there were massive support payments being made, which are not continuing in 2021–22. So whether—

Mr D O'BRIEN: Agricultural—

The CHAIR: Mr O'Brien, could you allow the minister to answer the question.

Mr D O'BRIEN: Agricultural resources did not get support payments, and they are still cut.

Mr PAKULA: Well, Mr O'Brien, I would put it to you that the Minister for Agriculture and the Minister for Resources will be here tomorrow and you can ask them about them.

Mr D O'BRIEN: You mentioned—

The CHAIR: Mr O'Brien, would you allow the Minister to complete the answer to the question without interruption. Your time has expired. Ms Richards.

Ms RICHARDS: Thank you, Minister and officials. I might return you to your portfolio responsibility. I am going to pursue some interest in jobs and local content, so I refer you to budget paper 3, page 79. You outline support for the Local Jobs First policy. I am interested in having an update on how this policy is supporting local industry.

Mr PAKULA: Yes. Thanks, Ms Richards. The *Local Jobs First Act* was really strengthened back in 2018 when we brought together the VIPP and the Major Projects Skills Guarantee and established the commissioner's role, and I pay credit to my predecessors in relation to that. We want to focus on promoting employment and business growth by expanding market opportunities for local industry and enabling industry development. We have got the longest standing industry participation policy in the country, and since November 2014 Local Jobs First has been applied to almost 200 strategic projects. They have been worth close to \$100 billion and they have supported about 40 000 jobs. That is 98 projects in metro Melbourne, 40 to 50 in regional Victoria, 20-plus that are considered statewide projects, and in 2019–20 we set requirements for 34 strategic projects. They were valued at over \$22 billion and they delivered an average of 90 per cent local content. That is a \$14.5 billion increase in the value of new strategic projects compared to the previous year.

If you look at those projects, we have got projects like the Gippsland and Bendigo line upgrade, the Latrobe Regional Hospital development. In metro Melbourne Local Jobs First applied to 236 standard projects that supported just under 6000 local jobs and provided opportunity, importantly, to some 7200 small and medium enterprises. In regional Victoria we applied it to over 250 standard projects, supported 4000 local jobs and provided almost 5500 opportunities for SMEs. If you look at the Major Projects Skills Guarantee, that has been applied to projects worth over \$50 billion and it has supported hours for almost 3500 apprentices, trainees and cadets.

So you look at all those projects—you know, the Casey Hospital expansion, which I know you would be very interested in, the Craigieburn sewage hub, growth areas school projects, the redevelopment of Melbourne Park, new schools, the State Library of Victoria redevelopment—they have all had local content numbers of between sort of 85 and 95 per cent. And that has been a really important part of this entire approach that we have taken, and it has been I think well appreciated by local businesses, the people they employ and the apprentices who are given an opportunity that they might not otherwise have.

Ms RICHARDS: Thanks, Minister. Using the same budget paper reference, so budget paper 3, page 79 again, I am interested in the Industry Capability Network particularly. I am hoping that you can outline for the committee the work the Industry Capability Network is doing to support the Local Jobs First policy.

Mr PAKULA: The ICN is a great organisation. It is a national network of procurement and supply chain specialists. Our department utilises that organisation to help business with benchmarking and advice on local content requirements for government projects. It sometimes can be a bit daunting, particularly for SMEs, so the ICN provides an avenue for business to register their interest in government projects through the gateway. It provides advice to business on how to apply for projects. The gateway lists government projects and facilitates private project owners to list their projects with the ICN. It also hosts a lot of industry networking and project information events. It brings together lead contractors and suppliers and other interested parties to learn more about government projects. The important thing about the ICN is that it is governed by the industry groups themselves, so the Victorian chamber is a participant, as is the AIG, as are the AWU and the AMWU, so businesses and workers all contribute together to local development opportunities. In the last financial year the ICN supported local companies to secure government contracts worth \$2.1 billion—that was 2019–20, to be clear. Based on import replacement reporting for that year, international imports worth \$160 million per annum would have displaced local equivalents across all categories of items, like steel, plumbing and piping, fixtures and fittings et cetera.

The CHAIR: Thank you, Ms Richards. Mr Hibbins.

Mr HIBBINS: International students, is that this portfolio or a different portfolio?

Mr PAKULA: Trade.

Mr HIBBINS: Okay, well, I will hold off on that then. Do you have any data around the Click for Vic spend in terms of just how many clicks there were and—

Mr PAKULA: You might want to come back to that on tourism, sport and major events.

Mr HIBBINS: Oh, really?

Mr PAKULA: Well, Click for Vic—I mean, we have it. I do not have it with me, but it was an initiative of Visit Victoria, which is an agency that sits under my tourism, sports and major events.

Mr HIBBINS: All right, we will hold off on them. Back to the CBD. You mentioned the transitional element of the CBD funding, because obviously it means you accept there is going to be some structural changes with more people working from home and what have you. Can you expand just a bit on exactly what the transition element of that funding would go towards?

Mr PAKULA: The transition funding of what, sorry?

Mr HIBBINS: Sorry, the CBD—

Mr PAKULA: The revitalisation package.

Mr HIBBINS: Yes, the CBD revitalisation package.

Mr PAKULA: As I indicated in my answer to the question asked by Mr Maas, we are still working with the City of Melbourne on some of the design elements of it, but they have indicated an interest certainly in transforming spaces. I mean, one of the things—not necessarily a direct part of that funding support—that will be I think exercising the minds of policymakers both at a state and local government level, potentially national as well, is how you increase residential footprint in the CBD. I mean, if you have got more and more people

working from home and we accept, I think as we all do, that a vibrant CBD is very important for Melbourne's overall offering to the world, then that vibrancy needs to be maintained. Now, that is not easy. It is quite different to have buildings which are designed for offices and buildings which are designed for residential, but nevertheless we are seeing an increase in occupancy at places like Docklands. Fishermans Bend will be another significant centre of residential development.

Look, nobody knows really how long this pandemic will last. I have no doubt that from a workplace business point of view the CBD will recover and will recover strongly, but there will be a period of time as this pandemic continues that support will be required, so we will work with the Lord Mayor, with the CEO of the City of Melbourne and the councillors on how our \$100 million combined with their \$100 million can be most effective in terms of revitalising those spaces, bringing people back into the CBD, not just for work but for events, for festivals and for art and culture. In an environment where restrictions are eased it is much simpler because people come in for shows, for live music, we have bigger crowds at the football and people come into the CBD beforehand for a meal and a drink, but this will be a work in progress.

Mr HIBBINS: Yes, but do you think it will actually go beyond the pandemic—there will actually be permanent changes in terms of how people move around and what have you and work that will impact the CBD?

Mr PAKULA: Well, I mean, you are asking me to speculate. I suspect that whenever there is an event which creates a major shock it does create some change, some permanent change. So, for example, I think you are seeing at the moment that there are a large number of people who never thought it possible for them to work from home who now believe that it is, and as a consequence you are seeing a lot of those people who are taking the decision to move to regional Victoria because they know that they can do that and keep their jobs because they can do so remotely. So I think that will be an impact. I think you are seeing businesses are changing the way that they interact with their employees in many respects and creating a more flexible working environment. I think you are also seeing in some respects the revitalisation and the growth in the suburbs. As people have spent more time at home you are seeing businesses starting up in suburban Melbourne. So, yes. Look, I do not know how widespread the changes will be from a permanent sense, but logically whenever you have a seismic event it creates some change which is permanent. How much that is, how long that runs for, only time will tell.

Mr HIBBINS: Terrific. Thanks, Minister. Thanks, Chair.

The CHAIR: Thanks, Mr Hibbins. Ms Taylor.

Ms TAYLOR: Thank you, Minister, and department officials. You unpacked the ICN, but I note there is also resourcing for the office of the Local Jobs First commissioner. What actually is the role of the Local Jobs First commissioner and the office of the commissioner?

Mr PAKULA: Thanks for that, and I should start by paying tribute to Don Matthews, who was the inaugural commissioner and who left in January of this year. That position was established when we strengthened the Act in 2018. The commissioner's role really is to advocate for local businesses and workers to ensure that more locally manufactured content ends up in government projects. But the role is also there to promote the employment of apprentices, trainees and cadets on government projects. As I said, Don was the inaugural commissioner. He engaged, for example, with local steel fabricators and he advocated for their involvement in government projects through a year-long series of steel industry round tables. He also led round tables with the TCF sector, which were about focusing on advocating for the utilisation of their locally manufactured products, whether that be uniforms or floor coverings, in government projects. Greg Wilson, who was the Secretary of the Department of Justice in the last term of the Parliament, is currently the acting Local Jobs First commissioner while we are continuing the search for a permanent replacement for Don Matthews. Greg brings an enormous wealth of experience to that role. He has been a senior bureaucrat and a board member for multiple government and independent organisations. The commissioner's work is supported by the office of the Local Jobs First Commissioner. If you go back to December 2018, that role and that office have met with over 500 government and industry stakeholders and they do play an incredibly important role.

Ms TAYLOR: Great. Thanks. I know that this funding includes support for Ethical Clothing Australia. What does Ethical Clothing Australia do, and how important is this for local content?

Mr PAKULA: Yes. Well, look, Ethical Clothing Australia is a national accreditation body. It works collaboratively with local TCF businesses to protect and uphold the rights of Australian garment workers and to ensure that local and ethically produced garments are utilised as much as possible. It administers an accreditation program known as the Ethical Clothing Australia accreditation program. It promotes TCF businesses and manufacturers. To be accredited a business's manufacturing operations are audited from the design end to dispatch to ensure that workers are being appropriately paid and receiving legal entitlements. It is not just overseas where the issue of sweatshops are a problem. That problem exists locally as well. It is not well known or well understood, but there are some problematic employment practices in this sector that exist right here at home, so all of our Victorian government departments and agencies need to buy from suppliers on that ethical supplier register. They need to either be accredited or be in the process of obtaining accreditation. There are, interestingly, roughly 130 businesses nationally which have that accreditation and almost 100 of them are here in Victoria. That is probably an indication of the fact that we take it very seriously, but it is a very important element of the fact that we are still Australia's largest and most significant TCF state. TCF employed something like 11 500 people in 2019, and if you go back to the 2018–19 year, exports from Victoria in this sector were valued at \$268 million. So we have seen a bit of an increase in demand for accreditation in the last couple of years because face masks were purchased by the government—not this sort, but the cloth ones—and a number of Victorian and ECA-accredited businesses were part of that process.

Ms TAYLOR: Thanks.

The CHAIR: Thank you, Ms Taylor, Minister. Mr Newbury.

Mr NEWBURY: Thank you. Earlier today we saw a slideshow that listed the business support package as one of the portfolio achievements. It reminded me a little bit of that infamous quarantine video that was gloating about the performance of quarantine after the leak from hotel quarantine.

Mr PAKULA: You are returning to your past triumphs, are you, Mr Newbury?

Mr NEWBURY: I would not say the government's leaking hotel quarantine is a triumph by any stretch.

Mr PAKULA: Your triumph, I said.

Mr NEWBURY: The Victorian Ombudsman received 1 100 complaints about the Business Support Fund. The government is implementing the Ombudsman's recommendations to reinstate 12 000 businesses who were denied grant access at an estimated cost of \$120 million. Secretary, the minister described those findings as, quote, 'not unreasonable' and 'a few errors'. Do you agree with the minister's assessment?

Mr PHEMISTER: A couple of things to pick up in your statement, Mr Newbury—and just in defence of the people who went in to work in those hotels, that video was produced well before the leak from quarantine.

Of the complaints that came through to the Ombudsman, I want to break those down for you. So 6308 applications were returned for revision or placed back in the draft but did not proceed to consideration. That is 45.3 per cent of the applications you referred to, so it is 11 000 and something. That was the lion's share. Category B—4372 applications were assessed as ineligible for stream one based on their ANZSIC class. These are businesses who applied under a particular ANZSIC class that were not eligible. Actually, if they were given the opportunity to recut their ANZSIC class and had they been given the opportunity to reconsider their ANZSIC class, which defines the business they are in, they may have been eligible. Cohort C—1175 applicants were assessed as ineligible because they were not registered with ASIC. So we had said, 'You're not registered with ASIC, you're ineligible'. They went to the Ombudsman and said, 'Actually, we think we can achieve retrospective ASIC accreditation'. Then there were 598, Mr Newbury, that were basically a big mix of other complaints to the Ombudsman.

So across the board the issues were: applications remained in draft, details were not provided, which meant we deemed the applications ineligible. The Ombudsman's view was that it was the intent of government to get money out, obviously, to businesses in need and that the department should have shown more compassion in their administration and application of those. A few issues underlie those. We did not double-check people's emails. So a lot of the times we had sent things back to revision and emailed the business to say, 'Business owner X, can you please resubmit because your ASIC details don't match the register', and it went to the wrong email address because they had made a typo in their email submitted to us. One of the ways we have

fixed that is we have now asked people to double-check their emails, and we also send out two email broadcasts and text message broadcasts, which is something we did not do in BSF 1—we relied on the email that was provided to us. Applications that were stored in draft—we had sent emails to applicants but it was the wrong email. Of 1.2 million applications we have received, this is 11 000, but every single one is important. Of those emails that went back, some went to the spam folders. We had sent emails to people saying, ‘Please double-check your application’, but they had gone into their spam folders. We now are at pains to ask people to check their spam folders so they can resubmit.

Finally, with regard to ASIC and ANZSIC always giving businesses the opportunity, it was a point of some of the emails that we sent out to BCAP1 and BCAP2 businesses to go back and double-check their ANZSIC category, because some businesses do not keep their ANZSIC category up to date and we need to make sure we consider them based on the most accurate ANZSIC classification rather than the ANZSIC classification that is historically stored in the systems.

Mr NEWBURY: Thank you. Minister, there were instances where I know a number of members, including myself, contacted you on behalf of businesses, and I have got a string of examples where I have received a response 13 months after my representation. Do you consider that time line reasonable for businesses who are, frankly, on their knees—a 13-month turnaround from a minister?

Mr PAKULA: First of all I do not accept that businesses are the subject of that, and if any MP waits 13 months for a reply, that is not acceptable. But what we prioritise is dealing directly with the business, and what you will note is that on many occasions when you have received a reply we have said that the business was actually contacted a long time prior to that and had in fact already received a payment.

The CHAIR: Thank you. Mr Richardson.

Mr RICHARDSON: Thank you, Chair. And thank you, Minister and department officials, for joining us today. Minister, I want to take you to the defence capture plan and particularly to budget paper 3 at page 70 and the \$5.4 million for the defence capture plan. Can you outline for the committee’s benefit what the government is doing under this plan to support Victoria’s important defence industry?

Mr PAKULA: Well, you are right, Mr Richardson, in saying that the defence sector is important. The defence sector is a massively important part of our economy. It is all about world-class research and advanced manufacturing, as well as of course the defence of the nation, and we have a very highly skilled defence industry workforce. We have got proven expertise in delivering complex defence projects. We have got 6300 businesses operating in the defence sector Victoria. A majority of those are SMEs, with a small number of primes such as BAE, Thales and Boeing, and they operate across all parts of the industry, including military vehicle production and maritime design. Defence exports from Victorian companies have reached something like \$350 million a year. We are over-represented in defence R and D spending. We have got something like 38 per cent of the national university spend contributed by this state, so we have got a dedicated defence capture team. Its role is to facilitate investment, to build industry capability and to identify opportunities for defence industry manufacturers, R and D companies and other defence stakeholders.

So over the last 10 years we have secured, for example, 65 per cent by value of all of the contracts awarded to Australia for the F-35 joint strike fighter program, by far the most of any Australian state, and under the defence capture plan that has allowed us to establish the defence industry advocate role, which we filled with the incredibly experienced and capable John O’Callaghan. He is a renowned industry and government expert in defence industries. We have continued the Defence Council Victoria’s work, we have supported the Victorian Defence Alliances and we have continued to support the Defence Science Institute. We are in a very good position to drive job creation and future investment. When you look at some of the upcoming opportunities, Land 8116, which is otherwise known as the howitzer project, the commonwealth has indicated will go to Victoria, particularly the Geelong region. We have also got Hanwha, a Korean company which is basing itself here in Victoria and is one of the final two bidders for Land 400 phase 3, a very competitive process where the other major prime is Rheinmetall, based in Queensland, and they are competing for that very, very important mounted close-combat capability vehicle which is essential to the ADF. In addition, the defence capture plan will work to accelerate the supply chain development. Supply chain is critical because, for instance, even if a prime from another state happens to get a head contract, what you tend to find is that much of the supply chain is Victorian based, because we just have so much of that SME base here in Victoria. The small and medium

enterprise supply chain is really the main source of the defence-related activity. It is 70-plus per cent of the industry here in Victoria, and so strengthening the capabilities of that local supply chain really means that whether or not a prime based here gets a major contract, a lot of Victorian businesses will end up benefiting no matter what.

So if you look at a company like Cablex, which is based in Bentleigh, we provided them with a grant to obtain international accreditation for compliance, and that has enabled them to join the Rheinmetall international supply chain as a preferred supplier for LAND 400 Phase 2. So, you know, you have got a German-owned, Queensland-based international prime but with significant Victorian SMEs in their supply chain. We always want to win the head contract, but if you do not, the next best thing is to ensure that lots of local companies are feeding into the work that is being done by the primes.

Mr RICHARDSON: I want to take you to the commonwealth government planning—I am out of time, Chair.

The CHAIR: You have got about 8 seconds.

Mr RICHARDSON: I have knocked the bails off. Thank you very much, Minister.

The CHAIR: Sorry, Mr Richardson; I did not turn the clock towards you. That concludes the time we have for consideration of the industry recovery portfolio this morning. We thank you and your officials very much for appearing before the committee in this capacity today. The committee will follow up on any questions taken on notice in writing, and responses will be required within 10 working days of the committee's request.

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

Witnesses withdrew.