

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2023–24 Budget Estimates**

Melbourne – Wednesday 7 June 2023

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell

**WITNESSES**

Mr Steve Dimopoulos, Minister for Creative Industries,

Mr Tim Ada, Secretary,

Ms Claire Febey, Chief Executive Officer, Creative Victoria, and

Mr Max Coffman, Deputy Chief Executive, Creative Victoria, Department of Jobs, Skills, Industry and Regions; and

Ms Caroline Pitcher, Chief Executive Officer, VicScreen.

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

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2023–24 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

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

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

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

I welcome the Minister for Creative Industries the Honourable Steve Dimopoulos and officers from the Department of Jobs, Skills, Industry and Regions. Minister, I am going to invite you to make an opening statement presentation of no more than 5 minutes, and this is going to be followed by questions from the committee. Your time starts now.

**Visual presentation.**

**Steve DIMOPOULOS:** Thank you, Chair. Again, because we are in a new session, I want to acknowledge the traditional owners of the land upon which we meet and pay my respects to their elders past and present. As I was in the previous hearing, I am really pleased to be able to speak to you today about the creative industries portfolio. This industry plays a vital role in how people see us globally as a place of culture and impacts in a positive way our way of life. Spanning art and culture, music, design, fashion, digital games, film and television, the creative industries contribute \$34.1 billion to Victoria's economy. That is 7.2 per cent of our economy. That puts this industry in the top five economic drivers in Victoria. One in 11 Victorian workers are in the creative industries. That is 306,000 people.

In 2022–23 we broke ground on the largest cultural infrastructure project in Australia's history, the Melbourne Arts Precinct transformation. This \$1.7 billion project will reshape, connect and activate the arts precinct for all Victorians, making it the greatest creative and cultural destination, or one of the greatest, in the world. It includes The Fox: NGV Contemporary and much, much more. It is estimated that 11,000 jobs will be supported as part of the construction work, which is now underway and will continue till 2028. In regional Victoria we are also delivering the \$140 million transformation of the Geelong Arts Centre. This project has progressed at pace and is set to open in August this year.

Melbourne is one of the greatest live music cities in the world, and Victoria is the nation's music heartland. Live at the Bowl broke previous attendance records for the series. 2022–23 was about getting the industry firing again, getting artists back on stages, venues back to capacity and events back on the calendar. Our investment in the sector created jobs for musicians, for crew, venue operators, promoters and the many small businesses that support the industry. Our 2022–23 investment in music projects supported 1500 music industry

professionals, and as part of the government's overall recovery efforts we invested \$1 million in the Live Music for Flood Recovery program, a program in partnership with Music Victoria, backing flood-affected communities.

The global demand for screen content continues to skyrocket, and as a result the local industry continues to expand. In 2022–23 the Victorian government made significant investments in film and television production and digital games projects. Through the Victorian Screen Incentive, we invested in 22 screen projects, including *Ricky Stanicky*, a feature film starring Zac Efron. We created more than 350 jobs for Victorian crew and 850 roles for local artists, casts and extras. Filmed right –

**Danny O'BRIEN:** Did you get to meet Zac Efron?

**Steve DIMOPOULOS:** I did get to meet Zac Efron. More than \$141 million in expenditure will be generated by these projects, and almost 2900 jobs will be created over the next few years.

Through the Victorian Production Fund we have supported 38 film and television projects and 11 digital games projects. This is such a big and growing area; that is why we have the CEO of VicScreen here. To maintain this momentum, earlier this year I was pleased to announce a \$5.4 million skills and training package to support the growing need for this industry here in Victoria.

Our creative industries strategy, *Creative State 2025*, opens with the guiding principle 'First Peoples first'. All of Creative Victoria's First Peoples initiatives are developed under the leadership of the First Peoples Directions Circle, a group that embeds Aboriginal self-determination and community voice into the development and delivery of the programs and initiatives. We are supporting a record 17 First Peoples organisations through Creative Victoria's multiyear program in 2023–24, including Short Black Opera, Ilbijerri Theatre Company and the Archie Roach Foundation, just to name a few. You cannot be a creative state if you do not support creative workers, and that is what we are doing, whether they be dancers, theatre makers or writers.

Finally, in the last few seconds I have got remaining, I am proud of the new investment in this budget. I will talk about the Live Music Performers Fund, which is effectively a really special program to get 10,000 live gigs over the next four years, above and beyond the current remit; \$2.5 million Live Music Major Events Fund, which is for some of the iconic festivals; \$2 million for a really important commitment to Support Act – Support Act provides mental health support to the creative sector; and one my favourites is the \$2 million investment in music writing in Victorian schools, bringing the next generation of musos.

**The CHAIR:** Thank you, Minister, for that presentation. The first set of questions are going to go to Mr McGowan for the next 8 minutes.

**Nicholas McGOWAN:** Thank you. Minister, I refer to budget paper 3, page 252, and the output 'Creative Industries Portfolio Agencies,' which makes reference to VicScreen. As you know, a number of documents under FOI were released some time ago. One document was the VicScreen minutes from the 7 April 2022 board meeting where they acknowledged that VicScreen had been subject to fraud. Minister, what was the nature of the fraud?

**Steve DIMOPOULOS:** Mr McGowan, sorry, I am finding it a bit hard to hear. Can you repeat that?

**Nicholas McGOWAN:** Apologies. Yes. I am referring to budget paper 3, page 252, 'Creative Industries Portfolio Agencies'. As you know, a number of documents were released under FOI that relate to VicScreen minutes from the 7 April board meeting, where it was acknowledged that VicScreen had been subject to fraud. The question, Minister, was: what was the nature of the fraud?

**Steve DIMOPOULOS:** I thank you for that question, and I might throw –

**Lauren KATHAGE:** Point of order.

**The CHAIR:** On the point of order.

**Lauren KATHAGE:** I am not sure that that is relevant to the current budget before us.

**Nicholas McGOWAN:** The minister was –

**Steve DIMOPOULOS:** I will throw to the CEO of VicScreen, Caroline Pitcher, noting that VicScreen has a board and a chair that is accountable to me but the CEO is accountable to the board. Over to her.

**Nicholas McGOWAN:** Thank you, Minister.

**Caroline PITCHER:** There was a small area of fraud in relation to payroll which we picked up, and we did that through our own processes. We have just recently gone through a fraud-related audit as well and come out clean on that, but certainly there was a small discrepancy with a board payroll information.

**Nicholas McGOWAN:** And do you know how it came to the board's attention?

**Caroline PITCHER:** Yes. It was discovered by management realising that someone had changed payroll details.

**Nicholas McGOWAN:** Right. And are you able to quantify the magnitude of the fraud?

**Caroline PITCHER:** It was nominal. From memory it was in the thousands of dollars, well under \$10,000, but I would need to check the actual figures.

**Nicholas McGOWAN:** Okay. If I may ask, what was the outcome for the person involved? Was the person subject to disciplinary action, or was it actually something that was pursued legally?

**The CHAIR:** Mr McGowan, could you please show how this is relevant to the inquiry before us?

**Nicholas McGOWAN:** It is about government expenditure, and Ms Pitcher is quite prepared to answer. I do not see what the problem is.

**Caroline PITCHER:** We picked it up and remedied it. That person is no longer with the organisation; however, it was not that person's direct fault. It was a matter of a process, so it was dealt with.

**Nicholas McGOWAN:** But presumably if fraud has occurred someone has intentionally done that. Correct or not?

**Caroline PITCHER:** No. It was not intentional.

**Nicholas McGOWAN:** Was it unintentional?

**Caroline PITCHER:** It was unintentional.

**Nicholas McGOWAN:** Right. Okay. And so those funds were receipted back to the organisation?

**Caroline PITCHER:** It was an insurance claim.

**Nicholas McGOWAN:** Right. Okay. Well, thank you for that. Have other mechanisms been put in place to ensure that does not happen or could not happen again?

**Caroline PITCHER:** Absolutely.

**Nicholas McGOWAN:** Are you able to explain or describe that for us – outline what measures are now in place that were not there before?

**Caroline PITCHER:** All of the measures were there before. It was a human error.

**Nicholas McGOWAN:** Human error. Okay. Thank you.

**Steve DIMOPOULOS:** Mr McGowan, just in a very short 30 seconds – it is your prerogative, according to whatever the Chair and the committee think, and you can ask whatever you want to ask that is relevant – what I do not want to do is leave this topic without talking about, at least in 30 seconds, what this incredible organisation does.

For a \$191 million investment over four years, halfway through that investment, the VicScreen strategy, they have already created 21,000 jobs and the goal is 40,000 jobs. It is fun. Yes, it is fun meeting Zac Efron and all the other stuff, but it is far bigger than that. It is a huge employment driver of this economy. It is also about how we tell stories about ourselves and how the world sees us both in games and in screen and film. I just want to applaud – I am not doing this just for the sake of it, it is because I genuinely mean it – Caroline Pitcher and the board for the economic driver that they are and the cultural driver.

**Nicholas McGOWAN:** Thank you, Minister. Minister, again I refer to budget paper 3, pages 251 to 252, and the output funding for the output ‘Creative industries access, development and innovation.’ Minister, I note that the spending in 2021–22 was \$84.2 million, the expected outcome for 2022–23 is \$65.9 million and the budget for 2023–24 is \$35.2 million. Unless I am mistaken that is a cut of \$18.3 million between 2021–22 and this year and \$30.7 million, that is 46 per cent, between this year and 2023–24. Can you please explain the funding profile of the Creative State initiative referred to in the footnote?

**Steve DIMOPOULOS:** Yes. So primarily what is driving the change in the funding profile from one year to the next is in fact the COVID response we had as a government – not just in this portfolio, right across government. We had additional funding; we really backed our creative sector. This is not a brag, but we put \$1 billion into the creative sector, including our agencies but well beyond our agencies.

An example of the different funding profile in those two years that you mentioned is because it was very hard to put on a live music gig or a festival because of all the hurdles coming out of COVID, or the tail end of COVID, there was a \$10 million fund expressly for the purpose of enhancing the ability for Meredith Music Festival to take shape, for example. So there was a bunch of COVID money. You know, you invest at emergency times, but you cannot invest the same quantum every normal year. We were effectively meeting a market gap where these organisations did not have the ability to secure their own events, their own source of revenue. The biggest part of the equation about the difference in those funding profiles in those years was because of the really amped up funding for COVID. We have now come to a more normalised setting where the funding is consistent with historical years.

**Nicholas McGOWAN:** Thank you, Minister, for your answer. I understand the consequences of COVID, Minister, but I note a cut from the 2023–24 budget of \$87.9 million relative to the expected outcome of this year, a cut of \$493 million to \$405.1 million. According to the footnote, the funding profile of the creative industries portfolio is the cause. The funding profile strips \$87.9 million from this output in one year.

**Steve DIMOPOULOS:** Mr McGowan, fundamentally, we had an emergency period of a couple of years. You would have seen it already in other portfolios, and you will. It is not accurate or reasonable to compare those funding profiles – those levels – with any other normal year, and we cannot do that. We have a proud record of investment in the arts: since coming to office, above and beyond historical levels, \$500 million through our own agencies, and another \$450 million to agencies outside –

**The CHAIR:** I am going to cut you off there, Minister. Apologies. We are going to go straight to Mr Galea for the next 11 minutes.

**Michael GALEA:** Thank you, Chair. Good evening again, Minister. Good evening, officials. Minister, I would like to ask you about the Zac Efron meet, but I will not. I will instead ask you about – referencing budget paper 3, page 72 and also 70 – the digital games and visual effects rebate. Minister, could you please explain how this program will benefit Victoria’s screen industry and the broader creative sector?

**Steve DIMOPOULOS:** Yes. Mr Galea, thank you for asking, because I am really proud – and I think we should all be proud – of this investment. It is effectively something that will catalyse private investment, and we are effectively in some respects catching up to a couple of other states. The \$191.5 million VicScreen strategy that I referred to earlier has positioned Victoria as a leading screen industry destination. In the 2023–24 state budget we provided a pilot digital games and visual effects rebate for a year. That is a \$10 million rebate. Just for context, the Victorian Screen Incentive – VSI – which Caroline and her agency run, already has a measure of investment in games development, or special effects for games development. There is a real overlap between special effects used for film and TV and those used for games. But this fund is a little bit different because it is not just available if a footloose company says, ‘We want to do some game development. Who’s going to give

us an incentive?' Yes, this is for that purpose, but it is also for – not footloose – the Victorian-based games industry, which is really, really important.

We have got a really proud story to tell on the games industry here. I will talk about some of those in a moment, but the \$10 million for the digital games and VFX rebate pilot is for both VFX – special effects for film and TV – and games. There are a lot of good stories in relation to games development here. \$108 million was spent by industry in Victoria for visual effects in post-production work, and this was just on drama work. VicScreen-supported digital games projects spent almost \$39 million in the state, so you can imagine the leverage of money we get for that relatively small investment. In 2022–23 – so this current financial year – local game studios were supported through VicScreen's Victorian production fund, the Victorian screen initiative and a new stream called Originate Games. We have seen some great outcomes of that, and I might throw to Caroline to give you some more in a moment if you need some more context.

I had the pleasure of meeting one of the games developers, Julian, who developed *Cult of the Lamb* – that is correct, isn't it? – which sold 1.6 million copies and \$30 million in sales. This is a Melbourne-based games developer. He is a young guy, in his twenties. It is also really safe space now. We have done some work for women – for all sorts of Victorians – to be involved. The games industry workforce is relatively a high-paid workforce; they are high-value jobs.

Just before I ask Caro for some more intel, it is worth noting that I met with the CEO of one of the largest games companies, B2B. They do work for games developers, but they are in the ecosystem. I met him a couple of days ago. He flew from Brussels to San Francisco to Melbourne. He is not going to Sydney; he is not going anywhere else. He is coming to Melbourne, and when I asked him why, he said very genuinely, 'Because your government has invested in this industry. We see a future of growth.' Their workforce in Victoria started at a very small amount – I cannot remember; in the dozens – and there are now 270 employees here. They want to grow. I can really see a positioning of Victoria here for games, and as highlighted in the VicScreen strategy, it becomes one of our growth markets. It is a really, really important area, and the rebate will catalyse that. Subject to how the pilot goes, I foresee that it will be fully expended. I would be very supportive of its continuation in the future, but that is up to budget bids in the future. Caro.

**Caroline PITCHER:** Digital games – Victoria has had a 30-year history in supporting this rapidly advancing area, and it has been advancing over that 25 or 30 years. Globally it is worth \$284.9 billion, and that is set to grow by 2025 to \$310.9 billion – so quite rapid growth – and it really is exceeding the film and television global industry as well. We see those two sectors converging with innovation and technology – the same type of creative people; the same type of technical skills as well – and certainly there is a very deep interest from other states and territories in the sector, which we have dominated for a very long period of time. This is a very welcome rebate in addition to our suite of programs.

The other thing that we are really focused on is the fact that the federal government has announced a digital games tax offset at 30 per cent for attracting international footloose games projects to Australia, and with that in mind certainly other states have entered this market in a way that they have not done before. So this is not about just retaining our market share in an Australian environment, this is very much a focus on how we can build international partnerships for the future and also, as the minister said, work from people like Julian, who has worked with a local music composer and has done incredibly successfully on *Cult of the Lamb*. We have also had *Untitled Goose Game*, if you have heard of that. Recently our independent games sector has been very exceptional.

*Members interjecting.*

**Caroline PITCHER:** It is your favourite? But really the creativity and the ingenuity of many younger Victorians – they will have a real opportunity to have well-paid, highly skilled and longstanding, globally recognised careers here in Victoria. Also if we think about what COVID did present to us, by being able to work remotely young people from regional Victoria can also play a real, significant role in the games industry here in this state.

**Michael GALEA:** Thank you, Ms Pitcher. I do confess I also have not heard of either of those two games, although I have now.

**A member:** You're the young one on the committee.

**Michael GALEA:** I know. I am supposed to be the young one. I have had a friend just message me and say he loves it, though, so that is something at least.

**Steve DIMOPOULOS:** Mr Galea, can I add one more thing –

**Michael GALEA:** Sure.

**Steve DIMOPOULOS:** to what Caroline said. So I think – I do not want to overdramatise it – we are on the cusp of either greatness or falling behind, and they are quite divergent paths. So greatness because we are so primed to do even better. We have about 30 per cent of game studios in Victoria – nationally have them here – on a population of about 25 per cent. We have about 50 per cent of the workforce, the entire Australian games workforce, in Victoria. At the presentation I announced the \$3.6 million into the kind of training pathways – or \$5.4 million, but the \$3.6 million component is effectively asking the market to come to us with an idea about effectively training more workers for this industry. We have now got some maker space for game makers. They need somewhere to be. Some of these people are in the garage or in the bedroom but others are obviously in warehouses and office spaces around Docklands and everywhere else in Melbourne. So you could just take the opportunity to invest more, like we are with the rebate, to really just make sure we maintain the edge. Or if we do not, it goes the other way, which means effectively that, with the Commonwealth government rebate off the tax offset, other states will start doing better than us, and we cannot let that happen, because they are high value added jobs. They are culturally important as well. And a marker of that is how we are seeing internationally – Weta studios have done work on films, special effects on films that we all recognise. What are a couple of examples?

**Caroline PITCHER:** So *Better Man* is a feature film and the first client to utilise sound stage 6 at Docklands Studios when that opened in March last year, undertaking photo-real CG 3D character animation right here in Melbourne. They are best in class.

**Steve DIMOPOULOS:** Yes. And Weta do work for Hollywood and for all these other big sorts of film and screen industry operations. They decided to locate their Australian office in Melbourne. So this is an example of how we can really amplify this and do it well where it creates ongoing job opportunities for Victorians.

**Michael GALEA:** Thank you, Minister. And if I could actually ask a little bit more on that, on the digital games and VFX rebate, I understand there is a \$10 million pilot rebate: can you provide a little bit more information about how that will support the sector? I know you have already, but can you expand on that?

**Steve DIMOPOULOS:** So part of it is the local outfits – and, Caroline, jump in whenever you like – but part of it is actually just securing those footloose jobs where a company will say, ‘Well, we have got some work to do on post-production on this film or some games development here – where is the incentive?’ And we cannot let them go. We will try and secure them here, because the more we build out the ecosystem, the more it means they will come to Victoria because their B2B contacts are in Victoria, in Melbourne. So there is kind of a critical mass where you start becoming the preferred place to do business. But this will support business growth in the digital screen business, increase economic activity, increase business activity for Victorian-based companies who do business with these other companies and create more employment, a whole bunch of –

**Michael GALEA:** Thank you, Minister. Thanks, Chair.

**The CHAIR:** Apologies, Minister. I just hate to be the bearer of bad news. Ms Sandell, you have 3 minutes.

**Ellen SANDELL:** Thank you so much, Chair. So, Minister, you talk a lot about attracting creative people and jobs and businesses to Melbourne. Of course we love that, but we also already have some really amazing creative communities that are already here, right?

**Steve DIMOPOULOS:** You are nothing if not persistent.

**Ellen SANDELL:** I know you know what I am going to ask, but the Nicholas Building – you know that it is one of the most iconic creative communities and buildings in Melbourne. It is exactly the kind of thing you talk about, the reason people come to Melbourne, right? It is an art deco building, it has little, tiny studios and an incredible community. Famous novels have been written in this building. I just know that you would not want to see this building and community lost under your watch, and they are under threat. The building is going to be

sold. It could be a hotel, it could be turned into a commercial space. I think that would just be such an incredible loss to Melbourne. So I wonder if you could talk a bit about – I know there are lots of things to support, but this seems really unique – what can we do to support this community to stay here in Melbourne?

**Steve DIMOPOULOS:** I will start off and then I might throw to the CEO of Creative Victoria. At an aspirational level, and sincerely I agree with you, we do not want to see that lost. After you asked me the question in the Parliament, I had already been to the building, but I took up your request to meet with them, and I did. I met with them, and they are inspiring, they do good work, and you can see the value even more when you sit down and talk to them. We have given them some support in the past, you may be aware – a little bit of support. This is the organisation, I mean, that runs the tenants union.

**Ellen SANDELL:** Yes. The Nicholas Building Association.

**Steve DIMOPOULOS:** Yes, the association. Thank you. And what I have said to them is let us keep talking, and sincerely keep talking, about whether there is anything further we can assist them with. It will not extend to buying the building, though. It is a difficult endeavour, but there may be other opportunities to assist them in some way. I might hand over to –

**Claire FEBEY:** Thank you.

**Steve DIMOPOULOS:** Sorry – at the most difficult time.

**Claire FEBEY:** Well, perhaps I will just comment on the work that we are doing around affordable and secure creative space, because you would know that is one of –

**Ellen SANDELL:** Is it all right if I move on – sorry – just because I have got another question that I want to ask, and you are not going to talk specifically about the Nicholas Building.

**Steve DIMOPOULOS:** It was related, but yes.

**Ellen SANDELL:** Just around the creative enterprises program – a lot of Creative Victoria's funding is not indexed, and I know that is a huge issue for a lot of these organisations, who are essentially being asked to do the same amount of work with less. Is the government going to commit to indexing when programs like this come up for review?

**Steve DIMOPOULOS:** Thank you for the question. Indexing is one measure. But we give them a lot of project funding and a lot of exhibition funding and festival funding, so you cannot just take one part of the revenue ledger and then compare that to a zero-sum game.

**The CHAIR:** Apologies, Minister and Ms Sandell. The time is up.

Minister, department officials, the time has come to an end for questions for today. Thank you all for so very much for taking the time tonight to appear before this committee.

The committee will follow up on any questions taken on notice in writing, and responses will be required within five working days of the committee's request.

I would like to thank all ministers and officers who have given their evidence to the committee today as well as Hansard, the committee secretariat and parliamentary attendants.

I would also like to thank the hospitality – apparently the carrot cake was lovely – security and cleaning staff who have looked after us all today.

The committee will resume its consideration of the 2023–24 budget estimates tomorrow on 8 June.

I declare this hearing adjourned.

**Committee adjourned.**