

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into the 2024–25 Budget Estimates

Melbourne – Tuesday 21 May 2024

MEMBERS

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak

**Necessary corrections to be notified to
executive officer of committee**

WITNESSES

Natalie Hutchins MP, Minister for Jobs and Industry; and

Tim Ada, Secretary,

Danni Jarrett, Deputy Secretary, Industry, Trade and Investment,

Heather Ridley, Deputy Secretary, Corporate Services, and

Daniel Rodger, Chief Financial Officer, Corporate Services, Department of Jobs, Skills, Industry and Regions.

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

I ask that mobile telephones please be turned to silent.

I begin by acknowledging the traditional Aboriginal owners of the land on which we are meeting. We pay our respects to them, their elders past, present and emerging as well as elders from other communities who may be joining us today.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

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

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

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

I welcome the Minister for Jobs and Industry the Honourable Natalie Hutchins as well as officials from DJSIR. Minister, I am going to invite you to make an opening statement or presentation of no more than 5 minutes, after which time committee members will ask some questions. Your time starts now.

Natalie HUTCHINS: Thank you, Chair, and if I could acknowledge the traditional owners of the land on which we are all meeting and pay my respects to elders past and present.

Visual presentation.

Natalie HUTCHINS: I would like to just give an overview of the state of the portfolio, on slide 2. The jobs and industry portfolio continues to perform well, with significant activity across key sectors contributing to the state's economic growth. In particular I just want to draw out that Victoria is leading the nation as an investment destination for advanced manufacturing projects as well as in construction and the export of food and beverage and manufactured products here in Victoria. As of March this year Melbourne Airport has fully recovered the number of international flights and seat capacity to the 2019 levels. Job vacancies continue to ease but widespread workforce shortages remain, with vacancies 53 per cent above their February 2020 level.

If we could go to the next slide. The Victorian government is stimulating economic growth by driving investment attraction and local industry development. Since the removal of the international border restrictions at the end of 2021 Victoria has successfully secured additional flights for Melbourne, facilitating the recovery of key sectors and industries. We have increased international connectivity through securing a new airline, Turkish Airlines, a new route to Mumbai and increased connectivity to China via Sichuan Airlines and China Southern. New investments have also been supported through Victorian industry growth programs and will continue to create high-value jobs. In March I was pleased to launch the Cremorne Digital Hub scale-up program, which is helping many companies achieve growth milestones and attract new investment. Also, the \$15 million industry research and development infrastructure fund has assisted many companies in enhancing their R and D. Earlier this year the Victorian government secured an investment valued up to \$350 million from

Zoetis Australia to establish sovereign manufacturing capabilities and create up to 95 jobs in the health technology sector based in Parkville.

On slide 4, the Victorian government's digital jobs program has provided training and on-the-job reskilling opportunities to help more than 5000 Victorians transition into in-demand digital careers. Victoria's skilled and business migration program has continued to provide visa nominations to over 3300 highly skilled migrants, including in priority workforce areas of health care, teachers and renewable energy. In just over a year, over 4000 fair jobs code pre-assessment certificates have been issued to suppliers and businesses looking to access government contracts in Victoria. The Local Jobs First program continues to drive local industry development outcomes, including through the setting of minimal local content requirements on strategic projects of \$50 million and above. The \$1.1 billion Frankston Hospital redevelopment, for example, is delivering on strong Local Jobs First requirements set by the Victorian government, creating significant opportunities for local businesses and workers. The project has helped kickstart the careers of jobseekers, and 68 apprentices, trainees and cadets are contributing towards that particular project.

Slide five: new funding of \$4.4 million to extend the successful digital jobs program will enable about 400 more Victorians to have the opportunity to reshape their job prospects. The digital jobs program is supporting Victorian businesses to fill critical skills shortages, with over 1300 Victorian employers registered to host recruitments into this program.

The Victorian government is continuing to support stable jobs with \$3.8 million over two years allocated to support the continued administration of the fair jobs code. The fair jobs code enables the government to use its purchasing power to drive compliance with employment, industrial relations and occupational health and safety.

Finally, the Victorian government is supporting industry across the state by attracting new investments to create new jobs, and there is a big sample of what we have been able to do in terms of partnerships. Lyka foods, which is up there – is there a logo there? Oh, yes. Lyka foods – yes, just there – is an Australian pet food manufacturer which opened its \$16 million flagship facility in Dandenong South. One of the members on the committee here was part of that opening, so thank you.

The CHAIR: Very good. Okay. The first 8 minutes is going to go to the Deputy Chair.

Nick McGOWAN: Thank you. Thank you, Minister. Minister, I am a little bit quizzical about something – at a time that the budget papers predict unemployment to rise it appears from the budget papers you are cutting funding to what is a jobs line by the order of 70.5 per cent. Why is that?

Natalie HUTCHINS: Can I ask the reference point you are using in the budget papers?

Nick McGOWAN: Budget paper 3, page 139, specifically table 2.17.

Natalie HUTCHINS: Thanks for the question. The output includes programs from both the skills solutions partnerships, putting local jobs first through boosting jobs through better procurement, and strengthening the fair jobs code. Predominantly the changes that you see there are partly a rephrasing of funding but also the Victorian sick pay guarantee pilot coming to a conclusion, and that actually, whilst it sits in the broader department, sits with the employment minister, Minister Ward.

Nick McGOWAN: Well, it is interesting you say that, Minister – I sort of anticipated that you might say that – but there was no budget allocation previously with regard to the sick pay guarantee. So how is it possibly included in these figures when it was not included in last year's forward estimates?

Natalie HUTCHINS: I might ask the Secretary –

Nick McGOWAN: Minister, I would normally expect you to know the answer to that sort of question. It is not a hard one.

The CHAIR: Mr McGowan, you can ask the questions, but if there is an answer – and it looks like Mr Ada wishes to answer –

Nick McGOWAN: Well, these are people's jobs on the line at a time when the government is expecting job losses to increase and unemployment to get worse.

The CHAIR: It looks like Mr Ada is ready to answer, thank you.

Natalie HUTCHINS: But, Mr McGowan, you are asking me about last year's budget, and I was not in the portfolio.

Nick McGOWAN: No, no, I am asking about this year's budget specifically. You have given me an answer which does not –

Natalie HUTCHINS: I was not in the portfolio last year, but the Secretary will take that.

Nick McGOWAN: Minister, you should know what is happening in your portfolio.

Natalie HUTCHINS: I do know what is happening in my portfolio.

Nick McGOWAN: Well, all the evidence is to the contrary. All the evidence is to the contrary, Minister.

The CHAIR: Deputy Chair!

Natalie HUTCHINS: Isn't it interesting how aggressive you are to women ministers.

Nick McGOWAN: Aggressive!

Natalie HUTCHINS: Yes.

The CHAIR: Deputy Chair!

Nick McGOWAN: Point of order –

The CHAIR: The Deputy Chair on a point of order.

Nick McGOWAN: I ask the minister to withdraw what she has said. I am entitled to ask questions. There is nothing aggressive about what I have asked. If members of this committee do not feel free to ask questions about the budget and particularly about jobs and a severe cut to jobs funding, then that is not appropriate. We are doing our job here. This is a workplace. We have every right to ask questions. To be accused or even implied by the minister that somehow I am being aggressive because I am asking questions – if my voice is not raised, I have not been aggressive. I would ask the minister to withdraw.

Natalie HUTCHINS: Chair, I am happy to withdraw.

Nick McGOWAN: Thank you, Minister.

The CHAIR: Thank you, Minister.

Nick McGOWAN: Mr Ada.

Tim ADA: Thanks for the question, Mr McGowan. An allocation for the sick pay guarantee pilot was made prior to the 2023–24 financial year, and that pilot was due to extend into next year. The government has made a decision through this budget to wind the pilot up by 30 June this year, which therefore means there is no allocation for the sick pay guarantee in the 2024–25 year.

Nick McGOWAN: Mr Ada, a separate question really, but in respect to the Supreme Court proceedings against the department by Victorian businesses that suffered massive losses due to the COVID second wave – and that was the hotel quarantine fiasco – can you tell us how much the department has incurred in terms of the costs associated with that action and how that is illustrated in this budget?

Tim ADA: My understanding is, Mr McGowan, that that responsibility lies with the Attorney-General and her department. As to what, if any, costs have been incurred by my department, I will take that question on notice.

Nick McGOWAN: Thank you very much. Secretary, again another question, in respect to question 20 of the questionnaire – and this concerns staffing numbers: at the bottom of page 122 it says the department had 2027.3 FTE as of 30 June 2023. The table also states that you expect to have 1745.3 FTE as of 30 June 2024. That is a reduction of 282 staff. Do you know how many of those staff were made redundant?

Tim ADA: Mr McGowan, if I can just step through that question. Obviously there has been a significant workforce reduction in the department. Those projected numbers for the end of June this year as of April this year – that number does include some vacancies that we are undertaking some recruitment for, but there has been a reduction. That largely is accounted for by the department's contribution to public service savings announced in last year's budget, together with a reduction in staff associated with the Commonwealth Games. Consistent with the Victorian government policy associated with those decisions last year, there have been a number of voluntary redundancy programs that staff in the department have had access to. As to the specific number of people that have accessed those programs, I could take that on notice.

Nick McGOWAN: Okay. Thank you, Secretary. Further to that, can you tell us how much the department has actually achieved in terms of savings – because obviously this was a budget measure – in respect to those job cuts?

Tim ADA: Well, I think the savings that were allocated to the department are set out in the questionnaire, if I –

Nick McGOWAN: Questionnaire, page 119.

Tim ADA: If I can take you to page –

Nick McGOWAN: I do not think it actually pointed out to us what the total annual actual savings were.

Tim ADA: If I can take you to page 82 of the questionnaire, Mr McGowan, it sets out the savings that were allocated to the department in the 2023–24 budget.

Nick McGOWAN: And you have achieved those?

Tim ADA: Yes, we have.

Nick McGOWAN: Okay. Further to that, could you advise, up to 30 April 2024, how much in total was paid out by the department in redundancies for the 2023–24 financial year?

Tim ADA: Again, consistent with your earlier question, I would have to take that on notice as well.

Nick McGOWAN: Sure. Could you tell the committee how much these job cuts – the nearly 300 job cuts – have saved the department in employee costs up to April 2024?

Tim ADA: Sorry, your question again, Mr McGowan?

Nick McGOWAN: How much it saved in terms of the associated on-costs to do with staffing?

Tim ADA: Again, that is a question that I would have to take on notice to make sure I am giving you an accurate answer. Obviously the reductions in the department are proportionate with the savings allocated by the government, and as I have just said, we have met those savings targets. Just to go back to my earlier point, the reduction in staff shown in the questionnaire is as of April, and that does include some vacancies that we are actively recruiting to at the moment.

Nick McGOWAN: Thank you, Secretary. Secretary, in respect to page 29 of the questionnaire, it states the government partnered with Moderna to build an mRNA manufacturing facility in Clayton. Can you advise whether this facility has started to produce the 100 million vaccines that were promised?

Tim ADA: I might make some brief comments, Mr McGowan, and then ask Ms Jarrett to supplement my answer. I think this came up at PAEC last year. The build of the Moderna facility at Monash Clayton is on track to be practically completed later this year with a view to production starting in 2025. That is my understanding, but Ms Jarrett –

Danni JARRETT: That is correct, yes.

Nick McGOWAN: There were a number of facilities, too, weren't there? There were a number of providers of vaccines. What was the other provider?

Danni JARRETT: Sorry, what was the –

Nick McGOWAN: There were a number of providers that were part of this deal, right?

Danni JARRETT: The arrangement was between Moderna and Monash University. Moderna is going to be located onsite at Monash University.

Nick McGOWAN: And when will you hit the target of 100 million vaccines? Do you know?

Danni JARRETT: I do not know when the target of producing that many vaccines will be, but the manufacturing will start next year.

Nick McGOWAN: Is there a target that has been set for that, because obviously this was a commitment to the Victorian people?

Danni JARRETT: That would be in the contract that has been negotiated between the company and also with the Commonwealth.

The CHAIR: Apologies, Deputy Chair. Your time is up. We will go to Mr Galea.

Michael GALEA: Thank you, Chair. Good morning, Minister, Secretary and officials. Thank you for joining us. Minister, I would really love to probably spend all my time talking about Lyka Pet Food in Dandenong South and how amazing that business is – it is good to see them investing in jobs in Victoria – but I actually want to go on to digital jobs. I note there is a line item in the output initiatives in budget paper 3, page 58, which is 'Developing a thriving digital economy'. There is \$4.4 million allocated in that. Minister, what do you hope to achieve from that funding this year?

Natalie HUTCHINS: Obviously the delivery of more of the digital jobs upgrade courses. This is a fantastic program that allows mid-career professionals to be able to transition. We have seen not only a transition from general IT jobs into cybersecurity but we have also seen people change industries and come into IT, particularly into the digital jobs program, where we have quite frankly a lot of skills pressures across many companies and not just companies in the IT sector but manufacturing companies that need IT people in house. Many businesses have that need out there. Under the continuation of this program we will continue partnering with companies that have helped us with placement in the past. I have got to say, of the 5000 people that have been through the program already the uptake of employment has been quite extraordinary afterwards, so the extension of the program really ensures we continue to support both the upskilling of the workforce but also opening up new opportunities for people. Fifty-nine per cent of participants of the program have been women, 63 per cent have spoken a language other than English and around 40 per cent of graduates from the program are over the age of 40. So you can see that this is something that is a real attractor for that mid-career change, and we are hearing really good outcomes from industry who have had some of these professional people placed into their companies.

Michael GALEA: Thank you, Minister. Interesting stats there: 59 per cent women particularly but also 40 per cent over the age of 40, so it sounds like we are getting a lot of mid-career professionals being supported through this program. Can you tell me a bit more about the participants and the outcomes that they are seeing?

Natalie HUTCHINS: Yes. Many of the participants are coming from the small business sector but being able to transition their skills to either continue to help in the small business sector or transition into larger businesses. Some of the businesses we have worked with to host participants – particularly ANZ, Carsales, Salesforce, Sendex and Infosys – are industry leaders in the tech sector who are giving opportunities for people to transition or to get the placement there, take those skills back into their workplace that they have come from or helping them to transition into new jobs and upskill. We know with these sorts of programs not only are we meeting the demands of industry to upskill people in our own state but also we are offering pathways to better paid jobs for people of diverse backgrounds.

Michael GALEA: Fantastic. As we have got all these industries coming in, it is good to see everyone getting that opportunity. I would like to draw your attention to the fair jobs code, same budget paper reference, but also I believe you referred to it in your presentation. I see that there is \$3.8 million over two years committed to strengthening the fair jobs code. Can you please outline how the government is using the purchasing power it has to promote fair labour standards through this code and how many applications have been approved.

Natalie HUTCHINS: Yes. I think I mentioned it also in my overall summary of the portfolio at the start, but certainly the fair jobs code is all about setting standards for our suppliers and being able to apply a minimum set of standards when people are bidding for contracts of around the \$3 million mark and above. It directly goes on to applying to subcontractors as well with a contract of \$10 million and above, and it sets an employment standard for suppliers and businesses that compete for government contracts and grants. I think it is 21 years that we have had – no, sorry, not the fair jobs code, the other one. Local Jobs First is 21 years – is that right?

Tim ADA: Yes.

Natalie HUTCHINS: For the fair jobs code, it came into effect, and since 1 September we have been able to really up the ante with the applications. There were 4120 applications for the pre-assessment certificate, of which 4069 were issued. This includes businesses from across a broad range of sectors that are looking to pick up government contracts. I think there is a public register that is listed at the Buying for Victoria website as well.

Michael GALEA: Thank you. You also just mentioned the Local Jobs First policy as well. Could you talk to me a little bit about that and if there is that or any other ways in which the government is ensuring that it is using its purchasing power to support Victorian jobs?

Natalie HUTCHINS: Yes. This is the one that has been around 21 years this year, and the policy applies to Melbourne-based projects but also has a special application to regional projects as well. This is one that really applies to about the \$1 million mark worth of projects in regional areas and for metropolitan projects it applies to the \$3 million mark, and local content requirements are set on all strategic government projects worth \$50 million or more. Since December 2014 the local content requirements have been set for 333 strategic projects, 196 of those in metropolitan Melbourne, 70 in regional Victoria and 67 statewide, and they have had a combined value of \$170 billion. It is quite an extraordinary program, and embedded in the program is the Major Project Skills Guarantee, commonly known across government as the MPSG. The really important part of that skills guarantee, and I mentioned one of the projects in my opening, is that it guarantees a number of apprenticeships, traineeships or cadetships on the job while it is being done, and that has opened up opportunities.

I have got to say I do recall, back when I first got elected 13 years ago, having a myriad of young people come through my electorate office who were studying engineering who could not get a placement at the time, and in engineering you have to do a placement before you can qualify, like many professions. To hear the stories of these young engineers who could not get a placement, and now we have projects like this that are embedding them as cadets on the project. In fact we are encouraging more people now to consider engineering and we are really focusing in on how we can get more young women into STEM-based projects like engineering and IT. We are in the process right now of consulting with stakeholders to look at how we can better enforce the local jobs Act and continue to maximise opportunities for local jobs and businesses across the state.

Michael GALEA: Thank you, Minister. If I can talk about investment attraction, I know the government has done a fair bit that you referenced in your presentation as well. Can you expand a little bit more on what that has involved and what that might look like?

Natalie HUTCHINS: Yes, thank you. Investment is a really fundamental driver for long-term jobs and highly skilled jobs. We are very, very focused on making sure that we can get those high-value end jobs through our department identifying investment opportunities. In my presentation I talked about Zoetis. They are a huge, international, America-based company that have decided to invest in our old CSL site in Parkville, to upgrade that with a \$350 million investment so that we can start producing in Melbourne some of the most-needed animal pharmaceuticals across the country and be able to not only supply the Australian market but export with that. I was very pleased to be able to announce that project in Parkville back in March. Not only is

it going to be an Australian first, but it is also going to be a hub to train our tertiary-based students to do their placements there and to be able to upskill.

One of the other projects I would like to touch on is IDT Australia, which is a new facility in Boronia. We have partnered with them to create 25 highly skilled jobs. They are a facility to host the manufacturing of life-saving cancer therapy through the antedugs conduits that are going to be produced there. That is a fantastic outcome for Victoria because it gives us not only the base of those fantastic skilled workers that will be based there but also the IP going forward around that and the capacity to produce that here in Victoria.

Michael GALEA: Thanks, Minister.

The CHAIR: Thank you, Minister. We are going to go to Mr Puglielli.

Aiv PUGLIELLI: Thank you, Chair. Good morning. Minister, I note from the publishing of ministerial diaries that you met with the CEO of Lockheed Martin earlier this year to discuss initiatives in Victoria. Will the government be supporting Lockheed Martin to build weapons in our state?

Natalie HUTCHINS: Sorry, I missed the last bit.

Aiv PUGLIELLI: Will the government be supporting Lockheed Martin to build weapons here in Victoria?

Natalie HUTCHINS: No. Our discussions with any of those companies that supply the federal defence forces with ammunitions, that is not the basis of our conversations. Certainly we are looking to engage some of the fantastic technology and skills that these sort of companies bring to Victoria, and jobs. But I can absolutely guarantee the member that any production that we enter into agreements with are not to be decisions of this state government to be engaging in any ammunitions for.

Aiv PUGLIELLI: Thank you. This company, amongst several others, is currently implicated in alleged war crimes that are occurring on the other side of the world. Will your government commit to ending relationships with companies that have been implicated in the killing of innocent people?

Natalie HUTCHINS: I think it is important to acknowledge that companies like Lockheed Martin already have major operations here in Victoria –

Aiv PUGLIELLI: Will you end them is my question.

Natalie HUTCHINS: We will continue to engage with any company that wants to talk to a Victorian government about leading advanced manufacturing capacities or developing workforce, which these sorts of companies absolutely do, and we will continue to look at the technologies that they supply. There are a number of companies that we will continue to talk with who contribute quite significantly to the Victorian budget. I do note that there have been defence-like companies, including the government aircraft factory that was here in Victoria 50-plus years ago. These are industries that we know are extremely important to the government economy.

Aiv PUGLIELLI: And they are alleged to have been implicated in war crimes. Again, my question is: in light of this, particularly news that has come in the last 24 hours from the ICC, will you end these relationships?

Natalie HUTCHINS: I note that there have been a lot of allegations about the so-called involvement of governments and war crimes in this state, but any ammunition dispatch is the responsibility of the federal government, not of the state.

The CHAIR: Thank you, Minister. Apologies, Mr Puglielli, your time is up.

Minister and officials, thank you very much for taking the time to appear before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is going to take a very short break before beginning its consideration of the treaty and First Peoples portfolio at 9:05 am.

I declare this hearing adjourned.

Witnesses withdrew.