

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2014–15

Melbourne — 22 May 2014

#### Members

Mr N. Angus

Ms J. Garrett

Mr D. Morris

Mr D. R. J. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

#### Staff

Executive Officer: Ms V. Cheong

#### Witnesses

Ms L. Asher, Minister for Innovation,

Mr H. Ronaldson, Secretary,

Mr G. Mailes, Deputy Secretary, Innovation Services, Small Business and Technology,

Mr J. Strilakos, Chief Finance Officer, and

Dr A. Caples, Executive Director Strategic Planning and Ministerial Services, Department of State Development, Business and Innovation.

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

**The CHAIR** — I declare open the estimates hearings for the portfolio of innovation, hearing no. 37 for 2014. I welcome the Honourable Louise Asher, and from the Department of State Development, Business and Innovation the Secretary, Mr Howard Ronaldson; the Deputy Secretary, Innovation Services, Small Business and Technology, Mr Grantly Mailes; the Chief Finance Officer, Mr Jim Strilakos; and the Executive Director, Strategic Planning and Ministerial Services, Dr Amanda Caples.

As has been the practice in recent years, this hearing is being webcast on the Parliament's website. In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Departmental officers may approach the table during the hearing to provide information to the minister or other witnesses if requested, by leave of myself. Written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the media are requested to observe the guidelines for filming or recording proceedings in the Legislative Council Committee Room.

All evidence is taken by this committee under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. Any comments made outside the hearing are not protected by parliamentary privilege, including any comments made on social media from the hearing itself. The committee does not require witnesses to be sworn, but I remind you all that questions must be answered in full and with accuracy and truthfulness. Any persons found to be giving false or misleading evidence may be in contempt of Parliament and subject to penalty. All evidence given today is being recorded by Hansard. You will be provided with proof versions of the transcript for fact verification within two working days of this hearing. I am not expecting any PowerPoint presentations this morning, so I will simply say that verified transcripts will be placed on the website within five days of receipt.

Following a presentation by the minister, committee members will ask questions relating to the inquiry. Generally the procedure followed will be that relating to questions in the Legislative Assembly. Sessional orders provide a time limit for answers to questions without notice of 4 minutes, while standing orders do not permit supplementary questions. It is my intention to exercise discretion in both matters. However, I do request that each answer be as succinct as is reasonable given that sometimes we are talking about complex matters.

I ask that all mobile telephones be turned off or to silent.

The minister now has an opportunity to make a brief presentation of no more than 5 minutes on the budget estimates for the innovation portfolio. Welcome, Minister.

**Ms ASHER** — Thank you, Chair and members of PAEC. I think it is well known my detestation of PowerPoint presentations; I actually think people can hold a thought in their heads without having a picture or a little dot point thing.

I will just make a couple of introductory comments about the innovation portfolio, which has changed substantially from last year's innovation, services and small business portfolio. Perhaps I can guide members in some of the areas that the government is looking at here. Clearly design is an important part of this portfolio, and again there are a range of initiatives largely funded in previous budgets but with the funding still carrying over.

Likewise in terms of the budget estimates, and I am sure I will be questioned later on the Victoria Prize, Victoria Fellowships and postdoctoral research fellowships. Again, the government has a very strong view that one of the ways that we can promote excellence in science and innovation is to fund a range of scholarships. You would not automatically think that would come out of my portfolio but that is part of the reason for our funding of many of these things in terms of excellence for people studying in the science area. The screen industry comes into the innovation portfolio. Again that received a budget upgrade last year, and that money is obviously still flowing through. It is an important industry, and I am sure I will get questions on that. In terms of the medical research institutes, such an important component of what Victoria has to offer, the operational infrastructure support program is in this particular portfolio.

Part of the portfolio is to build science awareness, and we have established — and this was an election commitment — the Office of the Lead Scientist. The Office of the Lead Scientist is embarking on a range of activities to improve science awareness and science appreciation and to encourage the study of science in the state of Victoria. Again, I am more than happy to talk on that if people are interested.

As I said, screen is in the portfolio, and the Indian Film Festival of Melbourne is in this particular portfolio. There is a dual purpose in this: the first one of course is to support international engagement — this time to make sure it is not just economic but supporting through culture; and we also obviously have a desire to try to encourage film production in the state of Victoria, not only for its cultural impact but also for the fact that this creates jobs, and we have a very, very strong film sector as well. The Indian Film Festival, which has been very successful, just completed, is part of the innovation portfolio.

In the games sector, we have secured Penny Arcade — a huge convention for gamers. We have secured that again under this portfolio. Again, this is a significant area, looked after by Film Victoria, where there is employment in the state of Victoria. The Driving Business Innovation program I have discussed at previous public accounts and estimates committees, and again people may have questions for me. The aim of this program is to link businesses with possible projects governments might like, to encourage innovation at that level. We have a round that was opened at the end of April this year seeking challenges from government agencies. That is going to be closing in June 2014.

Mr Chairman, by way of I hope making it a bit easier for committee members, I have previously taken questions in relation to international education in this section of the portfolio. I note that this has an hour, and the other two sections of my portfolio, which I think are meatier, have half an hour. In the interests of helping the committee, I am happy to take questions on international education where I have taken them previously in this. I think you will find that the KPI for it is in the middle of tourism and marketing, and of course it is our no. 1 export and it is covered in trade. So I am happy to take questions at any juncture, but if people want to put questions here, it is fine by me.

I also draw to the attention of committee members that the VGBOs have been under my jurisdiction under the innovation portfolio from day one. Again, I am happy to take questions on trade and VGBOs in this section if that helps members given there is more time, or indeed under the trade section as well. It is an unusual allocation of legislative responsibilities which is historic rather than rational and I think relates more so to me being the lead minister in the department from day one. If you are happy with this arrangement, Mr Chair, I am happy to have that allocation of questions, which I think might be better in terms of time for the committee.

**The CHAIR** — Thank you, Minister, and thank you for that flexibility. Obviously I will leave it up to individual members of the committee if they wish to avail themselves of that opportunity. We now have until 10.30 in this segment for questions. Minister, can you outline to the committee the budget initiatives in this portfolio which will contribute to the growth of Victorian jobs, both in the coming year and across the forward estimates?

**Ms ASHER** — A key budget initiative in this portfolio which cuts across all ministers is the investment support program. All ministers in this portfolio have access to that. The ISP is where moneys are obviously put on the table to encourage businesses to invest in Victoria and to create jobs in Victoria, but the ISP is only one very small component of our entire facilitation program. I can advise the committee that to date in the 2013 financial year the government has facilitated more than 140 investment projects valued at more than \$1.7 billion which are expected to create 3900 new jobs — that is, FTEs. Since December 2010 the government has facilitated over 7.4 billion in capital investment and 18 000 jobs into the state through the overall facilitation program. So the ISP is a very, very small component of that.

We have also, as I said, in the previous budget supported screen industries, and that funding obviously flows through to this. Film Victoria expects to exceed its 2013–14 BP3 targets, and leverage more than \$150 million in Victorian production expenditure and around 7000 jobs. I think that is a very, very important component of what this portfolio offers. This will bring the total number of jobs created through productions facilitated by Film Victoria since 2011–12 to nearly 20 000. That is an important area where jobs are linked to government action.

In terms of design — I touched on that earlier — the government's design initiatives again through flow through to this and recognise the design sector's importance to the economy. Design generates revenue of around \$4.6 billion, we export something like 200 million in design services, and there are approximately 194 000 people employed in Victoria as designers or in some type of related role.

Again I mentioned earlier in my introductory comments, there is support for medical research in this. This is a very, very important component of the economy. Obviously if you are looking at this from a health perspective, you will look at the health outcomes and the fact that we have world-renown medical research institutes, but in terms of jobs our medical research sector employs more than 23 000 people who are highly skilled. I think I may have mentioned before that this is one of the attractions of Melbourne that we are able to tout, if you like, on our international trade missions. That is an important part of this particular portfolio.

We have an Innovation Vouchers Program, which encourages collaboration. We have the Driving Business Innovation program, formerly Market Validation, and the government would expect 40 to 45 jobs as a direct result from that particular program. So I am obviously moving from the very, very large components of the department that create jobs, such as film, to some of the smaller program items, which also have an ultimate objective of creating jobs through helping businesses in this area.

**Mr PAKULA** — Minister, I want to talk about science and innovation initiatives. For the purpose of that, I do not talk about film and ICT funding but the more general initiatives in science and technology that are in the portfolio's outputs. In the last Labor budget, in 2010–11, I have totted up over \$70 million worth of spending, including \$46 million on the Victorian Science Agenda Investment Fund and \$12 million in the Boosting Highly Innovative Small and Medium Enterprises program. If I go through all of the initiatives for 2014–15, the total spend on these science and technology and innovation outputs is much lower. It is almost \$50 million lower by my estimation.

We are of course in a situation now where the death of the motor vehicle industry is imminent, and with that all of the research and development opportunities and outcomes that come from the motor vehicle industry will start winding down very shortly. Given the relative paucity of funding for science and technology and innovation commitments in this government's budget, with the exception of the synchrotron, I am wondering if you could take the committee through how any of the initiatives you have will help deliver an industry or industries that will replace the losses that we are about to see, particularly in R and D in the automotive sector.

**Ms ASHER** — You could put the large amounts of funding associated with the previous Labor government down to the fact that it paid a lot of attention to building some of the big infrastructure projects, like the synchrotron. We have moved to try to encourage businesses to be innovative. Again, some of the research information that is available indicates that, if businesses are innovative, they have a greater capacity to create jobs. The key question if you are adopting that philosophical perspective is: how much money should government actually hand out to businesses in the hope that they create jobs? You can probably attribute part of the answer to your question to the fact that when you were in government you built up a lot of major institutes, if you like, or major scientific infrastructure, and we are the beneficiaries of that. With the synchrotron we have a difference of opinion about whether it should be national or state, and that part of the program has concluded.

We also have many projects that explain the financial differential that you are alluding to. A lot of our projects are concluding. For example, the amount of money that we put to the Olivia Newton-John Cancer and Wellness Centre was \$44.9 million, and that has concluded. It has happened. A lot of these innovation programs are programs that have been completed. It is the smaller ones that are to some extent ongoing. The synchrotron has been funded, and an arrangement has been negotiated with the federal government for it to run the asset in recurrent terms and take over the asset. That has been completed and ticked off, if you like — that is not the greatest terminology — in terms of the Victorian perspective.

They would be the two key responses to your question. The state of Victoria in terms of innovation is at a different phase and the infrastructure is built. In terms of comparing our earlier budgets to now, many of our programs are completed and we are looking at some of our smaller programs to encourage people to commercialise and to have interest in this particular area.

**Mr PAKULA** — I have a brief follow-up, Minister. I accept what you say about a number of your programs being completed. But given, as I have indicated, the wind-down that we are about to see coming in both manufacturing and R and D in the automotive sector, why is it not appropriate within your portfolio for a range of new programs to now commence to try and help the state walk into the breach and fill the gap that is about to be created in R and D and innovation by the closure of the automotive sector?

**Ms ASHER** — The answer to your question is more along the lines that there are other areas of my portfolio that are looking at the bulk of job creation in this area, rather than the hope that businesses across the board would pick up on innovation and thereby create jobs. The key area of my portfolio which is looking to try and pick up new employment opportunities is trade, where the government has put a lot of effort into trade missions, particularly to encourage the SME sector to get export ready. In terms of the big picture of this, my view and the government's view is that, unless our smaller sector can be encouraged to export, the domestic market will not be big enough for many businesses. Again, I acknowledge that some businesses can operate within a domestic market, but our monetary effort has been put into encouraging our smaller sector to trade and to look at export opportunities. A conscious decision has been made that the dollars will be put into that trade sector.

I do not want to move into the tourism sector, but we have also made a conscious decision that in terms of tourism, which is our no. 2 export, we have got more opportunities to allow that predominantly smaller business sector to create jobs out of that. There are other areas for which I am not responsible. I did not read the Deputy Premier's transcript, but I am sure he would have talked about the health export strategy. There are other areas that the government has looked to tip money into to allow the smaller sector to create the jobs that we need to create. Yes, innovation is incredibly important, but we have made the choice that the jobs will come from other sectors within this department.

**Mr ANGUS** — Minister, I refer you to budget paper 3, page 57, which notes the international education strategy's public transport ticketing scheme. Could you advise the committee what this scheme hopes to achieve?

**Ms ASHER** — Whilst it is listed in the transport portfolio, this is actually funded by my department — generously funded by the smaller department. This is a very important initiative. The no. 1 export for the state of Victoria is international education. According to figures released this week it is up to just under 4.5 billion, so it is a very important export for the state. Victoria was the only state not to have a student transport concession, and the game changer for us was when New South Wales announced that it would have a student transport concession. Again, we have discussed international education at PAEC — as we should, because it is so important to the state of Victoria — and there were a range of reasons why this particular export sector declined over recent years. But when the New South Wales government announced that it was going to have a transport concession for international students, even though I was critical of the transport concession that New South Wales offered — because it did not offer a concession within the zone 1 area — there is no doubt that New South Wales started to market, in India and China in particular, transport concessions for students.

So if you are a parent of a potential international student, obviously you are going to look at the quality of education initially, but you will look at cost, and you will look at cost of living costs for students. So we made a decision — again, the Premier announced it, and I think I announced the detail of it — that internationally we will be offering a new public transport ticketing scheme for international students starting from 2015. Students are going to be offered a 50 per cent discount on annual public transport tickets, and it will apply to all travel zones including the inner zone. It is basically going to be a three-year trial. The universities themselves will contribute, and I am grateful to the universities and other institutions that came to the table to discuss in great detail how we as a state could actually offer a concession without a massive impact on the state's bottom line.

So this funding has been approved, coming from my department. I think it is a really important policy component of how we can make sure that our international education sector, as an export, can grow and be safeguarded and nurtured. Again, because this is in another section of the budget papers, I think it is very important to have a broader understanding of what the government is trying to do to protect this particular export.

**Mr SCOTT** — Minister, I take you to budget paper 3, page 49, and particularly the line item 'Existing resources'. There is a note that defines existing resources — and we can get into a semantic argument about cuts versus savings, but I would say I am always intrigued by the euphemisms that are used — 'Existing departmental resources have been reallocated to contribute to the delivery of new initiatives'. At previous Public Accounts and Estimates Committee hearings, where such actions have been taken by government, you have been quite happy to outline to the committee what it is that is actually being discontinued. By my count we are talking about \$45.3 million department wide, but in terms of your responsibilities as a minister, what programs have been subject to the existing resources line items — that have finished — that relate to your responsibilities?

**Ms ASHER** — That is a question that relates right across the whole portfolio. I think you will find the answer in the estimates questionnaire at page 3.

**Mr SCOTT** — That relates to only one; there are further out years as well.

**Ms ASHER** — It relates to transition to a global future, Aboriginal business advisers — there are five items there. I think that is the information you are seeking.

**Mr SCOTT** — But in the out years beyond, because that relates only to 2014–15?

**Ms ASHER** — You can only deal with a lapsing program at the time it lapses and the government actually makes the decision as to whether the program's objectives have been met and there is a need to continue the program or not, or indeed whether there are savings that are required and the program is not as valuable as others. We do not make decisions on what might happen in 2017 in this particular financial year.

**Mr SCOTT** — In addition, question 12 outlines the impact of previous saving measures, and by my count there is \$104.8 million of what we would describe as cuts. I am sure the term you would use would be 'savings' or 'efficiencies' within government, but what is the share for your portfolio areas of that \$104.8 million?

**Ms ASHER** — The share of my portfolio, to divide down — I will just make a couple of comments about it overall. There is no doubt that in this department we have had a number of savings. Obviously in a health department, for example, where there is population increase, there is a clear case, if you like, for funding to go to that department. But my department does not get any benefit, if you like, from population increase. So there is no doubt that my department has absorbed a number of savings, and I think we have still been able to deliver the services we need to deliver within those savings. But in terms of the division between the bits of my portfolio in the department and the other bits, the departmental secretary will add to that.

**Mr RONALDSON** — Just to restate the question, Mr Scott, you want to know how the savings have been financed — the cumulative savings?

**Mr SCOTT** — Yes, between the different areas, as it relates to the minister's portfolio, obviously.

**Mr RONALDSON** — We do not quite look at it like that. We could work out the sum. The answer is that we take the savings areas right across the department. The classic is wages and salaries. So we would have to apportion a cut across the employment bill to various portfolios. The budget does not do that either. The budget does not look at portfolios; it looks at outputs, and they are different. If you will accept a broad answer, broadly those savings have been funded through cuts to wages and salaries. The department has funded about a third of all cuts broadly — and I am talking in round terms — from wages, salaries and associated salaries. That means the department has shed labour across the department. About a third of it has been programmatic cuts. As the minister has outlined certain programs have either lapsed, finished or been terminated or downsized.

There have been a range of measures across a lot of programs to do with the non-passing on of indexation, and that has been a fair chunk of it too. We have kept a series of grants in nominal terms, rather than growing it in real terms as might have been the practice in the past. Then there is another category, which is a range of administrative arrangements that we are now spending less on — or we try to spend less on year by year, consistent with the government's election commitments. One of those would be advertising, as a good example. Broadly, that is the mix. Subject to the minister's approval, we could go away and do a sum and try to allocate it more closely to the minister's portfolios. If I were to volunteer a figure and you really put me up against the wall now, I would think 15 to 20 per cent; but that is just off the top of my head and should be treated as an approximation only.

**Ms ASHER** — You might bear in mind the difficulty of this exercise. When there was a change of Premier I assumed the trade and employment portfolio, then subsequently got leader of government business, and in an attempt to rationalise my workload, small business has gone to the new small business minister, Russell Northe, and significant elements of the services portfolio have gone to Russell Northe. All of that has occurred within the one financial year.

So it is not a desire — it is just that within my own portfolio there has been substantial change due to individual changes within the government. We will have a bash at it for you, but bear in mind there is significant change,

all for rational reasons — cabinet reshuffles, leader of government business standing down, me assuming the job and so on. But, given you have asked an historic question, all of these things are not even static for the previous year; there will be constant change, and there would have to be some estimate for time, but we can try to do it for you. I am more than happy to help.

**Mr O'BRIEN** — Minister, I would like to ask you a question relating to the Victorian government business office in particular in the Republic of Korea, and I refer you to budget paper 3, page 48, and the output initiative 'Victoria's international engagement in the Republic of Korea'. Could you outline to the committee the details and importance of a presence in this market?

**Ms ASHER** — Thank you very much for this question, and obviously this goes in part to the question that Mr Pakula also asked. The government has made a conscious policy decision that we think jobs are going to come from trade. A lot of our resources and effort have been concentrated in that particular area. The 14–15 budget has provided, as you point out, at page 48, \$1.2 million over four years to establish a VGBO in Seoul within the Republic of Korea. One of the important tasks of this office will be to take advantage of the Korea-Australia free trade agreement. We thought there were significant opportunities in Korea prior to this free trade agreement being signed, or 'freer trade' — whatever you want to call it, but it is a significant improvement on what it was. We think this is an ideal time to open that additional office, and again I refresh the committee's mind that we have opened new offices in Beijing, Chengdu, Jakarta and Mumbai, so this is our fifth additional office in the international area to try to help our businesses, particularly our smaller sector businesses, look to trade.

I was disappointed that in Parliament the other day the member for Yan Yean, whilst asking a very significant question, sought to trivialise this office opening. I do not think that does the Labor Party a great degree of credit, because Labor in fact has been supportive of the Victorian government business offices and has argued in its own policy for an expansion of these offices. Indeed the member for Broadmeadows asked for, if you like, an off-policy expansion as well. So I do not know why the member for Yan Yean did that — her call — but I would have thought our trade mission program, which now has a cumulative total result of \$4.3 billion in export outcomes and the desire by this government to look at trade and export opportunities are proving to have very definite results that are quantifiable according to the businesses that have participated in these programs. Again, even according to export figures released this week Victoria is doing well on that front.

We think this is a particularly good opportunity to have this office in Korea. I note we had one previously that was closed in 2002 due to the Asian financial crisis, and again that is a reason that is understandable, but we think now, because of this Korea-Australia free trade agreement, there are enormous opportunities for us and for food and beverage in particular. We also expanded the Hamer scholarships program to South Korea in 2013. There were 10 recipients of the round 1 scholarships in South Korea. We are trying to give intensive language opportunities to Victorians to provide that support for South Korean-Victorian relations.

I also want to draw to the committee's attention that South Korea is a major source of foreign direct investment globally. According to United Nations Conference on Trade and Development data, South Korean companies invested around US\$33 billion abroad in 2012, which is a sixfold increase from 2002. That makes the country the 13th largest international investor in 2012. Again we think there are some opportunities, and the VGBOs have as a brief not only to assist in export opportunities but to look for investment opportunities for the state of Victoria. We think the time is ripe for it. The South Korean market was already Victoria's fifth largest merchandise export market in 2012–13, valued at over \$1 billion, and again we think having this support level underpinning our VGBO program — there are some significant opportunities for our businesses as a consequence of this budgetary decision.

**Ms GARRETT** — Minister, I refer you to budget paper 3, page 226, and in particular to the departmental objective. 'Support organisations to boost their productivity through innovation'. I also refer to your opening remarks, in which you highlighted the very significant Parkville precinct in terms of its research innovation and teaching facilities. We have got world-class hospitals, we have got world-class biomedical and bioscience areas, we have got world-class universities and the like. Given this precinct's critical importance to innovation and indeed employment in Victoria, could you explain to the committee the steps that you took as the responsible minister to try and stop your government redirecting the Melbourne Metro rail tunnel away from this vitally important precinct?

**Ms ASHER** — I do not think that is an innovation question, but I am very happy to take it. It is absolutely up to you, Chair.

**The CHAIR** — I think it is a very tenuous connection.

**Ms ASHER** — There is plenty of transport in the area.

**Members interjecting.**

**The CHAIR** — Order! It is a very, very tenuous connection, but if the minister is happy to take it, I will allow a response.

**Ms ASHER** — I am happy to take it. I have to say that in terms of the scientific work done in the Parkville precinct, in terms of the international reputation of that area, and indeed of other areas that we have doing medical research in Victoria, we gain our recognition not because there is a tram stop outside; we gain our recognition because of the value and the quality of the research that is being done. I understand that the member wants to make a point about having a train station. I attended Melbourne University for many years and I was able, as a very young woman, to negotiate getting off my train at Flinders Street and catching the right tram, which I recall ran along either Swanston Street or Elizabeth Street. There were a range of options; it was a very, very efficient service. I would think that there is a better public transport service in the Parkville precinct than in many other areas of Melbourne, including areas in my own electorate which have neither train nor tram. The quality of the Parkville precinct's reputation, the quality of its research, the outcome of its research, the fact that people are interested — —

**Mr PAKULA** — Chair!

**Ms ASHER** — I do not think that was the Chair's phone.

**The CHAIR** — Definitely not.

**Ms ASHER** — I think all of those things are dependent on the people there, including the funding from universities. The area is very, very well serviced by transport and will remain so.

**Ms GARRETT** — I have a follow-up question, because the decision of your government with its various preliminary, interim, strange business case referrals, a refusal of ministers to really talk about the process it went through — —

**Mr ANGUS** — That is not right.

**Ms GARRETT** — It absolutely is right, because we have had a procession of ministers here — —

**The CHAIR** — Order! Ms Garrett, I have allowed a question to proceed on a very tenuous basis. I would appreciate you not abusing that courtesy by then proceeding to editorialise at length on matters that relate not at all to this portfolio.

**Ms GARRETT** — I am not sure it was not at length, but I hear you, Chair. This decision has been widely criticised by those in the innovation sector, those in the Parkville precinct, as a massive missed opportunity to move more people with a world-class transport system to a world-class research precinct. I ask again: did you take any steps to stand up for Parkville?

**Ms ASHER** — I have not had a letter of complaint from anyone in the precinct about the government's proposed transport plans. If I have a complaint, I am more than happy to come and have a conversation with you about it. But all of my correspondence, all of my conversations, all of my briefings from people in the Parkville precinct are about the quality of work they do, the quality of people who are working in the zone and the plans they have for expansion. I am confident that I have not had any complaints on the government's transport policy from people in that precinct. They are much bigger picture people in terms of the work they do than worrying about where a train stop might be. I think there is a general understanding. I will leave the minister for transport to go through all of the conversations he has had with people from the Melbourne University area. I have not sat in on those conversations; he has. But again, I make the point that the area is very, very well serviced by public transport.



**Mr ONDARCHIE** — Minister, for something unusual now I am going to ask you a question directly about one of your portfolio areas. I refer you to budget paper 3, page 234, and I want to ask you about Film Victoria. I know that Victoria is widely recognised as a great place for both film and television production. But I wonder, in relation to the production statistics listed on that page, if you could talk about the support that you have for the screen industry in Victoria.

**Ms ASHER** — This is a very, very important component of jobs, as I referred to in my introductory remarks. I note that the shadow Minister for the Arts has recently released a policy where he wants to merge or put under one group Film Victoria and Arts Victoria. There is a very definite reason Film Victoria is in this portfolio — that is, whilst the Minister for the Arts often appreciates the cultural significance and the quality of films, my interest in this is the economic contribution. Film and film production and the many small businesses we have that are involved in post-production activities make a significant economic contribution to the state of Victoria. That is why Film Victoria is in this portfolio, and that is why under this government it is going to stay there.

We allocated in the 2013–14 state budget \$13.8 million over four years to support the local screen industry, including \$8.5 million for the TV, games production and animation sectors. We also added another \$5.3 million for the Melbourne International Film Festival. These are all important economic drivers.

Again for the committee's reference, since December 2010 the Victorian government, through Film Victoria, has supported more than 140 film and television projects, which are expected to generate more than \$560 million in production expenditure for the state. Film Victoria will exceed its 2013–14 budget paper 3 targets and expected outcome and will leverage around \$180 million in Victorian production expenditure and more than 7000 jobs.

Many of you would be aware that we now have a major international feature film called *The Moon and the Sun*, which stars Pierce Brosnan — I am in James Bond mode here — and is currently shooting at Docklands and around Melbourne. That is expected to generate an estimated \$25 million in production expenditure and up to 1200 employment opportunities for cast and crew. I try to secure one of these international productions per year. You win some and you lose some, and the work flow is not consistent, but these are very, very significant creators of employment opportunities in the state of Victoria. I think it is probably not well known, in terms of the number of highly efficient small businesses engaged in pre-production and post-production, many of them located around South Melbourne, with easy access to the Docklands film studios, that they are small businesses that the government can support in the sense of trying to get film productions into the state of Victoria. As I said, my aim is to try to get one big international per annum, because the numbers are very, very large.

We have also, in terms of support for this — and the upper house has already debated this bill — put together a new framework for streamlining commercial filming permits, and again I thank the opposition for not opposing that particular bill in the upper house. New South Wales has tried to gain the march on Victoria by streamlining a whole range of permit proposals. When people film in Victoria — it is not widely known — there is permit after permit after permit after permit that is required from different bodies, different councils, different statutory authorities and different government authorities, and the idea is to streamline this process so people can get some certainty.

If the answer is, 'No, you can't film', for example, 'in a national park', the answer is no, and that is understood. But, 'Can you film in a street in this suburb', 'a street in that suburb', in a commercial park, or whatever — we are trying to streamline it. Again I put on record my appreciation to the opposition for not opposing that bill, because it is very, very important for us to preserve these businesses and these jobs — and there are also some tourism spin-offs, quite frankly, if there is obvious filming in regional Victoria or in Melbourne. It is a very, very important industry, and we want to make sure that the employment opportunities that we have generated previously continue.

I have touched on the games industry. I think I spoke on this last year; I certainly have in the Parliament as well. We have secured the Penny Arcade, and we have given some funding to make sure that those very vibrant little businesses have opportunities to grow their employment as well.

**Mr ONDARCHIE** — Does Labor's film studio at Sunshine Hospital still exist, or has that gone now?

**Ms ASHER** — No; I remember that.

**Mr PAKULA** — Minister, I am appreciative of your advice to the committee at the start that you would take questions on the VGBOs in this session, and I note you — —

**Ms ASHER** — Or on trade, if you want to, yes.

**Mr PAKULA** — Or on trade — I will do it now — and you have already spoken in response to Mr Ondarchie's question about the South Korean office.

**Mr ONDARCHIE** — Mr O'Brien's question.

**Mr PAKULA** — Mr O'Brien's question; my apologies. I want to ask you about San Francisco. As you would be aware, back in January of 2012 the former Premier's former chief of staff, Mr Kapel, was appointed to the San Francisco office. There was some varying commentary about it at the time. One of the comments was from me. At the time I asked the question:

... what possible qualifications does Michael Kapel have for this plum taxpayer-funded post?

Another commentator was the then Premier, Mr Baillieu; he had a slightly different view about it. He said:

We look for people based on merit, their capacity, their effectiveness and their experience ... Michael Kapel fits the bill in that regard. He will do a mighty job for Victoria.

That was Mr Baillieu's comment in January 2012. Two and a half years in, can you take us through Mr Kapel's key achievements and what sort of mighty job he has done for the state of Victoria in that role?

**Mr O'BRIEN** — I thought you wanted to stop Dorothy Dixers.

**The CHAIR** — Order!

**Mr PAKULA** — What concrete achievements has he got?

**Ms ASHER** — In answer to the question, 'What possible qualifications did Mr Kapel have for the job?', I could posit the question, 'What possible qualifications did André Haermeyer have for the job in Germany?'

**Mr PAKULA** — André.

**Ms ASHER** — Sorry; I have even forgotten his name, but he was a good Essendon supporter. In terms of the appointment — it is obviously a cabinet appointment —

**Mr PAKULA** — I am not revisiting the appointment.

**Ms ASHER** — and Mr Kapel has significant experience in both the public and the private sectors. An annual report is given to me by the commissioners every year, and then I think there is a summation of their annual report to me in the annual report of the department, if I am not mistaken. I recall that legislation going through. I have not come with the annual reports of all of the different commissioners to this, but what I will do is go through the annual reports that Mr Kapel has provided to me and give you a highlight page on it. But given that the secretary of the department is here, perhaps you might like to indicate to the committee how you see Mr Kapel's performance as commissioner?

**Mr RONALDSON** — The first point I make is that performances always have to be in some way — I know it is difficult — calibrated against the particular strength of the economy in which they are in. To go one step further, it is quite possible to have a strong domestic economy in which they might reside but one that is not particularly exporting much according to historic trends, or indeed investing much according to historic trends. My general comment is that would be the case with a lot of Western economies — that although they have base strength, business investment globally has certainly been somewhat flat following the GFC, and in some economies is yet to recover, particularly in their overseas investment area.

We are satisfied Mr Kapel has done a good job on the investment side. We think he has got a well-structured business with a definitive game plan. A lot of the investment coming out of the United States goes through investment agents. Obviously there are intermediaries like banks and the big accounting houses. We are concentrating more and more on these areas, because obviously it is a bit of a random dance if you just want to

try and see a spray of companies. You do not know which companies really wish to invest, and it is very hard, particularly in this climate, to interest companies on a general case. We think a better way to do it is to go to, if you like, the choke points — it is a crude term — through which investment goes, and I can say that Mr Kapel has been very good at identifying and engaging with investment intermediaries.

On the trade function, it is fair to say that Mr Kapel has not been as busy as other posts. The reason for that is that the government has made a conscious effort to put trade in relation to Asia as the top priority, probably at this stage being better value for money in terms of where the government puts its effort. I mention that because largely trade is an activity that is generated domestically to begin with — that is, you have got to interest a company or group of companies in overseas markets that have not been there before or that want to do more.

The big trade missions, led by the Premier or indeed by Minister Asher, in terms of branding Victoria have concentrated largely on China and India in the last few years, and, in terms of sizes, we have not sent significant trade missions as big as the Asia trade missions to the Americas. We have sent specialist missions — for instance, defence. I can honestly say the feedback I have got from the people who have gone on those specialist missions is that they were well satisfied with the level of service that the US offices were able to provide. I have not got the trade figures off the top of my head, but I think the additional projected sales arising from these efforts probably look bigger in terms of the Asian economies than they do in the Americas for the reasons I have stated.

**The CHAIR** — Thank you. We have only got a couple of minutes left.

**Mr ANGUS** — Sure, I will talk fast. Budget paper 3, page 50, under the heading ‘Innovation initiatives’, notes additional funding for Victoria prizes, Victoria fellowships and Victorian postdoctoral research fellowships, and I note that you mentioned that briefly in your introductory comments. Minister, could you tell the committee about these initiatives?

**Ms ASHER** — This is an area where there is \$2.4 million in new funding towards these initiatives. The government provides \$600 000 to continue to award 2 Victoria prizes — they are worth \$50 000 each — and 12 Victoria fellowships, which are worth \$18 000 each per year for a further three years. This is in addition to having awarded 2 Victoria prizes and 12 fellowships annually since 2012. Our election promise was to double the number of fellowships and prizes. This is a conscious, deliberate government focus on trying to help people achieve excellence in their areas, because if we have experts with an international reputation operating here, that can only enhance Victoria’s reputation and enhance Victoria’s stature in the world.

The 2014–15 budget also provided new funding of \$1.8 million for a second round of the Victorian postdoctoral research fellowships. These were first funded in 2012–13. They are a coalition election commitment, awarding up to six early career Victorian researchers with a three-year fellowship, comprising two years overseas in a leading research institute or university, and the third year is spent employed in applying their international experience back in Victoria. This policy was devised with a view to the fact of what is commonly called the brain drain — people will go off overseas, do their work and never come back. I remember this policy discussion. On the one hand we try to offer the international experience which our researchers need, crave and want, which is perfectly understandable, but on the other hand to offer an enticement to them to come back home. I have spoken to many of the people who have been awarded these, and they are delighted to come back home to Victoria to have their international experience assist the state.

As I said, this demonstrates our commitment to excellence in innovation for our researchers. Total funding for the doubling of Victoria Prizes and Victoria Fellowships and for the new Victorian postgraduate research fellowships, from both the 2012 and 2014 budgets, is nearly \$4.7 million. As I said, it is a conscious desire to encourage excellence, to encourage the best of the best, and that is an item of new funding that I am particularly proud of in the budget. Universities have their own scholarship programs, and that is fine, but the government is indicating in terms of its support for science that we do want to encourage excellence and promote science, and this is one particular tactic that we have used.

**The CHAIR** — Thank you, Minister. That concludes the hearing for the innovation portfolio. I do not think we have any questions on notice.

**Ms ASHER** — There are two.

**The CHAIR** — My systems failed me; I am sure the committee staff have that sorted out. On that basis, Minister, as usual we will write to you with those details, but we would appreciate a response within 21 days. I thank the departmental officers for their attendance. That concludes the hearing, and we will resume very shortly with employment and trade.

**Witnesses withdrew.**