

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2014–15

Melbourne — 22 May 2014

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Witnesses

Ms L. Asher, Minister for Employment and Trade,

Mr H. Ronaldson, Secretary,

Mr J. Strilakos, Chief Finance Officer, and

Ms M. van Rooden, Deputy Secretary, Trade, Manufacturing, Aviation and Employment, Department of State Development, Business and Innovation.

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

The CHAIR — We continue the estimates hearings with hearing 38, employment and trade. I welcome the Honourable Louise Asher, Mr Ronaldson, Mr Strilakos and, from the Department of State Development, Business and Innovation, the Deputy Secretary, Trade, Manufacturing, Aviation and Employment, Ms Marion van Rooden. The minister now has an opportunity for a brief presentation of no more than 5 minutes on the budget estimates for the employment and trade portfolio.

Ms ASHER — Thank you, Mr Chairman. I wanted to draw the committee's attention to encouraging export figures that were released this week. The total value of Victorian exports for 2013 is now 36.1 billion, and this represents a 7.1 per cent increase on 2012 and marks the fourth consecutive year of growth in the value of Victorian exports, so you can see why the government is putting such effort into making sure that we maximise our opportunities from this area. The value of Victorian goods exports was 22.9 billion, or 63 per cent of total exports, and service exports made up the remaining 37 per cent of Victoria's exports, or \$13.3 billion worth.

China is our largest merchandise export market, followed by New Zealand, USA, Japan and the Republic of Korea. Our highest value merchandise exports in 2013 were passenger motor vehicles, wool, milk, meat, wheat, aluminium, education services, tourism business services, transport and telecommunications services. They are our top services exports in the same period. Nineteen per cent of all of our exports are going to China, and merchandise exports have increased by 87 per cent since 2008. I particularly want to draw the committee's attention to the UAE because, again, the government, as Howard indicated, has put huge effort into China and India but also into the Middle East and South East Asia. Exports to the UAE increased 47 per cent from 2012 to 2013, and, again, we are particularly focused on that area. Exports to our traditional trading partner Japan showed a modest increase in 2013 to their highest level since 2008.

Of course the key policy area here, or the key government action here, is our trade mission program. We have had 71 missions. Some of them have not been led by ministers; in fact the bulk of them have not been led by ministers. That outcome is now at \$4.3 billion. That is a figure provided by the companies that participated in the trade missions over a two-year period. In the last year we been able to deliver 11 outbound trade missions, including super trade missions to China, the Middle East, Turkey and India, and 10 inbound missions. As I mentioned earlier, we have expanded the Hamer scholarship program. Members would note an item in the agriculture budget called Food to Asia, which again will boost this particular program of the Department of Environment and Primary Industries.

We have a range of employment programs. The Employment Start-Up for Business, which is a program that we announced last year, is trying to put unemployed young people into the private sector to give them opportunities. Again, I would imagine that I will be asked some questions in relation to this area. The portfolio does have some unemployment programs, as you would expect, but I will not take up the time of the committee going through them now. We also deal with skilled and business migration, and we have an employment start-up program there to help employers see if skills can be sourced locally. In 2013–14 Victoria nominated 1487 highly skilled migrants to apply for a visa to migrate to Victoria, which included 263 international student graduates.

We have a number of Significant Investment programs which have arisen as a result of the significant investor program. We have got Significant Investment Desks in the VGBOs in China, the UK and Europe, and we have got one planned for Malaysia in May and India in June. Again, we are trying to leverage as much as possible from high net worth individuals under that particular program. We have a significant investment manager to coordinate all of these strategies to provide Victoria as an investment destination to clients and intermediaries. We have launched, in March 2014, the Significant Investor Services Directory to promote businesses that offer financial advice and other business support services that may assist significant investor visa applicants which benefit the Victorian economy. So I think I have complied with your request, Chair, and that is a brief overview of this particular portfolio.

The CHAIR — Thank you, Minister. We have got until 11.00 a.m. for questions, so I will kick off straight away. 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 over the forward estimates period?

Ms ASHER — The budget includes an allocation of \$3.3 million for fostering international business partnerships, and this is going to support the Victorian international engagement strategy, which is the overarching strategy that I have talked about a great deal in Parliament and at these committee hearings. We

introduced the Victorian international engagement strategy a few years ago, with \$50 million attached to it, topped it up with another \$12 million subsequently and this is yet another small top-up. Again, there is a very, very strong emphasis by the government on trying to maximise every possible opportunity for our businesses to participate in export and trade.

We are going to support Victoria participating at Expo Milano 2015 in Italy, which was an election commitment by the government. I note that previous governments have also supported various trade ventures — the previous government supported one at Shanghai — and there are obviously opportunities that can come out of this as well in a more traditional European market. We have allocated — and we have touched on this already — \$1.2 million over four years to establish the office in the Republic of Korea.

The trade mission program — if I can emphasise it again — has an overall result of \$4.3 billion, but as a result of this government's nine super trade missions, I can give an update on the figures. They have been attended by over 1800 organisations, and these organisations have projected exports of over \$3.4 billion in the 24-month period following them. That is just the super trade missions, which of course have been led by either the Premier or by me, and again I think these are very, very encouraging results.

I think we are in a position to capitalise on the FTAs that have been negotiated, or are in the process of negotiation, by the commonwealth government, and we are going to obviously pay significant attention to that. In last year's budget there is funding for the international education strategy, again to try to preserve that particularly important no. 1 export market for the state of Victoria. I have touched on in my introductory remarks the significant investor visa and the work to support that, to try to attract investors, because New South Wales has been very aggressive in this field. Again, I would also touch on the food and agriculture to Asia action plan, which was \$35 million in this budget over four years, which will directly support the trade mission program.

Mr PAKULA — Minister, I just want to ask you a little bit about youth unemployment. The youth unemployment rate is at the moment the highest on the mainland, whether you measure it by the most recent ABS figures for 15 to 19-year-olds, which has it around 20 per cent, or for 15 to 20-four-year-olds, which has it at about 14.2 per cent. I think everybody has heard that the assistance available to those who are unemployed under the age of 30 is about to be fairly drastically reduced by the commonwealth as a consequence of the budget last week. In budget paper 3, at page 230, there is a performance measure, 'Government youth employment scheme — traineeships commenced'. The target for 13–14 and the expected outcome is 450, and it is being reduced for 14–15 to 280. It says that the lower 2014–15 target reflects a shift in the prioritisation of spending for youth employment activities. I find that phrase a little ambiguous — shift in prioritisation — so I am wondering if you can clarify for the committee what that means. Does it mean a shift away from prioritising youth employment as a spending area, or does it mean that a particular program or programs have been cut or reduced in an area which is already under significant stress?

Ms ASHER — You are referring to the youth employment scheme, the YES scheme?

Mr PAKULA — Yes, on page 230 — traineeships commenced.

Ms ASHER — This is a government scheme. We have a private sector scheme, which I touched on in my introduction, the Employment Start Up for Business program. That is an important private sector scheme, which was introduced as a measure in last year's budget and gives employers I think \$1000 when they take on a young person and some additional money when the young person stays on for 16 weeks or so and is enrolled in training. But this relates to a public sector scheme.

Yes, it is true that we have made some changes to the public sector traineeship scheme. This is a trainee scheme where there is a 12-month traineeship with a government department, statutory authority or authorised agency, and a wage subsidy is paid to the government department. Indeed I had one of these trainees in my office at one stage. We have reduced the number of placements from 452 to 280 in 2014, and the funding per trainee for departments will reduce from \$4500 to \$500. However, if the trainees are in non-departmental entities, which include schools and hospitals, there will be no reduction in funding for the people being trained there.

The overarching view of this is that I would prefer departmental resources to go to support businesses to take on young unemployed people. That is a philosophical view of mine, if you like. Again I think we had this discussion over some programs that had terminated which were getting people ready for businesses rather than

actually providing them with direct employment. The government has made a call. I am aware of the youth unemployment figures in both of the categories that Mr Pakula mentioned. I can say that it is higher here and lower there, but let us just say that you can have a debate about full-time students and them not being in the figures, but everyone would like to see youth unemployment figures lowered. We have made adjustments to the public sector traineeship scheme, but we introduced last year a private sector traineeship scheme which encourages employers by offering them subsidies to take on young people.

Mr PAKULA — Just a follow-up, Minister: can you ballpark for the committee the savings that you will make as a consequence of the reduction of 170 places plus the reduction I think you said from \$4500 to \$500 for those who are left?

Ms ASHER — Sorry, I have a raft of figures in front me. I will get back to you on that. I have some cumulative figures that will just confuse the issue further. I will get back to you with the precise figure of what that saving is from changing that structure. But bear in mind, as I said, 60 per cent of the trainees in recent years were in schools and hospitals, and that amount of \$4500 will remain the same. The bulk of the trainees will still have the same subsidy, but there will be that adjustment downwards, and I will get you the figure for what that actually means.

Mr ONDARCHIE — Minister, I want to refer you to budget paper 3, page 48, and the output initiatives area that talks about fostering international business partnerships, and specifically I want to talk about Expo Milano 2015 in Italy. I should have started with 'Buongiorno', I suppose. Minister, on your behalf I was honoured to make the announcement with the president of the Italian chamber of commerce, Tony De Domenico, that we are going to participate in Expo Milano 2015. I am wondering if you could take this opportunity to explain to the committee what the details are of this initiative.

Ms ASHER — The funding is in part going to go to help Victoria participate at Expo Milano 2015, and \$1.25 million of the \$3.3 million is going to be allocated and the remainder of that funding will go to the international partnership fund. As I said, the participation in Milan was an election promise, and planning is now under way. We hope this will allow our companies to feed into the Expo Milano theme, which is going to be 'Feeding the Planet, Energy for Life'. We think there are some significant opportunities for Victorian agribusiness, environmental and urban development companies to participate.

Again I will make the comment that the previous government put in \$6 million for the Shanghai World Expo 2010, and John Brumby at the time claimed that project was going to generate exports of more than \$250 million over the next five years. Also one of the areas designated is urban planning. I think there has been a consistent theme from various governments about supporting these trade events, which is why I was a bit flabbergasted when the member for Yan Yean sought to itemise this as something trivial, because it is in fact in complete contrast with the way her party acted in government. I do believe John Brumby made the right call in supporting these international events.

The other funding will go to the international partnership fund. What that fund will do is look at ways in which the government can support organisations and activities that will enhance our international engagement. An example of that, which I can give the committee, is that, as members will probably be aware, the department funds, along with the University of Melbourne, the Australia India Institute. That funding will conclude on 30 June 2015, and we need to look in advance of that date at what opportunities there are to further the international partnership fund or if there are other organisations that will actively support the government's trade mission program, the government's trade ventures, inward trade missions, all of that — organisations that will actually foster good relations with communities with which we wish to do business. That funding is yet to be decided in terms of the international partnership fund, but we are going to look at some opportunities in that area as well.

Again, previously we as a government put funding into the Yeosu trade mission to Korea; 51 companies participated in that. The results were immediate sales of 70 000, anticipated export sales of \$13.7 million in the first year after that particular trade event and anticipated export sales of \$26.9 million in months 13 to 24. I think the previous government did well with the Shanghai trade exhibition, we did well with the Korean one and we are expecting, if I can go back to the start of the question, to get some good outcomes from the Milan trade fair as well.

Mr SCOTT — Minister, on budget paper 2, page 13, there is table 2.1. That shows that the government is anticipating 0.75 per cent employment growth over the 2013–14 financial year. The previous Treasurer, the member for Scoresby, has identified that in the house as a measure of the government’s employment target. According to ABS labour force statistics — the extract I have got is from Labour Force, Australia statistics, release 6202.0 — up to April 2014 Victoria has suffered, on the most generous of the various measures of trends, seasonally adjusted and original, negative employment growth of 0.44 per cent. The others are worse, but I will just use the most generous so we do not get into an argument about what dataset we are using.

On the estimate that I have of jobs, there would have to be over 30 000 jobs created in the last two months of the financial year in order to meet that forecast. I would like to know, as the employment minister, what are you doing to ensure this happens?

Ms ASHER — You have taken a very broad interpretation of what a state employment minister does. The employment portfolio at a state level obviously looks at some programs to assist in employment, and clearly the commonwealth has a primary role, but I am very happy to make a couple of comments in relation to broad employment in the state of Victoria overall.

Since we have been elected to government there have been 54 800 jobs created in Victoria, since December 2010, and many of the issues that we have been discussing in this particular hearing have indicated what ministers in this portfolio are trying to do. In terms of me, what we are trying to do is to see where we can support employment growth through encouraging export opportunities. That is one particular way in which we are doing it. I am also trying to encourage employment growth through making sure that our tourism campaigns both internationally and domestically are topped up in funding, as they were topped up beyond the lapsing funds, but we will get to that in the next half-hour section.

We have facilitated a range of projects, and again I indicated earlier that so far the financial year the Victorian government is on track to achieve its investment targets. We have facilitated more than 140 investment projects valued at more than \$1.7 billion, and they are expected to create more than 3900 new jobs. One of the features of this department is that we facilitate investment to come to Victoria to create jobs.

But in terms of your broad question, this budget has an outstanding capital works program, which you oppose. We have road projects, and we have rail projects. All of this is record capital works, which again will all create jobs, and I am sure the Treasurer would have discussed the number of jobs from each project. We have a school building program which has significant jobs. You have not only got the construction jobs of something like the east–west link, which you oppose, but you have got the productivity benefits, if you like, to flow afterwards.

So the government has the whole-of-government approach to how it is going to extend its budget to create jobs in the state of Victoria, and I would have thought this budget in terms of its capacity to generate employment through a very extensive and ambitious capital works program would have been a very good indicator to you of where the government is going in terms of employment. As I said, for my own part, in my own portfolio there is a heavy emphasis on trade. We have looked at support programs for young people who are unemployed with an emphasis on the private sector. Also, as I said, in the tourism portfolio — and we will come to that story in a moment — we are anticipating significant jobs growth, over time, in that particular area.

Mr SCOTT — I will just ask very quickly: I noted the use of the phrase ‘over time’. Will the minister give an assurance to the committee that the government is on track to meet its forecast by the end of this financial year.

Ms ASHER — Which forecast?

Mr SCOTT — The forecast of employment.

Ms ASHER — You want me to give an assurance that all of Treasury’s projections are correct and the private sector will respond in the way that we are expecting it to respond?

Mr SCOTT — You are behind now.

Ms ASHER — I think that is a very naive question from someone who I do not regard as naive.

The CHAIR — That concludes the hearing for the employment and trade portfolio. There is one question on notice about which we will write to you with the usual way, and we would appreciate a response within 21 days. I thank Ms van Rooden for her attendance today. That concludes the hearing.

Witnesses withdrew.