

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

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

Melbourne – Tuesday 6 June 2023

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Paul Hamer

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Ellen Sandell



**WITNESSES**

Mr Ben Carroll MP, Minister for Manufacturing Sovereignty,

Mr Tim Ada, Secretary, and

Mr David Latina, Deputy Secretary, 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.

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

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

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

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

I welcome the Minister for Manufacturing Sovereignty the Honourable Ben Carroll and officers from the Department of Jobs, Skills, Industry and Regions. Minister, I invite you to make a 5-minute opening statement and presentation, and this will be followed by questions from the committee. Your time starts now.

**Visual presentation.**

**Ben CARROLL:** Thank you, Chair, and committee members. Despite global economic headwinds Victoria's manufacturing industry continues to invest, innovate and create highly skilled jobs. Our manufacturing sector is a crucial part of our economy, accounting for some \$33 billion of gross value added manufacturing and nearly \$23 billion in exports and employing some 257,000 people across 24,000 businesses. Manufacturing is an important driver of innovation, and it has experienced a rapid shift towards skilled jobs. Our Victorian government is committed to supporting a resilient and sovereign manufacturing industry ready to capture emerging opportunities.

In October 2022 the government launched the *Made in Victoria 2030: Manufacturing Statement*. This laid out our vision for a vibrant and sustainable manufacturing industry. The statement focuses on key sectors, including food manufacturing; health technologies; zero- and low-emissions technologies; the defence, aerospace and space industry; as well as digital and advanced technologies.

The 2023–24 state budget initiatives align with priorities set out in the statement. Our approach focuses on workplace skills, adoption of new technologies, access to government procurement, targeted investment, vibrant industry precincts and strengthening connections between industry and innovation systems, particularly the world-leading universities across our state.

Next slide, please. The Victorian government has supported major sovereign manufacturing investments and helped local manufacturers to invest in new technology, build supply chain capability and create high-value jobs.

In health technologies we are onshoring, as many members would be aware, the mRNA manufacturing research and development facility, Moderna. Moderna's head office will be down at Monash University. Through our partnership with Moderna this will support the production of 100 million mRNA vaccine doses in Victoria each year from 2024 as well as create many high-skilled jobs in the industry.

In defence-related manufacturing we are well placed to participate in the once-in-a-generation investment in Australia's defence industry capability. Korean defence manufacturer Hanwha Defense Australia was awarded the Australian government's \$1 billion Land 8116 contract to manufacture and maintain self-propelled howitzers and support systems and grow jobs in the Geelong region, particularly at Avalon Airport.

This slide talks about our programs that we are working with in the department. I just want to spend a little bit of time on this. The 2021 state budget invested \$60 million in a Manufacturing and Industry Development Fund, the \$4 million Industry Recovery and Growth Fund and the \$20 million Australian Medtech Manufacturing Centre. These initiatives combined generate some 3200 new jobs and an over \$1 billion investment throughout our state. These projects and these programs have certainly advanced Victoria's manufacturing sector, whether it be in electrical vehicle components, additive manufacturing, medical devices or strengthening our food security in exports as well as developing a local robotics industry. We are very proud of our *Made in Victoria 2030: Manufacturing Statement*, and I am looking forward to making more announcements in relation to growing the manufacturing sector in Victoria.

Our low-carbon manufacturing grants program will see \$1.4 million in funding, with grants of between \$50,000 and \$250,000 to help small and medium-sized enterprises get new skills and get new equipment and make them able to transition to be a low-carbon-type manufacturer.

We are really pleased also with some of the key initiatives that we have seen in this current state budget: \$21.2 million for Made in Victoria, supporting the growth of Victoria's manufacturing sector; setting up the Manufacturing and Industry Sovereignty Fund, which will support the development and expansion and retention of strategic manufacturing in our state; working very closely with the National Reconstruction Fund that the Commonwealth have announced; \$12.30 million for our mRNA industry; and \$4 million to support Victoria's defence industry as well. As I said earlier, Chair, the \$15 million for Made in Victoria is really important, as Mr Latina highlighted before, working with research and development and our world-class universities. How can we get small and medium-sized enterprises to work with our universities and perhaps make an application not only to the Victorian government but the Commonwealth government as well through their National Reconstruction Fund? So we are very pleased. These add up to some \$37.5 million of direct support for Victorian manufacturers plus \$15 million in the research and development fund to create more high-value jobs and really ensure that the manufacturing sector, which has a long, proud history in Victoria, continues to grow and continues to innovate. That is the end of my presentation, Chair.

**The CHAIR:** Thank you, Minister. The next 8 minutes go to Mr O'Brien. Your time starts now.

**Danny O'BRIEN:** Thank you, Chair. Good morning, all. Secretary, can I begin by asking how much government funding has been provided to Moderna to set up its manufacturing facility in total?

**Tim ADA:** Mr O'Brien, like Mr Latina said before, there is a long-established practice of those matters being commercial in confidence – at risk of jeopardising the state's position with regard to other jurisdictions that would have been seeking to attract that facility.

**Danny O'BRIEN:** So just on that – and I have had this fight for a long time with this department in particular; I was hoping that with Mr Phemister moving on maybe we would get a new approach – the Energy Innovation Fund announced \$40 million for offshore wind farms. It announced specifically \$19.5 million for Star of the South; \$16.1 million to Macquarie, one of the biggest investment companies in the country; and \$2.3 million to Flotation Energy. Why can that be announced, but this funding is secret to Victorian taxpayers?

**Tim ADA:** Just in answering the question in the previous hearing, there are a number of grants such as those made by Breakthrough Victoria that are announced specifically, which I shared some examples of before. There are other grant program outcomes that are released in the department's annual report. There are a relatively small number of commercial-in-confidence agreements that are made with footloose global companies, and that, as I said before, Mr O'Brien, is long-established practice.

**Danny O'BRIEN:** The offshore wind industry is a global industry. There is global interest in developments there, and yet we can tell the world how much they are getting. I do not want to waste any more time on it, Mr Secretary, but it is taxpayers money. Yes, I understand commercial in confidence, but why does it apply to one and not to others? Can you tell me then how much the government is investing in partnership with BioNTech?

**Tim ADA:** David, did you want to answer? BioNTech, the partnership agreement –

**David LATINA:** Well, the government has not made a final commitment in relation to BioNTech. There was an announcement in I think October 2022 in terms of a letter of intent. The discussions are going well and they are continuing, but there is no final commitment by government in relation to support for BioNTech.

**Danny O'BRIEN:** Okay. When do you expect that arrangement to be finalised?

**David LATINA:** I do not want to pre-empt those announcements, but clearly they have been continuing and they are very positive. Again it is another case where Victoria is making a commitment in terms of mRNA capability building, but there is no final deadline for it to finalise those discussions and negotiations.

**Danny O'BRIEN:** Okay. Secretary, can the partnership agreement between the government and Moderna be provided to the committee?

**Tim ADA:** Can I take that on notice with a view to consulting, Mr O'Brien?

**Bev McARTHUR:** Yes or no. Can it be provided?

**Tim ADA:** Let me take that on notice, if that is okay, to consult with the minister.

**Danny O'BRIEN:** The question is: is it going to be available publicly?

**Ben CARROLL:** That partnership, Mr O'Brien, involves many overseas partners, many strategic partners. It is at Monash University. We also have an industry and skills component of it. But as Mr Ada said, we will take that on notice. You would also appreciate there is an established chair, CEO, of that organisation. But we will take that on notice and get back to you.

**David LATINA:** And there is the Commonwealth government as well, which is a party to the Moderna overall arrangements.

**Danny O'BRIEN:** Okay. Secretary, the budget papers also say these partnerships will, quote, 'grow Victoria's export potential'. Do these partnerships require the companies to provide a financial return for the investments the Victorian government makes with them, and if so, how much does the government expect to receive in the forward estimates?

**Tim ADA:** I might ask Mr Latina to talk to that question.

**David LATINA:** Sorry, in relation to specific investment were you saying –

**Danny O'BRIEN:** Moderna obviously is the one that is finalised. The other one, if it goes ahead.

**David LATINA:** With the Moderna investment one of the key outcomes we want to see is to build up the capability around our local industry capability. As part of that, there is a key element there, for instance, in relation to clinical trials and so on. We would expect that there would be significant support.

**Danny O'BRIEN:** Sorry, Mr Latina, the specific question, though, is: given the government makes an investment, does the government get a return?

**David LATINA:** Is the government getting a financial return as a result of it? The return in terms of Moderna is specifically around the investment and growth in the sector and the improvement in the economy. The Victorian government is not an equity stakeholder in Moderna.

**Danny O'BRIEN:** Okay, so there is no financial return on those investments directly to the taxpayer.

**David LATINA:** Not directly to the taxpayer, it is to the broader industry and community benefit.

**Danny O'BRIEN:** Okay. Secretary, again, the new budget provides another \$12.3 million for mRNA Victoria. Will or can any of that money be paid to Moderna and/or BioNTech, and if so, how much?

**Tim ADA:** My understanding, Mr O'Brien, is that the new money in the budget is to support other ecosystem development functions and to support, beyond Moderna, the development of the mRNA industry in Victoria.

**Danny O'BRIEN:** Okay. In the budget papers, page 73, it refers to operations of mRNA Victoria, but I note that both your answer and the minister's presentation talk about development of the ecosystem. Are there grants available, or is it simply for operations of mRNA Victoria?

**Tim ADA:** Mr Latina, did you want to add to that?

**David LATINA:** Yes. One of the activities of mRNA Victoria over the last couple of years has been investment in the mRNA Victoria Research Acceleration Fund.

**Danny O'BRIEN:** I understand that, Mr Latina. The question is: are there any grants left? Is there any money left for grants in the \$12.3 million?

**David LATINA:** There will be some funding, as part of the \$12 million, to be allocated towards some industry development funding grants and the continuation of that fund.

**Danny O'BRIEN:** Okay. Can I ask, of the manufacturing facilities referred to – obviously Moderna is the first one – when are they likely to commence operations?

**David LATINA:** My understanding with Moderna is that it is estimated towards the end of 2024.

**Danny O'BRIEN:** Okay. Are there any others that have already been funded that will actually be manufacturing?

**David LATINA:** There have been some facilities that have been supported as part of the funding that is provided, but they are some smaller ones. The most significant one would be Moderna.

**Danny O'BRIEN:** Okay. You made an announcement on 27 April about a partnership with Afrigen Biologics. Again, has there been any funding confirmed for that as yet?

**David LATINA:** Sorry, I missed the name of the company.

**Danny O'BRIEN:** Afrigen Biologics.

**David LATINA:** I am not aware of the details of that agreement. I am happy to take that on notice.

**Danny O'BRIEN:** Okay. If you could, that would be great. Secretary, there is \$4 million in funding for Victoria's defence industry, but it is only for two years. Who will receive this funding, and is there any budget allocation specifically to secure opportunities under the AUKUS submarine deal?

**Tim ADA:** The \$4 million in the budget is to support Victoria's defence and space industry and supply chains to secure those major defence contracts through advocacy, advisory and capability development. That goes to the support of the defence industry council, which plays an important connection and advisory and network development role and supports the Defence Science Institute, which is a collection of R and D organisations in Victoria, as well as broader opportunities to connect Victorian supply chain businesses with some of those big Commonwealth procurements, including submarines.

**Danny O'BRIEN:** Is there anything specifically for AUKUS?

**Tim ADA:** Mr Latina, is anything specific?

**The CHAIR:** Apologies –

**Danny O'BRIEN:** You might answer that when you are answering someone else, Mr Latina.

**David LATINA:** It has got to be a strong focus.

**The CHAIR:** Your time has expired. Mr Hamer has the next 11 minutes.

**Paul HAMER:** Thank you, Chair. Thank you, Minister, and thank you, officials. I would like to continue along the pathway of the defence investment. I am just wondering, Minister, if you could give the committee an overview of the support and the benefits that that is going to provide to the national defence investment.

**Ben CARROLL:** Certainly, Mr Hamer. Thank you. Prime Minister Anthony Albanese described the defence industry as almost the new auto sector. There is no doubt that when you travel around our state and you meet with defence companies, whether it be Hanwha down at Avalon right through our south-east suburbs and regional Victoria, so many of the defence workers were trained up as engineers in the auto sector. We really wanted our work to expand that manufacturing and innovation. As Mr Ada identified, \$4 million has been inserted into this budget to really support our defence sector. It is already made up of more than 6000 businesses right across the state. As Mr O'Brien identified, there has been the AUKUS announcement, but even more than that the Commonwealth have just recently come out with the defence strategic review. I talk to the Commonwealth government regularly. We have got major, prime businesses here in Victoria, whether it be Boeing, BAE, Hanwha or Lockheed Martin. There is an enormous amount of opportunity. And it is not just guided missiles – I noticed Ukraine and our Bushmasters and our defence vehicle manufacturing is getting a good plug in the papers today – but it is looking at autonomous technology innovation that really does support the innovation that is behind the modern defence manufacturing.

We think defence is a key industry. We have identified it as a key industry for jobs, working with our university sector. It goes without saying too – many members would be aware of the Avalon air show. That is the largest show of its kind in the Southern Hemisphere. In 2024, though, Victoria will also host the Land Forces International Land Defence Exposition at the Melbourne convention centre. Again, this will be the largest defence conference in the Asia-Pacific. Land forces, the Avalon air show, the more than 6000 defence businesses and 24,000 jobs – there is a lot to do in this sector, and we cannot rest on our laurels.

**Paul HAMER:** Thank you, Minister. You mentioned the 6000 businesses in this sector, and I was wondering if you could just elaborate on what the government is doing to support supply chains too for that defence procurement.

**Ben CARROLL:** Yes, certainly. Thanks, Mr Hamer. So you have got the big primes like Hanwha, Lockheed Martin, Boeing and BAE. They are in many respects household names. But it is so important what goes in and where they do their contracting. Other sort of family-grown companies like Marand engineering and BAE Systems are really ensuring that all the capability we have with our big primes is really coming through our social procurement and our industry participation policy, right to the bottom end. That is also working hand in glove with our universities and our TAFE sector, doing everything we can to grow the industry, because we know in the 21st century defence, safety, autonomous vehicles and virtual engineering are really growth sectors that we can be part of.

It is well and truly more technology intensive, skills intensive and innovative than ever before. That is why we have also a defence industry workforce development plan – \$2.6 million was provided over four years in the 2022–23 budget. We want to make sure we have got all the capabilities, that our SMEs are working with the Industry Capability Network and that we are really grabbing all the opportunities with land forces and the Avalon air show as well. There is lots of opportunity here, but it really is important to ensure that we also work at the Commonwealth level, because obviously they are changing policy settings through their defence strategic review, and I will continue then to work with Minister Ed Husic, who oversees the national reconstruction fund. What can we do through Breakthrough Victoria, trade and investment to really ensure that this sector continues to thrive?

**Paul HAMER:** Thanks, Minister. And you mentioned partnerships with TAFE and universities. I was just wondering if you could elaborate on how the government is supporting the future defence industry through skills and research investment.

**Ben CARROLL:** Yes, certainly. Thanks, Mr Hamer. We have a defence industry advocate that works with different supply chains, works with our universities and our schools, and we also have the defence industry workforce development plan, because more and more now it is becoming digitised. That is why programs like our digital jobs program and the work that Minister Tierney is doing through free TAFE and in the skills area are vitally important. One of the benefits of the skills area coming into the department of jobs and industry has been that really collaborative effort between jobs, skills and enrolments and how we can really have that sort of

global picture and holistic view. But it is really important to support the SMEs in particular, making sure that they get access to the skills they need and the TAFE courses they need. That is why we are continuing to invest in the Defence Science Institute, which is the joint venture between the Victorian government, the Defence Science and Technology Group and the University of Melbourne. Obviously Fishermans Bend is a key component here, Mr Hamer. You have got the University of Melbourne engineering school down at Fishermans Bend, and you have got big major companies like Boeing and BAE combined with the university engineering school. Add to that the Commonwealth government's Defence Science and Technology Group located down there and you basically get the ecosystem growing. And we can do a lot more. That is why it is so important that we line up skills, industry, investment and some of our precinct work as well to really try and create a cluster of innovation.

**Paul HAMER:** Thank you, Minister. You were, just at the conclusion of Mr O'Brien's questions, about to talk about the impact on AUKUS and the defence strategic review, and I was wondering if you could just elaborate on that and how that the investment will benefit Victorian businesses.

**Ben CARROLL:** AUKUS – when it comes to Victoria we have world-class engineers, world-class scientists and our research innovation capability and our manufacturing. We are very much regarded as the manufacturing state in Australia, whether it is the Bushmasters coming out of Bendigo or whether it is the work of Marand engineering, the satellite work or the missile work or supporting the endeavours over in the Ukraine as well. We do have a very good supply chain and are well placed to participate in the Collins submarine program with Thales and BAE systems providing support. We are also very much well placed, given our track record in manufacturing and industry support and development, to really contribute to the different procurements that will come through the system through the defence strategic review and AUKUS. There has obviously been more of an emphasis on guided weapons, land transportation and autonomous platforms as well. So we have the skilled workforce, we have got the healthy defence supply chains, we have the programs we run here in Victoria collaborating with the National Reconstruction Fund, obviously Minister Ed Husic has a passion for manufacturing and the Deputy Prime Minister happens to be a Victorian who is also the defence minister, so there is a lot of opportunity here for Victoria to support really good endeavours in the defence industry.

**Paul HAMER:** Thank you, Minister. Can I return to the topic of the mRNA industry support. I am just hoping that you could outline for the committee what the government's total investment has been to the onshore mRNA industry and what difference that is making in Victoria.

**Ben CARROLL:** Look, mRNA is a game changer. We saw this coming through the pandemic, and it is probably just about one of the most important things that we as a government and that I will do in the manufacturing sovereignty portfolio. COVID-19 showed that we must be able to manufacture and innovate and make our own vaccines here. We have obviously got a major world player in CSL, but we also want more CSLs here in Victoria, and that is why mRNA Moderna at Monash is really important. We are talking about potentially manufacturing some 100 million vaccines per annum. When you think about where Melbourne, Victoria, is in the Asia-Pacific and some of our neighbouring nations that need all the help and support they can get, this is a real opportunity, and it is why, whether it is Moderna or BioNTech, they are looking to Melbourne, Victoria, as essentially their head office, their Asia-Pacific partner. mRNA technology is forecast to be worth up to \$188 billion per annum by 2030. We have funded \$25.7 million for the next generation of mRNA research and development. This will support some 42 mRNA medical research projects, not only in the vaccine but we are also looking at different cancers and liver disease as well as Alzheimer's.

**The CHAIR:** Apologies, Minister, for interrupting you. The time has expired. I am going to hand over to Ms Sandell for the next 3 minutes. Your time starts now.

**Ellen SANDELL:** Thank you. I also would like to ask about defence manufacturing. You mentioned that Melbourne is hosting the land forces expo in 2024 and every two years after that. You are predicting delegations from 30 countries around the world will attend the defence expo. Are you aware whether any of these delegations will be from nations whose defence forces have a known record of human rights abuses or poor record of human rights?

**David LATINA:** Will be what, sorry? I missed that last bit: 'will the delegations be –'



**Ellen SANDELL:** Will any of the delegations be from nations whose defence forces have a known history of human rights abuses or poor human rights records?

**David LATINA:** I do not think that the delegations have been finalised yet for the event in 2024.

**Ellen SANDELL:** Okay.

**Ben CARROLL:** The other state it was in, David, before it was –

**David LATINA:** In Queensland.

**Ben CARROLL:** In Queensland. Ms Sandell, we are happy to take that on notice and talk to Queensland and see if they had any of these issues arise. But it was quite competitive to get this, and we do think it will be a really important conference here for Melbourne, Victoria.

**Ellen SANDELL:** Thank you. How does the Victorian government weigh up human rights issues when awarding funding for the defence manufacturing industry? Is that factoring into your thinking?

**Ben CARROLL:** It does factor into our thinking, and I have got to say, I am quite proud when I think about the non-legal war that is happening in Ukraine when I sit down and talk with the likes of BAE. There are many Victorians that have gone over there to support. We are doing world-class industry to really support the Ukraine effort, and there is a lot of good that comes in this area. We are very committed to working with the Commonwealth government. Obviously under the constitution they are in charge of defence, but when it comes to an industry perspective and when it comes to innovation, obviously they look to Melbourne, Victoria, given our skills, our university sector and our ready-made workforce. In any contract, whether it is defence, whether it is health or whether it is transport, we certainly do our due diligence. That is one of the reasons we have so many different policies, whether it is Local Jobs First, the fair jobs code or the social procurement framework, because we do want the businesses that we engage with and give contracts to and give funding to to be good corporate citizens.

**Ellen SANDELL:** I guess the defence industry is a particular type of industry and there is the potential for human rights abuses and issues regarding that – whether that factors in –

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

That is the end of questions for this session. Minister and officials, thank you very much for appearing before the committee today. The committee will follow up on any questions taken on notice in writing, and responses are required within five working business days of the committee's request.

The committee is now going to take a short break before beginning its consideration of the employment portfolio at 9:50 am.

I declare this hearing adjourned.

**Witnesses withdrew.**

