

# VERIFIED VERSION

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into Budget Estimates 2015–16

Melbourne — 22 May 2015

#### Members

Mr Danny Pearson — Chair

Ms Sue Pennicuik

Mr David Morris — Deputy Chair

Ms Harriet Shing

Dr Rachel Carling-Jenkins

Mr Tim Smith

Mr Steve Dimopoulos

Ms Vicki Ward

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#### Witnesses

Ms Lily D'Ambrosio, Minister for Industry,

Mr Richard Bolt, Secretary,

Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services Group,

Mr Justin Hanney, Lead Deputy Secretary, Economic Development, Employment and Innovation Group, and

Mr Jay Meek, Acting Deputy Secretary, Business Engagement, Economic Development, Employment and Innovation Group, Department of Economic Development, Jobs, Transport and Resources.

**The CHAIR** — I declare open the public hearings for the Public Accounts and Estimates Committee inquiry into the 2015–16 budget estimates. All mobile telephones should now be turned to silent.

I would like to welcome to the hearing today the Minister for Industry, the Honourable Lily D' Ambrosio, MP; Mr Richard Bolt, Secretary of the Department of Economic Development, Jobs, Transport and Resources; Ms Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services Group; Mr Justin Hanney, Lead Deputy Secretary, Economic Development, Employment and Innovation Group; Mr Jay Meek, Acting Deputy Secretary, Business Engagement, Economic Development, Employment and Innovation Group.

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, including on social media, are not afforded such privilege. The committee does not require witnesses to be sworn, but questions must be answered fully, accurately and truthfully. Witnesses 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 verification as soon as available. Verified transcripts, PowerPoint presentations and handouts will be placed on the committee's website as soon as possible.

Departmental officers may approach the table during the hearing to provide information to the witnesses if requested, by leave of myself. However, written communication to witnesses can only be provided via officers of the PAEC secretariat. Members of the public gallery cannot participate in the committee's proceedings in any way.

Members of the media are to observe the following guidelines: cameras must remain focused only on the persons speaking; operators must not pan the public gallery, the committee or witnesses; and filming and recording must cease immediately at the completion of the hearing.

I now invite the witness to make a very brief opening statement of no more than 5 minutes. This will be followed by questions from the committee.

**Ms D'AMBROSIO** — Thanks very much. Can I just say from the outset I have lost my glasses quite literally, so if I struggle a little bit, and I struggled a little bit earlier. No, that is fine. Just so that you are aware why I might be a little bit slow.

**Mr D. O'BRIEN** — You can borrow my pair if that would help. I have got a spare pair if you would like.

**Mr DIMOPOULOS** — That is a good tactic, Minister, for the other side not to have a go at you.

**Mr D. O'BRIEN** — That is a good tactic. Be soft on her.

**Ms D'AMBROSIO** — I am on the Hansard; it is true.

**Ms SHING** — Quick. Somebody tweet about that as a conspiracy.

**Mr D. O'BRIEN** — Good guys on this side, bad guys on the left, so you know.

**Ms SHING** — It just all depends on which way you are facing, Minister.

**Mr T. SMITH** — The bad guys are all over on the left, honey. The bad guys are all over on the left.

**Ms WARD** — I note, Mr O'Brien, you did not offer your glasses.

### **Visual presentation.**

**Ms D'AMBROSIO** — Thank you very much for the opportunity. If I may perhaps just give a bit of a sense about what the realities are in terms of the Victorian economy and what that means in terms of challenges, but also opportunities and the way that our government, and in particular as it relates to my portfolio, how we understand those challenges, how we understand the opportunities and what role we as a government believe we can play to ensure that Victoria is well placed, or is better placed, to mitigate against the challenges but also

take full advantage of all of the opportunities that we believe are available to us so that we can quite effectively say with confidence that the future in terms of industry in Victoria and its contribution to the broader economic outlook is quite strong.

But we do not want to rest on the fact that these things will simply look after themselves, because the fact is they do not look after themselves, and there is an important role for government to work in partnership with businesses in particular to ensure that we can meet the challenges and we can take advantage of every opportunity so that we can ensure that the economic underpinnings of our economy are strong. They will look different to what was in the past, but they will, nevertheless, be strong, and they will provide the skilled jobs that we need today, tomorrow and well into the future.

Perhaps as a way of demonstration, the chart that is in front of us shows that Victoria's certainly is a transitioning economy, and no-one doubts that. The graph looks back at what has occurred over the last five years in Victoria — the change in employment in this state. We can see that there has been structural change in our economy. Jobs in some sectors have grown significantly, but in other sectors they are facing very challenging times. We have seen a litany, if you like, of job loss announcements and closures of businesses in those five years.

I am focused on maximising job creation in sectors that have high growth potential. That is why the Future Industries Fund, amongst other initiatives, is so important. That graph really just highlights where the challenges are but also where the opportunities lie for us.

We do not want to lose confidence in our state. We owe it to the community, we owe it to businesses and we owe it to ourselves as a society to understand that working together and identifying and agreeing on where we should put our collective effort will ensure that Victoria is able to be strengthened and that we can maintain and grow the standard of living and the expectations of our community and businesses.

In my portfolio I am very much focused on assisting the sectors that are transitioning. That is why a key focus for me has been working with those sectors, such as the automotive sector of course, to look at opportunities to assist. I am happy to go into some of that detail as we go through.

**The CHAIR** — I am conscious of time, Minister. We started late, so I might get you to quickly proceed.

**Ms D'AMBROSIO** — Yes. The next slide will show you what the budget presents for us and the commitments of this government to deliver on every election commitment that we made in the area of growing jobs and growing businesses.

We have of course in the budget the \$200 million Future Industries Fund, and that includes a New Energy Jobs Fund; more than \$500 million for the Premier's jobs and investment fund, and that includes start-up initiatives; and \$500 million in the Regional Jobs and Infrastructure Fund. As a government, quite proudly, on top of all of those significant investment funds, we have also committed additional money to Melbourne's North Innovation and Investment Fund of \$10.5 million and \$7.5 million for the Geelong Region Innovation and Investment Fund. Both of those initiatives, may I say, have been warmly welcomed by those communities. I have visited those communities in recent weeks to discuss some difficult issues in terms of the transition from automotive as a main supplier of employment to other possibilities, so these funds are welcome.

There is also \$5 million for the Geelong defence procurement office and \$2 million for Ethical Clothing Australia.

If we can move to the next slide — and I am mindful of the time limit — in terms of our achievements thus far, in the automotive industry and supply chain we have continued to advocate to the federal government to do more in automotive industry transition and the supply chain. We have made a submission to the Senate inquiry — an interim report followed up by a final submission — on behalf of the automotive industry and the supply chain on the impact that the industry close-down would have on us and the need for the federal government to do more in this space.

In infrastructure investment there is the Victorian industry participation policy, with increased use of Australian locally milled steel — 100 per cent of that in our level crossings; a rolling stock strategy, a long-term one, which will help with long-term investment in that; plus many others that are designed to boost investment and

grow opportunities for business growth, development and the jobs in this state. I am looking at you, Chair, because I know you are probably going to jump on me soon.

**The CHAIR** — Maybe if you could just skip to that very last slide and we can leave it up there on the screen and people can look at that while I ask you a question and you answer that question. How does that sound as an idea?

**Ms D'AMBROSIO** — Yes, that is a good idea. Thank you.

**The CHAIR** — Thank you, Minister. In the context of your role as Minister for Industry, can you advise the committee how this budget acquires Labor's financial statements please?

**Ms D'AMBROSIO** — Thanks very much for that question. Can I just say that we went to the election with a very solid plan, and this budget delivers on that plan. The plan was to ensure that we can get Victorians back to work and grow the jobs and grow the industries that can provide the jobs for people who need to get back to work. Our budget certainly is very sustainable. It will deliver a \$1.2 billion surplus, reduce our state's net debt to 4.4 per cent of GSP by June 2019 and preserve our AAA credit rating.

The highlights of the budget — if I may focus on that as they relate to my portfolio, because they do intersect — are the \$500 million Premier's jobs and investment fund and 200 million for the Future Industries Fund, which includes \$20 million for the New Energy Jobs Fund. Other measures are 500 million for the Regional Jobs and Infrastructure Fund, \$18 million — that is the 10.5 and the 7.5 million — for the Geelong and Melbourne innovation and investment funds, \$5 million for the defence procurement office in Geelong and \$3 million for the Geelong manufacturing hub at Deakin University.

All of these tell a very strong narrative of what this government's agenda, goals and objectives are, which are to sustain businesses, advocate strongly where we need to at the federal government level for procurement opportunities for Victorian businesses, and the defence industry is a critical case in point, but also ensure that we are able to deliver the skills for the jobs of tomorrow. So we are committed to working through and navigating what the future industries will be that will underpin Victoria's economy into the future, because we want to make sure that we sustain industry, that we sustain manufacturing and that we go to an advanced manufacturing state and with that deliver high-skill jobs that will ensure that our community and all of the stakeholders in it are able to enjoy the quality of living that we have been able to enjoy thus far well into the future.

**Mr MORRIS** — Good morning, Minister. I am sorry I was unable to be here for part of your earlier presentation. With regard to this portfolio, can I refer you to budget paper 3, page 123, and in particular the industry and enterprise innovation output which, as the budget papers indicate, has been cut by 13.8 per cent in this budget. Can you tell the committee why that decision was taken?

**Ms D'AMBROSIO** — Sure. Thank you, and I am sorry for the delay; I was focusing my eyes. Thank you for that. I am happy to deal with this question. What is important, I think, to note is that when you have a look at the budget papers and the line that you referred to, the government has prioritised creating jobs, restoring services and investing in infrastructure, and these priorities were presented to the Victorian people at the last election.

We believe that the funds that we have made available reflect clearly on being able to deliver on every one of our election commitments in a way that is sustainable, as is outlined in *Labor's Financial Statement*. The budget delivers on those commitments, reforming the approach to economic development, job creation and industry policy, with the government making full provision for it. Funds related to the industry and enterprise innovation output focus on the delivery of all of the key election commitments that we made and that were identified in *Labor's Financial Statement* leading up to the election, and they are the Future Industries Fund, which is \$180 million over the four years, plus \$20 million for the New Energy Jobs Fund. That will support the transition of the Victorian economy through targeted services to grow Victoria.

Also contained there is the Start Up initiative, which is in the domain of my ministerial colleague Minister Somyurek, and that is \$60 million over four years, which is part of the industry and enterprise innovation output. That, as I said, is administered by the Minister for Small Business, Innovation and Trade. That will provide support and assistance to foster the creation of start-up enterprises, enhance Victoria's entrepreneurial

ecosystem and support the scale-up of high-potential businesses. Also identified is Melbourne's North Innovation and Investment Fund.

**Mr MORRIS** — On a point of order, Chair, the question related to the 13.8 per cent cut, or 17 and a bit million dollars, from that output, not other initiatives, and why that decision was made.

**The CHAIR** — Sure. I think the minister is providing a background and context and indicating that — as I understand what the minister is saying, and the minister will correct me if I am wrong — that line item is split across a number of ministers. I think she is giving some background and context in terms of what broadly fits within that fund, some of which is within her bailiwick, some of which is in the bailiwick of other ministers who have come before us previously. I think the minister is providing a background and context, but the minister might want to provide a bit further elaboration around that.

**Ms D'AMBROSIO** — Yes, I am happy to do that. Thank you; I am happy to do that. Frankly we are very clear that we will, through this budget, deliver on every one of our election commitments. Priorities of previous governments are not our priorities necessarily, and we make no apology for that. We were elected to grow jobs, we were elected with very clear plans, and those plans are contained in the budget, and all of those dollars are available and will be available to ensure that we are able to deliver on every one of those commitments.

There has been certainly a reallocation of funds to other outputs — funding for new budget initiatives, including, as I said, the Start Up initiative and the MNIIF and the GRIIF, as they are colloquially referred to. There is also, of course, a reality of lapsing funding for some fixed-term programs, such as NICTA, and there are also changes in priorities of previous programs to the implementation of this government's agenda and this government's priority programs. That is why you see the figure as it is displayed there.

**Mr MORRIS** — Footnote (e) makes it clear the funds have been reallocated, and I was aware of that when I asked the question, but what I was seeking was why — what was the rationale for the cuts — rather than what, which is the answer that has been received. Minister, you started to touch on this, but perhaps we could have a comprehensive answer by way of a supplementary. As a result of this cut what programs will be lost and what will the effect of the loss of those programs be on employment?

**Ms SHING** — Sorry, a point of order, it is not a cut, as the minister has just explained, it is a reallocation.

**Mr MORRIS** — It is a 13.8 per cent cut.

**Mr T. SMITH** — It is a 13 per cent cut.

**Mr MORRIS** — A 13.8 per cent cut. It is a cut to that output.

**Ms SHING** — The footnote indicates it is a reallocation, just for the avoidance of doubt.

**Mr MORRIS** — It is a cut to that output. If you have spent the money somewhere else, that is fine, but I am worried about the impact of the cut to this output, and that is what the supplementary is about.

**Ms D'AMBROSIO** — I have made it very clear to you that those figures reflect the Labor government's priorities, not the previous government's priorities, and therefore there has been a reallocation, as I said. If you have a look at the Premier's jobs and investment fund, which is a \$500-million fund, that is shown in 'Employment and investment', and there is an increase of 76.2 per cent. So you can cut it the way you like, but the reality is — —

**Mr MORRIS** — Chair, on a point of order, if the minister is not prepared to tell us why or what has been cut, there is little point in taking the committee's time — —

#### **Members interjecting.**

**Mr MORRIS** — If we cannot find out why and we cannot find out what, and we are simply going to have other initiatives — which have nothing to do with this output — spruiked, then let us move on.

**Ms SHING** — Further to the point of order — —

**Mr MORRIS** — I am asking about this output; the minister is referring to other outputs.

**Ms SHING** — Further to the point of order, the minister has been going for about 34 seconds, so again, if she were permitted to finish her answer, you might then get what you are looking for in terms of what the supplementary was actually seeking.

**Ms WARD** — It helps to be patient.

**Ms D'AMBROSIO** — That is fine; all right.

**The CHAIR** — The minister had only just started to answer the supplementary question.

**Ms D'AMBROSIO** — Yes, that is fine.

**The CHAIR** — And the supplementary question does build on the substantive question. I note that the minister did mention in her answer to the substantive question that I think NICTA was one program that has ceased, so that would obviously explain part of the reduction. I also reflect on the fact that the minister has also indicated that not all of this line item is strictly within her portfolio responsibility; some is shared with her ministerial colleague Mr Somyurek.

**Mr T. SMITH** — The genius from yesterday.

**The CHAIR** — Mr Smith, you had the opportunity to ask Minister Somyurek this question.

**Ms SHING** — On a point of order. Mr Smith, did you just refer to the minister in the way that I thought I heard you refer to the minister from yesterday? Yes. Can I ask, through the Chair, that that be withdrawn? Again, it is provocative and unnecessary.

**Mr MORRIS** — I suggested 2 minutes ago that we move on. We are now — —

**Ms WARD** — Hang on, Mr Morris.

**Mr MORRIS** — Let us give someone else a go. See if we can get some information some other way, because clearly we are not going to get it from this minister.

**Ms WARD** — Mr Morris, there is a requirement for Mr Smith to have more respect for ministers.

**Ms SHING** — We are nearly there.

**The CHAIR** — Order! The minister to continue.

**Ms D'AMBROSIO** — Thank you, yes. I am happy to give you some more examples of programs that are no longer this government's priority in terms of funding, and they are Transition to a Global Future, Building Innovative Small Manufacturers — what else have we got here? — and supporting the aviation industry. They are some of those ones that are lapsing and are not part of our government's agenda. We have been very clear about what our programs are. We went to the last election with those clear commitments — there are no surprises here; there are absolutely no surprises here in terms of the budget line that you referred to — and we are getting on with the business of delivering on every single one of our priorities and our funding commitments. We will do that in full, and we will grow the jobs in a way that is strategic so that we can actually maximise and not take Victoria backwards, which is what we had for the last four years.

**Mr MORRIS** — Chair, could we perhaps have that list on notice — the list of programs that are not being continued?

**The CHAIR** — The minister has, I think, outlined that list of programs now, which should be picked up by Hansard. If that is not picked up in the Hansard transcript, then I am sure, as a committee, we can follow up with the minister outside of this hearing.

**Mr MORRIS** — We can make sure it is a complete list, if we could.

**Ms D'AMBROSIO** — Can I just say that I think that members of the previous government will understand what their programs were last year and they will understand which ones are no longer this government's priority. But I am happy to provide some more info, but I have actually clarified on the Hansard transcript what some of those are.

**Mr MORRIS** — A point of order, Chair. This is a committee in this Parliament that is seeking information from a present minister. What may have happened in the past is not relevant for this committee. We have got a 13.8 per cent cut, and we are trying to establish why.

**The CHAIR** — The minister has outlined which programs have ceased. That will be reflected in the Hansard transcript. We will all get a copy of the Hansard transcript, as will the minister. I would ask the minister in reviewing the Hansard transcript to ensure that the programs she has identified is a full sum total of those programs which are ceasing. If there are any absent examples, if you could advise the committee through the normal channels, that would be appreciated.

**Ms D'AMBROSIO** — Yes.

**Ms SHING** — So you are perhaps looking for a confirmation on notice that what was stated in today's committee is the exhaustive list?

**Mr MORRIS** — If there were any others that were not mentioned.

**Ms D'AMBROSIO** — The examples that I gave were not an exhaustive list, and I am certainly happy to provide that.

**Mr MORRIS** — Thank you.

**Ms PENNICUIK** — Minister, just on your slide presentation, page 2, which is an interesting presentation, you notice, I am sure, that the mining industry is the third lowest sector in that chart and the two below it are in negative decline. So over the last five years by looking at that chart we see there is a very small growth in the mining industry. I am not sure if the minister will be able to say from this chart, which is obviously an ABS chart, what sections of the mining industry that refers to where there has been a growth — a very small growth — in employment. With regard to the budget papers, on page 28 of budget paper 3 there is \$1 million allocated over two years for engaging with the mining sector, and I am just wondering what parts of the mining sector that refers to?

**Ms D'AMBROSIO** — Sure. Just on the first part, if I may, the breakdown of that change in employment for mining — that item there — I can provide that for you. I do not think I have actually got the breakdown of what type of mining you are after — —

**Ms PENNICUIK** — As I said, I was not necessarily expecting you to have that to hand right now.

**Ms D'AMBROSIO** — Yes, but I am happy to provide that at a later stage, exactly what mining we are talking about — is it gold, is it copper, whatever et cetera. So I am happy to do that.

The other part of the question was about the \$1 million amount over two years for engaging with the mining sector. I think you are seeking information about what that is for or which elements of the mining sector are we talking about in terms of engagement; is that right?

**Ms PENNICUIK** — Yes, and what it is for.

**Ms D'AMBROSIO** — It is broad in its applicability. The reason for that budget commitment is that it has been very clear to us as a Labor government that Victoria's land mass is quite small. We know that there are many communities across regional Victoria that live in very close proximity to many of the mine operations that occur around our state, whether they are antimony, whether they are gold, whether they are coal, of course, which is one obvious one — a whole range of activities. What is very clear to us is that in recent years there has been an increase in anxiety and tension between mine operators and local communities vis-a-vis the way operations are managed, the way our natural resources are being mined and produced, extracted, and that has led to a lack of confidence, if you like, especially within those local communities, as to what the impact, if any, there may be on the safety of their community and health of their community.

That certainly was very much writ large when we had the Hazelwood mine fire, where there were absolute good reasons for a lot of concern in the community about the impact of that. We believe we can be more proactive as a government to help facilitate better responsiveness, better communications, between mining operators and local communities, so that we can hopefully get to a point of increased confidence in the way that mining activities occur in the state vis-a-vis local communities and possible impacts or effects, and in a way that enables us to more confidently grow the sector. Because a lot of these activities in regional and rural Victoria are very important in terms of the economy of those local communities, the investment that occurs, the spin-off benefits of that in terms of other businesses, but also of course the jobs that come out of that. We do not apologise for that; we think they are fundamentally important.

If we can get to a point of utilising the money that we are making available to grow best practice communications and engagement with local communities in a way that fosters greater information sharing about the nature of mining activities in particular areas, that leads to greater transparency and accountability. We believe that is a plus for not just those local communities but for the operators also, because with that comes potentially an enhanced confidence and trust within that community, which will provide greater certainty for investment opportunities in new mining activities that may be available to Victoria and the jobs that come with that.

We want to get to a best practice model, if you like, in terms of community engagement between local communities and mine operators, so that we can move forward with greater confidence and certainty for investment and jobs growth, and also of course underlining, importantly, the health and safety of communities. That is something that cannot be forgotten in all of this. That is also paramount to this, and often is what drives the anxiety in communities. So if we can deal with that in a way that is more holistic, then we are intending to get to a point where we can actually drive improved communications and trust across the communities, operators and communities living close to our natural resources.

**Ms PENNICUIK** — That has shed a little bit more light on it. Some people, possibly including myself, would say that it should be at the cost of the mining industry to run its own community engagement programs, but you did in your answer mention the word ‘coal’ and you did mention new mining activities. I am interested as to whether some of this million dollars would be going existing coalmines, and I am particularly interested in whether the government would rule out any of this money going to unconventional gas, given there is currently a moratorium, and an inquiry into that industry about to commence.

**Ms D’AMBROSIO** — Correct. There is a moratorium and there is a parliamentary inquiry that will commence shortly. This is about best practice engagement with communities for mining activities. Whether it is for existing activities or whether it is for new activities that might happen into the future, what we want to do is get to an understanding and an agreement about what best practice is between operators and communities in terms of that engagement, and that is all it is about, pure and simple. It is as simple as that. I think that probably should answer the question.

**Ms WARD** — Minister, it is good to see you on this last day of PAEC. A central part of Labor’s campaign last year was jobs and the need to create more jobs. You have mentioned in your presentation the Back to Work plan. Getting people back to work is of course something that is very important to me in my electorate, with Greensborough having experienced high unemployment, especially youth unemployment. Can you turn to budget paper 2, page 5, where it discusses the Back to Work plan and agenda, and explain how these initiatives will grow jobs and boost investment in Victorian businesses?

**Ms D’AMBROSIO** — Which page was that?

**Ms WARD** — It is page 4, part way down.

**Ms D’AMBROSIO** — Yes, sure. I am happy to certainly talk to that. If perhaps I can just start with the initiatives that are effectively in my portfolio area, and I am happy to go into those other areas too, of course. We went to the last election with a commitment and, as I said previously, an understanding of what the challenges are and an understanding of the industries that we are transitioning away from and what are the new ones that we need to prepare ourselves to move towards, as a government to strategically focus our efforts, planning and funding opportunities to those sectors where Victoria has the greatest potential for growth. Unashamedly it is about choosing those sectors in a way that maximises the job numbers that can come out of



that. Our election commitment was about jobs: growing jobs and focusing on those sectors that have got the potential to grow those jobs. Our Future Industries Fund and our general approach — and I will talk about that broader approach in terms of those future industries — is part of our budget response to that.

I am pleased that the Future Industries Fund, the \$200 million fund, has been made available in this budget. What that does is focus on the six key sectors where Victoria has either natural advantage or the potential for great growth into industry expansion and job creation. Those sectors, if I can just skip through those — and they are actually articulated in this budget paper — include medical technology and pharmaceuticals. Victoria is a renowned leader in that space as it is, but we know that there is great potential to grow that sector and the jobs there. I have spoken a little bit about new energy technologies and I am happy to elaborate on that further, but it is about understanding that the area of technologies and energy, whether it is renewable energy or energy efficiency, even productivity, is a very dynamic space. We have great capability in this state to take advantage of the intellectual property that we have, our innovative capabilities and advanced manufacturing also, where we are very much positioned as traditionally Australia's manufacturing hub to become Australia's advanced manufacturing hub. That is where we want to be as a state.

So these sectors have varying degrees of advanced manufacturing in there; but they all have it, and they all rely very much on our capability as a state. We have fantastic universities here. We have fantastic research and innovative agencies that we want to work collaboratively with to maximise the opportunities that these sectors will provide us. Food and fibre is one, and certainly that intersects with Minister Pulford's agriculture space. In transport, defence and construction technologies we have great strengths there of course. We are the centre of the defence industry for the country. What we are lacking, though, is a federal government that needs to place some orders and get some of the jobs flowing and the opportunities flowing. But nevertheless we have a great strength there.

International education is certainly in the area of Minister Herbert, but I will be helping in terms of working with him to develop an industry sector strategy for that, and this fund will speak also to that. International education was at least up until recently, if it does not continue to be, the single largest export generator for Victoria.

**The CHAIR** — The minister to conclude her answer.

**Ms D'AMBROSIO** — Professional services is very important there. The fund will act in a way that industry from those sectors can come to to grow their businesses and grow the jobs that derive from that investment. What will also be aligned to the fund is the development of sector strategies that I have responsibility for.

**The CHAIR** — The minister to conclude her answer.

**Ms D'AMBROSIO** — And they are evolving over the coming months. Those sector strategies will be made available for consultation before we finalise those.

**Mr MORRIS** — On a point of order, Chair, while I appreciate the minister has answered government questions very succinctly, in the case of my question and Ms Pennicuik's question, they both went for about 10 minutes each. We are now down to 30 minutes left. If we could apply the same succinctness across the board, that would be helpful.

**The CHAIR** — Yes, it is a good point of order. I would encourage all members not to raise tedious or repetitious points of order for the duration of the hearing. We were supposed to start at 10.45 a.m. We were delayed, so if need be I am happy for us to run a little bit over time in order to make sure that we get through as many questions as we can.

**Mr T. SMITH** — Minister, with reference to budget paper 3, page 3, and the \$200 million Future Industries Fund, and also your statement regarding the importance of the defence industry, how much of the \$200 million fund will be spent on obtaining defence contracts, and why is this not a line item?

**Ms D'AMBROSIO** — What was the last part of the question? Why is it not a line item?

**Mr T. SMITH** — Yes, why is it not a line item and what proportion of that fund will be used to obtain defence contracts?

**Ms D'AMBROSIO** — The answer to the second is quite simply as much as possible. We are very keen to ensure that each of those sectors are able to draw down on this fund, to maximise as much investment and jobs as possible, and we will certainly be looking forward to opening up funds to applications; certainly welcoming defence industries, absolutely. We are absolutely committed to them.

**Mr T. SMITH** — Can you give us an indication of how many?

**Ms D'AMBROSIO** — How many of what?

**Mr T. SMITH** — Defence contracts you are going to be seeking out of that fund.

**Ms D'AMBROSIO** — I am not putting a figure on it. The fund is a fund, and it will depend on the applications. It is a fund; it is \$200 million. It will have funding criteria open to each sector, and I am very much anticipating that all of these sectors, including the defence industry, will be seeking assistance from that fund.

**The CHAIR** — Mr Smith, on a supplementary question. One thing I would suggest is that probably the number of bids the fund might be used for is dependent in part on the number of projects that the commonwealth government is likely to procure, which will be outside of the minister's ability to answer.

**Mr T. SMITH** — How many jobs therefore within the defence industry are you thinking that this fund will create?

**Ms D'AMBROSIO** — As many as possible, frankly. The applications that come in will need to demonstrate at least how many jobs are likely to come out of any successful funding submission. We have got a commitment to grow 100 000 jobs as a government. The Future Industries Fund, the \$200 million fund, will be a significant player/contributor to meeting that target.

**Mr T. SMITH** — Hang on, this is taxpayers money. How many — —

**Mr DIMOPOULOS** — On a point of order, Chair, Mr Smith continues to approach government policy and programs like walking into a milk bar and buying three packets of Snickers. It does not work that way; you cannot have the answer to everything and you need to start somewhere. The minister — —

**Members interjecting.**

**The CHAIR** — Order!

**Mr DIMOPOULOS** — My point, Chair, is that it is unnecessary to keep interjecting. He wants the finality of everything: the colour of the paint, whether the door handles on a project are going to be stainless steel or silver. It is ridiculous. The minister is expressing a policy aspiration and she is entitled to do that.

**Mr MORRIS** — On the point of order, Chair, we are simply trying to establish what would represent success. Would it be 5 jobs, would it be 5000 jobs, would it be 25 000 jobs? We are trying to see what sort of a goal the government intends to achieve.

**Ms WARD** — On the point of order, Chair, I think Mr Smith would do well to be reminded of the words of his companion, Mr Morris, who said that the answers to questions can be taking a very long time to get to the end of, and if we have continual interruptions with raised voices that fire everybody else up, it will continue to drag on. If you wish to get the information that you want, how about you let the minister answer the question as succinctly as possible, and we can continue to ask our questions of the minister.

**Mr T. SMITH** — Thank you for your advice. I just think it is important that we get an understanding of what you are going to be spending this money on and — —

**The CHAIR** — Order! As I said to you before you asked your supplementary question, in part it depends on what sorts of contracts the commonwealth government are likely to let on it. I imagine that a contract for some Bushmasters being built up at Bendigo would produce a different job output to what it might at the shipyards at Williamstown. To some extent I do not think that the minister can necessarily give you a definitive answer in terms of the number of jobs to be created, but it is important that the minister be allowed to continue her answer in silence.

**Ms D'AMBROSIO** — If I can perhaps provide a little bit more information just to help paint a bit more of a picture. There are about 300 supply chain businesses in Victoria that are involved in defence industries. They are very significant and they do rely very heavily on procurement opportunities that are made available, certainly by the federal government.

We are very committed to growing as many jobs in that area as we possibly can. The Future Industries Fund is one fund of several investment facilitation vehicles. We also have the Premier's jobs and investment fund, and of course the regional jobs and investment fund. We also play, and will continue to play, a facilitative role in attracting procurement opportunities to this state. The Defence industry, absolutely, and that is why we have got \$5 million to start up the Geelong procurement office to provide some advantage for businesses in Victoria that wish to bid for procurement opportunities that may be made available by the federal government

Let us be clear that the biggest stumbling block here, if we are wanting to work out how many jobs can come out of this in terms of the defence industry, is simply down to Tony Abbott getting out his order book and placing some orders so that businesses can actually apply and put in submissions for work. That is it. We are ready and willing and have got money in place and available for those businesses to get the assistance that they need to bid, and bid favourably, with advantage for projects that come through, but we need the projects to start coming through.

**Ms PENNICUIK** — I am interested in page 23 of budget paper 3, the central bargaining unit that will be established for public sector enterprise agreements 'to improve communication and deliver a more efficient enterprise bargaining process'. Minister, could you outline a bit more about how that will operate and which particular sectors it will extend to?

**Members interjecting.**

**Ms PENNICUIK** — In the budget papers it comes under 'Employment, industry and growth'.

**The CHAIR** — Again, as I advised previously, some of these line items can be a bit confusing because they may fall within a number of ministers' portfolios. I think this would have been a question — and it is unfortunate you were not here yesterday, Ms Pennicuik — that probably would have been more appropriate to put to Minister Hutchins.

**Ms PENNICUIK** — Chair, I am happy to ask another question. If it has been covered earlier, that is fine

**The CHAIR** — That might be best, thank you.

**Ms PENNICUIK** — I will go to another question regarding the closure of the Anglesea power plant. As we all know that has happened, and of course it means that around 85 people will be losing their jobs. In other respects it is probably something that could have been foreseen, or expected, given what happened with the closure of Point Henry, in that perhaps the power station's days were numbered after that. I did go to this a little with another minister. I have looked at some of the statements you have made. You made a statement in the media regarding the 85 employees and said that you would ensure that all assistance would be provided during this time. I just wonder as minister what assistance you are providing given the more extensive assistance you described in your media release on 15 May regarding the round table with the auto sector.

**Ms D'AMBROSIO** — Thank you for that question. When the announcement was made that Alcoa was to close the mine at Anglesea and its power station, it did come as a shock to the 85 workers there. From all indications, and certainly as it was confirmed to me, Alcoa was very committed to finding a buyer. They made it very clear that they had spent quite a significant period of time and effort trying to do that. That obviously failed, and the result is what we have now. In terms of the provision of support and assistance, I made a very clear commitment to visit the Anglesea mine and power station as soon as I possibly could, and I did that this past Tuesday. I met with management and also with the workers to share the government's concern for their welfare and their future, but also to make it very clear that the department will be working very closely with those workers who wish to have some assistance from us to determine what their next steps and options are.

One of the first things I did as minister was to seek to establish a coordinated approach across government to present the assistance that we have available to transition, including advice in terms of retraining opportunities, financial assistance and where they may be able to source that, and to identify ways of finding alternative

employment for those who wish to do that. There are some in the workforce who are of a certain age and will probably make a decision that they will retire early. They will make that assessment themselves. For others of course it is about where the next job comes from. What is particularly poignant in all of this is the fact that on my visit I met with a number of workers who said that they had only recently been employed at Anglesea because they had been previously employed at Point Henry. So they have gone from one closure to another and are obviously very dejected by the developments in their work opportunities in recent times. There were also some apprentices there —

**The CHAIR** — The minister to conclude her answer.

**Ms D'AMBROSIO** — who were very eager to know what were the opportunities to finish their apprenticeships. We are offering opportunities there, and I am working with my ministerial colleagues in employment and certainly with Minister Herbert in training and skills to ensure there is a full wraparound of services that are available to them. Importantly, we are also reviewing the way that the GRIIF fund operates. Unfortunately it has been lacking — the original fund as it was — in establishing criteria that has been less targeted on transitioning auto workers and Alcoa workers to new job opportunities. We are going to ensure that with the additional funds that we are providing as a state that it more resembles an opportunity to grow jobs for those workers who need it, and they are the auto workers and the Alcoa workers.

**The CHAIR** — Ms Pennicuik, if your supplementary question could be as brief as possible.

**Ms PENNICUIK** — Thank you, Minister. It is important that workers in industries that are moving, transitioning or closing are supported and the government is proactive in this regard. You mentioned that it was a shock. It is a shock for the workers personally, but I do not know that in the global sense it was a shock. It raises a wider question about the power sector and our ageing power infrastructure and whether or not people like myself would like us to be more proactive in getting out of coal. If you are looking to the future, you will see that is going to happen and that some of those ageing power stations will not be able to be sold — —

**The CHAIR** — Ms Pennicuik, your question please.

**Ms PENNICUIK** — Is the government looking at strategies to be more proactive about transition programs for workers in these industries?

**Ms D'AMBROSIO** — We need to be very clear. If we look at the mines and the power stations that exist in Victoria, they are all privately owned and there are commercial decisions that are made. Alcoa took a commercial decision and decided on a closure. Power stations in the valley and the coalmines — —

**Ms PENNICUIK** — So are car companies.

**Ms D'AMBROSIO** — Again, they will determine what their futures will look like based on commercial decisions. I certainly do not deny the fact that there is a serious transition happening, but what is important of course is that governments do not impose outcomes in a way that communities feel that they have no say in, feel that there is no future that is mapped out for them, or that they can actually have a say in developing. We need to be mindful of that, and we need to ensure that transitions happen in a way that communities understand, accept and embrace and that that is done in a planned way that produces minimal disruption to people's livelihoods.

**Ms SHING** — Good morning, Minister. Good morning, departmental representatives. Minister, can I take you to budget paper 3, page 19, and the line item in relation to ethical clothing and Ethical Clothing Australia, which allocates \$2 million to support better conditions for workers in the clothing industry. I note that minimum terms and conditions for all workers has been a priority in the allocation of budget expenditure, and I ask you to elaborate on that for the committee.

**Ms D'AMBROSIO** — Thank you very much. People may or may not know — though I am sure that you all know — that Ethical Clothing Australia is a joint union-industry initiative. It was established to promote ethical working conditions in the Australian clothing industry and to protect the rights of factory workers and outworkers. They are now known as homeworkers. My mother was an outworker in the clothing industry, so sometimes I find it a bit hard to use the word 'homeworker'. Anyway, the program is very innovative and produces some very tangible outcomes. They run an accreditation program — that is, Ethical Clothing

Australia — that is designed to assist textile, clothing and footwear businesses to ensure that their operations are transparent and ethical through compliance with the homeworkers code of practice. This code of practice is a voluntary mechanism for retailers, manufacturers and fashion houses to ensure compliance across their supply chains with minimum award and legislative conditions. The Labor government is providing \$200 million in this budget — —

**Ms SHING** — Two million dollars, I think, not \$200 million, Minister.

**Ms D'AMBROSIO** — Did I say 200 million, did I?

**Ms SHING** — I thought I heard 200 million, and I was about to say that the industry would be delighted, but I suspect it would perhaps lead them astray in relation to the state-based funding for this one.

**Ms D'AMBROSIO** — I think I would agree with you. So there is \$2 million to Ethical Clothing Australia to continue its important work. With this initial investment of \$500 000 made in the 14–15 financial year, it ensures that they remain viable and that they are able to continue to do the terrific work they do. I had the pleasure earlier this year of visiting one of the participants in the homeworkers code of practice in Thornbury — a fantastic jeans manufacturer which work closely with the unions because that business understands that there is value in providing minimum conditions and wages to a workforce that could otherwise be exceptionally vulnerable. They wear that as a badge of honour, they wear that as a brand and they do well — the brand does very well because I think when consumers understand how their clothes are made, where they are sourced and how they are sourced, and when they feel confident that the people who are making their products are paid well and treated well, I think that is a plus for all of us. It actually does carry a lot of weight.

**Ms SHING** — A good point of difference for a swing tag! Thanks, Minister.

**Mr D. O'BRIEN** — Minister, my question refers to budget paper 3, page 3, and to the Future Industries Fund, and also to your previous answer about the defence industry. Can you outline in detail what sort of defence platforms you would expect Victoria to win contracts for with this money and how those platforms relate to the stated directions of the recent defence first principles review?

**Ms D'AMBROSIO** — Sure. Can I just say to you that I do not want anyone to think that the only assistance our state government would provide to Victorian businesses wishing to bid for defence contracts is simply limited to the \$200 million Future Industries Fund. We are a government that is committed to maintaining the capability that Victoria has in the defence industry. That is making sure that we are able to facilitate and provide as much assistance through a broad range of policy options that are available to us to ensure that Victorian businesses are as successful as they can be to win important procurement opportunities that may become available, if it were not for a federal government that has been a laggard in this space.

I will perhaps just go to some of these opportunities of which one or two are available now; I concede that, but there are many others we are waiting for the federal government to make announcements on. Victoria has a fantastic naval shipbuilding capability. Surface ship manufacturing here at the Williamstown dockyards is second to none across the country. No-one disputes that, not even the federal government's own reviews into our capability here. Getting some work for BAE Systems to maintain that capability is something that our government is absolutely committed to doing. We are ready and waiting for procurement opportunities to be made available by the federal government so that we can work with BAE Systems, for example, to provide necessary assistance from our government to facilitate them being able to obtain a successful outcome with any bids they are able to participate in.

LAND 400 is of course an opportunity that is now available, and Victorian businesses here are in competition. Potentially we have Thales in Bendigo, which has expressed interest in bidding, as has Elbit, which I think is another business — but there may be others that will come forward. There are certainly opportunities there. Again we stand ready, and we are in discussions with those businesses to ensure that the Victorian government can provide the assistance that they require and that they nominate as important to assist them. We have not predetermined what that assistance can look like, but certainly we are ready and able, and we are in those discussions as we speak. I can certainly go through many of the other procurement opportunities that are available — —

**The CHAIR** — I am just conscious of time.

**Ms D'AMBROSIO** — Sure.

**Mr D. O'BRIEN** — Perhaps the supplementary might give you an opportunity, Minister. Is the government's preferred model for defence projects something akin to the Wedgetail project or more along the lines of the C-17 Globemaster project?

**Ms D'AMBROSIO** — What do you mean by that?

**Mr D. O'BRIEN** — The preferred model — —

**Ms D'AMBROSIO** — Model for what, sorry?

**Mr D. O'BRIEN** — For the funding that you are looking to provide support for.

**Ms D'AMBROSIO** — The support that the Victorian Labor government is prepared to provide can be varied. We will have those discussions with the businesses that are interested in tendering. Our commitment is that we will support projects that maximise local content, maximise local opportunities for manufacturing, value-add and maximise the capability we have in Victoria. That is our commitment.

**Mr DIMOPOULOS** — Minister, my question is in relation to the level crossing removal program and particularly in reference to the local content, the 100 per cent purchase of local steel. I think a key element of job creation is linking major infrastructure projects with a strong procurement policy which favours local content, and I think that does it successfully. I am particularly interested in other job creation across the state, because there is a lot of focus on the north in terms of the automotive sector but the south-east is also a component. You and I were both at the Dandenong on Wheels event the other week. The south-east, where my electorate is, is an area that will also suffer through the loss of jobs when the automotive industry goes, because a lot of the component manufacturers, as you know, are there. I just wondered if you could give us a bit of a sense of the 100 per cent local content steel within the level crossing removal program, particularly on the Pakenham line, which is in the south-east, and what you expect that will achieve in terms of growth in jobs?

**Ms D'AMBROSIO** — We are absolutely committed to ensuring that for our level crossings and the reforms that we are making in that, in terms of our program to remove the worst level crossings across state, the steel that is used for those projects is sourced locally. We have committed to doing that and we will deliver that. We know that when it comes to locally milled steel the opportunities for value adding through steel products affect so many different suppliers right across the supply chain.

As a government we have committed that with all of our major projects for which we procure or invest funds we are able to maximise local content as much as we possibly can. Our commitment certainly on level crossings is 100 per cent Australian steel. We have a commitment with the western distributor to use as much steel as we possibly can, and that is something that is now being worked on. Certainly in terms of our rolling stock policy, with the long-term rolling stock strategy local content will be a minimum of 50 per cent.

That is really vital because the Victorian government and governments generally can play such an important role through their own procurement practices to ensure that, through certainty of a long-term pipeline of procurement projects and with a very high local content and a value-added understanding of what local content is and should look like, businesses are able to have the certainty that they need over the long term to be able to therefore invest in costly infrastructure and plant and equipment and invest in a workforce in a way that maintains a high level of capability.

Without the certainty of a strong government procurement policy, without the certainty of a long-term strategy — especially in our rail and tram networks, for example — and without a strong commitment to robust local content targets, whether it is 100 per cent steel or 50 per cent in terms of local content for our rolling stock, we are faced with — and we have seen this starting to happen already — starting to lose capability. We start to see a situation where the owners of some of these businesses in Australia, the international ones, start to think twice about whether they should bother continuing to invest in the businesses here. If there is no future of jobs and if there is no future of contracts, why would they allow them to invest in capital upgrades and invest in their workforce in terms of capability and skills? We need to turn that paradigm around —

**The CHAIR** — The minister to conclude her answer.

**Ms D'AMBROSIO** — making sure that we continue to have a good manufacturing base through the policies that we are rolling out and we will continue to roll out and have done from day one.

**Mr MORRIS** — Minister, can I refer you to budget paper 2, page 19, which is the Victorian economic forecasts. I note there that unemployment is projected to rise under Labor, and that is based on the pre-election budget update. In particular we know that the Victorian automotive manufacturing sector is going to downsize and cease during the term of this government. Can you advise the committee of the total number of job losses that are expected across Victoria as a result of those closures?

**Ms SHING** — Projected job losses.

**Mr MORRIS** — Expected, I said, but projected, yes.

**Ms D'AMBROSIO** — Certainly. With the closures of the three OEMs, the large manufacturers, and what might come out of the supply chain in terms of closures, the estimates differ, but in terms of the Productivity Commission they have figures that have been presented to us. Let me just add them up. Depending on the financial year, these are what are projected. In the financial year of 16–17 the Productivity Commission estimates just over 24 000 job losses — sorry, by that period, by the 16–17 period — followed by a further 13 400 job losses in the following three years. So that is nearly 35 000 jobs that are directly related to the auto industry, just in Victoria alone. I mean, that is quite significant.

I could say, if I wanted to, that this would not have happened if we had not had a federal government that basically challenged and basically called on these businesses to pack up and leave the country — —

**Mr T. SMITH** — Oh, come off it. Yes, because the federal government controls the exchange rate, doesn't it, genius?

**The CHAIR** — Order!

#### **Members interjecting.**

**Ms SHING** — On a point of order, Mr Morris did actually invite this comparison when, in his principal question, he indicated that unemployment was expected to rise under Labor, as I heard you. So on that basis I think that the minister is not straying from the parameters that were established by the Deputy Chair in the asking of the principal question.

**Mr MORRIS** — On the point of order, Chair, in fact I have referenced that as an increase compared with the pre-election budget update. The automotive job losses were certainly well and truly factored into the pre-election budget update. That rise that I referred to in fact arises in the term of this government. But also on the point of order, the minister has partly answered the question in terms of job losses, and before she has an excursion into other areas, perhaps she might like to talk about supply chain job losses and ancillary job losses of people like those in transport companies who are clearly going to lose jobs as well.

**The CHAIR** — I think the minister is endeavouring to answer the Deputy Chair's question. She is providing a bit of background and context in terms of why this set of circumstances has arrived upon us. The minister has clearly identified the number of direct jobs. I think she is getting to having a discussion around wider economic impacts which are reflected in the budget papers that you are quoting, Deputy Chair. I will let the minister continue when she is ready.

**Ms WARD** — Mr Smith, I would also advise that you be more respectful with your language.

**The CHAIR** — Order! Ms Ward!

**Ms D'AMBROSIO** — I might actually have to ask for some glasses, because to be honest I cannot actually read this very well. You are wanting to know indirect job losses?

**Mr MORRIS** — Indirect and ancillary, the whole package basically.

**Ms D'AMBROSIO** — Yes, that is what I have articulated, in fact. So it is supply chain — —

**Mr MORRIS** — Sorry, just for clarification, I thought you said ‘direct’. So you are saying — —

**Ms D’AMBROSIO** — Supply chain.

**Mr MORRIS** — direct, supply chain and ancillary?

**Ms D’AMBROSIO** — Yes, the supply chain and the actual three manufacturers.

**Mr MORRIS** — But not ancillary jobs — things like transport and so on that will clearly be affected as well?

**Ms D’AMBROSIO** — Just to clarify, there are about 5200 jobs from Holden, Ford and Toyota, then there are about 150 Victorian companies that feed into auto manufacturing — that is about 13 500 jobs. They directly supply Holden, Ford and Toyota. They are the figures that I have articulated. Therefore the balance, if you like, of the Productivity Commission’s estimates that I referred to earlier — —

So you have got 13 500 plus the 5200, so that gives you — I am just doing my maths here — 20 000 roughly, 18 or 19 000, so the balance is about 5000. I can do those calculations and give those to you more accurately if you like.

**Mr MORRIS** — That would be very helpful if that could be provided.

**Ms D’AMBROSIO** — Those are rough estimates just from doing that calculation off the top of my head.

**Mr MORRIS** — Yes, but if we could have it on notice.

**Ms D’AMBROSIO** — Yes.

**The CHAIR** — I would like to thank the witnesses for their attendance today: the Honourable Lily D’Ambrosio, Minister for Industry; Mr Richard Bolt, Ms Eddy, Mr Hanney and Mr Meek. Thank you for your time.

**Witnesses withdrew.**