

**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**Inquiry into budget estimates 2009–10**

Melbourne — 21 May 2009

Members

Mr R. Dalla-Riva  
Ms J. Huppert  
Ms J. Munt  
Mr W. Noonan  
Ms S. Pennicuik

Mr G. Rich-Phillips  
Mr R. Scott  
Mr B. Stensholt  
Dr W. Sykes  
Mr K. Wells

Chair: Mr B. Stensholt  
Deputy Chair: Mr K. Wells

Staff

Executive Officer: Ms V. Cheong

Witnesses

Mr M. Pakula, Minister for Industry and Trade,  
Mr H. Ronaldson, secretary,  
Dr A. Smith, deputy secretary, investment and major projects,  
Mr W. Lewis, deputy secretary, industry and trade,  
Mr J. Strilakos, acting chief financial officer; and  
Mr C. Marsden, manager, business improvement, Department of Innovation, Industry and Regional Development.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearing on the 2009–10 budget estimates for the portfolio of industry and trade. On behalf of the committee I welcome Mr Martin Pakula, Minister for Industry and Trade, and departmental officers. Members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public that they cannot participate in the committee's proceedings. Only members of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or his chief of staff, can approach the table during the hearing. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. There is no need for evidence to be sworn. All evidence given today is being recorded. Witnesses will be provided with proof versions of the transcript to be verified and returned within two working days. In accordance with past practice, the transcripts and PowerPoint presentations will then be placed on the committee's website.

Following a presentation by the minister, committee members will ask questions relating to the budget estimates. Generally the procedure followed will be that relating to questions in the Legislative Assembly.

I ask that all mobile telephones be turned off. I now call upon the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information that relates to the budget estimates for the portfolio of industry and trade.

**Mr PAKULA** — Let me say what a privilege it is to appear before this committee. It is good to be on the other side of the table.

**Dr SYKES** — Say it with more conviction, Minister: one more time and put on some Labor Party spin!

**Mr PAKULA** — Bill, we will get into Lake Mokoan later.

**Dr SYKES** — Did you mention Lake Mokoan, Minister?

**Mr PAKULA** — I would certainly like to take the opportunity to briefly outline to members of the committee some of the industry and trade portfolio's key achievements over the past year and to highlight some of the areas of focus for the portfolio.

#### **Overheads shown.**

**Mr PAKULA** — We will start by looking at some of the key portfolio achievements, particularly in new investment attracted. In 2007–08 DIIRD has been responsible for attracting and facilitating \$3.25 billion worth of investment into Victoria, and that is expected to result in the creation of 8212 jobs. \$1.2 billion of that investment was attracted into regional Victoria, and that creates an estimated 2766 jobs, which is a 25 per cent increase on 2006–07.

The largest concentration of investment which was attracted and facilitated into the state was in the retail services sector, which was \$1.43 billion. But there were significant investments also facilitated in tourism — \$303 million; energy — \$300 million; food and related industries — \$244 million; and resource-based industries — \$209 million.

The total exports for 2007–08 were \$33.5 billion, which was an increase of 6.7 per cent over the previous financial year. Goods exports accounted for the majority of those exports; they were 61 per cent and were valued at \$20.5 billion, and that represented a 2.4 per cent increase over the previous financial year. Services exports were valued at \$13 billion, which was a 14.3 per cent increase over 2006–07. I should note that we have a target of \$35 billion by 2015; if we continue on the current growth path, that will be achieved.

In terms of some of the key achievements in the portfolio, obviously a significant focus of activity for the portfolio during the last financial year has been *Building Our Industries For The Future — Action Plans for Victorian Industry and Manufacturing*, which hereafter I will refer to as the VIM statement. That was launched

last November. It is a strategy that included a \$122.7 million manufacturing action plan to support Victoria's manufacturing sector in adopting new technologies and materials, and developing specialist capabilities and a skilled workforce; a \$97.2 million services action plan to position and support Victoria's services sector; a \$24.8 million global markets action plan to help Victorian firms develop and expand export markets and integrate into global supply chains; and an \$8 million defence industry acceleration program which is aimed at supporting local supply chain opportunities and helping innovative companies realise commercial opportunities.

There is also the Industry Transition Fund, which was put in place to recognise the growing external pressures that many Victorian companies are now operating under in this era of global slowdown. It is a \$50 million fund; it is a fund that will, as a guide, provide support of up to \$2 million to firms that have the potential to move into new and emerging markets as well as those firms that contribute to the state's baseline capabilities that underpin innovation in our industry sectors. It is a fund that will operate until June 2010.

The sorts of transition projects that will be considered are those that have the potential to deliver a net economic benefit to the state and lead to sustainable increases in productivity through the development of innovative products and processes; mergers and acquisitions to end up with sustainable growth-oriented entities; upgrades to existing infrastructure; and the purchase of new plant and equipment.

It is worth going through what we see as some of the major challenges. The past year has already proved to be one of the most difficult we have faced, not just with the unpredictable global economic climate but also with the Black Saturday bushfires. The global impact on our manufacturing industry has been significant and the continuing drought conditions have also been impacting on primary production. Our view is that now is the time to build those relationships with our international business partners, to search for new ways of doing business to protect and create jobs.

In terms of our priorities, obviously in terms of trade and investment we will be continuing to work to boost Victoria's trade and investment through the Global Markets Action Plan that was announced in the VIM statement. It is a plan that includes \$10 million for leveraging global opportunities, which is a program to gather market intelligence to target potential investors in strategically significant sectors, and to investigate trade and investment opportunities in emerging markets; \$4 million for export clusters which is a program to help create clusters of companies that can combine their complimentary skills and their services to build a critical mass and bargaining power when they bid for major international projects; \$4.8 million to expand the Opening Doors to Export plan; and \$4.8 million for export connections.

In these challenging times, the strong relationships we have already developed with major investors in the state have never been more important, so the investor development program is one that is designed to build on those relationships and to maintain our state's reputation as an investment location of choice.

Obviously the VGBO network is part of strengthening this state's global presence in developing new trade opportunities. We have strengthened the network of Victorian government business offices. We have recently appointed five new commissioners, to be based in Dubai, Kuala Lumpur, Frankfurt, Tokyo and San Francisco. We will continue to provide in-market services to Victorian companies through the Access program and we will also continue to run targeted trade and investment initiatives that profile Victoria's business brand in strategically important markets.

Beyond that, the key priorities continue to be the Victorian industry participation policy. As has been previously announced, on 1 July we will be implementing a strengthened and streamlined VIPP and that will have an even stronger focus on skills development and technology transfer, along with the requirement to maximise local content. It is a policy that has been applied to over 1000 projects worth \$21 billion since it came into effect, it has assisted in the generation of over 22 500 new jobs, it has achieved average local content of over 83 per cent, and it has achieved a cumulative total of almost \$600 million in direct import replacement.

We will be building on the success of the program by simplifying the administration of the VIPP into a single VIPP plan, by doing away with the two-envelope system, by ensuring that the industry capability network is responsible for certifying VIPP commitments which are prepared by a short list of tenderers and we will also be stepping up our efforts to promote and facilitate the use of the VIPP by government agencies, by bidders and by suppliers across Victoria, and we will be ensuring that projects of strategic significance to the Victorian economy will be subjected to additional local content requirements on a case-by-case basis.

In this budget we have also announced the introduction of the transport infrastructure manufacturing scheme, which will be facilitated by the AIG. It is a scheme that will assist Victorian manufacturers to maximise Australian and international transport infrastructure business opportunities and, in conjunction with the VIPP, that new scheme will assist more Victorian companies to win work on the billions of dollars worth of state government new infrastructure projects.

To finish up, I want to talk about the VAMAP, the Victorian automotive manufacturing action plan. That is another major focus for the portfolio going forward. It is a plan that comprises three key themes: business development, investment and global market access. It has a budget of \$6.7 million and it includes initiatives like the product and process innovation program, our in-market representation program and our technical presentation visit program, which helps companies showcase their wares to overseas customers. We are also about to embark on an industry capability study which will clarify the component needs associated with planned new vehicle models, and it will also help to identify overseas market opportunities for local component manufacturers. I have asked for that study to be completed this year and that will provide a decisive set of directions for future industry capability.

That is a summation of what the department has been doing and will do. We are feeling the impact of the economic uncertainty but I am confident that the actions I have outlined will put us in the best position to ensure that Victoria can come out of the current global malaise stronger than it has ever been.

**The CHAIR** — Thank you very much, Minister. I am sure you are aware that the Chair normally asks all ministers a priority question in terms of one of the themes. The theme this year is in regard to the federal support, federal grants and funding received by the states, quite a large proportion now of the state budget. What federal funding and grants does your portfolio, departments and agencies receive in the budget, that is, both output and asset? Can your department provide the committee with a list and description of such grants? What accountability mechanisms are there in respect of these grants, both upwards and downwards?

**Mr PAKULA** — Thanks for that question. At the outset, I would probably report that no federal grants which relate directly to the industry and trade portfolio have been received directly by DIIRD over 2008–09. But having said that, it is a portfolio which often works closely in partnership with the commonwealth government to support industries and to support companies, and both my department and the commonwealth will regularly provide grants to the same company or the same organisation to achieve certain outcomes.

There is, as you probably know, within Minister Allan's portfolio the Geelong Investment and Innovation Fund, which I will not go to in detail because it is within another minister's responsibilities, but as an example, that is a fund that receives co-contributions from the commonwealth, the state and, in the case of that fund, also from Ford.

A couple of other examples of programs where both the state and the commonwealth contribute: if you look at a program like the hybrid Camry, last year the Prime Minister and the Premier jointly announced that both the commonwealth government and the Victorian government would support Toyota to support the hybrid Camry here in Melbourne. That is going to be the first vehicle of its kind to be manufactured in Australia. It will be the greenest car manufactured in the country, with lower emissions than any other Australian-produced model. The production of that car will create additional local automotive jobs and show that the industry is capable of adapting to climate change and the global challenges that come within it.

Similarly with Ford, another example of the cooperative relationship between the commonwealth and Victoria is the support that both governments have provided to extend the life of the engine plant beyond 2010. That is an announcement that saved 1300 jobs — 400 at Ford and 900 in the supply chain — and that was great news for everyone involved.

There are also projects like automotive road maps. It is part of the VAMAP, and DIIRD in that instance is collaborating with the federal Department of Industry, Innovation, Science and Research. It identifies current technology requirements, future enables within the industry and, given that both the state and the commonwealth have similar ideas and similar outcomes that they want to achieve, again we are doing that collaboratively between the state and federal governments. But in terms of direct grants, the answer is nil.

**The CHAIR** — But there is certainly a lot of action at the moment in the global financial crisis.

**Mr DALLA-RIVA** — Minister, welcome to the other side, so to speak.

**Mr PAKULA** — So to speak.

**Mr WELLS** — The dark side.

**Mr DALLA-RIVA** — The dark side, indeed.

**Mr RICH-PHILLIPS** — Still committed to transparency.

**Mr DALLA-RIVA** — This is important, and it is about transparency. In 2005 there was an investigation undertaken which found an enormous amount of misuse of MPs electorate offices as membership factories. There were allegations of rotting, there were allegations that went to the heart of the integrity of the administration of the party, there was widespread forging of signatures, use of false addresses, phantom party meetings et cetera.

**The CHAIR** — That needs to relate to the estimates.

**Mr DALLA-RIVA** — This is about where we are going.

**Ms MUNT** — It is all in the budget, Minister.

**Mr DALLA-RIVA** — There were recommendations made about laying charges against Mr Socratous, Mr David, Mr Languiller and others.

**Mr PAKULA** — Didn't you have enough of this yesterday?

**Ms HUPPERT** — Obviously not.

**Mr DALLA-RIVA** — There are also recommendations for police investigations. What I notice was that the member — the minister now — moved a motion that the administrative committee apologises unreservedly to any parties that may have been harmed. Do you still stand by that motion about protecting Labor mates in Brimbank City Council?

**The CHAIR** — Thank you for that question. That question is not in order, so Robin Scott has the call.

**Mr DALLA-RIVA** — You do not? But you knew about it. You moved the motion and you did nothing about it. You knew about all the corruption — and you are another one linked to all of this.

**Mr PAKULA** — You got that on the Hansard report, did you Mr Dalla-Riva?

**Mr SCOTT** — I refer the minister to page 130 of budget paper 3, specifically the investment and trade outputs. Could the minister tell us about some of the government-supported events that showcase Victoria as a world-class investment location?

**Mr PAKULA** — Thanks for that, Mr Scott. I am glad to answer a question that relates to both my portfolio and the budget estimates.

**Mr WELLS** — What about responsibility?

**Mr DALLA-RIVA** — What about accountability?

**The CHAIR** — Without assistance, please.

**Mr PAKULA** — We are rightly proud as a government of our major events calendar. The wide array of events that are held throughout the year provide more than just entertainment; they allow Melbourne, and the state more generally, to highlight the wealth of investment opportunity the state provides. One example of that is the motor show. That was in March. It showcased our automotive industry and also provided a great opportunity for motoring enthusiasts to look at a whole range of overseas vehicles. The show has been one of our best events and one of our most popular events since it started back in 1925. Since 2000 we have had an average of over 230 000 people visit the show each year. I am glad to say that this year I was one of them. A

highlight this year, going back to the presentation, was the range of new generation hybrid cars and new generation electric cars that were on display.

Last year we worked closely with Ford to secure the company's future down in Geelong. Ford have made a new \$21 million investment there. That means that their engine plant will continue operations past 2010, and it will see the I6 engine, which was engineered here in Victoria, meet stringent Euro 4 emission standards. That was great news for the industry here in Victoria and great news for component suppliers, who will continue to provide parts for that engine. We have also secured, as I said, the first locally manufactured hybrid car, the hybrid Camry. There will be about 10 000 of those petrol-electric hybrids rolling off the production line here at Altona every year from 2010, and that will add an estimated \$150 million to the state's GDP.

The other great event I have responsibility for that took place in March was the fashion festival. I know that the fashion festival, certainly in Parliament, was always the cause of some mirth and some frivolity.

**Mr DALLA-RIVA** — It was the suit that he used to wear, for free. He used to get the free suit.

**The CHAIR** — Without assistance, please.

**Mr PAKULA** — I have to say, Mr Dalla-Riva, I did not appreciate until taking responsibility what an unbelievable job the management of that event does, whether it is the chair, Laura Anderson, the deputy chair, Susan Renouf, or the CEO, Karen Webster. They have put together the most magnificent fashion festival certainly in Australia and it must be one of the best in the world. This year it introduced two new highly successful initiatives, the Designer Forum and the Student Showcase which was called \*Metamorphosis. This year — and this is amazing given the economic climate — the festival tickets sold out in record time. Every event was absolutely packed. It is our only retail fashion festival of this scale in the country. It has been increasingly successful in attracting attendees, not just from other states, but from around the world. It is a festival that reinforces our position as the key centre of Australian retail, fashion and design. I think the success of the festival really supports this city's reputation as the cultural and events capital of the nation.

**The CHAIR** — And going forward into the out years, please, Minister.

**Mr PAKULA** — Well, Chair, it will continue to be. This year, for instance, we had a business seminar which will provide opportunities for business moving forward out of this fashion festival that I think will go to their bottom line for years to come. This is a festival that will, in an ongoing sense, promote our strength in fashion and promote our strength in design and retail. It really complements the retail strategy for 2006 to 2012. Both the motor show and the fashion festival, not just in terms of the events that they have been but in terms of the opportunities they provide for this state moving forward, are unparalleled events, Mr Scott.

**The CHAIR** — Mr Dalla-Riva. I ask you — —

**Mr DALLA-RIVA** — Thanks, Chair. I refer to budget paper 3 — —

**The CHAIR** — Stop. I ask you to ask a question about the estimates in relation to the work of this committee, otherwise I will not give you the call again this afternoon.

**Mr RICH-PHILLIPS** — He always does!]

**Mr WELLS** — Is this is a new rule?

**Mr DALLA-RIVA** — Sorry, I just went to budget paper 3. What was all that about, sorry, Chair?

**The CHAIR** — I will repeat it. You need to ask questions which relate to the estimates and the conduct of this committee. If you attempt again to ask questions which do not relate to it, then I will not give you the call again this afternoon.

**Mr DALLA-RIVA** — What, are you kicking me out?

**The CHAIR** — Mr Dalla-Riva.

**Mr DALLA-RIVA** — Is that your intention, Chair?

**Mr RICH-PHILLIPS** — That is a funny way to run a committee.

**Mr DALLA-RIVA** — Is your intention to kick me out?

**The CHAIR** — Mr Dalla-Riva, you have the call.

**Mr WELLS** — Are you going to apply the same rule to your side of politics as well?

**The CHAIR** — I will apply the same rule to anybody.

**Mr WELLS** — So where has all this come from?

**The CHAIR** — Mr Dalla-Riva.

**Mr DALLA-RIVA** — As I was saying, I refer to budget paper 3 — —

**Mr WELLS** — You're referring to it!

**Mr DALLA-RIVA** — I did. I think I referred to it, thanks, Deputy Chair.

**Mr WELLS** — That has got something to do with the budget, hasn't it? Excellent.

**Mr PAKULA** — You could throw a tent over this joint and charge admission.

**Mr DALLA-RIVA** — I am scared I might be thrown out so I will go to page 130 in relation to exports. I note, Minister, that the dollar figure of 'exports facilitated and imports replaced' was \$2150 million — —

**Mr PAKULA** — Where are you referring to?

**Mr DALLA-RIVA** — Page 130, budget paper 3.

**Mr PAKULA** — Yes?

**Ms PENNICUIK** — Exports.

**Mr DALLA-RIVA** — Exports — it might fall within your portfolio.

I note that your predecessor delivered, as I said, that figure, but now we are down to — the target was \$739 million, the expected outcome is \$620 million, and the target again is going to be \$739 million. I am just trying to get some clarification, because the footnote talks about the economic downturn, which everyone seems to blame.

I am trying to work out what your strategy is in trying to deal with it. Are you expecting the target to be the same as last year, or this current year, given that the expected outcome is about \$119 million less? I am just trying to get further details and explanation as to whether you are expecting to achieve that target and what the strategy is attached to trying to achieve that target.

**Mr PAKULA** — When you say 'expecting to achieve the target', the expected outcome for 2008–09 is \$620 million — so that is what we expect to achieve in 2008–09. And as you indicate, there is no doubt that there has been a hit as a result of the global financial crisis. We have some of our major export markets, not least of all Japan but other export markets as well, in probably the deepest recession that they have been in for 80 years. But the target for 2009–10 remains at \$739 million. That is as it ought to be because we set ourselves ambitious targets.

In terms of exports, I think we need to say a couple of things. We have set ourselves an ambitious target for export achievement. In 2007 we set a target of \$35 billion by 2015, and last year exports achieved was \$33.5 billion. You ask what we can do for exports. There are a whole range of things that governments of all persuasions can do to improve export performance. One of the things that we can do as a state is make it as easy as we can for companies that export to get their goods to market — by providing good road and rail infrastructure, by providing appropriately deep shipping channels — —

**Ms PENNICUIK** — Good one, Martin!

**Mr PAKULA** — And as you know, that has been a key export strategy: to ensure that channel deepening is being completed, as it is, on time. But the other thing, Mr Dalla-Riva — —

**Ms PENNICUIK** — No big ships coming through, though.

**The CHAIR** — Without assistance.

**Mr PAKULA** — It is not finished yet, Ms Pennicuik.

**The CHAIR** — Without assistance.

**Mr PAKULA** — And I have got to say I think you would describe the support for that channel-deepening program from the opposition as at best lukewarm.

**Mr WELLS** — What are you talking about?

**The CHAIR** — Can you just focus on the issues at hand.

**Mr WELLS** — There has been an ad about this channel deepening the whole time, so what do you mean? Just explain that part of it.

**Mr PAKULA** — Explain that it was lukewarm?

**The CHAIR** — Minister, without taking any notice of interjections, please.

**Mr WELLS** — Explain it.

**Mr PAKULA** — The behaviour of the opposition in the Legislative Council — —

**The CHAIR** — Minister, I asked you not to take any notice of interjections!

**Mr PAKULA** — All right. I apologise.

**The CHAIR** — Thank you.

**Mr WELLS** — He says things he cannot back up.

**Mr PAKULA** — I am not allowed to, Mr Wells.

**Ms MUNT** — He said something that is true.

**Mr PAKULA** — Can I say, though, we also have in place a whole range of programs to assist exporters, many of which I am not sure the opposition is absolutely across.

**Mr WELLS** — Tell us how many times you revised that export dollar figure. How many times have you revised it?

**The CHAIR** — Mr Dalla-Riva is asking the questions and the minister is responding.

**Mr PAKULA** — Mr Wells, let me go to the programs that the government has put in place to assist exporters in this state. We have got the Access program, which has been developed to assist individual companies in markets where the Victorian government is represented. That is a program that provides introduction, it provides access to networks and access to a foreign desk at a heavily discounted rate for those that are staying longer in a foreign market. To date this financial year alone 538 companies have used the Access program — in San Francisco, in Shanghai, in Hong Kong, in Dubai, in Bangalore, in Tokyo and in London. That is just one way.

There is the Export Networks program, which encourages new and existing businesses to provide export information and training services to their members. The Trade Fairs and Missions program, which is an



extraordinarily successful program that supports exporters. It provides groups of businesses with market intelligence and with export opportunities to enable them access to strategic overseas markets.

There is the Export Clusters program, one of the most impressive programs I have seen, which was established as a new model to assist the formation of export clusters, based on the very successful Australian urban systems cluster. That provides for the formation of clusters across a range of industry sectors. I could go on and on, Chair.

There are a range of programs designed specifically to support and assist exporters. They are all being utilised. The level of satisfaction with them is very high. In an environment of global financial slowdown export performance cannot but be affected, but this government has in place all of the programs that you would expect a state government to have in place to assist exporters within the confines of our ability to do so.

**Mr NOONAN** — I want to ask you a question about Victoria's aerospace industry. Specifically I refer to budget paper 3, page 130. I ask whether the minister can tell us about how the government is helping showcase investment opportunities in the Victorian aerospace industry and what further opportunities exist over the forward estimates period?

**The CHAIR** — Also going forward too, Minister, because this is the budget estimates.

**Mr NOONAN** — I did ask about the opportunities over the forward estimates period.

**The CHAIR** — I understand that.

**Mr PAKULA** — One of the best opportunities going forward for the aerospace and the defence industry is through the Avalon air show, which, as you know, is conducted every two years. There was one conducted this year, and it will be conducted again through 2011, 2013 and 2015.

This year's airshow was, and I am sure subsequent airshows will be, very successful in showcasing the aerospace, advanced manufacturing and aviation service firms that we have here in Victoria to around the world. We as a government ensure that we are involved in all of the activities at the airshow, whether it be the one that has just been or the ones that will be conducted in the future, to promote our aerospace, aviation and defence capabilities and the state as a great place to invest.

Just to give you an example from this year, we, together with the Australian Industry and Defence Network, hosted 25 Victorian SMEs on a large stand, which was, I am proud to say, awarded best stand at the show. We have hosted and will continue to host a range of meetings between overseas business delegations and Victorian industry.

I think Ian Honnery, who is the CEO of the airshow, deserves great credit for not just the show he has put on but the shows that he intends to put on. In 2011 it will be the 90th anniversary of the RAAF. That is expected to be an outstanding show. I think it will be the centrepiece of our platform for investment opportunities. It provides a magnificent showcase for our world-class aerospace, advanced manufacturing, aviation services and defence industries.

There are also immediate economic benefits to airshows. We have not got the figures in from 2009 yet, but certainly in 2007 it boosted the economy by over \$120 million and created 1800 full-time jobs. The attendance at this year's airshow was outstanding. I do not know if people went along, but on the Saturday and the Sunday — —

**The CHAIR** — The Deputy Chair attended.

**Mr PAKULA** — I am pretty sure Mr Finn attended as well, I think he told me. The weather on the Saturday and Sunday was absolutely foul. Nevertheless, the attendance was 170 000, which was down only very marginally on 2007's figures. It is a show that attracts 600 exhibitors, 400 aircraft, international delegations from 25 countries, and senior military representatives from 25 countries.

This year and hopefully in the years to come we are going to have an increased focus on careers and skills. There was a careers and skills forum this year which attracted 500 aerospace undergraduate and postgraduate students, 815 senior secondary students and 250 teachers. This is an event that provides enormous opportunities

for this state. We were very pleased. I think there will be ongoing benefits from the partnership that was entered into this year between Kangan Batman Institute of TAFE and the German aircraft maintenance specialist Lufthansa Technik.

That will significantly strengthen aviation maintenance training capabilities here in Victoria but in Australia more generally. I continue, Mr Noonan, to look forward to the opportunities that will flow to Victorian industry as a result of the airshow and all of the work that is done around it.

**Mr DALLA-RIVA** — While we are on the aviation industry, I note that one of your strategies moving forward is to close Essendon Airport. Have you made an assessment of the impact of your reckless decision to want to close this important airport? Have you considered the impact that it would have in terms of investment and trade opportunities? Have you made any calculations or has your department made any assessment as to how many jobs will be lost as a result of your decision to want to close it?

**The CHAIR** — The minister to answer, as far as it relates to his portfolio.

**Mr PAKULA** — Can I say in relation to the aviation sector that all of the focus of both my portfolio and this department has been on the attraction of both international and domestic air services. We have done an outstanding job in that regard. In regard to regional aviation, Mr Dalla-Riva, that is partly impacted by Essendon Airport and its environs. We have in our response to the federal aviation paper continued to support regional aviation packages. We have an outstanding record in terms of supporting regional aviation facilities.

I have in my portfolio made no moves and no soundings about Essendon Airport. It has not been a focus of mine. Our focus is on the continuation of our strong growth of international passengers through not just Melbourne Airport but Avalon and the support of all of the regional and domestic airports in this state. Our achievements in that regard have been outstanding, whether it has been in attracting Etihad, Emirates, Tiger or any of the other aviation services through this city and through this state. We will continue to do that.

**Mr DALLA-RIVA** — So you have not made any assessment in the forward estimates of your policy to close it?

**Mr PAKULA** — I think you would assume from that, Mr Dalla-Riva, that over the forward estimates period that is not something we are contemplating.

**The CHAIR** — Thank you for that assurance.

**Ms MUNT** — My local area takes in Braeside, which is a major manufacturing area, to which export performance is very important. I would like to thank the Victorian government business office for the overseas fairs. I know that a manufacturer within Braeside, a shade sail manufacturer, went to one of those shows in Dubai and really put its business on an international footing.

I was wondering if you could detail for the committee what support measures are being put in place in the coming year as part of the forward estimates to support these very important export industries?

**Mr PAKULA** — I have already in answer to a question from Mr Dalla-Riva talked about export programs more generally. I think what I will do is focus on the AUS cluster that I mentioned earlier as an example. My department helped to establish that in June 2006. It has assisted and continues to assist Victorian companies to be more actively involved in some of those massive urbanisation programs that are occurring in the key growth economies around the world, particularly China, the Middle East and India. The combined annual spend in those areas of urbanisation-related projects is more than \$500 billion.

The AUS cluster is one that consists of a broad range of Victorian companies, those that are committed to sustainable urban development from planning, design, technology and communications, engineering, economics, investment, infrastructure and environmental sciences. There are about 45 AUS member companies. They are different companies with complementary skills. They form a cluster to deliver vertically integrated outcomes for projects. That setup allows companies that have a strong Victorian presence to compete more successfully in the international marketplace.

We have completed two of those collaborative sustainable urban framework projects in Jiangsu Province, with a number of subsequent commissions and projects also being completed by AUS members. There are a further

five collaborative projects which are either being undertaken at the moment or have been completed in Jiangsu in 2008–09, and they have got the potential to lead to about \$200 million worth of exports for Victorian-based service providers in that sort of built environment space in the medium-to-long term.

Just to give you a couple of examples, there is the review of the West Tai Lake environmental and management treatment plan. That is anticipated to return \$78 million in services, technologies and products over the medium term as the project is implemented. It is a project that outlined a strategic approach to remediating what was a heavily polluted lake, and it entirely used the experience of the Victorian companies involved to do that. There is also the Tangshan New City urban design framework. The AUS cluster has prepared a new city framework for Tangshan. That is a result of a long-term strategic cooperation agreement that has been signed between DIIRD and Jiangning district government in Nanjing city, Jiangsu Province. It outlines seven short-term project cooperation opportunities and five longer term opportunities. To date one of those opportunities has been awarded to an AUS member, with a direct fee payment of \$2 million.

You have now got Grocon, which is the largest private construction company in Australia. It has recently established a cluster under the AUS brand. They will be working with property developers in China, specifically on opportunities in tall building design, construction and technologies. They see and we see the opportunities from that cluster being extensive in the short-to-medium term — \$5 million to \$10 million with full flow-ons of up to \$50 million if they secure one of those identified projects.

The cluster system that we have set up is an extraordinary opportunity for companies with particular expertise in some of those emerging built environment markets. We are very excited about the possibilities from it.

**Ms PENNICUIK** — Minister, budget paper 3 on pages 16 and 17 mentions that the government will be providing \$1.2 million over two years to establish the Transport Infrastructure Manufacturing Scheme to boost Victoria's capability to manufacture trains, trams and buses and other major transport assets. My question is: what is the government's view as to the percentage of Victoria's transport infrastructure that will be built within Victoria in the next 2, 3, 4, 5 years? Do you have a target and some goal or aim that you are working towards in that, or is it just to assist them to be able to compete?

**Mr PAKULA** — I mentioned earlier, Ms Pennicuik, in my presentation the VIPP. In my presentation about the VIPP I mentioned that we have created as part of the amendments to the VIPP that will be coming into effect on 1 July 2009 a new category, 'projects of strategic significance', particularly those valued at over \$250 million, with particular attention paid to the manufacture of rolling stock for the transport industry. Those projects will be the subject of, I suppose, a more rigorous Victorian industry participation policy process than other government procurement. Having said that, each and every procurement is still the subject of a competitive tender process. We have not been in the space of mandating a certain amount of locally manufactured product. The VIPP has been about ensuring that local manufacturers and local suppliers, particularly SMEs get a fair crack at government procurement. Having said that, the changes to the VIPP that will come into effect on 1 July and the particular focus on projects of strategic significance and rolling stock are a demonstration that we consider those projects to be those that we should pay special attention to. Certain characteristics or certain requirements will be applied to those projects strategically, on a case-by-case basis.

In regard to the Transport Infrastructure Manufacturing Scheme, you are right in noting that that has been set up as a result of the current budget. It is a scheme which we have indicated will be facilitated in conjunction with the Australian Industry Group. It is a scheme that we believe will assist Victorian manufacturers to maximise Australian and international transport infrastructure business opportunities. The sort of architecture of the scheme is likely to include — the scheme is still under construction — an e-portal directory of rail and bus component suppliers, a method of consolidating national transport opportunities and linking them with local capability.

The important thing that I think committee members should recognise is that for manufacturers of public transport rolling stock, particularly the SMEs — and they are particularly concentrated in the south-east of Melbourne — it is not just the Victorian pipeline that is important to them. A national pipeline of projects around the country can be the kind of pipeline that can give those companies the sort of scale that they need to smooth out the peaks and troughs of manufacture. It will also include an international visit program to evaluate new technologies and promote trade links.

I am very confident that the TIMS, in conjunction with the VIPP — and particularly the VIPP as it is streamlined and strengthened after 1 July 2009 — will ensure that there are better opportunities for Victorian companies to supply into those projects.

**Ms PENNICUIK** — You are talking about the needs of the companies. The need of the Victorian public is for more public transport rolling stock, which seems to be taking an awful long time to get here, presumably because there are not enough manufacturers internationally to meet the demands of the international market as well as what we need here. Is that going to be something taken into account, basically the need of the public for that stock?

**The CHAIR** — That might be another minister's portfolio.

**Mr PAKULA** — We are now starting to verge into the responsibility of the Minister for Public Transport —

**Ms PENNICUIK** — It is not really.

**Mr PAKULA** — I am certainly not able to answer for the previous purchase decisions in other countries or indeed what factors might be causing supply delays, if in fact that is the case. What I can talk about is the way that programs managed by my department can assist local manufacturers to get a piece of that action.

**Ms HUPPERT** — Minister, I refer to page 130 of budget paper 3, which has a performance measure relating to trade fairs and missions supported. Could you please outline for the committee any plans for future trade fairs during the budget period?

**Mr PAKULA** — I have got to say that the trade fairs and missions program is a very successful program. I would like to take the opportunity just to outline some recent results first. Up to 31 March this year, we had supported 180 Victorian companies on 19 outbound and inbound missions, with an expected increase in mature exports of \$138 million. The client satisfaction rate from the evaluations received was almost 87 per cent. They are very impressive figures and they underline how competitive our goods and services are in the international marketplace.

As I said at the outset, our export market has made some great advances in recent years. We have grown by 28 per cent since 2000–01 to \$33.5 billion by the end of the last financial year, and we are committed to achieving \$35 billion by 2015. We see the trade fairs and missions program as being an integral part of reaching that target. It is a program that has got a number of elements. There are overseas trade fairs, outbound trade missions, industry capability missions and inbound trade missions, and all of them have their role to play in promoting Victorian exports.

I just want to say that in January this year, with support from the state government, VECCI led a mission of nine Victorian companies to the Winter Fancy Food Show in San Francisco. That is one of America's premier trade-only events. It is for the specialty foods industry, and with 32 000 attendees has been extremely valuable for Australian exporters to the USA. Those companies that participated in that program anticipated sales of \$1.85 million over the two years following the trip, which takes into account up to January 2011.

We also provide funding for companies to participate in trade missions. In late January this year there was a mission to the Middle East to showcase our capability in the health care sector. That is, as you know, a rapidly growing sector. All of the visits that we have had in that area and that industry have been very beneficial to Victorian exporters. We went to Dubai — that is, the mission went — for Arab Health 2009, which is the leading health industry event for the region. The delegation has used the event to raise awareness of our health care industry and to cement longer term relationships with key providers. The mission participants from that event have reported that they expect over \$4 million in additional export revenue over the coming 24 months as a result of it. Just notably, Quality Healthcare Australia expect to increase their exports to the region by \$1.5 million, and HeartSMART Diagnostics expect to increase their exports by \$500 000.

We had an industry capability mission to the Farnborough International Airshow in the UK, which we expect will deliver \$44 million worth of exports. We are looking forward to a similarly successful outcome from a delegation of 11 Victorian companies attending the Paris Air Show next month. A few weeks ago I visited Futuris Automotive. They are a company that design, engineer and manufacture automotive interior systems in

emerging markets, and they are part of a mission to China coming up in June. They and I think five other companies will be visiting eight of the leading automotive manufacturers, companies like Geely and Chery that are now booming in China. They are going there to present their wares in the automotive component manufacturer supply area, and they are very optimistic about the results of that as well. So there is a lot being done in the trades fair and missions program.

**Dr SYKES** — Minister, my question relates to the Industry Transition Fund, which I think you highlighted in your earlier presentation and indicated that it is a \$50 million fund.

**Mr PAKULA** — I did.

**Dr SYKES** — How will the government report to the community and Parliament on the expenditure from the \$50 million transition fund? Will the grants to individual companies be published, and, if so, where?

**Mr PAKULA** — You report to the Parliament on the expenditure of the fund, through the budget papers, initially. There will also be in the annual report of DIIRD a summary of the companies which received funding under the ITF, but I should put a caveat on that. First, I just want to remind people about what the ITF is for and what it is not for. The ITF, first of all, is just part of a suite of measures that the government has to support Victorian industry. There are other grants, there are business assistance grants, there is investment facilitation and those sorts of things.

There are also general settings that you put in place to support the competitiveness of Victorian business, whether it is taxes, channel deepening, infrastructure, skills packages and the like. So the ITF should be viewed as just one element of a suite of measures.

It is important also to indicate what the ITF is not. The ITF is not a bail-out fund. It is not a fund about providing companies with cash for ongoings for their day-to-day operations or for companies that have run out of cash or are insolvent — tipping taxpayer dollars into that. It is a fund about helping businesses and industries that are generally in transition. That can be through a range of factors. It could be by the investment in new plant and equipment, mergers and acquisitions, investment in new research and development et cetera. Government funds can be provided to support companies who are going through that transition phase.

In direct answer, though, to the specific question that you asked, Dr Sykes, you have to bear in mind that a number of these companies at the time that they make application to government are sometimes going through some pretty difficult times. They might be going through difficult times with their suppliers or their financiers. If they were not, frankly, they might not be making application to government. In those circumstances for the government to be out there indicating that they are effectively making application to government for support could be almost the worst thing you could do for companies at that time because they are in the middle of very delicate financial negotiations. So we will be detailing in the annual report the companies that have received support and assistance if those financial sensitivities have been disposed of at the time that the report is compiled.

**Dr SYKES** — Let me just clarify. You are making the point about timing and that there might be some financial sensitivities, but you are making a commitment to the amount of grants being made to individual companies being made available — —

**Mr PAKULA** — No.

**Dr SYKES** — Sorry, let me finish, Minister — when the financial sensitivity issues of timing have been addressed. If that falls before the publication of the annual report, then it can appear in the annual report; is that what you are telling me?

**Mr PAKULA** — What I have indicated is that we will detail the total amount that has been spent from the fund and we will detail the names of the companies which have been supported. We have not been in the practice of detailing what individual companies receive through investment support by government in the past, and we will not be doing it in the future.

**Dr SYKES** — Sorry, Chair, but I think this is a very important issue of accounting. We do have situations in a federal sense where we had the Regional Partnerships programs, where money was made available to

companies there, for often similar sorts of purposes. In that case, that information was public knowledge. Those companies may have been going through the same sorts of experiences that you are talking about. The previous federal government had no problems with transparency of accounting. Why do you have a problem with transparency of accounting, understanding there might be a timeliness issue at some stage, but down the track, why cannot the numbers be made available to the public?

**Mr PAKULA** — As I said, Dr Sykes, the numbers will be made available.

**Dr SYKES** — For each individual company?

**Mr PAKULA** — I am happy to indicate how much of the ITF funding is currently the subject of accepted or live offers. As I said, we will indicate which companies have been supported under the Industry Transition Fund, but there are good public policy reasons for the protection, not just of those companies, commercial-in-confidence considerations, but also for the protection of the interests of the state of Victoria. It is not that unlike investment facilitation. It is not that unlike — —

**Dr SYKES** — We have colloquial terms for that, Minister. That is just not open and accountable government. There are plenty of other examples where companies are receiving grants from the government and they are public knowledge, and the public of Victoria expects that to occur.

**Mr PAKULA** — Dr Sykes, if you will allow me to finish, there are good reasons, for both commercial-in-confidence and financial sensitivities, and it is not that unlike the investment facilitation moneys where the exact packages of support that are provided to individual companies are not revealed.

**Mr SCOTT** — Minister, I refer you to page 327 of budget paper 3 where the defence industry acceleration program is detailed. Can you provide us with some detail about how this program will support Victoria's defence industry?

**Mr PAKULA** — Thanks for that, Mr Scott. It is a vital sector for Victoria. It provides a diverse range of defence products and services and it helps us to undertake major defence industry projects, locally and internationally. It is an interesting industry. It is made up of a combination of large multinationals and large local companies, but also a lot of very small and medium-sized businesses, particularly in some of the finer technology areas, and they all play a role in the success of the sector.

We have a very highly skilled defence workforce and, again with a nod to Mr Rich-Phillips, I should indicate that a huge part of that highly skilled workforce is concentrated around south-eastern Melbourne. We have a superior manufacturing industry and we have outstanding R and D capabilities. We are the lead state for the Joint Strike Fighter project. We are the pre-eminent military combat vehicle designer and manufacturer in the country. We are home to the Defence Materials Technology Centre, and we are a major centre for ADF military and trade training.

The defence industry acceleration project was announced in the VIMS, and it underpins our plan to accelerate defence industry growth and to meet our commitments under the road map for the Victorian defence industry. It is a program that is funded at \$8 million over four years and we believe it will position us as the leading state for the defence industry. It is a program that is all about participation in global supply chain opportunities. It is about strategic leadership and advocacy, it is about encouraging collaborative work, and it is about assistance for the innovative Victorian defence industry to realise commercialisation opportunities.

It is a program that will help us capitalise on what has recently been announced in the commonwealth white paper. It is a white paper which details the federal government's plan to modernise 80 per cent of the equipment used by the ADF over the next 10 to 15 years. There was an investment there of \$100 billion, and we are doing everything we can to ensure that we get a sizeable chunk of that work. It is the biggest military spend since World War II, and there are some really long-term opportunities for Victorian manufacturers.

The details of the projects will be provided, I think, in the forthcoming defence capability plan, which is due out next month. There are some significant opportunities for the state, whether it is in regards to naval surface warships and submarine construction, as I have indicated, in the joint strike fighter program; and there are companies like Lovitt Technologies, like Marand Precision Engineering and like Production Parts doing a huge amount of work in anticipation of JSF opportunities.

Also in autonomous systems and protected vehicles — I do not know if people have been up to Thales in Bendigo, the old ADI Bendigo, but they are producing a Bushmaster vehicle not just for our defence industry but for the Dutch as well, which I am confident is the best of its kind in the world.

We are already working closely with companies engaged in the JSF and in the LHD, the Landing Helicopter Dock, projects. We will continue to do so, and we think the release of the white paper validates both our commitment to the industry through the defence industry acceleration program but also our establishment of the — —

**Ms PENNICUIK** — Can we have a public transport acceleration program?

**Mr PAKULA** — Ms Pennicuik, I think you probably need to ask the Minister for Public Transport that question.

**The CHAIR** — Ignore the interjections, please, Minister.

**Mr PAKULA** — Also there is the establishment of the Defence Industry Advisory Council, which, as you may know, is chaired by Rick Smith, a former secretary of the Department of Defence.

**The CHAIR** — Thank you very much, and I thank Mr Smith and Mr Lewis for their attendance, particularly Mr Smith.

**Witnesses withdrew.**