

CORRECTED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2011–12

Melbourne — 20 May 2011

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Witnesses

Mr R. Dalla-Riva, Minister for Manufacturing, Exports and Trade,

Mr H. Ronaldson, Secretary,

Mr J. Strilakos, Chief Financial Officer,

Mr J. Hanney, Deputy Secretary, Trade and Industry Development, and

Mr D. Hanna, Deputy Secretary, Trade and Industry Coordination, Department of Business and Innovation.

The CHAIR — I now welcome Mr Justin Hanney, deputy secretary, trade and industry development, Department of Business and Innovation; and Mr David Hanna, deputy secretary, trade and industry coordination, Department of Business and Innovation. I now call on the minister to give a brief presentation of no more than 5 minutes on the more complex financial and performance information relating to the budget estimates for the manufacturing, exports and trade portfolio. Minister, welcome, again.

Mr DALLA-RIVA — Thank you again, Chair. As I indicated earlier, the role, as I see it, is to generate jobs and investment for the state. We see that the key to securing a strong and successful future for our industries and manufacturing, and exports in particular, is to generate well-paid and rewarding work for Victorians who want to work. We want to ensure that our businesses are the best and the most competitive in our domestic markets but also to encourage more and more of these businesses to equip themselves to compete with the best in the global markets.

Victorians have a culture of success built on hard work and ingenuity. We have a history of adapting and innovating to accommodate structural change. In the midst of significant tidal shifts currently under way in the global economy, with production and consumption moving from west to east, business in Victoria will have to be at its nimble and agile best. Raising our productivity and competitiveness and staying alert to new market opportunities will be vital in securing growth and prosperity into the future.

We know that our exporters make a vital contribution — in the vicinity of \$30 billion a year — to the state's economic prosperity, with dairy products, cereals and automotive among the key export sectors. However, it is fair to say that our share of manufactured national merchandise exports, while strong between 1990 and 2000, has been in decline over the past decade. It is important. If you include services, there are very similar trends in terms of growth and then relative decline. We know that a high dollar and tough overseas competition are making life hard for those who have businesses operating in the global market space. What we are doing to address that is to provide support to our exporters, and they will get more support in this budget for developing new market opportunities, with a \$12.4 million commitment in this budget.

The Baillieu government came to office confident that industry in Victoria was up to the challenge of making the most of the opportunities emerging from the shifting patterns of global trade consumption and investment. We are telling companies, large and small, that we can be there to help and meet those challenges wherever we responsibly can. We are committed as a government to supporting the efforts of Victorian exporters to allow them to build on their successes in the global economy.

In our first budget we are honouring our election commitment to boost funding for exporters. The additional funding for exports will provide a more focused trade mission program, initially targeting high-growth export markets like India.

I now move to manufacturing in particular. A strong and successful manufacturing sector in Victoria is also vital for jobs, productivity, exports and investment. In this state the manufacturing sector currently employs more than 310 000 people across a variety of industries, and manufacturing is still the largest full-time employer in this state. However, in relative terms Victorian manufacturing has plateaued over the past decade in its share of GSP. As you can see, its share of national merchandise export has gone into a fairly deep decline.

For all the success stories in advanced manufacturing in Victoria, and there are many, it is unfortunate the widespread perception of a smokestack industrial sector unable to compete with lower cost Asian producers and facing inevitable decline persists. We are not content to sit back on the sidelines and surrender to those fears of the ever-diminishing industry. In fact we are confident in the capacity of the Victorian manufacturing sector to build a strong and successful future.

As I indicated, there are many pressures: import competition due to the high dollar; cost pressures from major customers as they look to lower cost manufacturers overseas to source their components; the cost and availability of labour, both skilled and unskilled; and higher salaries needed to attract people into manufacturing SMEs, especially in the regions. To secure and strengthen Victoria's economic advancement we need an internationally competitive and dynamic manufacturing sector. We need a sector that is able to project Victorian companies confidently into the supply chain of global production. We need new and more assertive policy approaches to restore a vibrant manufacturing base and return to this state the leading role it once had in the Australian economy.

The challenges of revitalising Victorian manufacturing are the focus of a current inquiry by the Victorian Competition and Efficiency Commission into the Victorian manufacturing industry. We are looking to them to identify key drivers of future growth for the sector. We see it is important to getting the basics right, backing local innovation and generating jobs and investment. It is also about identifying industrial strengths in regional and rural Victoria. The inquiry will also look at the unnecessary regulatory burdens making it harder to attract overseas investment and also, in line with our election commitment, to ensure Victorian companies have every opportunity to get a fair share of and access to government procurement. VCEC will seek public submissions and consult with manufacturers, and we look forward to the commission's release of a draft report for consultation ahead of a final report to be provided before September this year. Our aim is to take action that will improve the competitiveness, productivity, investment, jobs and export growth in the manufacturing sector. That in our view will contribute to a larger, a stronger and more competitive Victorian economy.

Behind all these initiatives is our single goal to create an economy propelled by innovation, and we know that innovation is very important for this sector. We know that there has been significant structural change in the composition of the manufacturing sector since the 1970s, with relative decline in sectors such as the textile, footwear and clothing sector, while other sectors have been able to grow and capture new market opportunities.

We will be standing up for Victorian manufacturing. We have started a series of round tables at local level, including the SMEs, so that they can tell business their challenge. I have already conducted a range of these round tables in Melbourne and have undertaken a series already into regional areas.

Can I say the challenges facing manufacturing are great, but so too are the opportunities. When it comes to building the economy for tomorrow one thing is clear: we cannot compete with low-wage economies on labour cost, but we can compete by raising our productivity, by building our reputation for quality and reliability and through the development of higher end products and services.

I understand that the way ahead is not by racing to the bottom but by climbing up the value chain — not by returning to business as usual but by looking for the business opportunities presented by changing and challenging times. I think we can do that. We have a vibrant manufacturing base that drives innovation and creates jobs from the shop floor in the automotive sector to the high-end manufacturing in defence. Advanced manufacturing must be driven by significant commitment to research and development, and we are committed to delivering a new and forward-looking approach to manufacturing.

Innovation is the key to revitalising manufacturing, and manufacturing now more than ever is just about making things but making them better, and Victorian companies must be in the vanguard. We still see Victorian manufacturing as being essential to the success story of this state, and we will do all in our power to ensure that manufacturing remains a vibrant and valuable contributor to Victoria's industrial mix. Thank you, Chair.

The CHAIR — Thank you, Minister. Minister, in relation to the portfolio of manufacturing, exports and trade, can you advise the committee on how predictions concerning population growth have shaped the budget for 2011–12 and the out years?

Mr DALLA-RIVA — As I discussed in the previous session, the question of population growth is central to many of the key policy calculations in this portfolio as well. In the area of manufacturing it has particular relevance. As you would be aware, the great post-war surge in the economic development of the state was accelerated and enhanced by the population growth. That population growth was driven partly by the baby boom, but also by the massive influx of migrants from across the world. And more often than not they were working on manufacturing production lines here in Victoria. They set themselves that capacity to deliver and build new communities in a prosperous and rapidly growing state. As I said before, that is one of Victoria's great success stories.

The clustering of population in significant parts of rural and regional Victoria is also predominantly due to the presence of a major manufacturer or several large manufacturers. You only need to look at some of the major regional centres, including Geelong, Ballarat, Bendigo, Shepparton, Mildura and Wodonga to get a feel for that. For example, the Geelong region has a range of high-end manufacturing activity clustered around major automotive and aerospace industries; and Bendigo, around some leading defence industries. The pattern is particularly pronounced where there are competitive advantages to access of raw material, be it dairy, fruits or timber, as I mentioned before. In particular, what it illustrates is that the manufacturing industry has been

intrinsic to our population growth, but it has also been a key element in explaining the spread of population and the character of the workforce across the state. Even today, as I said, of all the industry sectors, manufacturing is still the largest single full-time employer in this state. It has become a vital organ of our economy and of this society over a century or more, and it is important that it remain so.

As I said, population growth of itself will not be as powerful a factor in fuelling economic growth as it has been in recent years. Productivity will be the key, and nowhere more so than in manufacturing. In my view we have to innovate. We have to use better and more efficient technologies. We have to identify and capture new markets, and we have to develop stronger collaborative networks between our companies and the research community. A good mix between industry, universities, for example, and government is one of those areas that I am looking at. Other areas include cutting the cost to business of government regulation, and also skilled migration, which I have spoken about before. Equally, where we cannot provide sufficient numbers, our schools and tertiary institutions will be important to the successful future advancement of manufacturing, where we must identify and fill those skill gaps with talent from overseas.

There is another straightforward point to make, and that is about the economic challenges for the country. Clearly the issue of population growth raises the question about how we deal with the growing infrastructure needs of an expanding population. Transport, for example, is an obvious area of concern. We need to ensure that we undertake programs of getting companies that are already in existence operating and delivering those types of activities. Our view is that we should be doing more here in Victoria, and that of course is one of the commitments the coalition made at the election. What is critical is getting the balance right and understanding the importance of import replacement by local manufacturing.

Like most industries, manufacturers tend to be drawn to the cheapest cost centre. If you look at the 1960s, when we had the challenge of Japan, South Korea, Taiwan and then Hong Kong in terms of producing low-value-added products in large quantities, they have now moved forward, and we are now facing those same challenges from China and now India. What we need to do is understand those significant structural changes that will impact on our industry.

It is important for our industry and manufacturing and the export market to meet those challenges. On population growth — whether by natural birth rate or by importing more people — the economy must provide the goods and services to cope with the extra demands. Can I say, the mining boom cannot go on forever, and as Minister for Manufacturing, Exports and Trade it seems to me that it would be far more preferable for longer term security and prosperity to lift our efforts in providing more of those goods and services in our own right. If we can work hard towards delivering increased productivity and competitiveness, there is no reason why the Victorian manufacturing base cannot answer that challenge.

As you can see, Chair, there is a clear link between the approach we take on population growth and a successful role in the future for our key industries in the manufacturing sector.

Mr PAKULA — That was a rather long answer to your question, Chair, that was — —

Mr MORRIS — Comprehensive.

Mr PAKULA — Well, full of a lot of good intentions, but I did not hear any specific programs or targets referred to, so I will ask: both in response to that answer and in response to all of these items in the minister's presentation, in terms of the manufacturing sector, what is your target over the forward estimates for production in the manufacturing sector, for employment and for the level of investment — specific targets?

Mr DALLA-RIVA — That was in relation to — sorry, the target?

Mr PAKULA — In the manufacturing sector, what are your targets for production, employment and level of investment?

Mr MORRIS — Of course the government is responsible for all those things.

Mr PAKULA — You would have believed so after that presentation.

Mr DALLA-RIVA — In terms of employment targets, let me be very clear: unlike the Labor Party, I am not a fan of setting targets for employment.

Mr PAKULA — Against which you can be judged?

Ms HENNESSY — What? Accountability?

The CHAIR — Allow the minister answer the question. Then you may have the opportunity to ask a supplementary.

Mr PAKULA — If every answer did not start with, ‘Unlike the Labor Party’, that would make it easier.

The CHAIR — I acknowledge — —

Ms HENNESSY — That is in complete contrast with what the Treasurer said in the house.

The CHAIR — Thank you, but the Treasurer is not here. Minister Dalla-Riva is here. We have questions to this minister, and this minister is entitled to respond.

Ms HENNESSY — They have a lot in common.

Mr PAKULA — Okay, no worries, Chair.

Mr DALLA-RIVA — As I said, I am not a fan of setting targets that will never be met or making promises that are never kept, and you would know about that. But I am confident that our economy will be resilient —

Mr SCOTT — Chair!

Ms HENNESSY — You are a winner, Minister, aren’t you?

Mr DALLA-RIVA — and that the growth in Victoria’s workforce will be productive and that we have the policies to meet the growth in the forward estimates of employment.

Mr SCOTT — So you reject the Treasurer’s targets?

Mr DALLA-RIVA — On the other point that you made about a target in production, can I say that what we have seen is a turnaround in productivity. The automakers, for example, have delivered some very profitable results recently. I understand that today, even as we have been here, Ford has announced a turnaround in its profitability. That would seem to indicate that the production targets, whatever they may be, for individual companies are being met and delivering profitable results. Can I also say, in terms of investment, that what I have said throughout my speech is that we are about ensuring we deliver investment opportunities to this state. I did indicate it is important, as part of that opportunity, that we provide the best environment for businesses to want to come here. Whatever it may be, the regulatory burden, as I indicated earlier, would be a blocker for companies wanting to come to invest in Victoria as opposed to going overseas.

Can I also indicate those issues will be looked at in the longer term as part of the VCEC inquiry. That VCEC inquiry will identify a range of business opportunities that will probably cover a number of the areas that you have outlined. We wait for that report to be provided, because once it is done it will inform us in a more coherent and strategic way about some of the areas you have asked about.

Mr PAKULA — Who is heading up that VCEC inquiry, Minister?

Mr HANNEY — Minister, Richard Clarke is heading up the VCEC inquiry.

Mr PAKULA — Thank you, Mr Hanney.

Ms HENNESSY — Thank God someone knows.

Mr MORRIS — Minister, I refer you to budget paper 2, the strategy and outlook document, and in particular page 14 which identifies a number of short-term risks for the economic outlook. Some of the factors listed there include an uneven global economic recovery, rising oil prices and, from an export point of view, the impact of a strong Australian dollar, and I ask: how does the budget assist Victorian exporters to face these significant challenges?

Mr DALLA-RIVA — The Baillieu government recognises that a growing competitive economy needs a strong and dynamic export sector and, as I indicated before, one that generates wealth, price productivity and innovation and strengthens Victoria's connection to global markets and supply chains. This budget provides \$12.4 million over four years to support our exports as part of the government's agenda to restore Victoria's export sector as a prime generator of growth, wealth, jobs and investment. It will help exporters to identify and capture new market opportunities.

Already this government has supported Victoria's biggest ever trade mission to India in early April, led by my colleague Minister Asher. Representatives from 60 Victorian companies participated in this delegation, which was the largest Australian trade delegation ever to visit India. I think it is important to repeat that: the largest Australian trade delegation ever to visit India was out of this state and this government. The delegation showcased Victorian business capability in the key industry sectors of automotive, aviation, aerospace, information and communication technology, clean technology, food and beverage, and sustainable urban design. The visit reinforced the Victorian government's commitment to the relationship with India, which will contribute to the government's goal of an export-focused economy.

The budget also committed \$1 million over two years to support a strong Victorian presence at the 2012 World Expo in South Korea, which is expected to attract 100 participating countries. This support includes a program of industry-focused activities to generate new market opportunities in South Korea arising from the bilateral trade agreement that is currently being negotiated in Australia. The new funding will be complemented by other initiatives now being put in place, including a new export strategy, trade engagement programs aimed at specific countries and VicMade and VicGrown branding campaigns.

Last week I launched a series of export round tables. At the first meeting here in the city I exchanged views for 2 hours with a selection of Victorian exporters, large and small. These are tough times for exporters. We know that. The dollar is so high. It is invaluable for me to hear face-to-face their concerns and challenges. This will be an ongoing dialogue, and as the government and exporters explore new ways with financial commitment to expand their business into the global market, we see some good outcomes ahead.

Mr SCOTT — Minister, I refer you to budget paper 3, page 151, where under key strategic priorities for 2011–12 the second dot point is 'industry assistance', and also to your presentation where one of your dot points was 'streamlining grants and assistance to improve access for manufacturers'. I would be grateful if you could convey to the committee what types of industry assistance programs your government will provide to industry.

Mr DALLA-RIVA — As part of our policy commitment for the election we committed to undertaking a review of all industry assistance grants and programs. The purpose of this review is to support getting a strategic direction that maximises job growth, business growth and commercial opportunities, and we will be looking to see how those business grants align with the government's objectives. I will give you one example — the trade mission to India that was to be undertaken by the former government. I provided that to a range of business groups and they struggled to understand what it actually meant. What we are trying to do is to streamline it so it makes it clear to companies where they are going. Don't take it as a criticism.

Ms HENNESSY — Seventeen thousand jobs lost under your watch in Victoria. We do not feel sensitive, my friend.

Mr DALLA-RIVA — It is about identifying and trying to get the industry and grant assistance right. I think it is fair, as a new government with a new Department of Business and Innovation, that we align ourselves with the needs of business, and that is what that will be part of. I look forward to that being so.

I will give you another example. The ICN was into an area that did not meet the needs of this government, and we will be focusing them, for example, in terms of import replacement to assist SMEs. We will be giving it a greater focus in terms of providing assistance to SMEs in the export market. As I have indicated many times in speeches, and I will say it here, I would like to have SMEs being involved not only in providing and receiving business from different industry or different sectors but also having a component of export in their portfolio, because what that does is it allows them some protection when there are global shocks, for example, recently in the auto sector or indeed when there are opportunities, for example, in the defence area. Equally, I have spoken to a lot of SMEs who would like to be able to have industry grants and assistance into areas, for example, going into other markets — niche markets — overseas and being able to work out how that has worked.

I think there are some great opportunities. I am excited about it because I think it will align very clearly with the new direction of the Department of Business and Innovation, and it will deliver real outcomes for businesses that have been crying out for some clarity on the industry and grants programs over a number of years.

Mr SCOTT — In the interests of brevity, I will let it go to the next question.

The CHAIR — Thank you.

Mr ANGUS — Minister, I also refer you to budget paper 3, page 151, and the very paragraph that Mr Scott just referred to which states in part:

... support businesses to maximise jobs growth, business growth and commercial opportunities ...

In relation to that, as minister for manufacturing — and really this is probably an expansion on your previous answer — are there any particular sectors that you have in mind that provide great opportunities for growth and expansion?

Mr DALLA-RIVA — It follows on from Mr Scott's question earlier about trying to identify and align where some of the potential opportunities are and where we can align the industry and grant assistance processes and programs. One of the great growing areas that I find amazing, and I know those who have been in this portfolio before would understand, is the defence industry sector and its growth and how that is developing, especially in terms of manufacturing in the regional centres.

Recent successes here in Victoria include, for example, Marand Precision Engineering's involvement in the F35 joint strike fighter project. Marand, which is to operate now out of the Geelong region, has made a successful transition from the automotive sector into aerospace and today is one of Australia's largest privately owned aerostructures manufacturers. Equally, Chemring, also based in the Geelong region, is the only producer of air-launched countermeasure flares in the Southern Hemisphere. I visited that location on their opening.

In Bendigo, Australian Defence Apparel has developed new, lighter weight body armour with the specialist assistance of the Victorian Centre for Advanced Materials Manufacturing. A number of weeks ago I officially opened their centre. From the global centre for excellence in air traffic management in Melbourne Thales Australia air operations has deployed its technologies across Australia and around the world. To ensure it remains at the forefront of innovation, the company is currently developing a new centre for advanced studies in air traffic management in Melbourne.

Of course in this sector the overarching reality is that the commonwealth government is the leading purchaser, and it is critical for Victorian industry to win our share of local defence industry contracts. I think we need to be more ahead in the area of trying to attract defence industry and manufacturing capability. Our challenge in the immediate future is of course maintaining that defence capability in the manufacturing sector, and Thales in Bendigo are, as we know, involved in the bid for the federal government's defence department's Land 121 phase 3 project. I know that members of all sides are very keen to ensure that that project is maintained in Bendigo, which is important for the regional centres of Victoria.

I strongly believe that our armed forces deserve the best protection. The Bushmaster is renowned around the world as being one of the great saviours for our troops and allies overseas. I think it is important that the capacity to build the Bushmaster remains in Victoria. I know we have been working hard to get the commonwealth on this. We support Thales in its plans to expand its design, development and manufacturing operations in Bendigo. I was encouraged by the decision last week and the commonwealth announcing it would buy another 101 Bushmaster armoured troop carriers. We hope that we will continue to support the defence industry.

Mr PAKULA — Did the minister said that Marand was in Geelong?

Mr DALLA-RIVA — It is moving to Geelong. It is part of its joint strike fighter work.

Mr PAKULA — Okay.

Ms HENNESSY — Minister, I refer you to page 156 of budget paper 3.

Mr DALLA-RIVA — Yes.

Ms HENNESSY — I note that under the heading ‘Industries and innovation’ it states that:

Industries and innovation outputs drive sustainable and enduring economic growth in industries across Victoria through programs and initiatives that support research, innovation and commercialisation ...

Minister, you are no doubt aware that the development of advanced new products and processes is one of the keys to maintaining and growing Victoria’s manufacturing base and that the synchrotron has a significant role to play in those developments. I was just wondering, Minister, how you plan to try to mitigate or repair the damage to our vital, advanced manufacturing sector as a result of the government’s failure to fund the synchrotron.

Mr O’BRIEN — It is not as a result of our failures.

Ms HENNESSY — There is nothing in the budget for it. Advanced manufacturing sector is not happy. What is the minister doing about it?

The CHAIR — Thank you.

Mr O’BRIEN — What is not in the budget is \$5.7 billion back from your desal.

Ms HENNESSY — What is the minister doing about it?

Mr O’BRIEN — You don’t want to hear it, do you? We will be paying for it for 28 years.

Mr PAKULA — You will never make them understand, don’t worry.

The CHAIR — Thank you, Ms Hennessy. Thank you for your question. I actually recall a very detailed explanation from the Minister for Technology this morning, but I will ask the minister to respond if he wishes to.

Ms HENNESSY — It goes to the impacts on the advanced manufacturing sector.

The CHAIR — That is fine. The minister can respond.

Mr DALLA-RIVA — Thank you, Chair. Whilst it is not directly related to my portfolio, as you know, Minister Asher has that, I am very pleased to mention, as I said, some of the areas of innovation which are very important. As I indicated before, I was very pleased to announce the Victorian Centre for Advanced Materials Manufacturing, VCAMM. We also have the Defence Materials Technology Centre here. We are working closely with the world-class defence industry, research and development sectors to support their efforts to develop new leading-edge products and services for Australia’s defence forces. Earlier this year I had the pleasure of meeting with the researchers and industry participants in the Defence Materials Technology Centre. It is Australia’s first defence cooperative research centre and is headquartered at Swinburne University’s Hawthorn campus. Our ongoing financial assistance to the DMTC covers operating costs and investment in capital equipment and has resulted in 40 new jobs in Victoria in defence-related research and development.

Mr SCOTT — I thought you did not have targets.

Mr PAKULA — The question was about the synchrotron.

The CHAIR — He is giving a relevant answer.

Mr PAKULA — He is talking about the defence industry.

Mr DALLA-RIVA — These activities include working, as I indicated before, with the key Victorian defence company ADA in Bendigo and the development of the boron carbide armour plate, and we believe this will be an opportunity for new jobs. I was also out at an innovation seminar last week where I spoke about the relationship between industry, Victorian academia and of course government and a greater collaboration to ensure that we understand the needs of industry.

One of the great concerns that we have — and I know that Mr Pakula, who had the industry portfolio, would be aware — is that you have great ideas that can work at university but when you try to get it to a commercial stage it is that jump across the divide that they find very difficult. What we are trying to do — and I know that the previous government started it, and I am pleased to continue on in that area of manufacturing — is to actually work that divide.

In my portfolio responsibility I am very acutely aware of the necessity of the relationship between academia and industry, in particularly the manufacturers in the advanced area. When I was out at VCAMM I was staggered to see what they are doing in some of the regional areas and some of the developments in carbon fibre. There are those areas as well, which are all part of it. Equally, I was out at Qenos just last week or this week, where there was a significant commitment — again commenced by the previous government, where they understood the need — —

Ms HENNESSY — Yes. It is a terrific organisation, Qenos. Cogeneration out there is very important.

Mr DALLA-RIVA — Again I think it is important we acknowledge that this area should be — —

Ms HENNESSY — Synchrotron, Minister. Synchrotron.

Mr DALLA-RIVA — I indicated to you that it is the area of Minister Asher. In my portfolio responsibilities, we need to ensure that we work collaboratively on both sides of Parliament in terms of supporting, where we need to, the advanced manufacturing sector. I am very pleased that there is a range of projects that have been started before by the former government and that we will continue on and develop with our programs as well. It is good outcomes all around.

Ms HENNESSY — Except the synchrotron.

Mr O'BRIEN — Minister, following on from some of that, in relation to budget paper 2, page 6, where it mentions the importance of identifying better procurement processes for the state, how do you see this policy helping local industry?

Mr DALLA-RIVA — I thank the member for his question and for his well-known interest in the manufacturing sector. The terms of reference for the VCEC manufacturing review, which I indicated earlier, require explicitly that it report back on the impact of the Victorian government's procurement policy on the development of the manufacturing sector and the extent to which local content requirements can stimulate growth and innovation. This government has committed to making strategic use of procurement policy to give local industry more opportunities such as that.

I indicated earlier the importance of the Industry Capability Network being more focused on import replacement. I also said that we would, as part of our election commitments — there are a range that I mentioned — there is our \$1.4 billion commitment for 40 new six-carriage suburban trains. We will specify as part of the tender process that these trains will be largely manufactured in Victoria. It has also been released that we will ensure that the Department of Business and Innovation publishes key performance indicators and benchmarks on the procurement performance outcomes of all departments, and we will reform the whole-of-life valuation of local content use in procurement contracts to ensure that local companies get a fair share of contracts.

We have to be very clear, though, that we are not going to be playing favourites with local manufacturers. What we need to do is to make sure that they get fair access to government tenders. I will be putting particular emphasis, as I indicated earlier, on making sure that small to medium enterprises no longer feel that they are crowded out of government tender processes.

We are of course not infallible to their purchasing choices, but sometimes it is true that the cheapest price does not deliver the best value, and quality and reliability of supply should also be import factors. I give you one example of a company that imported Chinese items and about 40 to 50 per cent of their product was found to be faulty. They ended up having to get that modified, and then they found a local supplier that could deliver it more cheaply and with greater reliability and greater supply. It is just understanding how that works.

I mentioned earlier about defence, and the commonwealth government works in well in terms of some of the areas. We saw recently a story about defence firms vying for a \$1 billion deal, and there have been massive problems with the US program to build blastproof armoured vehicles. The amazing thing is that we have that capability right here in Victoria. They are some of the things that we should be working towards to try to ensure that, even at a federal level, procurement considerations are put front and foremost in terms of supporting Victorian manufacturers in that process.

The CHAIR — Thank you, Minister. We will have one short final question from the Deputy.

Mr PAKULA — I have undertaken no follow-up, but I will do a quick double burger just based on the presentation. One just goes to something you just commented on, Minister. In relation to the 40 new six-carriage suburban trains you talk about the tender process. As I understand it, the seven trains that are funded in the budget are actually just going to be an add-on to the current order at Ballarat. What I am asking is: in regard to the other 33, are you undertaking that there will be a separate tender process for those 33? And just very quickly, could you just tell us what you mean by ‘refocusing of the manufacturing industry advisory council’?

The CHAIR — Thank you very much, Deputy, for your final question for this series of budget estimates hearings. Minister, for your final answer.

Mr DALLA-RIVA — I seem to recall that when it hit the time we would get up anyway.

Ms HENNESSY — You can ride but you can’t hide, Minister.

Mr O’BRIEN — Let him answer the question.

The CHAIR — The minister is happy to answer the question.

Mr DALLA-RIVA — It would be nice to have a bit of humour! Can I just say that refocusing the manufacturing industry advisory council — —

Ms HENNESSY — I thought the presentation was a joke.

Mr DALLA-RIVA — I will take the second part first. That is obviously part of the review of the VCEC. You would be aware that as a new government we will be looking at the make-up and the construct of that advisory council. I think it is fair to say that it has had an important role, and we want to see how we can refocus that in a range of other areas that I have indicated before. I think it has been like the defence advisory council, which you would know was a very good council, and it is the same with this council as well, Mr Pakula. It is important to understand though, as I have indicated, some of the directions that we are looking at in terms of defence and other areas — exports — and it may be a broadening of that advisory council. I think you will be happy with what we are doing there.

In terms of the purchase of the 40 new six-carriage trains, there is an initial commitment, as you know, in the budget, as I outlined, and part of the industry round tables that the Premier is organising as part of the VCEC review will be to inform us a bit more about how we undertake the procurement processes and look at the VIPP, for example, and see how we can modify it or amend it or change it or keep it, subject to what the review comes out with. I am trying not to be political, because I know I could. But I am just saying that we will be working towards that. That was our election commitment over two terms, as you know. This is the first budget of the first four years.

Mr PAKULA — But they are not just going to be an add-on to the current order, there is going to be a new process. There will be a new process for those trains rather than just an add-on to the current order?

Mr DALLA-RIVA — There will be that process that will be ongoing, yes.

The CHAIR — Thank you. Before everybody rushes to the door, let me just say a couple of things. Firstly, this is the end of this series of budget estimates hearings. I wish to thank Hansard particularly for the outstanding work that Hansard has put in over the last two weeks — actually nearly three weeks it seems. Also the Public Accounts and Estimates Committee staff, the secretariat, particularly Valerie and Melanie. Thank

you very much. I would like to thank all witnesses, those before us and those who have appeared over the previous 11 days. I would like to thank the committee for their civility! Therefore, thank you all.

That concludes consideration of the budget estimates for the portfolios of employment and industrial relations, and manufacturing, exports and trade. I thank the minister and departmental officers. Where questions were taken on notice and where there are unasked questions, the committee will follow up in writing at a later date. The committee requests that written responses to those matters be provided within 21 days.

Committee adjourned.