

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into budget estimates 2013–14

Melbourne — 15 May 2013

Members

Mr N. Angus

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr C. Ondarchie

Mr M. Pakula

Mr R. Scott

Chair: Mr D. Morris

Deputy Chair: Mr M. Pakula

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Witnesses

Ms L. Asher, Minister for Employment and Trade,

Mr H. Ronaldson, Secretary,

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

Mr J. Strilakos, Director of Finance, Department of State Development, Business and Innovation.

The CHAIR — We will resume the hearings and move to the portfolio of employment and trade. I ask the minister to give a brief presentation of no more than 5 minutes on the usual matters.

Ms ASHER — Thank you, Chair. Victorian exports have continued to grow. The total value of Victoria's exports has increased by 6.6 per cent to \$33.8 billion in 2011–12, which is the third consecutive year of growth for Victoria's exports. This is very good to see. The total value of Victoria's goods exports increased by 9.9 per cent in 2011–12, which outperformed national growth. Services are incredibly important as well, as we have discussed, and services exports have increased by 73 per cent over 10 years to 2011–12. However, recent growth in services exports has been at a slightly lower level, although the value of Victoria's services exports rose 1.2 per cent to \$12.2 billion in 2011–12. I am sure that members of this committee would be familiar with who is exporting, but obviously China is our biggest market, followed by New Zealand, Japan, the US, Singapore, Korea, Saudi Arabia, Malaysia, Indonesia and Thailand. We as a government have embraced a Victorian international engagement strategy which is aiming to internationalise Victorian industry.

I think members have heard a great deal about that. It is a \$50 million program over four years, and the idea is obviously to engage and particularly to find export markets for our smaller businesses which might not be able to find export markets on their own, with all the support of the VGBOs in setting up business-to-business meetings and so on and so forth. We also try to help our firms develop knowledge and expertise, and we have so far issued three papers. The first one is *Engaging China — Strengthening Victoria*; the previous Premier released that prior to the big Chinese delegation. I released a Victoria-gulf states engagement strategy, which again set out how we would conduct that relationship. I also released, on the last Indian trade mission, a report called *From Engagement to Partnership*, which really does reflect where we are in terms of that relationship with India. We have concentrated as a government on China, the Middle East and Turkey, and India. The Premier has already announced that he will be leading a trade mission to South-East Asia in June.

In terms of employment, I have a range of programs in the portfolio. It is a very small portfolio. I have Employment Start Up, which is to refocus Victoria's skilled and business migration program. There is the CALD election promise in multicultural affairs, the CALD Job Bank Registry, which is being implemented, and the Youth Employment Scheme, the YES scheme, which is for public sector trainees. We have Business in Transition Support funded from 2012 to 2016. We have a couple of indigenous employment programs to help in that area of desperate need, and the budget released a new program here called Employment Start Up, which I am sure some members may want to question me further on. In the interests of preserving time, they are my preliminary comments.

The CHAIR — Thank you, Minister. We will go straight to questions. Mr Angus has a question that I am sure will be eerily similar to a question I have frequently asked.

Mr ANGUS — Minister, I refer you to Mr Pakula asking the Premier last Friday whether — —

The CHAIR — No, no — you are on the wrong one.

Ms HENNESSY — You guys at least get PPQs. I have to work out which one of the departments it is.

Ms ASHER — Now I am getting really worried, because this cannot be too free.

The CHAIR — No, it is all right. We are just making sure that we are all on the — —

Ms HENNESSY — All on the same PPQ? I would not mind a few myself.

Mr PAKULA — They are making sure they all have the right pre-prepared sledge.

Mr ANGUS — We changed the arrangements, Minister, my apologies. I refer you to budget paper 3, page 44, in relation to output initiatives and the international engagement strategy. The trade missions are an important feature of the coalition government's Building for Growth policy. Minister, can you update the committee as to the outcomes and what the government is proposing for the future with trade mission programs?

Ms ASHER — Thank you very much, Mr Angus, for that very important question. The government's trade mission program has received a great deal of commentary. It has been, I think, amazingly successful. We have our super trade missions and our other trade missions, but the figure that is of the most relevance I would have

thought to this committee is that the larger trade missions over a two-year period have yielded a combined economic benefit of \$2.6 billion. Obviously that is something of which we can be very proud.

In a spirit of generosity, I note the former member for Lyndhurst always said he was supportive of trade missions, and indeed the Labor Party's policy paper on this I think even used the word 'applaud' or 'commend'. I could read no further: I fell off my seat.

Mr PAKULA — David Davis was the last scrutiny person to bag trade missions.

Ms ASHER — I was very, very pleased to see that, because I think this is an important matter. Let me just go through to flesh out some details of this.

We have had very large trade missions to the Middle East on two occasions and to India on three — two large ones and one smaller one with me. There was the China super trade mission in September 2012 and, as I said, a second one to India in March. The Premier has already indicated that he will lead a trade mission to South-East Asia, which has been scheduled for June, and Malaysia, Indonesia and Singapore have been targeted. The five super trade missions have supported more than 1000 organisations to showcase their businesses to key markets. As I said, in terms of a two-year program, the headline figure of this is that these super trade missions have yielded \$2.6 billion as a direct result over two years.

However, on top of that more than 50 trade missions have been completed to more than 20 markets, and these have also generated in excess of \$3.2 billion of anticipated export outcomes over a two-year period. We have had 8 trade missions to India, 6 to China, 7 to South-East Asia, 6 to the Middle East and 26 to other regions such as to Europe, the Americas and North Asia. The organisations that have participated in those trade missions number 1800, and again we have seen very, very significant results from that.

This was a carefully thought-out policy by the government in the sense that we thought, 'What can we do particularly for our smaller businesses?', because obviously larger businesses can generally look after themselves, as I said earlier. We thought that we could help them to find new markets. If you are talking about a market like the Middle East, having a minister lead a delegation adds a lot to the goodwill and credibility of the delegation. My department set up a whole range of business-to-business meetings — I think the figure for the Indian delegation was something like 1500 business-to-business meetings that were set up. All of this is a way the government can support small businesses.

On this, which is not a feature I have talked about a great deal, I get significant feedback from small businesses that say, 'I could never do this on my own, but obviously with this level of support I can'. But the really interesting reaction comes from female small business owners who say, 'I would never travel to India on my own', or 'I would never travel to the Middle East on my own or to China on my own, but with the structure of a large delegation and government support I am happy to do so'. I am really pleased to see more women participating in these missions and who actually make the comment to me — I assume they feel they can make the comment to me — that that level of support from government is something they could never have done on their own as individual female small business owners.

Mr PAKULA — Back to the questionnaire, Minister, and again I am relaxed about whether you or the secretary answers this. On the question of employment, under 'Staffing matters' are questions 31 and 32, which have a breakdown of staff. At 32 it describes the number of casual FTEs as 0.5. I am assuming that is direct engagement. Can you give the committee any information about how many agency staff are engaged at the department from organisations like Hudson and the like? What is the number of agency staff engaged?

Ms ASHER — The departmental secretary will take that question.

Mr RONALDSON — I can take that question.

Ms ASHER — Yes, please, if you could.

Mr RONALDSON — Because they are agency staff they come and go, but the approximate figure for the old department is around 250.

Mr PAKULA — When you say the old department, prior — —

Mr RONALDSON — DBI. I have not got a figure for the combined department, but certainly for the previous department, and do not hold me to the exact number, it is of that order.

Ms ASHER — Prior to the machinery-of-government changes.

Mr PAKULA — Just as a supplementary and maybe on notice, what is it post the machinery-of-government changes, and some indication of what areas of the department these people are working in and what kind of roles they are filling — would you be able to provide that information to the committee?

Ms ASHER — Absolutely.

Mr O'BRIEN — I refer to a question that Mr Pakula asked the Premier on Friday in relation to whether he had at that stage appointed a new agent-general in London. I understand an appointment may have been made in recent minutes. It may not have been announced to this committee, so I wonder if you could advise the committee formally who has been appointed as the agent-general in London?

Ms ASHER — I would be delighted to do so, and obviously I am aware of the fact that the Premier has issued a press release. There has been a huge amount of speculation about who would be the agent-general, and I have read the transcript where Mr Pakula speculated that it may be Philip Davis, my upper house colleague. The Premier indicated that Mr Davis certainly had not sought that particular position. Indeed, the *Age* speculated that it was clearly going to be a known Liberal. If the agent-general is a known Liberal, I have never seen him at a Liberal Party meeting. I know that the Labor Party will think this is a good appointment, because they have appointed him to board positions — as in Tourism Victoria — in the past, and indeed appointed him as commissioner to India. The new agent-general is Geoffrey Conaghan.

As I said, he has served in India. He was appointed by the previous government for 3½ years, and he has done an outstanding job. He has been overseeing the trade mission program to India with aplomb. He was on the Tourism Victoria board; I appointed him to the board. The Labor Party also appointed him to the board. He has previously worked for the airport. He won the most outstanding contribution for tourism at one stage at the tourism awards. He is a professional, and I think he is a perfect agent-general for London. I hope the ALP can see its way clear, if not to say its speculation was wrong, to wish him well in his job, because I think he will do a very good job.

That raises the question: who will be the commissioner to India? I did not want to have this position vacant for years as has occurred previously. India is a very tough market, which is why I respect why Mr Conaghan has served 3½ years in that market. I am delighted to announce also that the new commissioner to India is Wayne Lewis, who was a previous commissioner to India. He was appointed by the previous government, and he is an individual of outstanding qualities. He knows the Indian market backwards, he was very involved in some of the initial investments from the Indian market into Victoria and he has been assisting us. I think he was one of those contractors, Howard, wasn't he?

Mr RONALDSON — Yes.

Ms ASHER — He has been assisting us in the Indian market. It is a very good appointment, Howard. He knows all the players. He knows the key businesspeople and he knows the key sporting people; he just knows the full shebang. My only concern about the appointment of Geoffrey Conaghan as agent-general in London was that I did not want that position in India — because of all the work we have done, and in fairness to the previous government, it also did work in India — it needs to be built on — —

Mr PAKULA — With Wayne.

Ms ASHER — and I am delighted that Mr Lewis has accepted the offer to resume his duties as commissioner to India. I think those two appointments will enable the government to keep on going very aggressively with the trade mission program, about which I was asked earlier. It will enable a seamless transition in the Indian market anyway, which is important now and is going to be so important in the future.

Ms HENNESSY — Minister, can I just refer you to budget paper 3, page 41, which references the output for the employment start-up program. The YMCA Bridge Project and organisations like Whitelion effectively have not been assured that their funding will be continued until after June. Whitelion runs the industry partnership

program, and the YMCA Bridge Project is a fabulous project that supports young people coming out of the juvenile justice system and has great corporate relationships. Given that they do not know what is going to happen to their funding beyond June this year, I was wondering if you are able to provide them with any assurance and/or make any comment as to whether or not the employment start-up program funds would be available to such organisations.

Ms ASHER — The employment start-up funds is a new program, and this program will be all about placing young people with businesses. It is nothing to do with the previous program. I have indicated in some other answers that some are programs that have been rolling over; this is a new program. I am actually very excited about this program. It will offer 1750 placements, and the idea is that the employers will have \$1000 as a grant initially for employing a young unemployed person. Then after 16 weeks and provided the young person is registered for training, the businesses will get another \$3000, which will help them offset some of the costs of training. This is a recognition that SMEs are often time poor, they have not got time to recruit, they would like a person but it is all too difficult and so on and so forth. This is a new program, it is aimed fairly and squarely at young people who are employed and it is a payment to businesses.

This is not the program that you referred to earlier which I think is called the — —

Ms HENNESSY — The industry partnership program.

Ms ASHER — Yes, whatever that one is. That contract with those seven organisations will end on 30 June, and, again, governments from time to time have the right, when a program finishes, to bring in a different program. It is my very strong personal preference to have businesses employ young people directly rather than community organisations providing this, so the answer to your question is that that program will cease. I think those people know that the funding for that will cease, which is why they are being active in the market, and I think I am seeing one of them tomorrow, so I can reiterate that message. It is not a comment on their capacity to deliver; it is just that the government wishes to have an employment start-up program that involves businesses.

Ms HENNESSY — They will be devastated by that.

Mr ONDARCHIE — Minister, I would like to speak to you about international engagement with western China and Indonesia, and I refer you to budget paper 3, page 41, where it talks about output initiatives and about Victoria's international engagement with western China and Indonesia. I feel like I want to say, 'Ní hǎo' or 'Selamat pagi' right now; as you know, I have worked in both those locations. I wonder if the minister could outline details on the importance of a presence in both of those markets.

Ms ASHER — This particular line item allocates \$6.57 million over four years to deliver on the previous Premier's commitments to open Victorian government business offices in Chengdu in China and Jakarta in Indonesia, and the current Premier has obviously made reference to that as well. The Victorian Government Business Offices network is absolutely vital in securing investment for the state of Victoria — obviously this is a two-way street — they are vital for trade missions, particularly the super trade missions and there are a range of other duties that are performed.

All governments make choices about where their resources, internationally, will go. The previous government shut the Jakarta office. It was open from October 1994 to June 2002, but we wish to open that office in Jakarta, and the Premier has expressed that in Parliament and said we regard the South-East Asian market as a growth market for us; hence this large delegation that is going to occur in June, led by the Premier. Obviously in the Chinese market, after the success of the huge trade mission that we had with 650 people with the former Premier, we want to honour that promise of having the office in Chengdu, because we think that those deep inland areas of China, if you like, will have some significant further opportunities for us.

I am aware that there are alternative proposals, and indeed the Labor Party wants to augment the Frankfurt office, which is fine; I notice the feds are closing their Budapest office in last night's budget, and again I note the member for Broadmeadows wants to open an office in Turkey, which is not part of the Labor Party's platform. But people — the Labor Party and individuals within the Labor Party — are free to advocate where they think was also should go, but in terms of this budget we are firmly saying that the additional resources for the VGBOs are going to be located in China and in South-East Asia.

Mr SCOTT — I will resist asking a question as a follow-up because I was curious why it is Chengdu, not Chongqing which is four times bigger. I know it is the state capital but — —

Ms ASHER — You have expertise. You have personal expertise in this; I have departmental expertise.

Mr SCOTT — I will ask just as a follow-up to an earlier question — and I am happy to have this on notice — —

Ms ASHER — Sure.

Mr SCOTT — You talked about \$2.6 billion of investment or business out of the trade missions, if I understood correctly.

Ms ASHER — Yes.

Mr SCOTT — If we could just have on notice a breakdown of the actual numbers and projects associated, because these figures are thrown around, and we are on the record as a party that supports trade missions, but it would be great if the committee could have that information.

Ms ASHER — Okay, I can give it to you. This is the India trade mission in March 2013. The businesses reported the following outcomes: immediate export sales of \$381 000, anticipated — —

The CHAIR — Minister, Mr Scott indicated he would be happy for that to be placed on notice. Would it suit you to do that?

Ms ASHER — I am happy to indicate that I have got the material here, and I can obviously read it into the record. But if you would like me to provide it for you, I can provide it for you in broken-down detail, because we have done that mainly in the Parliament anyway. But if you want, return on investment to India is \$123 million; the Middle East Turkey, 106. China is \$1.75 billion, and India \$368 million. They are in broad terms, but I am happy to provide it for you broken down into what is immediate, what is the first year, what is the second year; I am more than happy to provide that to the committee.

The CHAIR — Thank you. That would be helpful. That concludes the hearing on the portfolio of employment and trade, and I thank Mr Hanney for his attendance this afternoon.

Witnesses withdrew.