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Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT,
REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

Reference: Impact of the global financial crisis on regional Australia

WEDNESDAY, 22 APRIL 2009

GEELONG

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**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT**

Wednesday, 22 April 2009

Members: Ms King (*Chair*), Mr Neville (*Deputy Chair*), Ms Campbell, Mr Cheeseman, Mr Clare, Mrs Gash, Mr Raguse, Mr Randall, Mr Robb and Mr Sullivan

Members in attendance: Mr Cheeseman, Ms King, Mr Neville and Mr Sullivan

Terms of reference for the inquiry:

To inquire into and report on:

The impact of the current global financial crisis on regional Australia and the role of the Commonwealth Government in ensuring that regional Australia is equipped to respond, with particular focus on:

- the encouragement of economic development and employment; and
- the development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia.

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Committee met at 9.06 am.

DEMEO, Mr Terry, Co-ordinator Statutory Planning, City of Greater Geelong

DORLING, Mr Peter, Executive Director, Committee for Geelong

KILPATRICK, Professor Sue, Pro Vice-Chancellor (Rural and Regional), Deakin University

MILLER, Mr Lawrie, Executive Director, Geelong Chamber of Commerce

SCOTT, Dr Andrew Charles, Chief Executive Officer, G21 Geelong Region Alliance

SPEAR, Mr David, Manager Executive Projects, Golden Plains Shire

SUTHERLAND, Mr Grant, Chief Executive Officer, Gordon Institute of TAFE

ACTING CHAIR (Mr Neville)—I declare open this public hearing of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government for its inquiry into the impact of the global financial crisis on regional Australia. This is the committee's third public hearing of this important issue. The global financial crisis is affecting all Australians, but in undertaking this inquiry the committee wants to ensure that regional concerns are heard as the government formulates its response to the crisis. Today the committee will hear from representatives of G21, Deakin University, RDA Geelong and Geelong Manufacturing.

I welcome you all here today and in particular I welcome to the table representatives of G21. Thank you for presenting a very comprehensive team. Although the committee does not require you to give evidence on oath, we remind you that these are proceedings of the parliament and warrant the respect that attends the House of Representatives. It is customary to caution witnesses that the giving of false or misleading evidence is a serious matter and could lead to contempt of the parliament. But having said that, you are most welcome, so who will lead?

Dr Scott—Perhaps I will.

ACTING CHAIR—Will you give an opening statement?

Dr Scott—Not so much an opening statement, but perhaps I will set some context around the group that is attending today and what we are about.

ACTING CHAIR—Okay.

Dr Scott—We want to leave maximum time for the committee to explore the issues that it thinks are relevant.

ACTING CHAIR—I will make just one comment on the basis of what we saw yesterday and my colleagues said of the day before. Do not feel that you have to commentate on the current situation. We would like to hear what you think are solutions.

CHAIR (Ms King)—As a matter of formality, is it the wish of the committee that document Nos 33 and 11 be accepted as evidence? There being no objection, it is so ordered.

I welcome witnesses attending the hearing. I offer my apologies for being slightly late. I did not find the entrance of the car park and had to circle the block, otherwise I would have been here on time. Please go ahead and set the scene for us. The committee has received your submission, for which I thank you very much. I note that you have put a number of core solutions on which you wish the committee to concentrate. We will questions around those, so please proceed.

Dr Scott—G21, as committee members will know but for clarity I will just cover it, is a company that was established some years ago by the five regional councils with the support of the state government and a range of larger organisations around the region, many of whom are here today. The role initially was to gather data on the region so that we knew where we were and where we were travelling, and from that to develop a plan from where we all wanted the region to go. We do that periodically.

Currently we are in implementation mode. It is fine having a plan, but it is what you do with it that counts, so we are about moving that forward with a whole range of projects. We are in a sense therefore an umbrella organisation for the region. We do not generally deliver things in our own right but we bring together all the partners within the region and beyond to do things which we all believe will be in the best interests of the region. That is why the group is here today in the form in which you see it. I will make a couple of comments on the submission.

CHAIR—Just before you do that, could you give some examples of the things that you do? Yesterday we have heard from a development board, and one of the things I am interested in exploring a little more generally across the country is the role of development boards or the role of bodies such as you versus local councils, how those work and what sorts of elements are involved. Certainly some of the witnesses we heard yesterday had engaged in some of the service delivery aspects, and that seems to me to have caused a loss of focus on what they were doing on economic development. We would be keen to hear what you are doing in the project sense.

Dr Scott—Okay. G21 works on the basis that it will pick up issues that are genuinely regional, not very local. If it sits within an individual council, we leave it to them to sort it out and help where we can, but generally we leave it to them. Let me give you an example. We are organised as a series of pillars. We have eight pillars representing areas of interest. We have one on transport, one on economic development, one on the environment, one on health and wellbeing and so on. Each one of those brings together the key people across the region who work in that area: for example, the health and wellbeing pillar will have the CEO of Barwon Health and a whole bunch of other players, such as the regional director from human services, et cetera.

That gives us a forum whereby we can quickly identify from knowledgeable people what the issues are as we are moving forward, but it also gives us the capability to deal with a lot of those as part of the process because the people who need to take action are around the table, and our role is simply bringing them together and coordinating them. I can give you a couple of examples of things we have been doing: one of the issues that the transport pillar had been

working on for some time was public transport in the region. That is an issue for us for a whole range of reasons. It is a rapidly growing region with an ageing population. Partly for the reason that a lot of retirees are moving down to the region, it is a sea change or tree change effect. As those people age, because they are scattered across the countryside they will become less and less mobile over time.

As the region moves forward public transport will become a very serious issue for us. It is also an economic issue in the sense that a town such as Lorne, because of pressures from Melbourne developers or Melbourne people who come down and buy, the prices in Lorne are extremely high—\$750,000 is the average property price. That means that the workforce cannot afford to live there. Therefore you have to do something about dealing with that problem. That is partly an affordable housing issue, but it is also an issue of how we get those people there, and public transport again becomes an issue for us.

That group, which includes everyone from the taxicab board to the Department of Transport, the port and that airport—everybody—sat around that table and came up with a public transport strategy and had promoted that with all the various parties. In the end, that transport strategy was picked up by the Victorian government and integrated in toto inside the Victorian Transport Plan because it gives you a regionally consistent view on what needs to be done. That works for the government as well because it tells you what the local priorities are.

The other thing that we are doing through the health and wellbeing pillar, for example, is address the issue of how to target resources to the best effect. It has always been issue. It is an issue right across the country. For example, with diabetes, there are many programs being rolled out, but it is a very scattergun approach. If you look at the statistics, the incidence of that is very localised: within certain areas it is much, much higher. Therefore if you can collect, maintain and analyse that data, you can target your services to the areas that need it most and you can have a much better bang for the buck, if you want to put it that way. We have a group that is looking at doing exactly that which includes Barwon Health, the Department of Human Services and Deakin University—a group of players putting that together.

We never do these projects in isolation. For example, the public transport one is of interest to the environment pillar just as much as it is to the transport group because it is an access issue as well, and it is of interest to the economic development pillar too. We always cross-fertilise.

CHAIR—That is great. Thank you very much. I just thought it was important, particularly for those who are not from the area, to set a bit of the scene. Please go ahead.

Mr NEVILLE—You go, so to speak, into soft infrastructure, such as health, as distinct from just a hard regional development focus.

Dr Scott—Absolutely. We take a healthy regions approach to it where everything is connected to everything. Unless you deal with the environment and social issues, you cannot deal with the economy in isolation. You have to look at the whole package, and that is what we do. In terms of our opening remarks, you have our submission. Basically the thesis we are putting forward is that if you look at the ABS figures, there are some quite stark statistics that have been gathered over the years and which show that, for example, unemployment between the capital cities and the regions will track together very well, but there are times during economic shock—and this is

very clear from the statistics—that a very large gap opens up very quickly between the regions and the capital cities. The regions are very badly affected when that happens, and that can last for five years or more before it comes back to the same trend again. It is a very serious issue for us.

Looking at the underlying issues, it is generally agreed that the fundamental problem is that regional economies tend to be quite thin and quite narrow as well as obviously much smaller. If you get one or two casualties, it has a much greater impact in the regions than it might do in a capital city, which has a much broader economy. The other issue which comes into that is the sorts of industries that tend to be attracted to regional areas. If you have a look in our region with companies such as Alcoa, Shell, Blue Circle and some of those larger operations and a lot of the transport companies that are down here because they need large areas of land and large buffer zones, you would find that very difficult to do in a capital city.

The nature of a regional economy is also somewhat different. When you have an economic downturn, those sorts of companies tend to be among the ones that are first affected and most affected. It then knocks on right through the economy. We also find, for example, in this area alone—although we are not orphans in this—that the economy has been in transition for some years now as we have been moving away from heavy manufacturing into more of the knowledge-based industries. Manufacturing continues to be important and will continue to be important, but the nature of it is changing. Dealing with that is a problem.

When you are dealing with an economic downturn and you are already trying to deal with an ongoing problem with which we have been dealing for 20 or 30 years due to global forces, suddenly it triggers a lot of impacts. Companies that were staggering along and were marginal suddenly start saying, ‘This is all too hard’, and that is when you start losing large numbers of jobs. It is a fairly complex situation but it is to do with the nature of the economy and the regions. If you are going to deal with that, our view would be that you need to therefore deal with those underlying issues. This is not a short-term problem. As I said, the unemployment statistics show that the impact can go on for quite some years. It is not a matter of putting in a one-off stimulus that will fix it, although that is a great help, but you have to look at some of the policy settings and some of the changes that you can make over a period of some years. You cannot just put in a stimulus and say, ‘Well, that’s fixed the problem.’ In the regions, history shows that it does not work that way.

The sorts of things that we have been promoting—and they are outlined in our submission—are designed to try to broaden the economy to a degree in a place like Geelong where we are better off than are any of the regions because we are bigger. For that very reason, the economy is a bit more resilient and a bit wider. We have also been working for many years. One of the things that we have found is that with an economy in transition, you develop a very resilient population and we develop mechanisms to cope with it. To date, I think we have weathered it reasonably, but if you look at the latest quarterly ABS statistics, there is a very major spike in unemployment, particularly in youth unemployment. It is starting to bite and over coming months we will see the full impact of that.

The sorts of things that we can do and that we have been promoting are, for example, looking at where we locate government instrumentalities. I am not talking about the core ones because obviously that is not going to work if you take them away from Canberra.

CHAIR—You have had the experience down here of the TAC here.

Dr Scott—Absolutely.

CHAIR—In my electorate, there is also the example of the State Revenue Office. Both have been really quite successful, from what I have seen.

Dr Scott—Yes. We were cavilling with the TAC. Do you have this table? It has worked exceptionally well for the employees. I have spoken to a number of the groups because we try to help them to integrate into the community, and I guess that all of the groups represented at this hearing do too in different ways. They have been very positive about what has happened. It is a change of lifestyle for them. They are finding the property is less expensive and they can decide to live on the coast if they want to rather than live in central Melbourne, which many people are finding to be a very positive thing. From the point of view of the organisation, I was talking to the CEO on Monday night who was saying that, from that perspective, it is working exceptionally well. But you have to find organisations that work in those situations.

CHAIR—I am chiming in because I want to ask you some questions about that.

Dr Scott—Sure.

CHAIR—Federally ages ago there were some experiments with some of those, and basically they were dismal failures. I cannot now really think of any that have remained with any of those agencies in regional areas. Obviously we have two great examples of state government agencies that have done it. What sorts of agencies are amenable to that occurring?

Dr Scott—It will be agencies that do not require day-to-day contact with a minister, for example. It would be unthinkable to move, for example, Treasury or Premier and Cabinet or Prime Minister and Cabinet. Many agencies still have that link, but it is often only parts of an agency which require that relationship. It is the operational arms. We already see with a lot of the services which the government provides being regionalised as well, and they are already are with regional offices, but there is no reason why the head offices of those could not move or the equivalent, such as the Transport Accident Commission and so on, which are non-core but nonetheless are important government functions but which operate as a business unit independently. It is those sorts of operations.

I can give you a very good example in which I was involved some years ago but was a disaster. I probably should not say that publicly, but it was the then New South Wales Department of Agriculture that moved to Orange. On day one when that was announced, they lost, other than the extension services, almost every one of their professional staff. That happened for a number of reasons: they did not have a support network in Orange and it simply was not big enough to support them if they were lawyers and so on. They were looking at where was their next job, and it was not going to be in Orange but back in Sydney.

The other one was the partners. It ignored the fact that there are partners. Often an employee may well have moved, but their partner had a job somewhere in Sydney and it was just unthinkable. The benefit that we have as a city is that we are close to Melbourne and that provides a degree of backup. If you want highly specialised things, although we have most

things regionally, it is 45 minutes by train away. It is not really an issue for us and we have a large enough economy that we have second choices for employment for lots of other people; it is not just one organisation. You have to match the organisation to the economy and to the setting in which you are looking to put it.

Mr NEVILLE—It is a bit like creating a Parramatta in a coastal and rural setting.

Dr Scott—Absolutely.

Mr Dorling—We are the closest second-tier city to a major capital in Australia. The view of Geelong is that the better Melbourne goes, the better we go. There has been a change of thinking in Geelong about how it deals with Melbourne, and we feed off Melbourne now as opposed to fortress Geelong, which was probably our mentality 10 or 15 years ago: here we are, there they are. That has now totally been broken down.

Mr NEVILLE—You have stuck with the strong.

Mr Dorling—Exactly. We are about to interconnect the water supply. Those sorts of things would have been unheard of 10 years ago, but now there is connection between Geelong and Melbourne. In fact, we are closer to the centre of Melbourne than are some of the growth corridors in Melbourne, so this connection is very close now. It is working for us; there is no doubt about it.

Mr NEVILLE—Before we go a bit deeper, can you tell us about the city and regional population of this area, what your structure is, the staff you employ, and your sources of funding? Can you give us a bit of a feel for how G21 works?

Dr Scott—On the last statistics, the region that we operate within has approximately 280,000 within it, but it is growing rapidly and is somewhat above that now.

Mr NEVILLE—What about the city of Geelong?

Dr Scott—The last statistics I saw showed just under 200,000-odd.

Mr Dorling—It was 190,000, or something like that.

Dr Scott—Yes. As I said, we cover the five council areas. On our own staff, we have five core members, two of whom are employed on one particular program which they deliver for a state government instrumentality. It is a very small organisation. What we do is generally done through the partners. If we are running a major project, it may be one of the councils, or it may be Barwon Health or it may be Barwon Water that will take up the carriage of that and run with it,

Mr NEVILLE—Do you get a number of grants, for example—state or federal?

Dr Scott—Yes.

Mr NEVILLE—Do you buy in the additional staff for a particular project, do you?

Dr Scott—If we have to. Generally we will try to utilise the expertise that is in the region. If it looks at what we are going to do with water, even though it might be outside the water grid in a rural area, if you like, nonetheless Barwon Water has a lot of expertise in dealing with water.

Mr NEVILLE—That is right.

Dr Scott—So we would engage those. If there are additional costs involved, we might then put some money towards engaging a consultant.

Mr NEVILLE—Right.

Dr Scott—The benefit of that is that it makes the money go further and you know that you have people who understand the local issues rather than bring in an outside consultant.

Mr NEVILLE—What are your funding sources for general operations?

Dr Scott—For general operations, that is funded from the five councils which provide our core resources. But, as I said, we also work with a large number of government agencies.

Mr NEVILLE—Do you get state or federal grants?

Dr Scott—A lot of them we get for projects.

Mr NEVILLE—Project money?

Dr Scott—Project money.

Mr NEVILLE—But you do not get an operational grant?

Dr Scott—No. We get none at all. That is an issue. If you look at the way you work on the ground in a regional development sense, it is very easy for us to gather information and ideas. The people around this table whom you see in front of you can provide most of that. By bringing it together, we can get a very good picture and many good ideas for things that could happen. The problem is you then have to take it from a concept to a project that you can deliver, and it is that working up, that space in between, which is always challenging. It takes resources and it takes quite a bit of time and money to do that. If you do not have the resourcing to do it, that is one of the reasons we use the network. But we are constantly looking for ways in which we can develop ideas. That slows us down quite dramatically on some occasions.

Once you have got the concept developed, you can talk to state or federal government and say, 'Here is a project, here are the figures, and there are the projections and there is the business plan.' Because we are organised, we are quite successful in getting that funding. But it is the gap between gathering together the idea in the first instance and developing it to the point at which you can put it into a government program which is a real issue, and I think that is true of most regions.

Mr NEVILLE—Is that something you would recommend we look at in developing regional enterprise?

Dr Scott—I would. My experience of looking at these things is that I have worked with New South Wales, Western Australia, and South Australia at different times on their regional development operations. In each case, they were getting significant base level funding which was then matched by the councils. That means you are all in it together and that you all bear some responsibility, particularly in the smaller regions. We are very fortunate in that we have the city of greater Geelong which stands alongside us, and that is a large and complex organisation with sophisticated capabilities. If we did not have that, we would find it much more difficult. If you go into other regions that do not have that capability, they would really struggle to find the resources, the funds, the information, and the capabilities that they need to operate.

Mr NEVILLE—I will conclude on this note: there is nothing more frustrating in regional development than having an organisation like this working up a plan and then having the potential recipient to take it over, but having no funding source to get that \$50,000 or \$100,000 for a business plan or a study in between so that they thing languishes for six, nine or 12 months purely for the want of something like that.

Dr Scott—Yes, I would agree. That is a major constraint. I would add another one to that: in some areas, the services that we are trying to bring together and coordinate are provided by different levels of government, particularly state and federal.

Mr NEVILLE—Yes.

Dr Scott—That is a major problem, even though everyone will agree that it might make sense to work together on the ground and deliver a product, which the people to whom it is targeted need. The organisations themselves are not all that keen on coming together and working, usually; there can be only one boss, et cetera. It is inevitable that that will happen. That is one of the biggest problem areas that we have. Therefore I think the initiative from the government to try to bring together state and federal services is a very laudable one. When you try to put it on the ground, it is much more complex. But it is one that I strongly support because it is a very positive way to move forward.

CHAIR—How do you engage with your state and federal members of parliament in that process of developing a concept in response to a particular issue, such as in relation to transport?

Dr Scott—We do that in several ways. Number one is that we have a very significant communications program. One of my three staff is a specialist in communications. That is their background, although she does other things. She spends a great deal of her time gathering information and making sure that everyone is aware of it so that the entire network is aware of what we do. Our email list is about 9,000 people across the region, which I suggest is probably one of the biggest in the region. We do that because, if you are speaking on behalf of the region and you need to carry them with you, it is very important; you actually have to do that. Part of that is that that information of course goes to our local members, but we supplement that with regular one-on-one briefings. A couple of times a year we would gather together all of the local elected members and give them an overview and briefing of where we are, what we have done and what we are doing next. We also do that with ministers on a fairly regular basis.

I will give you an example of that which is pertinent: we are currently organising a meeting of all of the local government elected members—the 40 of them—across our region in one room.

Because of the council elections, many of those people are fairly new, and so they have gone through some briefing to understand the local issues. Now we are adding a layer to that, which is about the regional issues, because you do not work in isolation. It is part of that program. As part of that the state Minister for Innovation, Industry and Regional Development, Jacinta Allan, will come down to that meeting and talk about her views and where the state government is moving on regional development. In that way, we are trying to link all of the elected members so that they all understand each other's agendas.

Mr CHEESEMAN—Dr Scott, in getting around Australia over the last 12 months and looking at regional structures, what very much occurs to me with development boards and entities like G21 is that probably the level of government that really is one way or another missing in action more often than not is the Commonwealth; that Commonwealth representatives nine times out of 10 are not involved in these types of development boards or local government groupings. Do you have any recommendations to this committee on how the Commonwealth might be better engaged in this space? I know that often the Commonwealth might be a source of funds for regional development and the like, but it does very much occur to me that it is the Commonwealth, as a level of government, that is probably missing in action in this space. Is that a fair observation?

Dr Scott—I think that is a fair observation. I have a couple of comments on that. Number one is that in this region we engage the head of the area consultative committee, for example, who is very much involved with many of the pillars and things that we do. Where we have people like that, we try to engage them. One of the problems often is actually getting them engaged. For example, there may not be a regional manager or someone who can get involved. If they are involved, they have very little local autonomy and authority to make decisions. To a degree they are at the table as an interested spectator, but really it does not add a great deal of value. That is part of the issue relating to the top level of government. Some of that is inevitable, but it could be improved.

Mr CHEESEMAN—Yes.

Dr Scott—For example, one of the things you might change are the KPIs that those officers are responding to. If you can put into their KPIs that they will be engaged and involved in making a difference at a local level, I think you might see a change in behaviour.

Mr CHEESEMAN—Just to follow on from that, you have identified the local executive officer of the ACC or RDA. Who else might also be engaged in that space? Would it be Austrade and those types of entities as well?

Dr Scott—Yes. Whenever we set up something like this, we look at who are the key players around the table that we need to have involved. We always approach those we think are the most relevant players and try to find a person who can represent it. I have to say that most of the federal agencies do not get involved simply because they cannot find an appropriate person with the knowledge or they have other commitments. So we involve them still in quite a number of the areas in which we operate. For example, we work closely with the transport people in Canberra, but that tends to be on a project by project basis rather than as an ongoing strategy.

Mr CHEESEMAN—Yes.

Dr Scott—Many of the things we do is developing a strategy for where we want to go. That requires ongoing commitment. It is the same as a commercial organisation. You will not get commercial organisations to sit around a table, year in and year out, and talk about where the region is going. That is not their priority. Those groups tend to be dominated by people whose job it is to do that, hence you will see the people here: the council, economic development officers, and so on. We supplement that with project groups and task forces. At that sort of level you can engage those people, so we will have Shell or Alcoa or various non-government organisations which will get engaged when there is a specific project, or perhaps once or twice a year when we will run a forum and we will say, ‘This is what we are seeing. Validate that for us. What are you seeing? Is that correct?’ because we don’t want to charge down a path and find out that the people we are trying to do it for do not actually agree with us. There are various ways of dealing with it, but the Commonwealth is a difficult one to engage.

CHAIR—That was part of why I asked the question around the engagement of state and federal members. I am coming to the view that the way in which federal members need to operate or in which we do operate is quite different to that of state members, particularly in relation to many areas in which we become the gateway to federal government agencies and programs. How that is working is certainly something we are noticing with an absence of the Commonwealth and with the new regional development of Australia and how that will work. There is still some work clearly needed there.

Dr Scott—I certainly agree with that. Our two local members—I do not to embarrass Mr Cheeseman—but they have been extremely active with us in finding and engaging the right people in Canberra. We could not have done that if we did not have that gateway.

Mr CHEESEMAN—Yes. I will just keep following up on this theme because it is an area that I have a lot of passion for and interest in. It occurs to me, given your initial comments, that our unemployment rate tends to track along that of the major city with a real spike when things go off the rails, as they have at the moment with the global financial crisis. It also occurs to me that the important work undertaken by entities such as yours is about long-term structural reform of the economy and that if the Commonwealth wants to be engaged in that space, working hand in glove with the state government and with local government and development boards like yours, we need to somehow or another find ways in which to bring specialist knowledge and expertise to the table.

I accept Catherine’s comments about the role of federal members being perhaps slightly different to that of state members, but we are often away in Canberra or travelling around the country on inquiries such as this. To have a group of bureaucrats at a Commonwealth level that can be engaged in your pillars and engaged in the development of strategies would add further value, I would have thought.

Dr Scott—I would certainly agree with that. But there is one other issue, which I think we probably touched on before at a previous inquiry, and that is the processes. While money is always welcome and we would never knock it back because it allows you to do things, it is often a matter of coordination, assistance, changes with regulations and removing barriers that are just as important as is a financial grant.

One of the things of which you would be well aware and of which we are always aware is that the processes for obtaining funding from the Commonwealth and acquitting that are extraordinarily complex compared with what state governments do. We recently signed two contracts for the same amount of money. The state government contract was three pages. The Commonwealth contract was 80. That is not uncommon. I think everyone would find that.

Mr Miller—That is standard.

Dr Scott—Yes. We understand there are some issues, but nonetheless if the state government can do it, we would have thought there is room to simplify those processes. A lot of groups, particularly smaller groups, will not engage in seeking assistance from the Commonwealth, simply because it is too difficult.

Mr NEVILLE—That is right.

Mr Dorling—I have two members of the ACC here, myself and Grant, and we are fully aware of that, Grant, are we not?

Mr Sutherland—Yes.

Mr Dorling—As members of the ACC, we were frustrated with the difficulty of people applying for funding through our structure because it was just the long and winding road, so that is a good point. Can I just make one point?

CHAIR—Yes.

Mr Dorling—I have to leave reasonably shortly. It is the Committee for Geelong's view—and we have spoken to Mr Albanese about this—that there are three levels of structure of areas in Australia. There are major capitals, which we are all aware of because they have been in existence for quite a while, there is rural and regional, which covers 90 per cent of Australia, and then there are second-tier cities, which have their own phenomenon.

Mr NEVILLE—There are large provincial cities too.

Mr Dorling—There are second-tier cities. There is us, Wollongong, Newcastle, the Gold Coast, Mandurah and those of cities, but Geelong, Newcastle and Wollongong are going through something that we have never seen before. Our traditional manufacturing is stalling to some degree, but we are growing as cities as populations spill out from Sydney and Melbourne into these areas. That has never happened before in our history. If you look back you will see that has never previously happened. It is like a two-speed economy. One is going this way with growth, construction and people wanting to live in our areas, and the traditional industries that we have relied upon are drifting away, which is leaving some pockets of poverty in our city as well. That is something we really have never seen.

What the committee says is, 'Let's have a look at these second-tier cities specifically on their own. Let's separate them from Oodnadatta or whatever', and that is fine; you need to do your work. But let us look at these second-tier cities and see what packages and assistance they need through the major cities unit, or wherever it might be, to make them prosperous in the twenty-

first century. Because what is happening in the twenty-first century, and what will happen to Geelong, I think—business will follow people. That is what is happening in the United States.

Where people want to live, business is gravitating there because that is where the skills are, and Geelong is perfectly placed for that. But this transition to get from where we have been—propping up Australia as a great manufacturing city—to a lifestyle city, while retaining our manufacturing as best we can, will need some help. The RDA we set up in Geelong or wherever we set up with the RDB has to be slightly different, if you like, from the standard packages that we might roll out over Australia. We need something specific for Geelong. That is the committee's argument and it has been that argument for quite a while.

CHAIR—I am interested because one of the points in your submission is around education and training. I note we are hearing from Susan directly after this. The criteria for the Jobs Fund recently were announced. That provides to some extent some flexibility, although it is yet to be seen how that will work. I am interested in what it would look like in Geelong with the sort of training or education that you are speaking about specifically, and not just here in Geelong. What recommendations would you suggest the committee should make in relation to transition economies right across regional Australia?

Prof. Kilpatrick—We are raising the Corio Norlane regeneration project here. They have large disadvantaged suburbs. There are a number of subprojects under that, but one of those is an education regeneration. That has been multifaceted. We have had school principals looking at the latest research and matching the pedagogy to the groups. It has been moving right up. Grant, I think you are thinking about having a presence in the northern suburbs with the Gordon there.

Mr Sutherland—Yes.

Prof. Kilpatrick—And doing it differently to the way that it is done in the city. At Deakin we have a new associate degree program which we are rolling out and I am having very early discussions with some of Grant's staff about offering that in the area there. It has been based on research about what matches the needs of that particular type of community. It will have a skills component at the upper end that is about moving people from not being confident learners to becoming confident as learners.

CHAIR—Is there any targeting in particular though of some of the workers in, for example, manufacturing who may be becoming redundant and transitioning them into the new economy? What is happening with them?

Mr Sutherland—I might make a couple of comments on that. We are working from the Gordon Institute, but part of our core business is to assist those types of people. One of the challenges the Geelong region faces is what we are transitioning. It is pointless going in and helping displaced manufacturing workers with their qualifications in manufacturing if there is no similar employment. What we are trying to work with are those people and treating them as individuals and find their other skills. Then we develop programs to transition them to new jobs. Probably the big issue is: What are the new jobs in the region that we will create?

As a region we will probably talk down the manufacturing a little. Manufacturing is obviously under pressure and under stress, but one of the strengths of this region is that we have a very

skilled manufacturing workforce. I think we should use that as an important part of our future. What is really important is to help people who are displaced. As Susan just mentioned, with Corio Norlane, we have to make sure that there are employment opportunities for everybody in new industries in Geelong. They are not at the high end, which I know is obviously important, but I actually think that part of our big strategy needs to be clearly identifying what those new industries are.

For example, biotechnology is a great industry for Geelong. I have seen it in North Carolina where you can transfer the skills of manufacturing workers who are displaced into biotech and into bioprocessing and biomanufacturing. Part of what we need to be as a region is very aggressive about new industries, but not just targeting industries for the sake of it. We should be linking to what our social needs are and what our strengths are, which is a very strong manufacturing base. To me that is becoming quite urgent.

As I say, we are doing a lot of work with workers who are displaced from the manufacturing sector. I think I can confidently put up my hand and say that all levels of government have recognised that and are doing terrific work, but what we are conscious of is not doing the typical training provider approach and going to, for example, Ford and saying, 'Okay, let's sit down with you and work through and get you before you leave a Certificate III in some automotive category'. Yet there is no job for that. What we are trying to do is say, 'We'll actually give you the skills and the training to get into some new employment opportunities.' Obviously what we need to fast-track are those new employment opportunities.

Mr Miller—Taking up what the president of the chamber has just said, certainly I should correct the population statistic. It is now over 208,000 in greater Geelong. I am sorry about that, Andrew. Manufacturing did have huge numbers in it. I can go back to when Ford Australia's Geelong plant had five and a half thousand workers and now it is down to about 1,400 workers. It represented a big proportion of the 60,000 people employed in the region.

Now we have over 105,000 people employed in the Geelong region, and Ford having only 1,400 employees is not big at all: It is just over one per cent. But manufacturing still employs 14,000 people in the region in 450 separate companies. It is still very much alive and very innovative, as Peter said. They are doing a lot of things. We have to ensure that that innovation level continues. It is quite big in terms of the region's economy. While the services, finance and retailing sectors are larger than it now, it is still a very significant sector in terms of employment and economic growth for the Geelong region.

CHAIR—Thank you.

Mr CHEESEMAN—Can I just follow up on that?

CHAIR—You can, and then Jon has a question or two.

Mr CHEESEMAN—Just very quickly, Lawrie: How many traditional manufacturing jobs have been lost over the last 12 months since the inception of the financial crisis in the Geelong region?

Mr Miller—It is hard to say. It is hard to get a figure on it. I have been talking to Tim Gooden from the Trades Hall Council, and they have an idea of the number of jobs being lost, but we have downsizing of operations. Alcoa downsized last year in its rolling plant and in its other operations. That was something the company was doing because of the loss of sales or a drop in sales of aluminium. There are a couple of companies: you will see that Ford has downsized by 500 jobs in 2007 on a redundancy basis. We were delighted when Marin Burela came down late last year to say that the early decision of Ford Australia to close their Geelong plant, losing 900 jobs plus a big follow-on with other jobs, was not going to happen. It was reversed.

We were even more delighted when we heard that the Geelong investment and innovation fund, which was set up by the Australian and Victorian governments and Ford Australia to provide \$24 million in direct assistance to create new jobs would still be there. We get the double whammy of still seeing the engine plant operating and into the future, and the new jobs being created under that fund. But we hear that Melba industries will close, and that that will result in the loss of 120 jobs in the next couple of weeks.

Mr NEVILLE—Which one?

Mr Miller—Melba Textiles, which manufactures textiles, clothing and footwear.

Mr NEVILLE—That requires skill.

Mr Miller—Bekaert Australia closed down about 18 months ago losing 150 jobs. Huyck and Brinton's Carpets closed down. I have put in a submission to the inquiry. I forwarded it yesterday, so you would not have it, but I have a copy here now, if you want a copy of that.

Mr Dorling—It would be about 1,000, would it not?

Mr Miller—Yes. Geelong's unemployment has always been higher than the national average for some reason or other by usually about one and a half to two per cent. At one stage I remember it was double the national average. We have come a long way since those times. Now that we have 208,000 people and the immediate Geelong region has 240,000, we are much more self-sufficient.

Mr CHEESEMAN—Yes.

Mr Miller—And all of the jobs growth is in the small businesses. We would have 15,000 business in the Geelong region and 14,000 of those are small businesses with 10 employees or less. It is interesting to note that the chamber, which has been going since 1853 and I am one of the oldest spokesmen here, has concentrated on all sectors of business and industry because we have been so long in Geelong. The chamber was set up two years after Victoria separated as a colony from New South Wales, so it goes way back. We have concentrated on sustaining, supporting and advancing business in those 156 years. We have 700 members. We are the largest independent chamber in Australia. We are the second oldest, second to Launceston, by 18 months, so the chamber has been here for a long time and it really supports the region very much. As far as we are concerned, the chamber along with the Geelong region's stakeholders, believe that the Geelong region has the best model of regional cooperation and positive

outcomes possible with the G21 Geelong region. The chamber was one of the main supporters, along with the Committee for Geelong, to set up G21 with the city council.

Mr NEVILLE—But having said all that, you have talked about your near metropolitan with lifestyle—a second-tier city—and you have this great skills base, what are you doing to attract the medium size industry into this area? This must be an absolute magnet for medium size industries with all those attributes.

Mr Demeo—There are a number of initiatives in relation to that. Growing from within is ideal, but obviously there are opportunities to pursue external interests. The ideas we have in relation to that are multifaceted. The engineering cluster is an idea to build on those multiple skills, and that is particularly strong in the manufacturing and engineering area. They build a cluster which provides the ability for companies to have easily accessible legal alliances so that they can compete in the national and multinational fields for engineering and fabrication work. That is one major initiative that has been supported by government in recent days with a \$75,000 injection to the Geelong Manufacturing Council to establish that. We very much welcome that government initiative.

In relation to pursuing other industries or other businesses to attract them to the region, Regional Development Victoria has talked about funding studies by which we, along with other provincial cities, can identify our natural advantages, and then not scattergun market but strategically market our benefits and why industries ought look at us. An idea of a multi-tier group with which we meet regularly has been to advertise and seek expressions of interest from companies that can help us to define the land use planning that we are now undertaking for our major employment sectors. I am not sure whether Armstrong Creek has been mentioned previously but there are two major ones—a 180 and a 140 hectare employment sectors—that are planned in that location. We are looking to engage the private sector from day one in the planning of those areas so that we have a product that is fit for market.

In particular the Hills Road area—an industrial estate project in which the council has some ownership—involves private sector interests. The council inherited that ownership by a state government at a time of amalgamation. Similarly we are looking to ensure that our future planning of that is as much market-focused as is possible to deliver the product that will attract those industries. They are a couple of initiatives. Suffice it to say that any opportunity that we get wind of at this point in time, given the current circumstances, the city is very keen to follow up. The mayor and I went to Brisbane two weeks ago to attract an industry that has an interest which is related.

Mr SULLIVAN—You do not want to do that!

Mr Demeo—Not a Brisbane industry, but an industry that is being chased out of Queensland for other reasons.

Mr SULLIVAN—That is all right then.

Mr Demeo—Just on that, it is a Toowoomba foundry that is looking to invest in the Ford foundry, which is awaiting Minister Carr's signature on a piece of paper. We are anxious to see

that happen. Any industry that we get wind of, we aggressively chase to try to get them to locate in Geelong.

Prof. Kilpatrick—Another strategy that is worth mentioning is the Geelong Technology Precinct at Deakin's Geelong campus at Waurn Ponds. It is concentrating on a couple of things, but one of those is advanced materials and advanced fibres manufacturing. That is giving a research and innovation edge and it fits with that continuum that Grant was talking about—what we were good at in the past, which was fibres and wool. There are skills there and we are linking that to the future industries rather than having a complete break to something different. That is a very important point to take note of.

Mr Miller—I just want to respond to the Deputy Chair's question. The chamber got involved in 2006-07 with its Geelong region business connections project. It is in the chamber's submission. Through that we were funded through DOTARS for \$124, 000. We had a supplier network of local businesses who joined with the chamber. They provided \$94,000 in funding so that we could go out and promote the region. We were successful in 18 months in attracting 20 new businesses to the region, 245 new employees to the region, and the cost of the project was \$244,000, so it worked out at \$1,000 per job.

Unfortunately the funding ran out. That was through the Australian government's regional partnerships. We implored the government to come up with more funding. That was done through the ACC, and we were very pleased to get that. That was \$1,000 per job. The investment and innovation fund is looking at costing probably \$20,000 to get a new job. We do it for \$1,000 a job, so those programs really worked.

CHAIR—Certainly through the Jobs Fund that sort of project, just off the top of my head, potentially could apply through that fund.

Mr Spear—What else could we have done?

CHAIR—I certainly encourage you to look through there. David, did you want to say something on this point? Otherwise I am conscious Mr Sullivan wants to ask a question.

Mr Spear—In some respects, it is on this point. With respect to the initiatives for attracting medium and large businesses to the area, we need to recognise that while it is very important to attract new industry, and there are number of initiatives that we have heard about here, it is also very important to retain some of the medium to larger size industries we have here. Many of those are sustainable but for service and infrastructure gaps. For instance, if you look at the intensive agriculture side of things, and if you look at it and its associated industries, it is 13 per cent of the region's economy. Its intensive annual production has grown at 22 per cent a year over the last five years in this region, but it is now at a point at which further economic output and employment in that sector is at risk because of infrastructure and service gaps with respect to water, power, gas and transport.

This region has the competitive advantage to continue to grow those types of industries. Strategically it is also important. If I may refer to comments Mr Sullivan made earlier about re-skilling people from one sector into other sectors that are different industries but which have parallels between the skills sets, such as agriculture and agricultural processing, packaging and

transport, logistics presents an opportunity there. So it is also about ensuring there are initiatives in place to sustain those medium and larger size industries that we have and that have a competitive advantage in this area, and make sure we are putting investment into infrastructure and services to sustain them and to grow them. We do know that many of those industry sectors are looking to relocate outside of the region or interstate where they are receiving further assistance to meet some of those challenges.

Over and above that we need to recognise G21, the Committee for Geelong and departments around the table here are beginning to further focus on the opportunities that renewable energies and carbon capture may well present for the region. There are some formative discussions and project proposals in place at this stage that are looking at auditing what the alternative energy and carbon capture opportunities and resources are within the region and what the infrastructure and policy barriers might be to capitalising on those. That work will be carried out over the next 12 to 18 months and should position us all well to make some assessments about what our priorities are with respect to commercialising alternative energy and carbon capture opportunities in partnership with industry, and linking that to our regional workforce development plan which will identify what the forecast employment and skills sets may well be to assist with that economic transition. That is probably all on that question. I have some other comments, but I might just leave it there.

CHAIR—Jon, I could not see you down the end there. I do not know if we did introductions at the commencement. Most of us are known, but Jon is from Queensland, as you might have gathered.

Mr SULLIVAN—Thank you, Madam Chair. I want to talk about the elephant under the carpet in this room and it is in point four of your submission where you say that the major effect of the GFC is the tightening of credit. You go on to give an example of major companies buying work in downturn, and work not being available to minor companies. Until I read your submission, I had not extended the well-known lack of credit to that particular aspect of trying to conduct a smaller business. Everybody knows that in the downturn you buy because the companies are looking for cash flow, and therefore you will get a better deal.

This is the immediate problem. We have spent an hour talking about how we have dealt with issues leading up to now and how we can go forward well into the future, but I am really interested in the immediacy of it and what we can do. You did not then go on to give us any proposed solutions to the issues of credit. They are perplexing but they are the immediate problem. I think it would be really helpful for this committee if you had some ideas that we could start to throw around, particularly as we go into further inquiries, on how the government can assist credit restraints to be lifted, and how it can assist small business to compete in that cash flow downturn activity with larger companies. I think it would be great if you have something for us.

Mr Demeo—To use the very specific example of the Melba industries, which is an advanced manufacturing that makes upholstery for the internal roof of every locally made vehicle, flak jackets for the SAS and military operations, and molten metal protection gear, so they are a very advanced manufacturer. It has been squeezed inordinately by this credit squeeze. Its terms for providing finished material from Europe and the US dried up. It had generous terms insured against the product, but that dried up. Similarly they had overdraft facilities secured against their

equipment and product through GE, which dried up because GE was wanting bricks and mortar. It was squeezed at both ends such that that company is now in liquidation or is facing liquidation.

Clearly there are some implications in terms of the automotive downturn, given that that was a significant part of its business. But a very large issue is that mid-year last year, it was a very viable business. It is only as a result of that credit squeeze that it has encountered difficulties. The RIGS program and the SIP program, which are available to the textile industries, are quite rigid in terms of their funding streams. They were set up in times of maintaining fledgling industries in that textile field, but they did not accommodate this credit squeeze such that, for example, a soft loan arrangement for a period of time may have resulted, without being explicit, in that company being able to trade out of those terms or out of the current climate for a period.

Flexibility within schemes and available funding to provide credit, which was envisaged six or 12 months ago, in my view would provide an opportunity for companies to stay liquid whereas in the current climate they are not able to do so.

Mr SULLIVAN—That works for industries where there are schemes in place. What about—I do not want to say backstreet small engineering firms, although I am sure there are plenty of those in Geelong—those who will be feeling the consequences of this as downstream suppliers?

Mr Miller—Certainly they tell us that they are finding it very difficult to get any financial accommodation from the banks since the global financial crisis became evident. The banks say that that is not the case; that there is plenty of money around, and they will lend. But the bank staff themselves, on a confidential basis, will tell you that their lending criteria have changed dramatically and they require a much more rigorous assessment of projects, particularly development projects. A number of unit developments have stopped because they now require 80 per cent presales before they will even think about lending money. For housing development projects and subdivision development projects, they are much more rigorous in terms of their requirements before they will lend money.

I know GE Commercial Finance has really tightened its requirements. As Terry said, they got out of vehicle floor plans. They are now requiring hard assets, like properties, to secure floor plans, and they are very difficult to deal with in terms of their requirements. But they still say they are in there, helping businesses. However, the businesses are finding it very difficult to cope with their new requirements. We are seeing a number of small businesses really stressed for money. We were hoping that any proposal, like the bank proposal, may be of assistance to regional businesses if it gave or supported these types of financial opportunities to them.

CHAIR—I will not comment specifically on that, but you may or may not be aware that the Minister for Small Business, Independent Contractors and the Service Economy has set up a clearing house for specific examples of where small business is finding it very difficult to access credit. Through Mr Cheeseman, I am sure he will be able to provide you with the email address of that. It requires details of the actual company because that will be taken up directly with the banks through the minister's office. That is something we set up fairly recently after hearing about this.

Dr Scott—May I make just a related comment on that?

CHAIR—Yes.

Dr Scott—One of the problems that you find with the smaller end businesses is that they are so busy with their head down and running their business that a lot of this information just goes straight past them. Engaging them in any of those programs, even when they are available, is notoriously difficult.

CHAIR—There is an AusIndustry representative for the region, albeit one who is stretched fairly thinly I would imagine, but that is one of the roles of AusIndustry. How is that going or not going, obviously?

Dr Scott—I think you have hit the nail on the head: that person is very thinly stretched. I do not think there is enough resource in there to make it happen.

CHAIR—But there is the Enterprise Connect stuff as well.

Dr Scott—Yes. We have a good working relationship with the Innovative Regions Centre, for example, which has been excellent to deal with, but it is a matter of getting more resources on the ground. We were having a discussion yesterday about how we might contact some of these smaller companies in the context of the short-term economic stimulus package. I think it is a general understanding around the table that the sorts of people we are trying to target are very difficult to get to. Our two local members are obviously running a program tomorrow to try to engage it.

One of the suggestions I made to Richard Marles MHR yesterday is that we ought to look at alternative mechanisms. Targeting them directly is very difficult, so why do we not go to our suppliers? If you are a small builder, you all buy your trusses from basically the same company. If you can target the supplier network, we might be able to better target the smaller companies in that way. But there needs to be some effort going into how we engage these people. It is really not working as well as it might.

CHAIR—Yes.

Mr Miller—Following the comments made by Andrew on small business, last year in October the chamber recognised that the crisis would have an impact on our 14,000 small businesses. While we could not do anything about the global consequences, we did say we should be able to assist them in terms of some of the aspects of their business and how they might better cope through the harder economic times. When we also realised that Australia has had 17 years of positive economic growth, the majority of those small businesses would not have been through a time like this and would not know how to cope.

We set up a program called Survive and Thrive in 2009. It has been running since early February and finishes later this month. It has been very successful in terms of the programs that we have been putting over the nine sessions. We have talked about the economic outlook, business funding and managing cash flow, top tips for financial survival, strategic planning, marketing for small businesses, access to finance, improving staff relationships, et cetera. The nine sessions vary from large information sessions to question and answer panels and mentoring sessions. We have used the Small Business Mentoring Service of Victoria to assist us. They have

been delighted to work with us. We had some funding from Regional Development Victoria, some funding from the city, the Gordon Institute of TAFE and the Committee for Geelong.

We also put in for funding. We were advised by John Finch, who is the regional manager of AusIndustry, to make an application for the SBAS program. We put in a submission and he said, 'What you would have been doing in your pilot program from February to April would be just ideal to tell the AusIndustry assessor how good your program was', but we did not get any funding.

CHAIR—Right, unfortunately.

Mr CHEESEMAN—The Small Business Advisory Services program, yes.

CHAIR—I am conscious of the time.

Mr Miller—That concludes our submissions.

Mr CHEESEMAN—I have just a very quick question. Out of the 14,000 small businesses that you have as members—

Mr Miller—We would love to have them as members.

Mr CHEESEMAN—Sorry. Okay.

Mr Miller—We have 700 members.

Mr CHEESEMAN—Out of the 14,000 small businesses in the region, how many of those do you think would have rigorous business plans, or would most not realise they have a problem until literally cash flow dries up?

Mr Miller—Some of them would have business plans, but not the majority. A number of them know what their focus and directions are, but they are not aware of some of the things they should be doing to rigorously support their business and make their business grow in these difficult economic times. What we will see is the ones that are better equipped and that are searching for new markets being able to promote their products and services better and they will actually thrive and grow bigger. A number of those small businesses that are not able to cope and that have not had to work in difficult times will just go to the wall, unfortunately.

We do not know how many of those will do that, but we are aware from talking to some of the banks that some of their clients are finding it hard to get orders placed. From talking to some of the smaller subcontractors, I know that they are now having to put in more and more quotes to pick up one job. One fellow said to me the other day, 'We now put in 10 quotes to get one job whereas before they would just ring us up and say, "When can you do it please?"' because we were very busy. We're still busy on the housing and construction front but not in the big commercial enterprises.' They have stopped. They have just stopped.

Mr NEVILLE—This matter of having the state and federal people participate in committees is very important, but I think it requires some will on the part of the minister to delegate

authority. This is true of both sides of politics. There is a tendency for some ministers to want everything to flow through their office or flow through a tight network of advisors or departmental advisors. The people who represent that ministry at the level that you are talking about do not have any authority to speak. In our last inquiry that was related to this one but had a different focus, we saw a refreshing idea. We were in Toowoomba and the regional managers of the Department of Sport and Recreation up there have discretion to \$50,000. If you are doing a community project involving some sort of participation from the government in the sports aspect or the recreational aspect of a project they can almost guarantee you, if your project is good enough, that provided you put in an application on a set date, you will get \$50,000, or at least \$50,000. I suppose that might be something that we need to look at.

I think the other one is the simplification of paper work. I think you touch a very important point there. I used to be in regional development. I remember one case that goes back well during the Fraser government, so it was well back in time, when a grant was given for science-related projects, and each state got about \$75,000 a year during the period of this program. People kept coming to me and whingeing that they could not get their applications through and so on. I got a bit frustrated and I wrote a letter. I wanted to know what the administrative cost was of running the scheme in Queensland, how many grants they had given, and what was the quantum of the grants, and so on. Do you know what? They had run a whole subdepartment in Brisbane and forced all this intense paperwork onto people, and they gave out two grants, one of \$7,000 and one of \$8,000 for the year for a probable administration fee of \$200,000 or \$300,000. So I concur with the person who said that we have to get away from these 80-page documents down to three or four pages. May I also say that I think you have given some of the best evidence we have had so far. You seem to be a very cohesive and focused group. From my point of view, I found your evidence stimulating.

CHAIR—Thank you very much for that, Paul. I think we have had a good run of questions. Again, thank you very much for your submission. I am conscious that you, David, had some other comments you wanted to make. Have you put those in the submission overall? I am just conscious that Golden Plains is slightly different in terms of its configuration.

Mr Spear—Very briefly, I just want to speak in support of the initiatives that are put forward in here. There is no doubt that the prevailing conditions in the economy have really fast-tracked the economic transition in play. I think we have heard about small businesses: some are prepared, and some are not. Those that have a good plan are adapting more quickly and are making the most of it, but those that are not are certainly wearing the burden of that.

As a result, a large amount of economic output and employment are at risk in this region. These initiatives focus squarely on elements of productivity, labelling and capital technological knowledge and they put in place funding programs to ensure that projects move forward and that those issues are addressed more speedily. I support the suggested initiatives.

CHAIR—Thank you for your submission and also for providing a strong focus on solutions. From the committee's point of view—

Mr Miller—Could I make one further comment?

CHAIR—Yes.

Mr Miller—The chamber and the whole region are concerned about the vulnerability under a CPRS of the Geelong region in emissions-intensive trade-exposed industries. Based on the current exposure draft legislation and the white paper we have been told by the major operators of Alcoa, Shell and Blue Circle Southern Cement that they will be forced to shut down by their boards if this continues. If that is the case we will lose 3,800 direct jobs. The chamber made three submissions to the Department of Climate Change and it also sent a deputation to Peter Garrett, Minister for the Environment. We are very concerned. When Professor Ross Garnaut was in Geelong in February I asked him, ‘What about our EITEIs?’ He said, ‘Geelong has a history of being innovative in its manufacturing. You have a number of opportunities.’ I said, ‘What about our EITEIs?’ He said, ‘If they cannot live within the provisions of assistance under the CPRS they will have to shut down.’

CHAIR—Professor Garnaut is not making the government’s decisions or policies.

Mr Miller—Hopefully not.

CHAIR—I make that point clear, Mr Miller. I understand that Senate inquiries are being conducted at the moment and I encourage you to put in a submission. I thought you might have already done so. Obviously there is a lot to be gained from doing that. Thank you for appearing before the committee today. You will receive a proof transcript of your evidence and you will be able to make any editorial changes that are required. Those witnesses who came in late will need to sign a witness statement. If we have any further questions the secretariat will write to you. I hope you can see your way clear to providing some more information. If you want to make a further written submission please do so. The committee will accept additional submissions as this inquiry will continue a little longer than the next few months.

Mr Miller—Thank you.

CHAIR—Yesterday we heard evidence from the University of Tasmania about regional campuses and universities in Tasmania. It is an area that the committee is keen to explore. Thank you for the submission that you provided. Would you like to make a brief introductory statement and summarise your submission?

Prof. Kilpatrick—I will do so briefly. We have just been talking about Geelong so it is worth reminding you that Deakin also has a campus at Warrnambool. In fact, my position is based at Warrnambool. I live in Warrnambool though I have responsibilities right across this region, including in Geelong, which is why I am also involved in G21. It is timely to think about regional university campuses because of the reports that we have had from Bradley and Cutler relating to university funding. In some of these larger things what tends to be missed is the contribution that regional campuses make to regional economies and the benefits of investing in regional campuses. This morning Universities Australia released a report that commissioned by KPMG. I have the background to that report which is a 60-page document. If you want access to that report I can send it to you.

CHAIR—Certainly. Are you able to provide that summary today?

Prof. Kilpatrick—Yes, it has some of my orange highlights on it, if you do not mind that. I will give Andrew Scott a copy.

CHAIR—That document will be tabled.

Prof. Kilpatrick—I refer, briefly, to the KPMG report which speaks generally about universities and which states that there is about a 14 per cent to 15 per cent return on investments in universities compared to a gold standard return for government investments of about 67 per cent, which has been talked about at the moment. The detailed report, which is not contained in the 11 pages which I will give you, makes the point that returns on investment in regional campuses are likely to be larger than that but the modelling was not done so you are likely to get more than a 14 per cent to 15 per cent return. Some data is contained in the report here which you probably already have.

There are two aspects to the returns that regional economies get from universities. The first aspect relates to skills and to a better educated work force to map some of the things we were talking about a few minutes ago in relation to Geelong, and the other aspect relates to research. A moment ago I made a point about the Geelong technology precinct at our Waurin Ponds campus—a collaboration in partnership with industries. Deakin University has a particular focus on partnerships. In fact, our strategic plan is entitled Delivering Effective Partnerships. All universities in regional orientations think about their communities. I have worked at the University of Tasmania, I have worked elsewhere, and I have worked nationally.

Deakin is perhaps more mature in its attitude to partnerships and its interaction with regional communities and it puts its money where its mouth is. Deakin subsidises its Warrnambool campus to the tune of around \$10 million where the regional student loading brings us only about \$800,000. There is a substantial investment in that amount of goodwill which at the moment is not recognised by federal or Commonwealth funding.

CHAIR—Can I ask you about your submission? You made the suggestion that the loading for regional universities should be around 10 times the current level. We have regional universities and a number of universities have regional campuses. To some extent some of them are distinct in the way in which they operate. When some of those universities come under financial pressure one of the easy things that seems to be cut is the regional campuses.

Prof. Kilpatrick—They are discreet and they are out of sight and out of mind.

CHAIR—Yes. The offerings that they make are different and there are all sorts of things like that. There is a lot of debate about that. If your end policy gain is to make the provision of higher education accessible to people in regional areas—one element relates to skills and the other element relates to the research and development done by regional universities—you grow and enhance the economies within which they operate. How do you do that?

Prof. Kilpatrick—It has to be viable both financially and intellectually. You need a large enough regional campus to have an intellectual life or a large enough physical presence. Whilst you can have a campus in a place like Warrnambool, which has a population at the moment of over 30,000, you would be struggling to ensure that one survived at Portland, which is a much smaller town. That is the first point to be made. Some of the regional campuses around the country are in very small places.

There are ways of delivering the benefits of universities to those smaller places. They involve technology and also partnerships with TAFEs so that TAFEs have presences in smaller places. Deakin is in the process of developing study centres with a number of regional campuses, initially to develop and deliver next year an associate degree for which we have Commonwealth funding from DEEWR.

CHAIR—Did you put that in your submission?

Prof. Kilpatrick—I probably did.

CHAIR—It refers to 8 million or something like that?

Prof. Kilpatrick—Yes, \$8.3 million. We are working with the Sunraysia campus on the Murray, with East Gippsland and also with Chisholm around the Rosebud campus. Those are different parts of our region. We are looking to expand that to other places, but that is what we are starting with.

Mr NEVILLE—Are those all your campuses?

Prof. Kilpatrick—No, not as yet. At the moment Deakin has two campuses in Geelong—a campus at Warrnambool and a campus in Melbourne at Burwood. We are trying with this new initiative initially to deliver a cost-effective method of our education component and we are hoping later to deliver the engagement component by having good video links. I mentioned earlier that part of our strategy was to deliver effective partnerships. By building partnerships in these areas we get to know the local industries and the skills and research needs.

CHAIR—I will you ask a question that you might not be able to answer. The Deakin campus, which is massive, has gone to some extent from being a university that was established or started in a regional area to having a large Melbourne presence. To what extent is that creating tensions within the university? I imagine that the Warrnambool campus would come under some pressure as a lot of resources are going into Melbourne. I imagine that even the Waurrn Ponds campus would come under some pressure in relation to that.

Prof. Kilpatrick—Burwood has about half our student load, or perhaps slightly more. One of the strategies of our strategic plan is rural and regional engagement. This university is run from a regional location that outreaches into Melbourne rather than the other way around. I think we would be unique in that. You see shopfronts at some of the regional campuses in Melbourne and Sydney but I suggest that they are just shopfronts rather than real campuses.

CHAIR—Yes.

Prof. Kilpatrick—That is embedded in the university. Every faculty has an operation plan and it has a rural and regional engagement component. Associate deans in each faculty and in some of the schools have responsibility for rural and regional engagement. Senior positions are based on all the campuses. I mentioned earlier that my position is at Warrnambool. The chief marketing researcher for the whole of Deakin happens to be based at Warrnambool, as does the person who runs the printeries on all the campuses. It is a philosophy of the university.

CHAIR—We heard some evidence from one the University of Tasmania that there is a bit of a culture, in particular, at the professorial level. If you make a decision to live in Warrnambool or Burnie and teach and practice from there some universities see that as a career limiting move.

Prof. Kilpatrick—I come from the university of Tasmania which has a different focus. Deakin has a different culture. There are fewer senior staff on the Warrnambool campus but it is a smaller campus. There is awareness in the university that you need to maintain the balance of senior staff. People sometimes talk about the drift, if there is a drift of researchers one way or the other. It does not happen without any action or thought.

CHAIR—Thank you. I wanted to pursue that but I will refer later to your submission. That is a matter that is of interest to me.

Mr CHEESEMAN—My question is based on a similar school of thought. What is the ideal size for Deakin University and other regional universities? Is Deakin about the right size so that it can be flexible and responsive, or can it or should it grow?

Prof. Kilpatrick—We are looking to grow at about three per cent a year until about 2012, which is about as far as we have planned for our numbers. There is space for growth. The Bradley review on announcements relating to the removal of the cap on places has been cause for some discussion. We have the potential to grow a little. However, human and physical resources have to be put in place before we suddenly take a lot of students. However, we have not planned for that.

Mr CHEESEMAN—I refer to the physical assets that you have at the moment at the three campuses. Does that mean—

Prof. Kilpatrick—All campuses.

Mr CHEESEMAN—Does that mean that growth will be skewed, and to where will it be skewed?

Prof. Kilpatrick—There are plans for student growth on the Burwood campus and there are plans for growth at Waurin Ponds. We are about to open the Dennis Versailles Building on the waterfront which will extend the waterfront campus. Warrnambool, which is not as large has a little spare capacity, so we do not have plans to grow that capacity. However, Warrnambool is in a growing region and it has a population of about 30,000. The city is expected to grow to about 50,000 by 2015, depending on which forecast you look at. In that region there is natural gas, wind power, alternative power and agriculture. Unlike some of the other regional campuses it is in an area of growth.

Mr NEVILLE—For the sake of clarification, what is an associate degree? I have heard of associate diplomas.

Prof. Kilpatrick—An associate degree is a degree below a bachelor's degree. Graduation occurs in about year two of a three-year bachelor degree. It is designed for people who, for whatever reason, have not met university entrance, often because of a lack of opportunity and

occasionally because of not meeting what in Victoria is called a tertiary level entry score. The largest market for those people—

Mr NEVILLE—Is that the equivalent of being able to plan?

Prof. Kilpatrick—Probably, yes. You would be familiar with the AQF, or the Australian Qualifications Framework. That has changed a lot of the measures. Our diplomas now sit in TAFE, I think you are right.

Mr NEVILLE—What is your equivalent full-time load at Warrnambool?

Prof. Kilpatrick—At Warrnambool it is just under 900, so it is quite small.

Mr NEVILLE—And at the two Geelong campuses?

Prof. Kilpatrick—I do not know whether I have those figures off the top of my head. I know that they have about 15,000 all up and about half of them are at Burwood. You could probably do the maths.

Mr NEVILLE—How many are there at Warrnambool?

Prof. Kilpatrick—Just under 900.

Mr NEVILLE—You have about 1,000 there and about 14,000 spread amongst—

Prof. Kilpatrick—Amongst the other seven.

Mr NEVILLE—And there is a spiked bias for which of those?

Prof. Kilpatrick—There are roughly 7,000 at Burwood and the remainder are in Geelong.

Mr NEVILLE—Is that rural and regional enterprise philosophy inculcated into Burwood, or does Burwood just serve its suburban market?

Prof. Kilpatrick—As an example we are looking at how many—

Mr NEVILLE—Does it include agricultural and those sorts of courses at Burwood?

Prof. Kilpatrick—They do not do agriculture at Burwood. In fact, Deakin does not offer agriculture but it offers some other things such as environmental science and some other regionally relevant kinds of things.

Mr NEVILLE—Are they available at Burwood?

Prof. Kilpatrick—Most environmental science is in Geelong and at Warrnambool. There are some things that you can do across all the campuses. We are looking at all our units to see how many have a focus on the needs of rural and regional Victoria, including units taught at Burwood

at the moment. Some units are taught at Burwood at the moment. We do not have them all in, but some are taught at Burwood. You can do some courses in all the campuses, so the units are the same, but some courses are specialised. We are looking at our course profiles on each of the campuses to match more closely the needs of the campus.

Mr NEVILLE—In structuring a university with a culture that is distinct, say, from the culture of the University of Tasmania, you would use the population—or the gravitas, if you like—of the major campus in Deakin and in Burwood to support your smaller campuses.

Prof. Kilpatrick—I said that Deakin has taken a decision to support Warrnambool and most of our students are at Burwood. You can draw a conclusion about Warrnambool from that.

Mr NEVILLE—Is that why you tend to be more successful with your regional campus? You might not like to go on the record on this but I will throw it in for what it is worth. Universities such as Southern Cross, Southern Queensland and Central Queensland—not so much Charles Sturt—are having trouble because their major campus does not have that same degree of gravitas that can radiate out into other campuses.

Prof. Kilpatrick—Rather than answering that question directly, I refer again to the Bradley report, which makes the suggestion that we have a university for regional Australia. I strongly believe that is not a good idea.

It is not a good idea because universities should commit regional communities to the rest of the world through metropolitan centres. They do not need a commitment to each other partly because of the danger of a closed knowledge loop but also because each regional centre is different. I think we talked about that in the G21 submission.

A single regional university suggests that all the problems are the same and that all the problems could be solved in the same way. However, if you have something like Deakin you have a presence in Melbourne and you are connected to Melbourne but you can also specialise in the needs of your region, such as advanced manufacturing around Geelong and environmental science and sustainability which is emerging as an issue in the south-west of the state.

Mr NEVILLE—The other part of your philosophy is that you do not go so much for pure research; rather, these partnerships have to have a practical research level with industries.

Prof. Kilpatrick—Deakin has a strong applied research track record. We chase the more prestigious grants and we achieve some success. My research career has demonstrated that if in partnership with industries you research questions that they want to know about you are more likely to build on that and get into some of the strategic research.

Mr NEVILLE—Give us a few examples of the areas that you are in?

Prof. Kilpatrick—At Deakin or—

Mr NEVILLE—Give us examples of the applied research.

Prof. Kilpatrick—I refer to sustainability around Warrnambool. Local government and businesses in Warrnambool decided that this is something they want to do. For example, Midfield meats has a closed loop abattoir but it does not call itself that. It has a closed bio-loop. We are involved with them in research on a number of levels—everything from water and the sustainability of water resources through to social science research and what people think about saving energy, water and so on in their homes. Some sustainable business practices are also in that loop. Some of that is funded by high-level ARC or Australian Research Council linkage grants. Others are small grants from local government and things in between.

Mr NEVILLE—We heard about this in your previous submission. What about the falling away of some manufacturing industries and the need to maintain the skills base and to build new industries? Is the university also mixed up in that field?

Prof. Kilpatrick—Yes. The Geelong Technology Precinct is located on our Waurn Ponds campus and we have done several things there. One thing relates to pharmaceuticals. One company that came in there has now spun out again, so it has research assistance if you like. It spun out into the real world. Other companies are also in there. At the moment we put in a bid for IIF funding with the Commonwealth Scientific and Industrial Research Organisation to look at advanced fibre manufacturing. Apparently that has something to do with putting nanoparticles in with wool, spraying those fibres and doing something very fancy.

The philosophy behind that is that we work with industry and something is then applied. With Ford and our students we developed a concept car—an environmentally friendly car—one of two that Ford chose to exhibit nationally as a T2 Ford—a T-Squared Ford competition—and internationally relevant things that build on what we have done before.

Mr CHEESEMAN—Deakin university has a substantial role to play in the local community in assisting in structural economic reform along with business development, business innovation and the like. We heard some evidence about that in the G21 presentation but I would like to hear from you why it is significant and important to have regional universities not only in the Geelong context but also in other regional centres working in this space.

Prof. Kilpatrick—Knowledge is a university's core business, not only disseminating but also building it. By working in partnership with local businesses we can introduce them to the knowledge and ideas base that will help them to grow. However, much more importantly, you can build new knowledge. Knowledge is not something that you get off the shelf and plug into a business machine; you always have to adapt it. That local adaptation is where applied research can come in—I do not think that transfer of knowledge begins to explain its complexity—as well as doing something new, such as the fibres I talked about earlier.

CHAIR—We have not talked a lot about your submission, but it notes two potential upsides to the global financial crisis. The first is getting more skilled people to apply for academic teaching positions because there have been tight constraints in that market, and the second is increasing student numbers at universities for people seeking educational opportunities. I am interested in hearing you talk about that. I am also interested in ensuring that we capture people to train and educate during what will be a fairly difficult year for people on the jobs front.

Prof. Kilpatrick—Historically, university enrolments are countercyclical with economic conditions. Let us explore that a little further. I was talking earlier with John Sullivan about what I call university aspirations and first generation families coming to universities.

CHAIR—Yes.

Prof. Kilpatrick—In hard economic times young people leave school, or people who left school a few years ago now find that their job is not what they thought it would be. University is an alternative for those people. You find these people in regional areas where there has been no university provision and parents do not think about university or they are hesitant about it. By providing a regional campus those people have that opportunity. However, there are also attitudinal or social aspirations that need to be changed. In Warrnambool we have programs which involves us talking to schools.

I have been talking with local businesses and we are trying to get together a program so that accountants come into schools and say, ‘This is what accounting really looks like.’ We just finished a project that is examining the changing role of rural accountants. Their jobs are a lot more interesting than they used to be and it makes young people think. We are trying to educate young people and their parents in that way. When I welcomed new students coming into our residences at Warrnambool at the beginning of the year I spoke to the parents who were about to leave behind their 17-year-olds and 18-year-olds. I made a few points and said, ‘We know that the return on university degrees is about 40 per cent’—the kinds of figures you see in the things we have here—’and unemployment is much lower.’

All around the lecture theatre you could hear relieved sighs and you could see parents nodding and saying ‘Yes, we have made the right decision.’ Parents need to be reassured that this is the right kind of investment. That social marketing campaign sits alongside the opportunity of having the regional campus and perhaps less attractive opportunities in the work force than those we have been seeing over the past few years. Was there another part of your question?

CHAIR—You referred in your submission relating to attracting—

Prof. Kilpatrick—Attracting academic staff?

CHAIR—Yes.

Mr NEVILLE—Having said all that I am very much in agreement with it. However, I refer to the terms of reference of our inquiry. What is your recommendation to government to utilise the university either in that field or in other fields to get us through this economic downturn?

Prof. Kilpatrick—The short message is that we should invest in regional universities. That is about regional loadings for students and it is about looking at incentive packages for universities to maintain their regional presence.

Mr NEVILLE—Are you under capacity, for example, in Warrnambool?

Prof. Kilpatrick—We have some spare capacity but we also have opportunities to grow our capacity by matching the needs.

Mr NEVILLE—What about Geelong?

Prof. Kilpatrick—At the moment you would be aware that there is a cap on university enrolments in Geelong. This year we were allowed to enrol up to five per cent over—we are now at 4.8 per cent, so it is difficult to manage. We could take more students in Geelong but it depends on the amount you are given to teach each student. The KPMG paper that I gave you makes some points about cost, quality and increased productivity to be gained from a better quality education.

Mr NEVILLE—Bringing it back to the recommendations of this inquiry are you saying to us that the government should look at temporarily lifting limits to allow you to take students—

Prof. Kilpatrick—It is not just about numbers; it is also about the amount that universities are given, or that the government chooses to invest in universities and in students.

Mr NEVILLE—Do you have a special two-year subprogram that would give kids a university start that might not otherwise get one?

Prof. Kilpatrick—Universities have been suffering from a long-term decline in funding. A temporary program would be just like a bandaid. I think we need more than bandaids. This is where investment will really pay off. The KPMG paper makes a point about that 14 per cent to 15 per cent return.

CHAIR—You are suggesting that regional university campuses are already under-funded and you are asking for catch up versus growth?

Prof. Kilpatrick—Yes Growth would be great.

CHAIR—In times of economic downturn how do you increase the number of people who are participating in formal education and training? We are interested in that from a policy perspective.

Prof. Kilpatrick—More students will come but we need the support to ensure that we can offer them quality places. We need to make it easier, acceptable and financially affordable. I talked to parents in rural areas who were investing heavily to ensure that their children stayed in residences. That is a bigger investment for them to make rather than having their children living at home. We need to make it easier for young people. I know that the independent living allowance has had some problems because of its construction. About 40 per cent of people are living at home with their mothers and fathers in Melbourne, which is not the idea. We require a restructuring of support. Large numbers of regional students defer their offer of a university place, and 30 per cent of them do not come back the following year. In good economic times 30 per cent of them do not come back. That suggests some financial barriers from a student's point of view.

Mr CHEESEMAN—I have one quick question along the same lines. How much money would you need to take in a mid-year intake across all your Geelong campuses?

Prof. Kilpatrick—A mid-year intake? Do you mean this year? We are suggesting 10 times the loading. We have not costed taking in a mid-year intake. An extra loading would certainly help. That kind of thing can be done, but universities have longish lead times. Trying to do something between now and the middle of July would be extremely difficult because we would need to get the staff on board.

Mr CHEESEMAN—Sure.

Prof. Kilpatrick—But for next year that is the kind of time at which we would be looking. We have a trimester three now, so perhaps that could be done in the third trimester.

Mr CHEESEMAN—Given that enrolments in universities and presumably in TAFE work countercyclical to unemployment and what is happening generally in the economy, if we are to use universities and TAFE in this time we need some understanding from government about what might be the barriers and what sorts of resources are required to have additional intakes, whether it be to swell your numbers by 10 per cent across all your courses, or whether it be to offer specific courses, or whatever it might be. I would be interested in that because it is important.

Prof. Kilpatrick—That regional loading is a good indication of what it would cost. If you multiply the regional loading by 10 you will start to get some impacts on regions.

Mr NEVILLE—Rather than new places?

Prof. Kilpatrick—Quality is important, as is my point relating to research. These academics do not teach only students. The better funded they are the more time they will have to conduct regionally relevant research. The KPMG report suggests that that research gives at least a 20 per cent return on investment.

Mr CHEESEMAN—I concur with your scenario but I disagree with you to some extent. At the end of the Second World War we knew that we had to get a lot of students through the universities and quickly out into the marketplace, even in areas such as medicine. A post-war program was in place. We are going into our worst economic downturn and we do not know whether it will last one year, two years, or three years. If, for example, the government said, ‘We will fund you for 100 places at Warrnambool and 400 places in Geelong because this is an at-risk region’, could you cope with those sorts of numbers?

Prof. Kilpatrick—Yes, we could cope if we were funded adequately.

Mr CHEESEMAN—Could you build a program around those risk regions—a program for the Mercy in Tasmania, for Western Sydney, for the Richmond area of New South Wales and for the Wide Bay area of Queensland? They are all well known.

Prof. Kilpatrick—Yes. That would be a good response. We have figures showing what the returns are like. Let us link that to the point that was made earlier about locally relevant responses. Courses must meet future regional skill needs. Even if the jobs are not there now they must be available when students graduate.

Mr CHEESEMAN—We will have some real challenges in areas such as teaching because of the baby boomer bubble. To some extent a lot of those employees are divorced from the normal superannuation part of the economy because they are on defined benefits. They might be exiting the workforce at 55, whereas other workers might have to work two or three years longer to catch up on what has been lost.

CHAIR—I will have to draw this hearing to a conclusion. I am conscious that our next witnesses are present and we have gone well over time. Thank you for the evidence that you have provided and thank you for your submission. On the basis of the evidence that you have provided today you will receive a proof transcript. If there is anything further you wish to add please write to the committee about that. We might write to you to ask you some further questions. Again, I thank you for taking the time to present before us today.

Prof. Kilpatrick—Thank you very much.

[10.55 am]

GRANT, Mr Roger, Executive Director, Geelong Otway Tourism

HANSEN, Mr John, ACC Executive Office, ACC Secretariat, Geelong Area Consultative Committee

CHAIR—Welcome. While we do not require you to give evidence under oath I need to remind you that these are formal proceedings of the parliament and as such should be treated with the same respect as you would treat proceedings of the House of Representatives. It is customary for me to remind witnesses that giving false and misleading evidence before the committee is considered a serious matter. Thank you for appearing before us. I acknowledge that you have done so a couple of times during the course of this parliament and that area consultative committees have been going through a period of transition. I am also conscious that you have been around in this area for a long time so we appreciate you providing your expertise and knowledge to the committee. Would you like to make any introductory comments?

Mr Hansen—Initially, the export issue is one on which I will focus. As I said before, I am part of the Geelong Export Network and I have been for many years. My concern is that with overseas markets drying up for business a number of impacts will flow from that and in many respects many of them are relatively hidden. My initial comment is that I believe a number of existing government services could be unified to provide a range of services to those types of businesses. That is an opening remark on which I will expand.

CHAIR—Do you want to go into some detail about what they are?

Mr Hansen—Yes, certainly. There are three organisations—AusTrade, AusIndustry as part of innovation, and the new Enterprise Connect program that is running. Having had quite a bit of experience and a history in government I am aware of the silo approach that exists in many cases. I am not suggesting that that is entirely the case here. However, I am suggesting that the role of AusTrade, which is often a reactive role, has greater opportunity to work in a more proactive role in providing new or growing opportunities for business in the world in which AusTrade operates.

AusIndustry, of course, provides a range of financial benefits through its research funding and the soon-to-be reborn program that is coming in. Those programs are marketed successfully by AusIndustry. Enterprise Connect, the newer one on the street, is the one that is going into business and talking to them in their factories, their showrooms and their offices about how to better manage their businesses. Those three programs, working in concert, will have the ability to identify the markets. The companies that I am talking about are companies that are already in exporting, so they understand the world that they are in. However, it would apply equally to new companies.

AusTrade has that intelligence about the market. AusIndustry has the financial capacity to assist the companies that are in some stress, and Enterprise Connect can identify the companies because of its engagement with them. My thinking is that those three, working more closely

together, will provide the federal government with significant improvement in assistance to SMEs in particular.

CHAIR—Are you currently seeing problems with its fragmentation? My understanding is that the AusIndustry representative on the ground is referring people to Enterprise Connect. That forms part of what it is doing. Are you seeing access problems because of the way in which it is currently operating?

Mr Hansen—No. I am suggesting that there is room for improvement. Connecting with international markets is the hook to what I am talking about. I am not sure whether that is necessarily occurring. In the early days of this government AusTrade experienced some staffing losses. There would certainly be space for regrowth in that field. I think that would enable them to move into a proactive promotion of opportunities rather than being reactive to inquiries. I know the people in AusIndustry personally, so I know who we are talking about. AusIndustry has an excellent connection with all the people that we and he need to know. I think that side of it is working well.

CHAIR—Obviously I have a vested interest in this and I declare that interest, as will Darren. The AusIndustry person in this region operates out of Ballarat but his resources are stretched incredibly thin for AusIndustry representatives on the ground. When they originally commenced I think the department in Canberra thought they would be there as a temporary measure. However, eight years down the track they are still doing a fantastic job. However, there are very few of them and they are very thinly stretched. Would that be your experience? I am asking a leading question.

Mr Hansen—Absolutely. The bottom line is that Geelong has never had an AusIndustry representative in its own right. It is the eleventh largest city in Australia. It probably has the most complex and comprehensive industry base of any community in this country but it does not have an AusIndustry representative. When he first went into the marketplace and promoted himself he was swamped to the point where he had to back off because he could not cope. So, yes, we definitely need a position.

CHAIR—Roger, did you want to make some introductory comments?

Mr Grant—I am focusing on tourism which is a significant part of the local economy, with tourism expenditure exceeding \$1 billion a year within the broader Great Ocean Road region. We have already started to feel the impact of the global economic crisis. The industry represents thousands of small to medium enterprises and there is some real concern about the future.

CHAIR—Yesterday we heard evidence from people in Tasmania who were saying that their tourism was going gangbusters. At the moment Tasmania is the overseas destination for the Australian domestic market. Have you noticed a downturn in this area?

Mr Grant—Basically, in a number of areas we vary from our colleagues in the industry. We measure yield as opposed to volume. Our focus has been on levels of expenditure, employment and the direct benefits of tourism rather than measuring by numbers. The full impact for the international market in particular has not yet been felt because many people who arrived during the December and March quarters had already prepaid and booked. In a domestic sense within

our region we are seeing a significant decline, in particular, in the length of stay and in the level of expenditure.

The national and international visitor surveys have seen a decline in our region of about 20 per cent. We are not seeing a huge decline in numbers but people are increasing day trips, and there are fewer overnight stays, less expenditure, shorter stays and last-minute bookings. Internationally we are seeing a decline but that will vary from market to market. I have just come back from Europe and the United Kingdom. Germany has a scenario that is different from the scenario in the United Kingdom. If you are dealing with the top end of the market in the United Kingdom as compared to the volume end of the market there is a variance. It is a significant challenge for the industry.

CHAIR—Thank you.

Mr CHEESEMAN—I also have sympathy for tourism operators. Mr Hansen, we heard evidence to the effect that there is a need to mop up the former manufacturing skills workforce in this area. I suppose that could also apply to parts of the service industry such as tourism. Of course, your members are RDA and presumably former ACC people. I am not trying to rake over old coals, but the commercial component of the ACC regional partnership grants has now finished as part of government policy.

What areas could you recommend to us that we could recommend to government? I refer, for example, to a new form of seed funding that will take industries to the next growth level. Do you have a view on that? When the government decided to close down that aspect of the grants from where did you believe that would be replaced? Where should we go or what do you think would work in Geelong?

Mr Hansen—In this region we almost never used that in the private sector. The reason for that was that in our book the opportunities that were presented to us simply did not fit. People tried to change their business funding model rather than achieve the outcomes that we wanted them to achieve through that program. We did not go down that path and very few were even considered. It did not fit and all of them were ineligible. The big one on which we were quite keen was the expansion of Avalon airport.

Mr CHEESEMAN—It was a multilevel task.

Mr Hansen—Exactly. The magnitude and significance of that fundamentally would impact on them.

Mr NEVILLE—You meant mainly social infrastructure for your community projects?

Mr Grant—That is correct.

Mr Hansen—Not an infrastructure that then delivered to the community the services that they needed.

Mr CHEESEMAN—Tourist information centres, for instance?

Mr Hansen—Absolutely.

Mr CHEESEMAN—Often they created a small number of jobs that involved council employees or employees of the association, but they were important for increasing the tourism presence and the opportunity to market the tourism region.

Mr Grant—Talk to the small bed and breakfast operators in the Lorne region and ask them what the VIC has done for them. They will tell you. It is a fundamental part of that yield strategy and the geographic dispersal strategy, particularly when you have a Great Ocean Road that is coastal. The hinterland assists in that increased length of stay and dispersal.

Mr Hansen—Going back to your question about whether or not there is a capacity to do that kind of work, it is a really difficult area in which to operate because the government's philosophy, or the philosophy of most governments, has been, 'We will not give you cash to save you and we will not give you cash to get you started.' I understand the philosophy behind that; you would open up the entire game if you did that. Because of the way in which AusIndustry functions around research and development and around new products to market you need to take niches within the business cycle and you need to focus on those niches. If you apply cash across the board you will be struggling and you might have the ANAO on your back asking you to explain why you have done it.

CHAIR—One issue has been a real point of contention for the committee. I have known John for a while so I have heard John's views on this before, but other members of the committee might not have. Did you redirect the few for profits that might have come to you?

Mr Hansen—Yes. For example, we had one in IT. With the assistance of DOTA's bureaucrats we redirected them and they ended up getting a rebate for every new customer. That provided them with more money than they would have got under the old regional partnership. In many cases they were redirected.

Mr NEVILLE—Price?

Mr Hansen—Yes, that needs marketing. It is an important component of the business cycle. It is easier to measure the outcome and it is easier to define in the context of what government needs to provide taxpayers' money.

Mr NEVILLE—I see.

Mr CHEESEMAN—I direct my initial question to John. In getting around regional Australia, both with this inquiry and with the previous inquiry, it has become obvious to me that historically for a lot of economic development boards, whether it be the G21 or others, the Commonwealth level of government has been connected to those entities. I have known you since the late 1990s and I am aware that you have had a lot of experience in this field. What recommendations would you make to this committee that would enable the Commonwealth to be better connected with important organs such as the G21 and other development boards in Ballarat and elsewhere?

Mr Hansen—Let me give you a bit of history. I am a former public servant. For 25 years I worked with the CES and I left there in the late 1980s. One of the difficulties of the current government is that it is entering a market that is not serviced in regional Australia. It is attempting to do so by using people who sometimes are born and bred in Canberra. The difficulty then is that you then have to go to your local marketplace and find a way to make that happen. I believe that local government is best placed to do that as it is closest to the people and in many respects it is understood by the people. That is one level.

The second level—and I see Lawrie Miller in the room today—is that chambers of commerce are an excellent entry point into the small business market. As we know the small business market is probably the most difficult to crack, but at a grass roots level chambers of commerce are extremely good at doing that. Those are the two levels that I think the federal government needs to use, short of setting up its own. It is probably not financially practical to try to recreate the past. I believe that those are at the two methods that I would be recommending to you.

Mr NEVILLE—You have not mentioned development boards.

Mr Hansen—In Geelong's case, of course, we have had the G21 for some time. It is maturing and it is gathering strength as it moves forward.

Mr NEVILLE—That is a type of development board.

Mr Hansen—Yes, in a sense it is. The local government component is G21. You have individual councils that have their own particular needs and on a regional level G21 takes that position forward.

Mr CHEESEMAN—You instanced the G21 which has pillars comprising not only of local government and council representatives but also a lot of people from state authorities, whether it be water boards, health boards or whatever else it might happen to be. It occurs to me that not just here but throughout the nation where these types of entities are established the Commonwealth as a level of government is not represented on those pillars on those organs.

Mr Hansen—Yes.

Mr CHEESEMAN—Before they come to government with a request for funding or whatever they do a massive amount of work to back it up and to develop the strategy and the like. As I said, it occurred to me that historically over the past 15 or 20 years—or maybe never—the Commonwealth has been in that space.

Mr Hansen—Yes.

Mr CHEESEMAN—What recommendations should we make to increase the Commonwealth's footprint in these types of entities so that there is more connection between the Commonwealth government and the regions?

Mr Hansen—I might let Roger respond on behalf of the ACC.

Mr Grant—The ACC embraced and adopted the G21 program as our master plan to ensure there was that seamless connection. We then supported and worked with the G21 to make sure that those pillars also captured the essence of what we were getting back from the business community and also from the government. We saw ourselves as a conduit between government and industry.

Mr Hansen—Agents on our board were in fact on executive committees of the G21 during its formation.

Mr Grant—That is right.

Mr CHEESEMAN—Which I suspect is probably a little different to other regions.

Mr NEVILLE—That comes across as good modelling, as we heard in evidence this morning.

Mr Grant—We were very much of the opinion that because of the amount of work, time and effort and the level of consultation it would have been ridiculous from an ACC point of view to duplicate that or head off in a different direction. The framework was there and we fully embraced it.

CHAIR—I have two questions but I will let John say what he has to say before I ask them.

Mr SULLIVAN—Thank you for coming here today. I was interested in some of the things that you had to say. My questions follow what Mr Cheeseman was talking about regarding the engagement with Canberra. I go back to Mr Hansen's comments about Canberra using local government more. Through the Council of Local Governments we established a mechanism that could be expanded into economic areas. I am not quite sure of the extent to which they plan to use that at the moment. Mr Hansen, I assume that is something of which you would be supportive?

Mr Hansen—Yes.

Mr SULLIVAN—You talked also about exports. I have long held the view that Australian manufacturers who manufacture for the domestic market are establishing businesses to fail because of the size of the market. In the current context, if an Australian manufacturer focused on exports he would be a driver of those exports.

Mr Hansen—Exactly.

Mr SULLIVAN—How do we ensure that manufacturing businesses in regional areas that are important to local economies have the right mix?

Mr Hansen—The intelligence that AusTrade can and does bring to the table around markets should relate specifically back to the product. The product will then become the focus of your question. It is about achieving a balance between the local market and the international market. If there is an imbalance the role of AusTrade is to help that company build that external market. How long is a piece of string? We know the answer to that question but people should focus on that issue.

One of the issues that government services face is the level or the intensity of specific advice that is provided to a company. Sometimes they have to hold back that specific advice because of government requirements. Often they will go to a private consulting firm to get the specific advice that they need. How does an AusTrade officer take that piece of advice to the next level with that company? There are issues concerning that.

Mr Grant—I wish to add something from a tourism point of view. The unique aspect of tourism is that it is the only export industry that pays GST because the product is consumed here. That is a huge advantage in a national, regional and local economic sense. We found a real mismatch in our capacity to tap into the export market development grants. At the moment we are working with AusTrade at a regional level to try to maximise our opportunity to fully capitalise on that opportunity. We presented to the Senate inquiry into the export market development grant. It has taken a long time but I think that is a genuine opportunity right across Australia.

Mr CHEESEMAN—I am interested to know your recommendation there?

Mr Grant—Again, not wanting to open up Pandora's box, in reality it is known at the state level and through the national bodies that there would be no more than 20 legitimate organisations at a level similar to ours that should be able to access that sort of level of funding. It should not be open to every municipal tourism body because it simply could not be sustained or warranted. You have to put the product on the table to generate the income. It is not a matter of flag waving; it is putting a commissionable product on the table with the trade to be able to deliver. As I said, if you looked all across Australia you would find that there would be no more than 20 or 25 bodies. It would be easy through the Australian Tourism Export Council to vet what is happening. It is frustrating that we do not tap into that to any great degree.

Mr NEVILLE—Twenty years ago I promoted the concept that while you could not allow individual people to shoot from the hip with export market development grants there was a case for regional tourism authorities to coordinate a response in the region.

Mr Grant—Absolutely.

Mr NEVILLE—Is that a recommendation that you think we should put to government?

Mr Grant—Very much so. I fully and totally support that.

Mr NEVILLE—I am sympathetic to that.

CHAIR—We have noted that.

Mr SULLIVAN—I might follow quickly with a question about tourism. What we heard today about local tourism in this area is, as Catherine said, extraordinary. It contrasts with what we heard from the north-west and the northern parts of Tasmania.

CHAIR—I am interested in whether they were looking at yield or whether they were looking at numbers.

Mr SULLIVAN—They said that one of the things that saved them was that they had some boutique markets. People would come for a weekend or they would visit a couple of times a year rather than only once a year. Is that not the tourism capacity style that you have here? They are bringing people to Tasmania from Sydney and Melbourne and Melbourne is your next-door neighbour.

Mr Grant—Sure. We are certainly very active. To give you an example, we run a cooperative program of marketing with the industry which at a local level exceeds \$1.2 million. We are active in the marketplace—probably more so than nearly anywhere else in Australia. If we are measuring yield we are seeing significant changes in the marketplace. I said that the data on which I am basing this is the national visitor survey for the December quarter, which is the latest data. I hope that we have the March quarter to look forward to because we are hoping there will be a rebound of the domestic market. Whilst that yield was down 22 per cent, the volume of domestic overnights was down only by about 12 per cent.

You were talking earlier about niches. One of the real opportunities we have in Geelong is in that business-tourism area. For example, we have been the winners of national awards. To give you an example of the magnitude of that, in Geelong alone, in the Geelong Otway region, that accounts for about \$60 million a year. We had about just under 19,000 delegates staying for 3.2 nights. Let us compare that with how we are performing this year. We are getting a similar number of events but we are seeing a significant decline in the yield. At the moment we are running at about \$25 million. I add—and I put in a plug for our big aspirational project which is a dedicated convention and exhibition facility—that we are doing that in partnership with others within the Geelong community.

At the moment that is where we are really lacking. That is why infrastructure is critically interlinked with yield as a strategy. Whether it is in the Otways or whether it is on the Great Ocean Walk, we have magnificent natural environments within our region—it is our primary strength—but we do not have the infrastructure or the commercial partnerships to fully capitalise on those from a tourism point of view. Thus the employment and all the economic benefits are not being fully realised.

CHAIR—I assume that the category three section of the new TQUAL grants that have come out is something that you will be working on fairly strongly?

Mr Grant—That is right.

CHAIR—That will provide you with some opportunities that have not been around in the past and it will enable you to do some of that larger-scale work?

Mr Grant—That is correct. We were pleased that it was announced last week.

CHAIR—We travel around the country so I am interested in hearing your advice in relation to this matter. What role can the new Regional Development Australia play in assisting regional economies through the global financial crisis? How can it assist the Commonwealth to understand how it might assist regional economies through the global financial crisis? If you do not see a role there at all please tell me.

Mr Hansen—One of the biggest issues is that when you open up any kind of document on the web that looks at funding opportunities or available programs there is a great deal there. The reality is that an organisation such as RDA will be able to play a significant role at a local level to enable organisations to access the right point. I am sure you know what I am talking about when I say that people are enormously frustrated when they attempt to gain access to the federal government. I think that is a key role. There is a vast array of programs. There are many excellent programs but people do not know about them. That is a key role for RDA.

CHAIR—I know there has been a significant transition, that each state and territory is different and that obviously a substantial amount of work is being done. Are you starting to generate or do some of that work locally anyway to provide that access, or are you working at how to do that?

Mr Hansen—On 28 February Parliamentary Secretary Gray informed me, all the other executive officers and the chairs of the ACCs in Victoria that we would be closed on 30 June. We have heard nothing to advise us anything different from that. At this time our process is: How do we close down the place?

CHAIR—I refer to the state government's transition to work program which is still being implemented.

Mr Hansen—In our case we co-locate with the state government and we have done so for years. We do not have to build the model; we already have the model. It is a matter of how the state government will run the RDA. At this stage we do not have that information so we cannot answer your question.

CHAIR—That is okay.

Mr Grant—I make one comment that I mentioned before. From our perspective the key to it is infrastructure. It is difficult to get developers outside major capital cities. If there is any opportunity for encouragement, incentivisation or whatever, those developments will be critical, in particular, when we compare ourselves to similar destinations worldwide. We lack that critical iconic infrastructure. We are not talking about infrastructure gone crazy; we are talking about infrastructure in our region that capitalises and complements our natural advantages, whether it is business events or our natural environment. We are desperate to be able to fully realise those opportunities through appropriate iconic infrastructure.

CHAIR—Thank you.

Mr NEVILLE—On that last point, who should be responsible for delivering that? Should it be by subsidy or should it be by government intervention? Give us an idea. I talk about this a lot and I have done a lot of work in my own region because I was in regional development before I became a member of parliament. What is your recommendation as to how that should happen?

Mr Grant—Again there must be extensive planning and agreement to identify it and there must be modification to planning to allow it. It needs some incentives, whether that is through the taxation system or whatever to try to encourage that sort of development. There is the

research, the identification and some genuine support to allow those developments to occur in the private sector in partnership with the public sector.

CHAIR—Thank you for the evidence that you provided to us today. If you want to make a written submission or write to us afterwards we welcome further evidence from you. We might have some further questions about which we will write to you and you will receive a proof transcript of the Hansard so that you can make any necessary editorial changes. If some of the concepts are slightly out of whack please feel free to amend them accordingly. Thank you for your time today.

Mr Hansen—Thank you.

[11.37 am]

SYKES, Mr David Andrew, Chairman, Geelong Manufacturing Council

CHAIR—Welcome. Whilst the committee does not require you to give evidence under oath I remind you that these are formal proceedings of the Parliament and, as such, should be treated with the same respect as proceedings of the house. It is also customary for us to remind witnesses that giving false or misleading evidence before the committee is seen as a serious matter and can be regarded as a contempt of the parliament. That being said, I welcome you to our inquiry. We are looking forward to hearing what you have to say about how manufacturing is struggling in Geelong. We look forward to hearing what suggestions you may have about the important role of manufacturing within our regional economies and what Commonwealth assistance may or may not be required. Would you like to make some introductory comments?

Mr Sykes—I do. I have a document containing my introductory comments which I can hand to you and from which I will then read.

CHAIR—That document will be tabled.

Mr Sykes—The Geelong Manufacturing Council welcomes the opportunity to present a response to this parliamentary inquiry relating to the impact of the global financial crisis on regional Australia. The Geelong Manufacturing Council is a representative group in Geelong with approximately 40 members covering the manufacturing industry. Our membership base represents approximately 10,000 employees. We have quite an active group and we have meetings two-monthly meetings that are well attended by about 30 attendees, and we undertake a program of activities.

The objective of the manufacturing council is quite simple—to have a positive impact on the sustainability and health of the manufacturing industry so that the company, the community and potential investors are confident in the future of manufacturing in the region. The second major objective is to broaden and deliver on the region's manufacturing base and to contribute to a positive impact on employment and investment. A number of complex and far-reaching challenges face manufacturing at this time, which has been described by some as a perfect storm.

The challenges presented by the global financial crisis come on top of existing challenges such as the emergence of a global supply chain and the implementation of a carbon pollution reduction scheme in a carbon-dependent environment such as Australia. With the multiplier effect taken into account the manufacturing industry in Geelong accounts for up to half of the region's economy and employment. It follows that any negative impact on manufacturing will be felt across a large sector of the economy.

Geelong is a major regional population and business centre, with a population of over 240,000 and it is Australia's largest regional centre. The city's existing competitive strengths include a diverse range of manufacturing sectors, research and development, education and training, biotechnology, tourism and health. The key manufacturing sectors in the region are automotive and components, textiles, metals, food, cement, timber, engineering, and chemicals and

petroleum. Currently, by our estimates, the region has around 12,500 people employed in the manufacturing sector across 450 companies.

Manufacturing is also a major generator of research and development activities and a number of organisations are working to expand this important work in the Geelong region. This includes the Geelong technology precinct at Deakin University and the Gordon Institute of TAFE. The recent loss of industries as a result of closures has had a significant and adverse impact on the regional community when the impacts of the flow-on effects are taken into account. It makes strong sense to support manufacturing as its high multiplier effects result in far-reaching impacts across the economy.

We also believe that the government has expressed a strong desire to position Australia as a country that makes things and we support the Prime Minister's ongoing intentions to put into place an appropriate mechanism to achieve that. The Geelong Manufacturing Council was established in 1998 by the Australian Industry Group and the Geelong Development Board to assist and promote the region's manufacturing industry. The Geelong Manufacturing Council has a vision of Geelong as an internationally competitive manufacturing centre in the twenty-first century.

We will achieve this through facilitation and support for manufacturing by developing and sharing sustainable best practice, encouraging the growth of technologically advanced manufacturing, and promoting a favourable environment for manufacturing in Geelong. The Geelong Manufacturing Council facilitates a number of networks and industry groups with similar objectives as the council and is non-political, not-for-profit, and is largely funded by industry.

On the regional importance of manufacturing Geelong traditionally has been a manufacturing region. In the 1970s over 30 per cent of the workforce was employed in the sector. The drop to below 20 per cent was largely driven by increased levels of international competition as a result of reduced tariffs and that has led to advances in technology and increases in capital intensity in efforts to compete. Research by the National Institute of Economic and Industry Research found that 51 per cent of the region's GDP and 41 per cent of the region's employment is derived from the manufacturing sector.

It follows from these figures that the health of the manufacturing sector is vital for the ongoing stability of the region's economic and social foundations. With recent closures we estimate that currently the region has around 12,500 people employed in the manufacturing sector across 450 companies. It is always an area where things are made, where people and industries contribute to Australia's GDP, more so than in any other region of its size in the country.

Geelong industry produces a range of important products, including motor vehicles, engines, other components, automotive and textiles, carpets, carpet wall fibre processing, chickens, aluminium, petroleum, polypropylene, and a myriad of timber and engineering products, food and consumer goods. Geelong is also pursuing an agenda to build its automotive capabilities and develop a centre of excellence in aspects of automotive design, education, research and manufacturing.

Recent new investments include the Ford Motor Company of Australia research and development centre—\$27 million—which now employs over 400 people; the Advanced Centre of Automotive Research and Testing, a joint venture between the Ford Motor Company and the University of Melbourne which has seen major investments of \$29 million in emissions and testing laboratories in the Ford You Yangs Proving Ground. These facilities are playing a major role in the transformation of the automotive sector into one focused on higher value-adding activities. This has led to a significantly higher skill level among employees in Geelong.

The Ford Motor Company of Australia featured as a major generator of research and development, with a total research and development expenditure of \$243 million in 2007. As I said, this is a significant percentage of overall manufacturing research and development on a national basis. The Gordon Institute of TAFE has invested heavily in training facilities to support manufacturing in the Geelong region, while Deakin University has been successful in developing major industry partnerships across a number of areas of manufacturing research and product development.

The Ford Motor Company's decision to produce a small car from 2007 is a positive sign for the industry. This decision should be encouraged through all available mechanisms. During the period 2002 to 2008 a significant appreciation of the Australian dollar, by 77 per cent, led to a severe deterioration in competitiveness of the Australian manufacturing industry and a number of companies exited manufacturing during that period. However, with the recent easing of the Australian dollar due to other factors and the emergence of the global financial crisis, the environment has again changed dramatically.

A number of component company closures has occurred in recent years. These include Coghlan-Russell Engineering Pty Ltd, Paratus Industries Pty Ltd and Hendersons Automotive Technologies Pty Ltd. Closure of these companies and general industry downturn has had a significant impact.

CHAIR—I might stop you there as I am conscious of the time. I have read your submission and I have established that it is an excellent submission. Thank you very much for that. At point 8 you made suggestions for future stimulus packages. I acknowledge that in your submission you talked about the impacts on employment of the global financial crisis. You referred to closures and you said, 'There has been a negative effect on employment numbers. Impacts range from neutral to negative and 30 to 100 per cent more responses are required.' Darren might wish to ask questions in relation to that matter. You also said that you were concerned about the next six months. Can you summarise where you are currently? What are you concerned about? We might then go into the strategies where you said that the Commonwealth could be of assistance. You raised a number of strategies in which I am particularly interested.

Mr Sykes—Certainly. To give this committee a proper response, we conducted a quick member survey—a representative survey that included some large corporations and some small corporations, so the percentages that we quoted are reasonably representative. We will not quote individual businesses as that information is confidential. However, there is a concern that this downturn will continue. Obviously there has been a past impact. Members are concerned about the future impact over the next six to 12 months. Their projections could probably be described as neutral; they are certainly not positive. There might be dramatic reductions if there are any

major industry closures in the short term and if there are any large company closures. In the past six months quite a number of businesses have made a decision to exit.

CHAIR—I think you estimated that 1,000 jobs have been lost from manufacturing alone in Geelong?

Mr Sykes—Yes.

CHAIR—Obviously that is direct employment in manufacturing. You costed that out as between \$50 million and \$100 million being lost from the economy. I assume that companies are doing what other manufacturing companies are doing—they have done the shedding of contractors, and they are getting everyone to take leave and all those sorts of things. They are now at that point and you are concerned that there will be a further shedding of jobs in manufacturing in the next six months. Currently that is where you are sitting.

Mr Sykes—Yes, certainly. A lot of companies do not include the shedding of contractors when they quote employee numbers. If employees have been asked to take extended leave that is also not included. Obviously those employees have less take-home pay, which has a roll-through impact. A number of companies have taken the decision at this stage of a holding pattern—to wait and see whether any stimulus package will pull through any work in their organisations. To downsize or ultimately to close is a significant decision. Most companies are trying to take a conservative and a responsible approach by assessing whether this is a mid-term downturn, that is, six to 12 months, or perhaps a long-term downturn.

CHAIR—Mr Cheeseman would probably be more aware of the details, but would it what be fair to say that many of the companies that have gone or that have closed were so heavily geared that that they were unable to continue, to stay open, or to take a conservative approach? They have literally run out of money in a sense.

Mr Sykes—I think you need to differentiate between companies where receivers have been called in and globally based companies that have made a decision to take their manufacturing offsite or overseas. There have been a few companies where administrators have been called in. At the moment one is still under administration, that is, Melba industries. A few have made decisions based on global economics. Huyck obviously made a decision on that basis. A number of companies obviously are concerned that the Carbon Pollution Reduction Scheme might significantly impact on their businesses. Any company that is a supplier to those industries will obviously express similar concerns.

CHAIR—Thank you. Mr Cheeseman?

Mr CHEESEMAN—I am particularly conscious of the contribution to Australia of the Geelong manufacturing community. Let us look, for instance, at Ford which has 1,300 jobs. Ford has a significant supply chain and it probably has another 2,000 or 3,000 jobs, if not more, engaged in the supply chain. A lot of smaller manufacturing sites might extend well and truly beyond the borders of Geelong. How many enterprises in some of our more significant industries are supply chains that are located elsewhere? Clearly the consequence of decisions made here will have a significant impact on other communities and economies. Can you give us your assessment of what that might be?

Mr Sykes—You used Ford as an example but I think you need to look at the other major manufacturers such as Shell, Godfreys and maybe Alcoa. If they had a downturn you would have to assess what impact that would have. In manufacturing the multiplier factor is bigger if you are higher up the chain. In a major industry such as Ford which has a significant number of suppliers, many of whom are regionally based, that multiplier effect might be of the order of four, five or six. If you go down the other end to, say, a tourism-based industry or to retail it might have a multiplying factor of one. It would be better for you to research these figures as I have given you only anecdotal information.

If there is any downturn in the Geelong region or in areas outside Geelong, a number of major Geelong companies would support Geelong regional industries fairly positively as a supply base. It works both ways; it is a good partnership. If there were a downturn of major businesses it would have a direct flow through in greater proportion to local regional industries than it would to the rest of Australian industry. I hope that that answers your question.

Mr CHEESEMAN—It does.

CHAIR—If members have no questions about where manufacturing currently sits we will move on to suggestions for possible government intervention.

Mr SULLIVAN—That is the area to which I want to go.

CHAIR—I refer to point 8 of your submission. Could you take us through that?

Mr Sykes—Yes, certainly. Thank you for the opportunity to do so as this is what the committee is all about. The rest is probably a preamble. I will not read through it as such but you can take it as read. This was produced as a result of a representative survey of our members. It covers a broad cross-section of our members and it is in some sort of order. It refers to those things that will pull us through—either infrastructure that will result in direct employment of people in these manufacturing businesses, or a pull-through effect in supplying products and resources. Point 8 relates to infrastructure.

I referred to specific infrastructure issues in the Heales Road industrial area of Geelong, or Geelong's northern image. Another important stimulus area is whether or not there is room for infrastructure that will target a manufacturing stimulus package. This might be beyond what the government can do. It might be a bit idealistic to think that our 'Buy Australia' policy will have a pull-through effect. If government purchasing policies are favourable to Australian-made products we will certainly be encouraging them, as we will encourage Australian-made motor vehicles, as motor vehicles have suffered a significant and quick decline. That should form part of the government's buying guidelines.

A lot has been said about that in the past but in the end those sectors of the manufacturing industry are looking for some type of stimulus package that will enable them to achieve more volume. This has had a significant impact on regional manufacturers. Another major item that is dear to our hearts and dear to the hearts of a lot of regional areas is an investment fund for Geelong. Round one of the Geelong Innovation and Investment Fund was released last year and round 2 will be released soon.

That will have a significant and a positive impact and it will receive some positive press, as distinct from what we have seen with other announcements. We would like to see that one point in time stimulus and an ongoing stimulus in the Geelong regional area. The Geelong regional area is being hit hard and it will continue to be hit hard by these changes. We must encourage investment in Geelong. From a regional viewpoint, Geelong is well placed with infrastructure. Stimulus packages aimed at Geelong will result in good value-adding.

One of platforms of the Geelong Manufacturing Council is to encourage investment which is difficult because the Geelong Manufacturing Council is funded by industry and not by the government. It is funded substantially by industry and it has one executive officer which is a paid position. I have a paying job but I am here representing the council today because David Peart, the executive officer who prepared this excellent presentation, has another commitment that he could not get out of. When you thank me I will thank him on your behalf for doing the presentation.

There is support for a number of programs operated by the Geelong Manufacturing Council. Enterprise Connect has been a successful program. After talking to the service provider I established that it has had a good up take from small to medium enterprises. That program is targeted at assisting them in their business development. Those types of programs will be good.

CHAIR—Thank you for that. I note in particular four points that you made. I have some detailed questions that I would like to ask you about them. The first point you made relates to infrastructure investments to assist manufacturing. I refer to investments that have happened so far as a result of the two stimulus packages. Broader announcements will be made about the infrastructure Australia priority lists that were put forward. Have you seen any shift to date or are you still waiting?

Mr Sykes—The first stimulus package would have had very little impact. It would have created some employment, probably in the retail industry and in some service sectors, but not in manufacturing. The stimulus package is aimed at infrastructure.

CHAIR—Obviously the second one has focused on schools infrastructure, community and the building and construction sector. Hopefully all those sectors in this region will benefit from that package. I am not familiar with the industry but have any manufacturing industries benefited?

Mr Sykes—Not from our perspective. Our survey shows that industry is still under stress. Our industry is comprised of metal manufacturing, heavy manufacturing and service providers. Companies that are still providing services to the building industry will be doing quite well. It will take us a while to pull through.

CHAIR—There is no evidence that this package has assisted?

Mr Sykes—Not at this stage, not when we take into account the survey of our members.

CHAIR—Yesterday we heard from Timber Communities Australia who referred specifically to the global financial crisis and who said, in essence, that wholesalers had reduced their timber stock. In our view there will be a demand for that product in the building and construction

industry. Have any your manufacturers said that that will occur? Obviously they are not producing as much because the demand is not there for carpet, steel frames, trusses, or those sorts of things. Have manufacturers been constraining their stock? When these building projects take off, are we likely to hear people saying, 'We do not have any product to give you'?

Mr Sykes—I cannot comment on the building industry. Most of our membership base is manufacturing and my experience is of the manufacturing industry. Talking about manufacturing, Toyota and Ford are major manufacturing industries in Victoria. Prior to Christmas they had a significant stock build up and that is now being decreased. Toyota's major customer in the Middle East has been decreasing its stock. It is going through a stock decreasing exercise and Toyota has had to decrease its volumes accordingly.

You cannot see the employment base. If we look at the forecasts of these manufacturers we find that they are still sitting on the fence. They are unsure whether the recovery will commence or whether it will plateau out for a while.

Mr NEVILLE—I am interested in your suggestion about an ongoing investment fund. You said that in 2007 the Geelong Investment and Innovation Fund was established by the two governments, along with Ford Australia. What were some of the projects that came out of that?

Mr Sykes—There was round one and round two. Round one, which has been released, is public, and round two has not been released so I cannot comment on my knowledge of it. It would be better for me to take that question on notice. That round is certainly in the public domain. Others might have a better idea than I do.

Mr NEVILLE—I do not want to intrude into any confidential stuff. Could we have the stuff that is publicly available, and you could give us the rest when it comes to hand?

Mr Sykes—Yes, certainly. I will take that question on notice.

Mr CHEESEMAN—I can think of one example of a manufacturer in Lara that manufactures flares that shoot out the back of fighter jets to distract missiles. I think that company received a few million dollars.

Mr Sykes—It would have been \$3 million.

Mr CHEESEMAN—It received \$3 million or something like that which will lead to the creation of about 30 or 40 jobs.

CHAIR—I wish to ask about the quantum of the fund. How was it administered, and how were projects determined?

Mr Sykes—Some of the information that is available publicly from previous funds and from this fund are probably along reasonably similar lines. The creation of employment is the major focus of investment. It is a subsidy of the order of between 30 per cent and 50 per cent, and this information is public. The value of employment per employee, or the cost of investment per employee, or the government's contribution, is of the order of \$30,000 to \$40,000 for every

employment position created. In other words, if the government is providing funding of, say, \$300,000, the net result should be the creation of 10 employment positions.

CHAIR—It did not have a cap on it, so there is no quantum. Did the federal government say, ‘We will put in \$4 million’ and did the state say, ‘We will put in X number of dollars’?

Mr Sykes—The fund was established by the federal and state governments with some contribution by Ford. The percentages or amounts were previously announced.

Mr CHEESEMAN—I think there is \$24 million in the fund and the Commonwealth is the largest of the partners. We should obtain information about its administration from Kim Carr’s office, but I think it is jointly administered between the appropriate Commonwealth department and Regional Development Victoria.

CHAIR—I would be interested in receiving a lot more information about how it works. For this region it has replaced the capacity for regional partnerships to access large quantities of money—assistance to industry that does not exist in other areas.

Mr NEVILLE—You asked the question that I was going to ask. I was interested in how it worked. What is the amount in the fund?

Mr Sykes—It is a total of \$24 million.

Mr NEVILLE—That is the sort of money you need, is it not?

Mr Sykes—Yes.

Mr NEVILLE—You are suggesting a round three after these two rounds?

Mr Sykes—Yes, that is correct. With round two you had to invest certain minimum amounts. The projects had to be quite significant; they could not be small projects. I would need to qualify the amount but I would say that of the order of \$500,000 was the minimum investment for a company to make and obviously there was a co-contribution from the government. We are talking about companies making investments of more than \$1 million and in some cases more than \$4 million. That is a significant contribution by business and it is a significant commitment. That is not to say that companies will take the money and say, ‘Thank you very much.’ They have to invest the money and there has to be proof of it.

Mr CHEESEMAN—Again for the committee’s benefit, I think the leverage has been something like a ratio of probably three to seven or something like that. It has been quite significantly leveraged.

Mr NEVILLE—Yes. That is good. We heard Professor Kilpatrick earlier talking about the need to consolidate some of the areas of Australia that fall into unemployment more quickly, like this area, areas in Tasmania, western Sydney, Northern Rivers, and Wide Bay in Queensland. Traditionally they have difficult problems. I know your focus obviously is on Geelong and this Otway area, but would you think that it would be a fair recommendation to the government to have investment funds in those vulnerable areas?

Mr Sykes—Possibly with support. I think the benefits that have been derived will be shown to be derived from the Geelong innovation and investment fund, round two. I think that will be quite positive. So further investment along similar lines will show similar results.

CHAIR—Is there an evaluation of it at all?

Mr CHEESEMAN—I assume that the state and Commonwealth governments are undertaking that work, but I have not been privileged to it.

Mr Sykes—From the information that is available for submission, yes there is a process whereby it has to be validated.

CHAIR—That is in terms of its acquittal, but I am interested in the program's overall impact and has it worked, and it will be a fair while before you know that.

Mr CHEESEMAN—There have been a number of press releases, Madam Chair, that have come out of both state and federal governments that would suggest there has been a degree of validation taking place to support the evidence in the press release. I think the answer is yes, but I am not sure how much of that is being made public.

Mr NEVILLE—Do you and Mr Sykes know when round two will be announced, or roughly when it is being announced?

Mr CHEESEMAN—I do not, but I would anticipate that it would be sooner rather than later. But the first lot of announcements and the first round were in the start of the financial year, were they not?

Mr Sykes—They were.

Mr CHEESEMAN—So it will not be far away, I would imagine, Mr Neville.

CHAIR—Mr Sullivan has a number of questions.

Mr SULLIVAN—Thank you very much, Mr Sykes. Firstly, thank you for the document you have given us. There is one specific question I want to try to tie you down to in there. But before we get to that one, I was pleased to hear you say that the health of manufacturing is vital to the region. We have had two days of hearings at which the evidence given to us is that diversity is necessary. That is why I was a little bit astounded earlier today when we had another group in who acknowledged the decline in manufacturing employment and are seeking to replace it somewhere else rather than trying to put their effort into trying to put an end to that decline.

I accept that there will be manufacturing businesses, perhaps in your membership, that really are marginal at best and non-viable normally. I would like you to try to give me an idea, if you would not mind, of how we can determine which business, apart from global financial crisis, would be viable, but now would not be, and how those that are determined to be viable could be assisted through the global financial crisis on an enterprise-by-enterprise basis with direct government action to make sure that not only those jobs are retained, but also that the jobs that those companies outsource are retained, as are the jobs held in component suppliers. I am talking

about motor vehicles at the moment. I know how much money that would take, but I am talking about people who supply otherwise to those businesses.

I am really keen on immediacy. Some of your solutions, such as building a new road, will take a long time, and the global financial crisis will be over before that is done. That will not have immediate impact. I am looking for some immediate impact stuff.

Mr Sykes—Let me take the last part of your question first, which is what item would have the most impact in Geelong if it was announced tomorrow? That would have to be issues to do with the automotive industry and support for Australian-made vehicles. We would see changes in government policies to encourage people to buy Australian made. That is through companies like Ford, and there are a number of compliant suppliers that supply Ford. That might be something that may be difficult to do, but it is in response to your question as to some type of immediacy. In the first part of your question you started asking about how the government would understand and know if the companies that if the companies that potentially would receive some assistance packages will use them in a responsible manner or are going to survive, and whether they are financially viable now. That is part of the process of assessment that is done through the stimulus packages.

You have to present financial data. You have to present potential growth data. It relies on your performance. If you do not clear the hurdles of viability, you will not be supported. That is what I know from the Geelong innovation and investment fund. Other funding that might be available to other enterprises, I am not able to comment on how they organise it.

Mr SULLIVAN—The second question I have goes to 8.3, which is back to finance difficulties. Everybody is pussyfooting around this. The banks are saying one thing and business is telling us quite a different thing. As we heard earlier, Minister Emerson has established within his office what I will call a clearing house, but it is a reporting facility for people who are in difficulty. But what if the banks do not come to the party? If finance is the major problem, is there somebody out there who will suggest that the government should look at getting into a finance arrangement for business or industry? It is a tough question. It is difficult politically, but it certainly seems to be what people are alluding to without actually saying it. I would really like someone to say it, if that is what they mean.

Mr Sykes—Unfortunately, I am not able to say it with a great deal of authority, not being in the finance industry. All I can comment on—and this is on the public record in Geelong—is that there is one business, Melba industries, which is in receivership because it is unable to obtain finance. Their normal channels of finance dried up and as a result it had to go into receivership. Melba is a significant business. It operates globally, but it is not able to make grade, or at least at this stage is in receivership. I cannot comment further on whether the government should get into the bank industry in support.

Mr SULLIVAN—My understanding from evidence given earlier relating to that company was that it is only global financial crisis induced reduction in orders that is causing the company difficulty and that it would otherwise be a very viable firm.

Mr Sykes—That is perhaps information I do not have, I am sorry.

Mr SULLIVAN—My view is that it becomes a tragedy of great proportion if good firms go to the wall because our four pillar banks are not prepared to support them.

Mr Sykes—All too often in Geelong there are headlines to that effect. Unfortunately they are good companies that under normal circumstances would be making a profit and a very positive contribution. The very quick change in confidence in the global markets has had a significant result.

CHAIR—Again it goes to the earlier question about how heavily geared you are, and to some extent also is the issue of whether you have the capacity to weather the global financial crisis or not, and some have not been able to. There are some reasons for that too.

Mr Sykes—Definitely. Perhaps talking in another capacity, and putting on the cap of general manager of Backwell IXL, one of our strong points is that we are not heavily geared. At this point in time, while there has been a downturn, we still have our head above the water line.

CHAIR—Yes. And when things happen so quickly, it is very difficult to deal with it. Mr Cheeseman has a question or two.

Mr CHEESEMAN—Yes. There are two parts to the question. Would you recommend that there be architecture put in place in other cities like Geelong to that of the Geelong innovation and investment fund? As a broad mechanism, do you think that you would support that architecture being replicated?

Mr Sykes—The is probably outside the auspices of our representative body. I would only be commenting on a personal basis.

Mr CHEESEMAN—Sure. I would be interested to know.

Mr Sykes—It is probably not really appropriate for me to comment.

Mr CHEESEMAN—All right. Would you have any recommendations to the Commonwealth whether it would be useful for further Commonwealth dollars to be put into that fund?

Mr Sykes—Into the Geelong region?

Mr CHEESEMAN—The Geelong innovation and investment fund, for it to be used for the Geelong region.

Mr Sykes—Most certainly. I think that would be backed up by the success of the current funding process, particularly when there is a bit more public information available after the release of round three.

Mr CHEESEMAN—Good.

CHAIR—Thank you very much for taking the time in putting together your organisation's submission, and certainly please convey to David Peart that he has done a terrific job because that is extremely helpful evidence for us. You will receive a proof *Hansard* transcript of evidence

you have provided to us today. We may have some further questions. There are a number of things that we suggested during questions that we would like some more information about, so the committee will write to you about those as well. I thank you very much for taking the time to appear. I apologise for having delayed you in attending to your business a little longer than we had anticipated.

Mr Sykes—I thank you, Chair, and the committee for the opportunity to put our best foot forward and represent our members here in Geelong.

Committee adjourned at 12.20 pm