



COMMONWEALTH OF AUSTRALIA

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

THURSDAY, 23 APRIL 2009

ARARAT

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

Thursday, 23 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 9.07 am**ALLGOOD, Councillor Gwenda Mary, Mayor, Ararat Rural City Council****BAWDEN, Mr Tony, General Manager, Corporate Services and Economic Development, Horsham Rural City Council****GROSS, Councillor Bernard, Mayor, Horsham Rural City Council****ERWIN, Councillor Kevin A., Mayor, Northern Grampians Shire Council****VANCE, Councillor Robert, Mayor, Pyrenees Shire Council****HAWKER, Mr David, Member for Wannon, Commonwealth Parliament**

CHAIR (Ms King)—Welcome. I now declare open the public hearing of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government and its inquiry into the impact of the global financial crisis on regional Australia. This is the committee's fourth public hearing into this important issue. We can certainly see from media coverage that the crisis is affecting many Australians, but we wanted to ensure that regional concerns were heard as government formulates responses to the crisis. Today we will be hearing from local councils, economic and regional development organisations, business representatives and the Greater Green Triangle regional development of Australia. I welcome everybody here for what I am sure will be a very informative session. We have held sessions in Launceston and Burnie and Geelong yesterday. Thank you for hosting us here in the great community of Ararat.

I now welcome representatives of Ararat, Pyrenees and Horsham shire councils. I also acknowledge that we have the local federal member here, Mr David Hawker. Thank you for hosting us in your electorate; we are delighted to be here and thanks for your assistance in putting today's program together for us. Paul Neville has been delayed. He is in town; he will arrive shortly I am sure.

Although the committee does not require you to give evidence under oath, I am required to remind you that these are formal proceedings of the parliament and, as such, should be treated with the same respect as the proceedings of the House of Representatives. It is also customary for me to remind witnesses that giving false or misleading evidence is considered a very serious matter and can be considered as a contempt of the parliament. That being said, you are most welcome. Before we begin, we have had a submission from Horsham. I do need to resolve that one of the members accept that we resolve that document No. 20 be approved as a submission before we can actually talk about it.

Mr CHEESEMAN—I move that we accept the submission.

CHAIR—Thank you, Mr Cheeseman, I just needed to do that first. As a way of beginning the roundtable, would each of you like to make some introductory comments about what is happening in your area?

Councillor Allgood—Within our community we are struggling and I think that is because Ararat is surrounded by farming municipalities. We are going through our twelfth or thirteenth year of drought, which is making it very difficult. Of course if the farmers are struggling, that means that the businesses are struggling. We have been declared EC, and even though we have taken care of the farmers, it is the businesses that I worry about because we have had a couple who have closed. My main concern now is that, as times get even tougher, if those farmers do not spend, the businesses just do not survive and that is a real concern.

CHAIR—In terms of the economy overall, is agriculture the prime source of people's employment?

Councillor Allgood—No, we have the prison, we have the abattoirs and we have AME. AME is manufacturing, and that is another issue. I believe Christian Carthew is coming in this afternoon. AME have an issue with being invited, I suppose I could say, to take their development to China. They are struggling with payroll tax and so that is an issue for them. The prison and the abattoirs are really great, but the thing that also worries me is that with all of the farmers taking their stock to the abattoirs, a lot of them now are looking at their breeding stock. A number of people travel into Ararat and say, 'Look, it's really great to see so much green grass.' Guess what? There is no stock in the paddocks because that is where it is going to, the abattoirs. To restock when the rains do come back, and I am sure they will, is also going to be a major issue for those people.

Councillor Vance—The Pyrenees, being very much a rural shire, has the same problems as Ararat with one exception: the viticulture industry is very strong in the Pyrenees and it has had an absolute hiding with those four hot days in January, especially the vineyards on the western slopes of the Pyrenees. There has been 100 per cent loss of production this year—total loss—purely because of lack of water to be able to sustain the vines and keep them going through those hot days in the dry periods. That is an extreme problem for us. They are employers in our shire of quite a few people and they are facing difficult times. The drought is right through our shire. The south are feeling it exactly the same as the north. Personally, I am wool grower and a farmer. I have been carting water consistently for seven years, and every second day since November last year. We have had an inch and a half of rain since the middle of December, so things are extremely difficult in that field. Our secondary industries are not quite as concentrated as the cities. We do have a hay processing plant in Avoca, but it is struggling to find material to continue its industry. I believe it is reaching as far away as Queensland now to bring stuff in to process. It is striving to survive. The drought is our main worry.

Councillor Erwin—A very familiar theme. We are EC declared as well. Farming was our major industry, but that has now been overtaken by manufacturing due to the drought. This is probably against the general trend, but we would expect that that would reverse when we see the rains come—hopefully.

CHAIR—What sort of manufacturing?

Councillor Erwin—We have a fairly large abattoir as well, and engineering. I guess mining is a separate thing, but we do have Victoria's largest gold mine.

CHAIR—How is it going?

Councillor Erwin—With the gold prices where they are, it is going very well. It has allowed them to find additional reserves. But if the gold price went southward, I would imagine that that would certainly put the pressure on them.

CHAIR—How many people are employed in the goldmine?

Councillor Erwin—There are around 250. Water is the key issue. One of the changes we have had is in tourism with the Grampians and so forth. There has been a migration, so to speak, to this side of the state probably due to the bushfires so we have had some benefit in that game. That may level out again within 12 months.

CHAIR—How is your small business community going?

Councillor Erwin—It is doing it tough like in every area. That is due to a reliance on farming and it certainly makes things hard.

CHAIR—Thank you.

Councillor Gross—Thank you very much for giving us the opportunity to be here today. Horsham likewise has suffered extremely from the drought but I must admit that we, as a council, are feeling that we have come through the period much better than we expected. A lot of this is due to the fact that the pipeline which is being installed is happening in and around there and a lot of the spin-off from the pipeline has been reflected through the city itself.

CHAIR—Is that in terms of the construction work of the pipeline?

Councillor Gross—The construction and the support for it because our Wimmera Development Association is saying there are some 600 jobs directly or indirectly provided through the pipeline and that has created quite bit of trade through businesses. When a dollar is spent in one business it then circulates before it leaves the town and we believe that that has helped. But we are concerned that within six to nine months it will be completed and we realise that there is going to be a sharp drop in money being spent in and around the place.

I hope that through our planning and development other projects will come up and be started so that we can edge this off for the whole region. Horsham is very much focused on supplying to the regional areas in and around 100 kilometres or more and we realise that those outlying areas are doing it extremely tough. We are very conscious of that and I hope the government is likewise.

We had a fire in the Horsham area on 7 February and it has created a lot of stress and heartache. We lost 11 homes, a lot of homes and properties were damaged, we lost a warehouse of the big trucking company and the golf club. We have a lot of work being done in trying to give support to those people who were traumatised by the fire and there are a lot of folk being serviced by our council's welfare department at this stage.

All in all, I believe this city in itself is travelling well and, as I said before, the rural sector is really doing it tough. I feel that if we have another one of these devastating years a lot of changes will occur right throughout the Wimmera region. I hope it will not happen. I hope that

the rain that is promised is delivered and that it will be followed by others. I think I will leave it at that.

CHAIR—Thank you. Mr Bawden did you want to add anything to Councillor Gross's comments?

Mr Bawden—I guess it is fair to say that Horsham as a regional centre has experienced relatively steady growth, and with that comes a certain amount of pressure to provide the infrastructure needed to service a broader population base, which puts a reasonable amount of pressure on the resources of the city. With the growth in some of the specialised service sectors, like grains research, and service industries in general, we are also seeing some skills shortages that, I believe, are affecting not only Horsham rural city but particularly some of the smaller areas as well, where it is very difficult to recruit certain types of staff, be they in the accounting field or in the engineering field. As regional communities it is a challenge that we continue to face. In a way, with things like stimulus packages and major enterprises like the pipeline, it really does exhaust our resources of trades et cetera that are very difficult to get for other purposes.

CHAIR—I will ask you some questions around some of the construction issues, but I want to stay for a minute on setting the scene so that members get a picture of what is happening in the area. Obviously this inquiry is looking specifically at the global financial crisis. I want to make sure that, in all of the information that is coming out about that and all of the media stories, the story of regional Australia is heard by the parliament. That is one of the purposes of this inquiry, but we are very mindful that, while the global financial crisis is affecting regional communities, those areas are also suffering drought, which has obviously had a prolonged effect on this district. We are conscious of that in visiting here. Are you hearing about any issues regarding the availability of credit that may be affecting small business, the agricultural sector or manufacturing? Is anyone hearing anything in those sectors?

Councillor Allgood—I have heard about some of the farming institutions like Elders and Dalgety. I know that our staff have been out to visit some of those farms because they have got the call to say that they need to be paid—so that is starting to happen. That also has to be an issue—

CHAIR—Would that have occurred regardless of the financial crisis or is it occurring as a result of the credit squeeze?

Councillor Allgood—I think it is probably the drought as well—all of the above. Anybody who buys a business buys it with the idea of making it a success. It must be very hard on a farmer who ploughs up his paddock hoping to get a good crop and nothing happens. He has wasted the fuel, his time, the seed and everything else. Next year he does it all over again and by the 12th or 13th year it becomes desperate. We have been hearing from some of the people around us that that is creating domestic violence within our community. Of course, it is fairly well hidden, but it is putting a lot of stress on a lot of families, and unfortunately—I am not sure about the other councils—we have had suicides as well. That is very frightening for us.

CHAIR—Thank you. We will try to get some information on the issue of whether the availability of credit is posing additional problems for the agricultural sector. I am not sure

where we can get some evidence in relation to that, but we may write to Elders or one of the financiers. Are there any other comments?

Councillor Vance—It was remiss of me not to mention earlier that the blue gum industry is in extreme trouble. We had one very large company go into receivership.

CHAIR—Timbercorp?

Councillor Vance—It is not Timbercorp.

CHAIR—Timbercorp is reporting difficulties but has not gone into receivership?

Councillor Vance—Yes. The future of the industry is difficult. There is a large swiipe of very valuable farming land south of the Western Highway covered with blue gums, and all of a sudden there is no outlet. Farmers have leased their property to these companies and are unsure as to whether they will get their lease money.

CHAIR—The blue gum is all for woodchip, isn't it?

Councillor Vance—That is right.

CHAIR—And the market for woodchip has just completely collapsed and predominantly it is coming out of Japan.

Councillor Vance—There is a major concern there because it flows right through to Portland, doesn't it.

CHAIR—Yes.

Councillor Vance—The manufacturing industry which is building containers for these transports to take the chip to Portland or wherever is also affected. It is a flow-on, right through.

CHAIR—We heard from the timber communities in Tasmania, and they had some quite interesting suggestions as to how the workforce and those communities might be assisted through some government intervention. The blue gum industry in particular is quite specific to here, isn't it? Does it employ a lot of people locally? Or is it predominantly the income that farmers are expecting to get through the leaseholds?

Councillor Vance—It is the income they are expecting. The employment side of it, it decimates some of our—we had the VFF coming to council expressing to us their concern that very valuable production land is going out of production for the blue gums, and now it has come home to bite us.

CHAIR—Obviously there have been managed investment scheme incentives in order for that to occur.

Councillor Vance—Exactly.

CHAIR—In terms of the one that has just gone into liquidation, obviously receivers have not provided any information to the leaseholders yet as to what return they can expect?

Councillor Vance—I am unaware of that. I would be foolish to say anything about that because I am really unaware of what has happened.

CHAIR—Thank you for drawing that to our attention.

Councillor Erwin—I do not have any hard evidence as far as the tightening of available money for farmers goes, but I guess the lower interest rates have taken a little bit of pressure off to a certain extent. One of the looming things, and I have heard this from quite a few doctors and so forth, is the proposed changes to the way hospitals are funded and the availability of services. From the indications they have given me, it will have an impact on doctors and so forth in rural areas. I am not exactly across it, but the way the hospitals are—

CHAIR—Is it the hospitals or the GPs?

Councillor Erwin—It is the hospitals and it flows on to the GPs I think.

CHAIR—I think you might be referring to the GPs. I think you are referring to the federal report, which is about the potential changes to the classification of the RAMA system.

Councillor Erwin—It is causing quite a bit of angst amongst the local doctors and they are very worried about the ability to attract new doctors to the region.

CHAIR—Thank you very much for raising that as an issue. I understand the government is currently looking at the classifications, but no decisions have been made around that. Certainly many of us have been lobbied by our own GPs on that particular issue and we have fed that through to the minister.

Councillor Gross—We are hearing around the grain belt of the Wimmera that finance is becoming very difficult for properties to continue. In fact, last year a lot of properties were told that that was the last throw of the dice; this year people are under extreme stress as they are trying to secure the finance for this sowing season and trying to manage through this period. I must admit that the household support and the interest subsidy have made it possible for some of these people to stay in the industry up until now, but it is becoming extremely difficult. A fortnight ago, a bank employee who was dealing with farm financing and visiting farms and receiving farmers into his office said that six couples within the week broke down while they were discussing the business—they were realising that a lot of their future had evaporated into too big a debt—and were causing concern. We are seeing that a lot of the lending authorities want more and more security to provide such funding. Whereas they were previously working on stock mortgages, crop liens and perhaps one or two titles as far as security, they are now saying they need more because they too are concerned about the future of the whole of the industry.

The other thing that we are noting is that while there are properties that are being sold, they are very much at previous market values. In fact, they are holding up extremely well. But we have heard suggestions that banks are offering deals between their clients, whereby where one

client is still travelling very well and another one is in trouble, they are offering that troubled property to the second client at market value, but at 10 years interest-free terms to be able to maintain the level of pricing at that high level. The big concern is that if there are fire sales in properties then the whole equity scenario collapses. We know that there are properties that have been purchased by Melbourne interests as a safe place to park money, which has not occurred before. These things are all out there causing new terms and scenarios that we have not seen before. But most people are realising that if we do not have a good year this year, then with the world economic climate we are going to see massive changes in agriculture.

CHAIR—Mr Sullivan, you have been asking a number of questions around the credit issue. Do you have any specific questions on that issue?

Mr SULLIVAN—I want to ask the people at the table if any of them have any suggestions as to how these credit issues might be resolved.

Councillor Erwin—As Bernie said, we do not want to see a fire sale. The drop in equity would have an even worse effect.

Mr SULLIVAN—With what Bernie was saying, I just think of what happened with properties in the beef industry in Queensland where they transferred from one non-viable operator to somebody who the bank hoped would be viable, and when they proved non-viable, they transferred it to somebody else. The prices of properties were going up, to the stage where production could never meet the cost of running them. While property values are holding, as you say, that certainly does not need to be escalating. The properties that are being bought by Melbourne interests, are they remaining in production?

Councillor Gross—Yes, most of them are leased back to the original farmers or to a neighbour. It is all in production.

Mr SULLIVAN—There was some talk earlier, I think from Gwenda, about Dalgety's and Elders and the like calling in outstanding debts. Traditionally those kinds of companies fostered their farmers through tough times. If they are withdrawing that kind of service, and you can understand that they are probably having trouble getting the money to do that as well, and the banks are withdrawing, what is left for the rural industry?

Councillor Allgood—Unless we get rain, there is not very much. But the other thing I am fairly concerned about is the businesses. We need these businesses. We are probably lucky in a way in that there is a group of us sitting at the table who are in a forum where the mayors and the CEOs from across this area get together and discuss how we can support each other. At the moment we are planning to put together a document that can relate to state and federal governments about where we see our future as being. I think that is going to be very interesting. I think we will have that finished by May. Is that right?

Councillor Vance—Yes, that is correct.

Councillor Allgood—That is going to be very important. As I said before, the farming area is really struggling and they prop up your local businesses. But for those local businesses—I sold mine just recently—there has never been any assistance for small businesses like there has been

for farmers. They are also in the drought areas, and we tend to forget that they are also trying to survive.

Mr SULLIVAN—Do not ask me to explain how, but some businesses can get EC money, but it is a limited number.

CHAIR—They have to have specific criteria.

Councillor Allgood—One of the things I was told yesterday was that some of the people in the clothing industry have had orders placed and those companies have fallen over, so some of the fashion shops in the street have lost their orders because the manufacturers have ceased.

Councillor Vance—Let's go back 10 years—I have been farming for 40 years—and the message was 'get big or get out'. The people getting out now are those that got big. They have fallen over. There is a message there as far as I am concerned that agriculture needs to go back to the grassroots. Fourth and fifth generation farmers are very good farmers. We are struggling at the moment because of Mother Nature. A chap rang up a radio station the other day and the women asked what he did and he said to call him a hobby farmer. She said, 'What do you do?' He said, 'You would probably call me a planter. I plant 5,000 acres of crop but I never get to harvest it.' There is a message there. The smaller grassroots people know agriculture inside out. We know how to do it best and getting bigger is not the answer. As I said before, blue gums came into the beautiful country around Skipton and the back of Beaufort and took top land out of production for the chip industry, which was going to be the saviour, but it has let us down. We really need to support our grassroots farmers for Australia's sake. The dry periods have been around before and we have to survive them. If there was somebody out there who could tell us when it is was going to finish we would be pleased.

Mr SULLIVAN—The situation we need is that we need for you to be there when it does finish—

Councillor Vance—That is right.

Mr SULLIVAN—and how best can this committee make some recommendations to government to ensure that is the case. In the context of what we have been hearing from you today, the global financial crisis just exacerbates a worse crisis that you have, which is drought.

Councillor Vance—Exactly.

Mr SULLIVAN—If the combined impact of the two of them start to denude your towns of businesses then that is not going to be good for anybody—farmers or town folk.

Councillor Gross—In regard to small business there is some help but most of them do not have the time or the understanding of how to obtain that. Through the Wimmera Development Association we had a drought support officer appointed with government assistance to mentor small business and they were working right throughout the Wimmera region. We ran out of funding but I understand that funding is available again and that person will be going around helping small business. We find that the businesses that are primarily servicing agriculture have

a good chance of obtaining help. They have a chance to obtain household support, which takes a lot of worry out of their home.

In the Horsham area I have been chair of the Drought Support Committee. I started off accepting the job for six months and I think it has been six years since it started and we are still going. We have been running seminars to help accountants in our community to also understand what help is available and how to go about it. That is proving to be one of the most successful programs that we have put in place because the first point of call that a farmer or a small businessman goes to for help is their accountant, or their medical practitioner or their clergyman and these people need to have an understanding of what the situation is and where help can be obtained.

Those seminars, I believe, are some of the most important things that we have been doing. We have had seminars throughout our rural areas, where we have taken the service providers out to the people and spoken to them in their own public halls to give them an understanding about what is available. We are finding that people who a couple of years ago said that they would not darken the door of Centrelink, now saying quite freely that that is the help that is supporting them and their families. It is just a matter of going through it. People are proud. People pride themselves in being able to manage but this has been going on for so long that we have now had to break that shell down and provide them with a facility that they are ready to accept and use.

Ms KING—I commend you, certainly on your initiatives in relation to accountants. I have had similar experiences in my own electorate of people not necessarily getting the right information about what is available to them. I think that is a very commendable thing to do. I think it is also really important—obviously you have been telling them this—that people not self assess their eligibility for EC funding. It is important that they put in an application. A number who have assessed that they would not be eligible have actually been eligible, in the end. So that is good.

Mr CHEESEMAN—I have a number of questions around the drought, because clearly that sets the scene in this part of the world in terms of the impact of the global financial crisis. I am curious, given that you are now in the 13th year of drought, about what has been happening to the population of the region. Is the region emptying out? I note that in one of the submissions—I think it was from Horsham—you indicated that there was a one per cent growth in population in your municipality.

Councillor Gross—That is right.

Mr CHEESEMAN—Is that at the cost of some of other surrounding municipalities? Is that people simply retiring off the land and coming into town for amenity and services and the like?

Councillor Gross—It is hard to tell. The seniors in the community are the ones that are coming to town. A lot of the people in the 20-45 age group are going straight past to the bigger centres such as Ballarat, Geelong, Melbourne and Bendigo, because they are seeking job opportunities for the family and education opportunities for the children. So they give the family a fresh start rather than staying in a city close to where they have been. Yes, we are seeing a one per cent increase but it is all in the seniors of the community, where they want to settle close to where they have been.

Councillor Erwin—As far as the Northern Grampians go, we have probably maintained the population or have a slight decrease. I will let the others speak for their areas but it is probably similar. There has not been a dramatic drop but as Bernard Gross said, our demographic is probably getting older at a quicker rate than was anticipated. I have noticed it in the younger farmers this year. It is the first time I have heard them say that they have nearly had enough, carrying debt and just not seeing any light at the end of the tunnel. What Bernard said before was right on the mark but the other things is in maintaining the social fabric of those little communities that are still there and—

Mr CHEESEMAN—I have a series of questions on that so we might come to that a bit later on.

Councillor Vance—Pyrenees area is a little bit different from Horsham and others in as much as our boundary is very close to Ballarat and we see an opportunity in the southern end of the shire, with some infrastructure put in place, for it to be a satellite growth area—especially around Snake Valley—to feed off Ballarat. Ballarat is predicting a massive growth to the west. They have to be realistic about what good agricultural land is taken up, the water supply and many other things. We have an opportunity in the south. In the north I believe our figures are staying relatively level.

Councillor Allgood—We actually had a growth of 0.18 per cent in 2007-08. Council self-funded their own rural officer position but still were quite effective with that. Ararat did not receive drought officer funding. We had to fund that ourselves, so that made it a little bit harder for us. For some reason we were not included in the EC drought area. That was a little bit intriguing to us. I attended a meeting last night out at Moyston, where we are going to experience a big growth within the prison system. At the moment there are quite a few people moving out into smaller areas like that and building. There has been a fair bit of growth within the Moyston area, with people going to work at the prison. They do not necessarily want to be in the city, so they are moving out to those smaller communities. That is probably where our growth has come from.

One of the things that they put up on the board last night was that the farming community is getting very elderly. When you have grown up in a family where you have seen mum and dad struggle forever, who wants to take over the debt? That is the scary thing. So farmers are getting older and hanging on and hanging on. Our population is suffering mainly from the youth exodus. They go away and get a job and do not come back. One of the things that everyone needs to focus on is getting the youth back into our areas and stopping being just an ageing population.

Mr CHEESEMAN—You made the observation that the 20- to 45-year-old demographic has been leaving the western districts to go to Ballarat and Geelong and so forth. What impact is that having on the capacity of our towns to deliver services and have people working in the supermarket and all those sorts of things that clearly are required to support the existing community?

Councillor Allgood—We have the likes of KFC and McDonald's and supermarkets that are open over the weekend. When they first came into the area there were a lot of young people who could take up positions with them. I think that in a lot of ways the reason we have suffered a decline in a lot of our sporting organisations is that those young ones who want to go away to

college want to do that work over the weekend to get some money behind them. So they are choosing to work instead of playing sport. But there has been a struggle recently with trying to keep those numbers up, to keep young people employed in those positions, because they go away and they just do not come back.

Mr CHEESEMAN—With that 20- to 45-year-old group also leaving, it is having an impact not only on footy clubs and the like but also, presumably, your education institutions. You do not have the young people around, which puts pressure on the viability of schools and all of those things, I assume.

Councillor Erwin—Yes. You assume right.

Councillor Allgood—We probably have not suffered from that so much. Some of our smaller schools in places like Warrak have closed. They might have amalgamated two schools, or they provide one bus to pick them up from one area and take them into another area. But we are finding that in some pockets of our municipality there does seem to be a growth in the number of children. For instance, down around Lake Bolac there seem to be some young people moving into the area. But that puts strains on not only the schools but the child care and kindergartens as well. Kindergartens need to have a certain number of children so that they can survive and be viable.

Councillor Vance—Pyrenees have not noticed that quite as much. One great asset that has come into the region in the last couple of years has been the very fast train. You can get on the train in Beaufort and be in Melbourne in an hour and 20 minutes. If we can get the timetables lined up so that they can be in Melbourne by nine o'clock, it will be so much better. Then you will not have to leave at 5.30 in the morning to be there at nine o'clock.

Mr CHEESEMAN—You have just set the scene. The global financial crisis coming over the top of that and adding to that has clearly put a lot of stress on the community. Has that put stress on the viability of some of the towns throughout the western district? Is there a lack of credit for businesses within those towns with 30, 40 or 50 employees? Is the capacity of farming communities to buy goods and services drying up?

Councillor Erwin—I think they have been under stress for quite some time and gradually it has got worse and worse. You are really seeing it come to a crunch this year. If it does not turn out to be a reasonable season, it will be crunch time in the next 12 months.

CHAIR—I note in the Horsham submission you talked about the difficulty of skill sets, and I assume that is particularly around the trades sets. I suspect the stimulus package in relation to some of the building and construction for primary schools will put some stress on that. If you have not got a lot of tradespeople already then that is certainly going to do that. I am interested to get your views on that and what is happening in relation to education. But I think the deputy chair has a question about TAFEs.

Mr NEVILLE—Yes, I was interested when you were talking about retention. Which communities have university campuses and which have TAFEs?

Councillor Allgood—We actually have both.

Councillor Gross—Horsham has both.

Mr NEVILLE—What about the other towns?

Councillor Erwin—Stawell has a University of Ballarat campus, but it is very limited.

Mr NEVILLE—Notwithstanding that, university campuses are a way of retaining young people in the community and not just during their study years. There is good evidence around that says that a lot of kids who do medicine, dentistry and things like that in the area will stay in the area. My colleague Kay Hull over the border in the Riverina has a pharmacy college in Wagga. I think last year or maybe the year before—she gave me the figures—there was an output of 43 from the final year and 38 or 39 got jobs in country areas. This is the same thing with the medical school in Townsville.

Councillor Erwin—I do not think any of us have those courses available.

Mr NEVILLE—No, but the point I am making is that she aggressively went after it. I am jealous of her I must say. She also helped one of the members get a dentistry school for Bathurst or Orange. Once you get a facility like that, you get lecturers, students going out for internships and that kind of thing and it creates a dynamic of its own. I recognise drought. Drought is one of the greatest—and forgive the mixed metaphor—dampeners of community confidence and morale. I recognise that. There are people around who are very good. Peter Kenyon and people like that are probably worth getting in to look at opportunities during that time.

My area went through a very bad period. He made a whole series of fibres from the tops and tales of sugarcane. You would not have thought there was a quid in that. He built this huge factory and got equipment from overseas. Now he makes stuff that is sold by Bunnings, Coles and Woolworths and mulch for around trees. He has another one that chops it up for stock food, and he sells that all over Australia. More recently he has designed out of sugarcane an equivalent to the Pink Batt that can go into ceilings.

What I am saying is that sometimes in those worst periods a community finds other outlets. I wonder if you have been looking at that sort of thing, looking at getting a new strand to the TAFE college or whatever it might be?

Councillor Erwin—In Stawell we have certainly encouraged the college to at least maintain and expand its services. It seems to be difficult. As far as the federal government goes, if you can support that social fabric and innovation that would be of great benefit I think.

Councillor Allgood—Could I just add to that. Clyde has just handed me a note that says: ‘Training cadetships’—I do not have my glasses on, Catherine, so you will have to excuse me—‘for students at Ballarat and Geelong have been proven to be of benefit. Kids are returning in vocation to work in their field.’ That is health cover in Carina. ‘Offers of more funding would help.’

The other thing I would like to add to that is that we sit in a tech school. Not everybody wants to go away and do those other schooling type things, but the tech school was a great place for those children who wanted to do a trade. We were actually drycleaners before I retired. But, if

you take on an apprentice, there is an absolute issue there as well because you have to send them to Melbourne. So you have to get their accommodation and you have to be without them for two or three months a year while they get all their training, and some of them have to go down every week. It is really difficult. We are just that far away, that little bit remote, from where we should be, I think.

CHAIR—I think it was Councillor Vance who said before that you were getting together as a council and putting together a plan that you will have available by May. Forgive me that I do not know—David Hawker will obviously be aware of this—but are you putting any proposals in to apply for a trades training centre as part of the federal government’s programs, or any of those sorts of larger facilities that are available?

Mr Hawker—Do you want me to answer that?

CHAIR—You can if you want to.

Mr Hawker—I agree with everything that has been put forward. I think I agree with all the points that have been made. On the importance of maintaining government services, you are well aware of the question about the zoning for doctors, and that is critical for this region. Stawell is going to be affected, as well as most of western Victoria. I think the bigger centres—the Warrnambools—might not be affected so much, but for the smaller ones it is going to be critical.

On the trades training, we have a tech college that has got as far as being two campuses: Warrnambool and Hamilton. It is doing some fantastic work, but we are desperately trying to keep it intact. Of course, under the new policy it is going back to the state, and if it does not get that additional funding—because the cost of running a tech class is significantly more than running an ordinary class in school—the school will not have the funding. So, if I were to make a plea, it is to ensure that the funding continue at a level that will allow those tech colleges to continue. They go up to certificate III.

The employer support has been superb, and that is what it is all about. To take Mayor Gwenda Allgood’s point, we need to get people ready to be apprentices at a local level, and we must follow through to continue that concept in the future. We do have the medical school, of course. You are looking at centres here that really are not big enough for that type of tertiary thing. The Deakin University School of Medicine, which has Ballarat, Geelong and Warrnambool campuses, is all about getting postgraduate doctors trained in the country, based on the Flinders University model, which has been extremely successful in encouraging future doctors from the country, who will then want to practise in the country.

The other issue that I think ought to be hopefully somewhere in your report is the critical importance, when upgrades of broadband are being rolled out, of having something there in some of the smaller centres. Broadband, to me, is one of the ways we can collapse distances for many types of businesses. There are quite a few people who have moved to the country, often to the very small towns—

CHAIR—They have very high expectations of broadband.

Mr Hawker—and they want that broadband. Boy, do they want that broadband!

CHAIR—I am just wondering about the provision of TAFE. Obviously the University of Ballarat has a presence throughout this district. Have the councils all met with vice-chancellor about the provisions?

Mr Bawden—Yes.

CHAIR—You have talked to him about that?

Mr Bawden—Could I come in on very promising developments at Horsham. The director of the Horsham campus advised us last night at a meeting that the planning for the Wimmera trade and education centre is well advanced. There is an architect coming out. It is going to be based largely on the Horsham College campus, which is a secondary campus. Together with that will be upgrades to the university campus to go back to some of its former services, I think as a TAFE, and upgrades also out at the Longerenong Agricultural College. That is a very promising development. As a council and a development association we have been liaising principally through the state education department to achieve that outcome. The aim is to address some of the skill shortages we have as well as to retain youth. We are working closely with the VET classes, and there has been a very successful transport network for some of the smaller rural areas so that transport for students can come at low cost. I guess that is a good model. It is a demonstration of the need for ongoing support. I heard on the radio yesterday that Mildura are looking to secure something similar. It is a matter of the parties working together. It is being done in a fairly low-key manner, but it appears that it is happening quite well.

CHAIR—Thank you.

Mr SULLIVAN—Thank you very much for the opportunity. These questions I guess will refer more to the urban areas—that is, Councillor Allgood, your council and probably the Horsham council. I would like to get a picture of what is going on in your towns. What is the level of rates arrears? When businesses are sold—and, Councillor Allgood, you mentioned recently selling yours—are they sold to other people who are already local or to people coming in? What is the level of building applications going through your councils? Are you able to give us the housing sales statistics?

Councillor Allgood—Our housing is holding fairly firmly at the moment. There are a number on the market. We are struggling at the moment—and I know it is not a federal issue—to get areas that we can open up to have more buildings built. Because of the extension of the prison, we are expecting quite a few more families—about 100 families—to come in and take up those positions. On the businesses that are being sold, this is quite interesting. Some properties in the smaller communities, and I talk about Willaura, have almost been bought over the internet. Even some of the houses are being bought over the internet. People are going through and seeing where the area is and what is actually happening there. The housing is probably holding fairly solidly as far as we are going.

At the moment this is one of our biggest problems. We have the bigger companies coming in and putting up these wonderful packages and that is stripping a lot of work from our local builders. That is getting to be a little bit of a concern. I do not know how you can address that, though. It is the people's choice as to what they build. But it is a bit of a struggle for the local builders to keep going. We are hoping the new prison will create a lot of work for the local

contractors. Of course, there is nobody big enough. That is one of the other issues in our area. We are not really equipped to do a lot of the bigger jobs that come up with the bigger companies. They are basically subcontracting our local builders because they do not have the strength or the capacity to put their own bids in.

Mr SULLIVAN—What about rates arrears? Have you noticed a spike in those at all?

Councillor Allgood—No, we have not really noticed that. You normally have a few each year but, no, we have not noticed that. One councillor was talking yesterday about the no-interest loan scheme. He said they had some applications from people who needed fridges and other bare necessities. He said they were seeing a bit of an increase in people like that coming forward.

Mr SULLIVAN—What about Horsham?

Mr Bawden—In Horsham rates arrears are not an issue. We have a very active rates collector who keeps them at very low levels. I think the exceptional circumstances assistance for rural properties has helped significantly. That has to have had a positive impact. On business sales, I think there is a mixture between local companies or investors and people coming into the city for new development. I am not aware that there is any trend one way or another.

CHAIR—As you answer that question, could you also let us know what is happening with your building approvals?

Mr Bawden—In the last two years they have dropped off for new residences. We reached a peak level 2½ years ago—

Councillor Gross—It was three a week.

Mr Bawden—It was about 160 new residences for the year. We are back to around 100 at the moment, and it is tracking the same way this financial year. The number of building applications has held but the number of new residences has dipped in the last two years.

CHAIR—Thank you.

Mr SULLIVAN—Are you catching some of the same internet sales phenomenon?

Mr Bawden—Not so much in Horsham, I do not think. I know in Warracknabeal, to our north, they have had a lot of that—that is, people just buying over the net—but I am not aware of it in Horsham.

Councillor Gross—Land developers are still pushing the case. At present we would have somewhere between 500 and 1,000 blocks being prepared for development. There are still sales on that. There have not been many businesses close. I have heard only in the last couple of days that CASE Machinery, which is an American based company, are offering terms of hire purchase or term sales at the rate of two per cent per annum for the length of the term. That is attracting a few clients to take machinery out.

Councillor Erwin—To the Northern Grampians: our median price has maintained very well and is one of the highest in the state. So, if you invest in Northern Grampians, your money will be in reasonably good hands! Our building approvals are quite high. There is quite a bit of government building within that, too, which maybe fuzzes the figures a little bit. Housing approvals are probably down a bit. Generally, sales of houses have been fairly good. We are in the same boat as Ararat in that we do not have a lot of new housing blocks.

Mr NEVILLE—We were talking before about having a large project built by outside resources. By the way, a jail is the most remarkable injector of funds into a community. They are the best motels in Australia—that is, they are always full, there are a lot of people eating and there are a lot of guards. It is a whole community of its own. Maryborough, in my area in Queensland, does extraordinary well with theirs. I have seen a development board do this, and I might raise it later. When someone gets a major contract, either from the government or a private firm, they invite the developer or the builder to the community, put on a modest cocktail party for them and bring in all the subcontractors—the builders, the plumbers, the electricians and so on. They welcome them to the district and say, ‘I’d like to introduce you to our subcontracting community.’ Right at the beginning of the process they try to create linkages to get as much of the subcontracting work in the city or the shire.

Councillor Erwin—We have gone through that process.

Mr NEVILLE—Good on you.

Councillor Allgood—We are very good at that. We have a MASH team that Clyde is involved in and it has exactly that effect. It is not only about people getting to know each other and what can actually be done but it is a really good bonding thing, because if you stand around having something to eat and a bit of a drink you tend to open up more to your neighbour, and so when things are tough you can find out if there is work with that other person. One thing I forgot to mention before when we were talking about major industries within the city is Gason. Les says his figures have never been better. I think that must be the Queensland range.

CHAIR—What do they do?

Councillor Allgood—They do farm machinery. They are one of the biggest manufacturers in the Southern Hemisphere and they sell all around the world. They are pretty important to our economy. I do not know of any other manufacturer that has gone from church pews right down, and now they are coming into heaters and still doing farm machinery. That is an incredible story that has happened in Ararat over many years.

Councillor Erwin—Gold Acres are experiencing the same thing.

CHAIR—That is an interesting phenomenon.

Councillor Vance—My son works at Gold Acres. Their books are full; until the end of the year 2010 you can get nothing at all.

CHAIR—That is all farm machinery?

Councillor Erwin—Spray equipment.

CHAIR—And they are all heading up to Queensland.

Councillor Vance—There is no drought in Queensland.

Mr SULLIVAN—This week!

Councillor Vance—I almost cried on Sunday morning when one chap rang up and said they had had 10 inches in Mackay over the last two days. That has been our rainfall over 18 months.

CHAIR—It is best not to listen to those stories at the moment. Darren had some questions on social infrastructure but can I just check first on one point from the Horsham submission. You said that you had not had the sign-off yet on your community infrastructure fund projects. Has that happens now?

Mr Bawden—Last week.

CHAIR—Good. So you have all got yours and you are all busy now because you do not have a very long time to do it. Darren, did you have some questions around that?

Mr CHEESEMAN—I am curious as to what recommendations you might make to government in terms of the type of social infrastructure that government might consider investing in to assist in supporting your communities, not only because of the global financial crisis but also, naturally, because of the ongoing drought.

Councillor Erwin—As an example, through the drought funding, much of which is probably from the state, and with our drought officer we have run a number of functions in small districts. One was in a little place called Carapooee—there is nothing there except the CFA shed. They ran a ‘back to’ function, which the council supported with \$1,500, and there were more than 200 people there. I think the social capital that that builds is pretty hard to put a value on. So you do not have to spend a great deal of money to keep the social fabric of small communities together.

CHAIR—Does anyone wish to make some concluding comments? We are running a little over time but we are happy to hear any final points you would like to leave with the committee.

Councillor Allgood—I would like to see the housing grants continue. I think that is very important for our community and that it creates employment. One of the things we have been conducting is a listening post, where we have been going out and meeting with our people in all the smaller communities and saying to them, ‘Where do you see our future and what would you like us to do?’ One of the things they are telling us at the moment that came out very strongly is that they want to have more social functions. They also want to see youth retained in our area. I think that is something we can both relate to.

There is another thing that Ararat is very keen on. We are very aware of our environment and we have gone to the extent of preparing an area of land alongside our aerodrome for an energy park, which I was talking to John about before. Around this particular area, one thing we do have a lot of is wind. We would love to be able to see the energy park developed. As a council, we

believe that would attract a lot of people. There are a lot of technical matters involved with turbines and blades and all the infrastructure that is needed, so it would be really great if we could get that up and running as well. I think that is the way to go for the future.

Mr CHEESEMAN—That also provides an income for the farmer, doesn't it?

Councillor Allgood—It does.

Mr CHEESEMAN—Especially with a turbine—

Councillor Allgood—You are looking at someone here who everyone is very envious of, because he has some. I do not, and I do not know of anyone else like him, but he always—

Councillor Vance—I am sorry, but I do not have any hills that are big enough.

Councillor Allgood—The good part about the wind energy issue is that it makes a contribution to the community—a cash contribution—as well as paying the farmers. That is an excellent way to go.

Mr SULLIVAN—Following on from that, and this has only now occurred to me, we have heard a number of people over the last three days saying to us, 'Continue the bonus for first home buyers.' Could that be zoned so that there is a better bonus to attract people to build in regional areas? Obviously, the bleeding of young people to the cities is a problem. If it continues, it will only get worse. Something of that nature could be used to bring people back.

Councillor Erwin—It sounds like a good idea to give weighting to regional and rural areas.

Councillor Allgood—It is important, because what we are finding is that there are a lot of young people interested. We have heard before about houses being restored. I spoke to one father who has a son who has bought a house. He spent \$80,000 buying it—he is a tradesperson—and he spent another \$30,000 doing it up. That creates trade through the timber industry as well within our local community. His daughter is an apprentice and she is desperately seeking something for when that finishes; she would love to find something. Once those young people have made that commitment to buy a house, they are more likely to stay within this area while they are doing their apprenticeships. They have ownership. Rather than living with mum and dad, they are doing something for themselves. That would encourage more of them to stay here as well.

Mr SULLIVAN—The other aspect to that is something that you mentioned earlier. You talked about corporate builders coming in and taking over the work that traditionally has been done. If you had a competitive advantage on first homes, then the corporate builders would come to your towns, so there is some good and there is some bad. The alternative—

CHAIR—We might wrap up there, because I am conscious that the next witness is waiting. Are there any concluding comments that you would like to make?

Councillor Vance—On alternative energy, a decision by your government on the future of alternative energy will make a big difference to the Pyrenees Shire, I can tell you. We have—

CHAIR—You are waiting for our MRETs legislation?

Councillor Vance—billion dollar proposals sitting in front of us just waiting on the outcome of that decision.

CHAIR—We will certainly remind government of that on your behalf.

Councillor Erwin—There are quite a few proposed infrastructure projects around, such as the duplication of the Western Highway. If that could be brought forward as much as possible—

CHAIR—The planning works have started for that—you would be aware of that.

Councillor Erwin—As far as the Northern Grampians go, we have a proposal in for the upgrade of the airport. We have already had some state funding, but some additional funding would be good. That is a real regional thing, too, with aerial bombing and so forth. As far as tourism goes, there is an iconic walk proposed within the Grampians. Projects like provide some real benefits in infrastructure, and any assistance would be greatly appreciated.

CHAIR—I am sorry to sound like a bit of an ad for government programs, but the jobs fund guidelines and criteria have just come out. It is important to get across those, and the Tqual Grants program as well, which are for tourism projects. I do not have information on them, but I am happy to provide that to David as your federal member if he does not have it.

Councillor Gross—I would like to support would Kevin has just said. The Western Highway upgrade would be one that could be brought forward and done in a shorter time. We noted that the pipeline through the Wimmera Mallee was listed for 15 years. It has been completed in four years. As I said earlier, this has given a lot of help and support to the community as a whole. I believe that the Western Highway from Ballarat to the South Australian border is listed as a 10-year program. I would like to challenge the government to try to develop that into, say, a three- or four-year program to stimulate growth and to give continuing work to the contractors on the pipeline to another project in the community and thereby underpin the whole economy of this region. In the twenties and thirties similar projects were done throughout Australia to provide jobs and provide real infrastructure for the community. I believe this is a challenge that the government could look at and take up.

CHAIR—Did you have anything to add, Tony?

Mr Bawden—Those transport linkages are, I think, really crucial to the western area of Victoria in terms of highways, as we said, but also for getting the rail working in a consolidated workable manner—good work has commenced on that—and a passenger air link to this region. The airlines that we talked to are just not prepared to bite the bullet. I think they need some sort of assistance, beyond that which we as local councils can provide, in underwriting losses and such. So there is an opportunity for some incentives for those companies to at least be given some seed opportunities to provide such a service to get the Melbourne and Adelaide people out here and vice versa. It is another opportunity.

CHAIR—Do you have anything to add, Mr Hawker.

Mr Hawker—I think it has been covered more than adequately.

CHAIR—Thank you for your evidence today. I thank Horsham Rural City Council for its submission. If after having provided evidence here anyone would like to send further information to the committee please feel free to do so. If we have further questions the committee secretariat will write to you. You will receive a proof copy of the *Hansard* transcript of today's proceedings and we invite you to advise us of any changes you would recommend.

[10.28 am]

CHAPPLE, Mr Stephen, Chief Executive Officer, Ararat Rural City Council

HUMPHRIES, Mr Clyde Oliver, Manager, Economic Development, Ararat Rural City Council

HUNT, Mrs Angela, Executive Officer, Grampians Pyrenees Regional Development Board

DAVIS, Mr Glen Bonner, Chief Executive Officer, Northern Grampians Shire Council

CHAIR—Whilst the committee is not requiring you to give evidence under oath, I do 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 or misleading evidence before a parliamentary committee is considered a serious matter and may be regarded as a contempt of parliament. That being said, you are more than welcome and we are certainly looking forward to hearing what you have to say about what is happening in this region and what solutions you might suggest to this committee in relation to the global financial crisis and how it is affecting regional Australia.

I will accept the submission by the Grampians Pyrenees Regional Development Board and also the submission by the Ararat Rural City Council and a supplementary submission from Economic Development Australia. Can I ask that a member move that? Paul Neville has so moved, thank you. If we are going to talk about these then we need to formally accept them beforehand. Do you have an introductory statement that you would like to make?

Mr Chapple—I do. On behalf of the Grampians Pyrenees Regional Development Board, I would like to warmly welcome the chair and members and secretariat of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government. Our organisation is very pleased that the committee has selected Ararat as one of the seven sites around Australia to visit for its inquiry. So, on behalf of all of us, I offer you a very warm welcome.

We might do this in three parts, with your indulgence. Firstly, Angela might provide a bit of an overview of the regions represented by the Grampians Pyrenees Regional Development Board—the three regions are represented well today. Then I am sure Glen will have some comments to make. Then, if I am able, I would like to make some observations on the submission we tendered this morning, some practical solutions or suggestions for the committee's consideration and a couple of other bits and pieces that we might go through, if we have time.

Mrs Hunt—The Grampians Pyrenees Regional Development Board represents the Ararat Rural City Council, the Northern Grampians Shire Council and the Pyrenees Shire Council. There is a population of around 31,000 within those local government areas. Our mandate is to represent that region from economic, social and environmental development perspectives. There are a number of key employment areas and areas of development that are fairly significant

across the region. Obviously agriculture is one of the largest employment sectors. Other include the Public Service and health and community services, but agriculture is the largest employer across our region, with varying levels within each of the local government areas. That is just a quick snapshot.

Mr Davis—I would like to start with a quick portrait of the Northern Grampians shire. We have a population that is highly dispersed over 6,000 square kilometres of territory, two major towns—Stawell and St Arnaud—and a number of small villages including Halls Gap, Great Western and Navarre. Our major industries include farming. Farming was our biggest industry until the drought of the last 13 years. It continues to be big, with wheat, barley, grains, cereals, legumes, sheep, including some of the best sheep studs in the state, wineries, olives, native flowers and a number of other areas of farming. In mining, we have the biggest goldmine in Victoria, Stawell goldmine. We have a potential for sandmining—it is yet to start, and I will speak more of that shortly. We also have a manufacturing sector. We have suffered a number of losses in manufacturing with the closure of Motorway, Steelchief, Aunde and a number of other firms as part of—

CHAIR—Has some of those been recent or have they occurred over a long period?

Mr Davis—Those are all fairly recent—in the last 18 months or so. Those losses have been part of a nationwide trend of manufacturing industry losses to Asia, but we continue to specialise in manufacturing and servicing of mining equipment, drilling rigs and farm equipment, and those sectors are doing well. Our manufacturing industry has declined less in total than the national average because of that specialisation in sectors that are doing well. We have a large service industry, which includes tourism centred on Halls Gap, the ‘Heart of the Grampians’. As a whole, we make a high contribution to the state’s gross product, but we have low personal wealth. We are ranked among the states most disadvantaged relatively.

The global financial crisis has hit us in a number of ways. Focusing firstly on farming, farming has suffered hugely over 13 years of continuous drought. The depressed income from poor crops has caused farm debt to rise quite alarmingly. It is now approaching an average of \$700,000 per farm. While the lower interest rates that have been caused partly by the financial crisis have lowered the cost of that debt, the debt is at levels which are triggering many farm sales. The current rate of farm sales is more than double the long-term average. The long-term average of farms sold per year is four per cent; the current rate is about nine per cent. And, of course, there is a lower availability of credit. I will come to that in talking about banking.

Australian companies, including banks, raised significant debt from international markets in the 15 years to 2008. That resulted in a lower cost of debt for those businesses who raised their debts internationally and produced record banking profits. The global financial crisis is the result of the market realisation that the debt was cheaper for a good reason: it was backed by overvalued assets, especially US housing and the many derivative products that were packaged to disguise the underlying asset quality. Instead of passing those losses on to equity, Australian banks are now seeking to pass their losses on to customers in the form of widening interest margins. Customers in our shire, along with customers nationwide, are suffering from that.

We expect this trend to worsen unless the government intervenes. The derivative products on the balance sheets of Australian banks will take another year or so to fully emerge, as will asset

revaluations. Australian banking regulation has not changed significantly since the early 1990s, when we saw the crashes of the state banks, ES&A, CBA, Pyramid Building Society and so on. Australia remains exposed to further banking losses in line with world trends, and we can expect those losses to be realised later in Australia than elsewhere because the debts that are on Australian banks' balance sheets are disguised by a couple of generations of derivative products from the toxic assets which underlie them. So our concern is that it will take longer for these revaluations of assets to occur in Australia. Banks are talking up property prices. They say things like Australia does not have surplus housing stock. They are doing interest rate subsidies to maintain rural prices. The concern is when the bubble might burst.

In our mining industry, as our mayor mentioned, we are benefiting from a higher gold price. A goldmine determines its reserves, according to legislation, by which ones can economically be recovered. So a high gold price means that ore of a lower grade becomes economic. The Stawell goldmine currently has more than three years of reserves, at current gold prices and exchange rates. I must emphasise 'at current gold prices and exchange rates'—if either of those change, of course, the reserves change. Stawell goldmine is currently benefiting from high reserves and high gold prices and doing really well.

We have many mapped beaches of sand-mining reserves. This results from a historic inland sea. The sand was swept from South Australia and deposited along the eastern shores of the inland sea, which starts on the western edge of the Grampians and then extends up through the western part of our shire and beyond. These beaches are rich in rutile, ilmenite and zircon. Those are not rare minerals. They are deposited in large quantities over much of eastern Australia. The current mining in Australia is done in Western Australia, but those mines are running out of life. Most of the deposits in eastern Australia are under high-value real estate. The deposits in our shire are the next commercially viable mining deposits because they are under low-value real estate and they are very readily accessible. I will come to what is happening to that shortly.

In our tourism industry—you will hear more about this later, I understand, when you are addressed on that subject specifically—the issue is quite complex. We need to distinguish the different markets for tourism. There are international markets from fully independent travellers, backpackers and tours and so on. All of those are suffering—largely, because of the US depression. In relation to interstate customers, we are suffering partly from fuel prices and partly from the Australian recession. But in relation to intrastate customers we are doing well. The reason for that is that we are benefiting from our recovery from the 2006 bushfires, whereas eastern Victoria is currently suffering from the 2009 fires. We have actually had our biggest Easter ever, but this is probably a fairly temporary effect. It is occurring despite the depressing effect of the global financial crisis on our international markets.

In agriculture other than farming we have a number of specialisations. Poultry and eggs are big. Rainbow Valley Turkeys is the centre of Australia's turkey industry. It owns Australia's turkey gene pool and it is a very innovative company which is now exporting, largely to Asia. We are in a great position, thanks to the occurrence of bird flu elsewhere and our absence from that disease. Our wineries are depressed by world demand and by oversupply. In the case of olives we have had poor crops and even tree losses due to drought. Flowers are suffering from depressed demand and the GFC, and water is a major concern to all of those industries.

There is a trend at the moment to speak of water migration, and the Wimmera Mallee Pipeline and the super pipe are part of that, and there is now talk of the 'grid'. When you move water you move wealth. The Grampians is a huge catchment for most of Victoria's water and it has traditionally been a source of water exports. Those water exports, between catchments in particular, should be priced. They should be priced at the ESC price of the recipient catchment, and over the long term water migration should be averaged out to close to zero—not materially different from zero. In other words, water migration should be used to alleviate temporary crises elsewhere and not as a long-term trend of moving water and wealth between catchments.

Mr Cheeseman asked earlier about population trends. Since the last census we have suffered a one per cent compound per annum decline in population. This is the state's largest rate of decline. There are a number of factors. Probably the largest single factor is the tendency of farms to outsource a lot of work. Instead of work on fencing, dams, windmills, shearing and even sowing and harvesting being done on-farm it is being outsourced to regional contractors and they tend to operate from regional centres. That has probably been the largest trend in this area. Horsham has benefited from that as it has benefited from the jobs in the Wimmera Mallee pipeline. But in future it may be St Arnaud and Stawell who benefit from a similar trend. We are fortunate in that we have attractive scenery and lifestyle, so we are attractive for tree changers. Our real estate price rises have been amongst the state's highest in the last couple of years—in the upper quartile. There was a question earlier about rate arrears—

CHAIR—We will not go into the detail of that yet. Just keep the comments brief at the start in relation to what is happening would be helpful. We will ask some questions about that later. Do you want to move onto some of the suggestions?

Mr Chapple—I just want to give a quick introduction of Ararat Rural City. It is a city of 4,200 square kilometres with approximately 12,500 people supported by a whole range of smaller communities. Our current economic profile, as I have indicated in the submission, is: 19.7 per cent in agriculture, 13.1 per cent in manufacturing, 15.3 per cent in retail, 12 per cent in health, seven per cent in education and 6.5 per cent in personal services. The reason I mention that is we are rather fortunate. If you look at that spread of employment it is not in one particular sector so in the event of recession or economic downturn then we have the potential to weather that storm a bit better than, maybe, some others do. I thought that was worth explaining to you.

Ararat, as you may know, has been sorely tested over many years of prolonged drought, climate change, devastating bushfires as Glen indicated, and during the mid-1990s significant slashing of government investment particularly in our government based employment. What was a thriving town and region in the early nineties suffered with the closure of public railways, mental health institutions, schools and amalgamation of the councils. Many jobs were lost. These events in a lifetime could have caused a catastrophic impact on a community but Ararat and its region has adapted with what I would describe as a very resilient community. This still remains as one of the most important assets of small regional communities—simply a strong sense of community spirit and business acumen. This community is very supportive and proud of its local businesses. The mayor mentioned before in her testimony that one of our local large agricultural manufacturers, Gasons, are looking at full order books for this season due to their Australia-wide dealership and also due to the recent excellent rainfalls in New South Wales—some describe them as floods—Queensland and parts of Western Australia. As a result of experiencing drought they have diversified their business and, as a result of that, they are now producing world

efficient wood heaters distributed throughout Australia—the company have diversified their base.

With the current global financial crisis there has been evidence of lay-offs in our own local manufacturing sector particularly in an organisation across the road. They are in the business of making electrical harnessing for the automotive trade. One of our local manufacturers, AME Systems, which I understand will be presenting briefly to the committee this afternoon and as our mayor indicated, are looking for support directly from governments. One of the most significant issues facing our local manufacturing communities is payroll tax. They are simply saying that it is a cost impost that is very hard to bear particularly when they have been approached by Chinese companies, continually, for a number of years to relocate their manufacturing plant in China. They have over 250 people employed locally in Ararat so, from our point of view it is a very significant employer. To lose them would have a fairly devastating effect. The issue that we are concerned about with the payroll tax is that there are a series of taxes that our local manufacturing businesses are expected to pay yet overseas companies, particularly those that are importing materials into this country and selling them, are not subjected to that ‘level playing field’ and that is a serious issues which I am sure they will raise with the committee in more detail this afternoon.

In respect to the Commonwealth government’s stimulus packages we simply say that they need to target existing businesses. We think that those enterprises are the ones that are going to employ people in the future. Whilst it is important to attract new businesses, it is extremely critical that we retain our existing businesses. If they are lost it is very difficult for them to come back or to get them back. Small- to medium-sized businesses, as this committee knows, are the economic lifeblood of our country. They need to be assisted and practically supported by any further government stimulus. I think there was a comment made by the committee before about incentives in housing. I understand that the state government has provided incentives. I think it is \$29,000 for people that want to build a home in regional or country Victoria. We welcome that type of initiative.

In terms of the expansion into more and more greenfield sites in metropolitan Melbourne, we would urge the committee to look seriously at why we are continue to push further and further into those greenfield sites and the associated infrastructure that is then required as opposed to some infilling, particularly within inner Melbourne.

We have three suggestions for consideration. One in relation to Commonwealth taxation is that the Commonwealth consider supporting existing small to medium enterprises in small regional towns of, for example, 10,000, with a range of innovative business tax reductions. Even better would be the removal or suspension of those taxes for a one- or two-year period. That might actually greatly assist those companies in retaining people rather than laying people off. Lifting that taxation burden and the compliance costs would potentially encourage businesses to remain in the town and keep people employed.

We would urge Infrastructure Australia, set up by the Commonwealth, to consider practical regional infrastructure support measures. As you have heard previously from the mayors, there are some great suggestions around the type of infrastructure that is going to significantly impact on our economic competitiveness for the future.

Another issue was the Commonwealth policy settings. Again, I am sorry to go over old ground. The chair has already mentioned this morning that the Commonwealth is soon to legislate hopefully on what will be a minimum 20 per cent renewable energy target—the MRET. We are encouraging this committee to advocate that on behalf of our region as soon as possible. Legislating such a target would signal to the renewable energy sector and potential investors—and the manufacturers of components—that this country is serious about taking renewable energy to the next level. From our point of view that creates market certainty and investment certainty. As was mentioned by some of the mayors previously, there are many hundreds of millions of dollars in this region just waiting to go. The committee today is sitting in Ararat. We were one of the first local governments that initiated a renewable energy park in this country. It is two kilometres out of town—you may have seen it when you drove up today. That is a 30-hectare renewable energy site. It has already been zoned for that specific purpose right in the middle of south-eastern Australia’s wind farm communities.

The other quick one I want to mention was in relation to our local and regional wine community. Through the leadership of local government, particularly our economic development managers, we have, over the period of a few months, finally got together a cooperative agreement with a number of wineries. We have all heard recently that there is going to be a glut of wine in the Australian market and that potentially 20 per cent of wine manufacturers will not be here in 12 months time. With this leadership and initiative, this group of regional winemakers has identified that they have an opportunity to export wine to China—not Beijing and not Shanghai, but to the second and third tier cities, where there are two or three million people. Australian wine producers have not bothered about that marketplace. In the exploration that our council has done recently we have identified a very strong demand for good quality, reasonably priced Australian wine. I am pleased to inform the committee that our first export will be leaving this region hopefully in June or July. Again, whilst there is doom and gloom out there, there is also cause for some optimism. Maybe we can talk about those things a bit later. Thank you.

CHAIR—Thank you very much for the evidence you have provided so far and setting the scene.

Mrs Hunt—Can I just add one further thing. We do not have a separate Pyrenees representative. We have talked fairly extensively about the Northern Grampians and Ararat. While I will not speak for Pyrenees, the critical area of production for them is really the viticulture industry. Without water, they are really struggling right now. The supply of sustainable water is the highest priority on the agenda for them. You have probably already heard that from the mayor. There are other issues there, too, but I think it is important that the viticulture area be added to our list of areas.

CHAIR—You alluded to it a little when you were talking about one of the ways that one of the local companies, Gasons, is doing well is because of its diversity—that it had completely diversified its products. We certainly heard evidence in Tasmania that one of the reasons that some of the communities, while not doing exceptionally, are surviving and still continuing to grow a little, is that, unlike the 1990s, when they had a very narrow base for their economy, they now have diversified their economies overall. How diverse are the economies in this district and how robust do you think they are going to be overall? Are you predominantly reliant upon agriculture and some bits on the side?

Mr Davis—Northern Grampians is fortunate in that its four major industries are of similar sizes. Therefore, we have that diversification, which is a strength. That has been partly brought about by the unfortunate decline in agriculture, which was previously the largest. That has now made agriculture similar in size to mining, manufacturing and services. But that is a strength. The diversification into poultry and poultry exports, wine, olives and so on has been strong. I think that is continuing. There is a lot of embryonic firms starting in the further production of rural products—gourmet foods and those sorts of things. I think that is a trend that Tasmania went through a long time ago and which I think is now strengthening here.

CHAIR—I might ask some questions further on in terms of what supports are around and what the development board is doing in relation to those.

Mrs Hunt—There are a number of innovative smaller niche businesses I guess across the region. We would be keen to support the growth of those businesses that are supporting others. Within agriculture, as Glen mentioned, while that sector has come down a bit, I think there are opportunities and they are being identified to diversify the types of crops and things that are grown in the area. That is being looked at very closely. Companies such as Gasons are very much looking at different aspects. They have their eye very closely on what costs and what they will focus mostly on this year—‘It costs us this much to produce this product and we need to purchase this much raw materials initially to get that happening.’ They are really managing the risks of their overheads. Gasons is one of those businesses that is actually a cash based business and avoids debt altogether to try to keep themselves going. They really are all looking very closely at continuing to diversify. It seems that those that have a number of niche areas are doing well.

Mr Humphries—The first one is the attraction of innovation of business owners—being very creative and adaptable. The second one would be their ability to retain skilled employees. I think that has helped them enormously. The investment and training that they have put into their employees has made a big difference. Having NMIT and Ballarat University, Ararat campus, has been helpful—having tertiary institutions available locally. Obviously, the support of local government business and economic development units has been crucial in that interface. The final one would be, as Glen and Angela alluded to, the niche markets—acknowledging that there is an opportunity to start to value-add rather than just exporting raw material. That would add a lot more value to that product. We are just beginning to come to terms with that.

Mr CHEESEMAN—I am very conscious, having driven through the Western Districts numerous times, of the significance of the wind sector as a renewable energy source. How large, if Commonwealth government gets its policy settings right, do you believe that industry might grow to? Clearly I can see that in the initial establishment of a wind farm there is a lot of labour required in building and construction on putting the things up. But in the long term, does it actually lead to substantial job growth? Does it take a lot of jobs to run these facilities?

Mr Chapple—The Clean Energy Council of Australia indicates that there is \$3 billion plus worth of investment in renewable energy ready to go in this country once those policy settings are in place, and it is better qualified to speak on that than I am. Our own 30-hectare site has the potential to generate up to 100 jobs. What I think is important is creating not just those jobs but a centre of renewable excellence. The vision that our council and this region shares with us is that

it is not just about potential blade manufacturing and development; it is also about design, research, creating Australia's next major industry sector and import replacement.

I understand now that the Challicum Hills site here, for example, has 35 turbines. It does have a permit for 55 turbines but, because of the lack of grid capacity, it does not need more. Major investment is another issue with Infrastructure Australia. Cabling needs to be upgraded to enable large-scale wind generation farms to be built. What is important in the vision that this region shares for the Ararat Regional Renewable Energy Park is that it be not just simply about manufacturing but about a whole range of other components that would be building an industry sector around that. We would love this region and Victoria to become known as the renewable energy capital of Australia. Ballarat shares that. Part of the Central Highlands 21 group has a strong commitment to renewables, whether it is wind, solar or other forms.

It is in its embryonic stage. There is enormous capacity for universities to be involved and for younger people to be involved in these new careers. It has everything from manufacturing to the servicing of turbines. You do not just stick them up and leave them; this quite sophisticated equipment requires continuous maintenance. There are a lot of potential streams.

Mr Davis—Renewable energy comes in a number of different forms, and the jury is out on what the ratios of those will be, but wind, solar, geothermal, tidal and so on are all among them. In the case of wind and major solar plants it is important that the generation is on a transmission grid that has the capacity to carry it. At the moment in Victoria we lose over 30 per cent in transmission by the time the power that comes from eastern Victoria, where it is generated by burning brown coal, gets to our council and more than 30 per cent by the time it gets up to Swan Hill, Mildura and so on. There are terrible losses in transmission, which we can overcome by reasonable generation in this region. Whether that is done by solar plant or wind plant is not so critical; what is critical is that that generation is within reasonable distances of transmission lines which have the capacity because those are tremendously expensive to create and maintain. There are all sorts of issues with fires arising from them and so on, as you know. The capacity in that grid is critical.

We are fortunate in having very large capacity. A 220kV transmission line runs through the shire which closely corresponds to the best of the wind sites. The sites at Crowlands and Warrak will be attached to the 220kV grid. Along that area there are many prime sites for both wind and solar generation and there is the capacity to carry it. We think that is terribly important. The geothermal sites in South Australia do not benefit from having the same proximity to grid capacity. I think that may be a factor in the relative balance between generation of different forms of renewable energy.

Mr Chapple—My economic development manager, Clyde Humphries, has reminded me of another important initiative that the committee might be interested in. That is the regional possibility of western Victorian municipalities incinerating biomass waste to create energy which can then be used to operate a desalination plant at a minimum cost and also to heat water for hothouses covering land.

Ararat has the potential to dispose of waste cleanly creating a renewable energy source and a mass to tap saltwater. Our staff are doing a lot of work at the moment through some trials. One of those trials is looking at the creation of algae into biodiesel. We have been funded to do some

work and have got some scientists reviewing the trial outcomes. If that does work then we have the potential to grow, extremely efficiently and inexpensively, a type of oil in ponds that can then be transferred into a biodiesel suitable for farm machinery and cars.

Mr SULLIVAN—Is there a small business incubator in your region?

Mrs Hunt—Not exactly. We tried very hard to get one for this region but for Grampians Pyrenees there is not exactly a small business incubator. However, the University of Ballarat is starting to do some work for Grampians Produce Group to enable the kitchen to be available to do some of that activity, but in terms of a small business incubator for various types of business, there is not.

Mr Chapple—A conversation that happened last night was about the concept of having a hub where people running their own businesses could come and link in to a state-of-the-art hub and use the facility when and if they needed to avoid the cost of setting up a small business. It is a similar thing but it helps with telecommuting, transport and a whole lot of things.

Mrs Hunt—There has been a feasibility study done for the region on having a small business incubator that taps into all three local government areas. There was a lot of positive information in that but, as far as getting funding, it did not meet the guidelines.

Mr SULLIVAN—I note earlier on you were talking about the initiative you have taken in the wine industry in regard to China and congratulations on that. I am hearing a couple of things about growing algae to turn into biodiesel. Are there any other initiatives that the board has taken to help develop industry and infrastructure in this area?

CHAIR—You mentioned embryonic firms recently so I would be interested in what sort of support you are providing.

Mr Davis—In addition to the physical incubator, which operates from the University of Ballarat premises, which is offering facilities to primary producers to develop products like pesto and meringues and things like that—and that is going very well but it is terribly small-scale—we also have a virtual incubator through a manufacturing industry cluster group which provides a lot of self-help, mutual support and so on. That has generated a number of opportunities for firms to work together in a complementary way. We also have a very strong poultry cluster centred on Rainbow Valley Turkeys but including Green Eggs, Goldfields Turkeys and others. We have got a pheasant farm and a quail farm so there are a number of opportunities there for those clusters to provide that—

Mr NEVILLE—Specialist areas.

Mrs Hunt—That tends to be how it is operated across the region. In Pyrenees they have the Pyrenees Hay Processors Cooperative and in Ararat they are getting close to utilising the NMIT facilities to develop wine for export and that is bringing together grapes and wine from across a number of different areas.

Mr Chapple—You might want to mention also NMIT, Northern Melbourne Institute of TAFE, has the home of the Australian centre for wine. There is enormous scope and opportunity

there. There is, almost ready to go, a production facility sitting in that building. It would be fair to say that there is one missing component which would then potentially enable most of the production such as the bottling, labelling, manufacturing and the sales of small vigneron to be done locally within this region. While we are on Aradale, very quickly, it is the facility you may see as you come into town, that also has enormous scope and opportunity.

CHAIR—You said there was one missing element. What was that?

Mr Chapple—I will refer to Mr Humphries.

Mr Humphries—It is the crushing facility, which NMIT have committed to commissioning this year. We are running a co-op. The 170 wine growers around the area are to use that facility.

Mr CHEESEMAN—In a previous life I was on the committee of management for the University of Ballarat's business incubator committee; I would just like to put that on the record.

Mrs Hunt—Another of the activities that have been happening to support industry has been the hugely successful Farming in the 21st Century activity. That has happened as a result of the rural workers within economic development units getting together and delivering across the region a number of different, innovative solutions for people within farming sectors. And the numbers of people who have been attending those workshops have been overwhelming—unprecedented, I would say.

Mr Chapple—I went to the closing one last night. Over 400 people have attended events in this Farming in the 21st Century series. They have been, as Angela said, tremendously effective. I spoke to people from 50 farming communities who were there last night. All of them said, 'This is a great initiative. We would like to see that going.' So from a practical point of view that is going to help farmers directly. We are more than happy to share the material with the committee, if that would be of value.

Mr SULLIVAN—Following on from my earlier question, you have indicated that AME are going to come to talk to us this afternoon. We do not have them on our list, so we assume they are coming in the open session.

Mr Chapple—Yes.

Mr SULLIVAN—What work have you done with them, given that they are a major employer and under some threat of departure?

Mr Chapple—Our council has had a long and positive relationship with AME Systems. They have been a significant contributor to the life of this community and have given sponsorship to all sorts of stuff. Our economic development unit and council have worked closely with them over many years, advocating on their behalf, where we could, to different levels of government, about some of the barriers or constraints that are preventing them from getting on with the business that they are involved in. Where we can, we try and open up doors to them. We help in their promotion and marketing and their advocacy. We do not provide them with cash—it is not something that the council does. But, in terms of the symbols of support, where we can help them we will, and obviously the most practical one at the moment is about advocating on the

challenges that payroll tax is creating for their company. They spend several hundreds of thousands of dollars a year in payroll tax, which effectively could go towards retaining or employing further people and increasing their competitiveness.

Mr SULLIVAN—As I understand it, you are advocating for other levels of government to remove tax burdens. Do you advocate that your own removes its tax burden from the company?

Mr Chapple—Local government, unfortunately, has a very historic funding arrangement—it is 150 years old—based on a property taxation system. We would absolutely welcome a conversation with the Commonwealth around changing that to a much more sustainable, mature arrangement.

Mr SULLIVAN—The reality is that you have not offered them a rates tax break, whereas a number of local authorities around the country have, time after time, sought to attract industry to their area by giving them rates holidays. I am quite happy to go and talk about taxation assistance for people in regional areas, but I want it to be fair. If this committee were to approach a state government and say, ‘You’ve got to reduce your taxes,’ I think we would have to do so for everybody. My last question on AME—and I note you are looking to get in, Mr Davis—is: are they an exporting company?

Mr Chapple—Yes.

Mr Humphries—They have actually just got a contract with, I think, CASE, doing a lot of the looms for heavy duty tractors.

Mr SULLIVAN—It occurs to me that the Chinese are looking at markets beyond the Australian market, so they are unlikely to be moving an Australian company to China simply to provide for the Australian market. So it would seem to me that there are some opportunities for that company beyond the markets that they are obviously involved in now.

CHAIR—We will hear from them this afternoon and we will put that to them.

Mr Davis—I would like to offer an additional comment in response to Mr Sullivan’s question. Northern Grampians has a long tradition of offering a rating differential to its biggest industry—that is, farming—and the 35 per cent rating differential in favour of farming is effectively a tax subsidy because that comes at the cost of the other ratepayers.

To support Mr Chapple’s comment, the funding of local government struck me as quite ridiculous. When I first entered local government after a history in federal and state government and private enterprise I could not believe that local government was funded in the way that it was. It has mandatory duties under many acts of parliament and, without a sustainable revenue stream to match those mandatory duties, it exists on grant handouts from both state and federal governments. To the federal government’s credit, the formula funding through federal assistance grants and Roads to Recovery grants is based on attributes of each council, and that is the recipe that I think should apply to all local government funding Australia wide.

CHAIR—Thank you. I note that Mr Hawker, who is here in the audience, was one of the authors of a fairly substantial report into this very issue. You have provided a scene of some

terrific things that you are doing here in this community to diversify your economy and to grow the existing businesses that you have. Mr Chapple has provided a couple of suggestions as to what the Commonwealth can do to actually assist you on the ground to promote that—obviously the government policy settings in relation to the energy sector are important and taxation issues do become important—but are there other things that you would like to suggest. For example, you have flagged the need for a small business incubator. Are there things around those more general issues that you would suggest as well?

Mr Davis—Yes. The suggestions I made about water pricing and water migration are, I think, quite critical to the whole region. We are a major exporter of water and, therefore, wealth. I think that would be a huge benefit. I also support the other suggestions that Mr Chapple made about payroll tax and so on. Those are the largest. The others would be around stimulating renewable energy and getting away from the reliance that we have on coal generated power and its transmission across the whole state.

Mr Humphries—I would like to make one comment on an incentive that I have had a lot to do with—that is, the research and development rebate. A couple of our small businesses around here, AME included, did achieve the 175 per cent level. One of them went into a quiet time—

CHAIR—Do you have the AusIndustry rep from the district as your—

Mr Humphries—Yes, John Finch.

CHAIR—Is he the same fellow who comes out from Ballarat?

Mr Humphries—Yes, he is based in Ballarat.

CHAIR—And also to Geelong as well?

Mr Humphries—We work very closely with him. One of the problems I find—and you would appreciate that as a region we are trying to be innovative to fight our way out of the gloom that is around—is that the \$20,000 tripping point is very high for some people, such as a farmer who is trying to—

CHAIR—This is for Enterprise Connect?

Mr Humphries—Yes. To get to that level and then maintain research and development over three or four years suits the big places that can put in a team of people, but we are talking about the guy who has just invented the new plough that does wonderful things. It cost him \$10,000 of his hard earned money to work it, but he does not trip the \$20,000 point. If there were an option to be able to say that for regional areas—even an economic zone—there could be an extra benefit or a lowering of the trip point it would stimulate a lot of innovation and also potential manufacturing. That is where it is coming from. A small enterprise that does the netting on the vineyards came out of Ararat. It involves a tow-behind trailer that enables two men to do the netting. They have now sold that to Gason, who are manufacturing it worldwide. But he was not in the first thing; we tried to get him into the innovation side but the \$20,000 was not there because he made it in his back yard and did everything for well under \$20,000. He did not get the reward for that, but it has turned into something bigger. There could be the option there for government to think about some of these levels. The levels do sort out the wheat from the chaff but they also restrict some of the smaller innovative ideas that could go on to bigger things.

Mr Chapple—There is the potential to reintroduce the Commercial Ready grant scheme. It obviously had a lot of capacity for bringing things from small businesses or sole operators to the marketplace. The reintroduction of it may be something that the Commonwealth could seriously consider.

Mrs Hunt—I have comments on a couple of others. In terms of education services across the region, as you heard earlier the University of Ballarat services this region for the most part. I am watching very closely to see what impact the skills reform will have on the services we receive. The University of Ballarat is assuring us that it is committed to delivering in western Victoria but we really do not know how their bottom line will be affected by the changes in skills reform. I am not sure that I am necessarily asking for something there, but it is an area of real concern because, whilst we do have some small adult education delivery outside of that, our delivery is really limited. So it is incredibly important that we have University of Ballarat still as a university operating out in this area.

The other area to look at is health and medical services to the region. There is some talk of some rezoning happening that will potentially have our medical centres—

CHAIR—It is important to understand that there has been absolutely no decision made in relation to that and a lot of the information that is coming out is not necessarily correct. There has been some lobbying going on around that. But I do understand.

Mrs Hunt—Okay. Obviously those sorts of incentives that are attached to that program are incredibly important for us to maintain our medical services and our GPs in the area. That is probably the only point that has not been covered.

Mr CHEESEMAN—Could I ask for clarification on something. Is the percentage you have provided in the table the percentage that that sector contributes to the economy, or is it the percentage of employees.

Mr Humphries—That one is basically output.

Mr Chapple—I have got a further table here with the source of that, if you require that as well.

Mr NEVILLE—Sorry, could you clarify that.

Mr Humphries—Agriculture is our largest employer but there are a lot of self-employed people within that. So, in terms of actual paid employees, manufacturing would be our top-paying employer but agriculture is principally number 1.

CHAIR—Thank you for your evidence. You will receive a proof copy of the *Hansard* transcript of today's proceedings and we invite you to advise us of any changes you would recommend. If we have further questions the committee secretariat will write to you. If anyone would like to send further submissions to the committee please feel free to do so.

Mr Humphries—Thank you for your visit to our region and for your interest.

Proceedings suspended from 11.23 am to 11.39 am

BURCHETT, Mr Chris, Chief Executive Officer, Grampians Tourism Inc.

HATTON, Mr Ross Phillip Edney, Board Chairman, Grampians Tourism Inc.

CHAIR—Thank you for appearing before us today. I am sorry that we have been delayed in our timing. We are running a little later than I would have liked, so we will press on and try and make up some time along the way. I now call on representatives of Grampians Tourism to give evidence. Although we are not requiring you to give evidence under oath, I remind you that these are formal proceedings of the parliament and as such should be accorded the due respect that you would accord the House of Representatives. It is customary for me to remind witnesses that giving false or misleading evidence before a parliamentary committee is a serious matter and may be considered a contempt of parliament. That sounds like an unwelcoming message to give, but I am required to say that. Welcome. Thank you very much for appearing before us today. We have heard a little bit, but not a huge amount, about what is happening in tourism in the district and we are looking forward to your evidence. I invite you to give an introductory statement.

Mr Hatton—Grampians Tourism is a recently formed organisation. It has only existed for some six months now. Originally, there was an organisation called Grampians Marketing Inc. This has stemmed from that. It is a body that consists of five local government bodies joined together. Ararat Rural City, the Northern Grampians Shire, the Pyrenees Shire, Horsham Rural City and the Southern Grampians Shire are all members of this group. Grampians Tourism covers quite a large area. We have support from Tourism Victoria and the state government. As I said, it is a new body. Its aim is to promote tourism through a relatively large region. It is based on working off each other. The aim is to try to bring people through our joint area. We recognise that tourists do not look at those little signs that say they are in Northern Grampians Shire or Southern Grampians Shire—I do not think that they are particularly interested.

We recognise that we have a region which has some fantastic features from the point of view of tourism. The Grampians are a pull. We have great wineries and all those sorts of things. We believe that we can expand the tourism industry in our area extensively. We are quite excited by the organisation. We have a board of 12 people, which consists of six people from industry, representatives from each of those shires, a representative from national parks and me as an independent chairman. That is how it has been set up. It is an incorporated body. Our aim, obviously, is to increase tourism in the area and also to grow the infrastructure and development of the area. More of our initial aim is to work in the development side.

CHAIR—I have some preliminary questions. How are you funded? What was the impetus for establishing this?

Mr Hatton—The funding is shared between local governments. Each local government contributes \$33,000. Then we have funding through Tourism Victoria, particularly on the marketing side. We also get funding through the industry.

Mr NEVILLE—How much do you get from the state government?

Mr Hatton—The state government, through Tourism Victoria, provides us with just over \$200,000.

Mr NEVILLE—That is in project money, is it?

Mr Hatton—Project money; that is right. A large part of our funding is through the industry. It contributes towards the campaigns et cetera that we run. We are trying to extensively develop that. That is where most of our funding comes from.

CHAIR—Thank you. Did you wish to add anything, Mr Burchett?

Mr Burchett—With Tourism Victoria, there is also a capacity for us to bid for additional funding against specific projects. We have put in a bid for an allocation and we are waiting for budget consideration as to the base funding. But it can mean an additional 100 per cent of our state government funding. It has in the past. We were receiving a substantial amount of money as recovery moneys because of the bushfires that occurred here three years ago.

Mr Hatton—That funding has now ceased. Our total budget is around about \$800,000.

Mr NEVILLE—You get about \$160,000 or \$170,000 from the local authorities.

Mr Hatton—Yes, \$180,000.

Mr NEVILLE—Where do you get the other \$400,000 from?

Mr Burchett—We have formed a cooperative of the tourist officers within each of the shires. They have allocated an additional \$120,000—

Mr NEVILLE—Over and above the direct council funding.

Mr Burchett—over and above the base funding from local government, yes. That is put against specific cooperative projects.

Mr Hatton—The rest of it comes from the industry.

CHAIR—What is happening with tourism in the region?

Mr NEVILLE—Tell us about it.

Mr Hatton—I will do a little intro, and Chris is probably more informed to provide the details. Essentially, we come to this inquiry with a really positive approach. We believe that the opportunities for us, even in tough times, are reasonably good. That is mainly because our biggest market is the domestic market. And while the international market is nice and glamorous and we would all like to see lots of Germans down the street, the reality is that it represents only six or seven per cent of our market. We are already finding that we have seen a tendency for our domestic volume to increase because everyone is staying at home and not travelling overseas so much. From that point of view, we see there are some positive signs. Chris, do you want to add to that at all?

Mr Burchett—The structure of our industry here is certainly focused on the domestic market. It is quite typical of regional tourism in that it is made up of a lot of very small to micro businesses. We estimate about 600 businesses across the region are directly related to tourism. Fifty per cent of those would probably have no employees. That is the bed and breakfast sector, that micro pre-retiree type of investor. We have 36 businesses that have more than 20 employees. They would all be large bed consortiums. And in between that there is a large glob of businesses that have between five and 20 employees; they are quite substantial businesses.

Mr NEVILLE—In round numbers, how many B&Bs have you got?

Mr Burchett—I would estimate in excess of 250.

Mr NEVILLE—Across those five local authorities?

Mr Burchett—Yes.

Mr NEVILLE—That is good.

Mr Burchett—Yes. Unlike a lot of regions, we also have a lot of motels. I think it is worth noting that the Grampians National Park as the major focus has been a tourist destination for more than 150 years; it is one of those long-standing destinations. As Ross said earlier, one of our challenges is to really work with industry to refresh, to revisit just where the tourism industry is at at the moment, as opposed to where it was 20 to 30 to 40 years ago.

Mr Hatton—Tourism across our region is estimated to be worth about \$200 million in revenue. That is direct revenue. If you take the multiplying factor, just even of two, it is nearly a \$½ billion business. That is if you take in the service stations and the newsagents and everyone else who does not think they are in the tourism industry but they are.

CHAIR—So have you done any studies of what the economic benefit of tourism is in the region?

Mr Hatton—There have been a number of studies done, and they are somewhat variable. We have to do some work now—we are not going to do another study, believe me—on collecting all of that data and putting it into a reasonable format.

CHAIR—It would be good to know the figure.

Mr Hatton—We do need to be a bit more formal about that. But the revenue base figure is around \$200 million. That is for direct tourism.

Mr Burchett—We are looking at the tourism accommodation survey. The most recent statistics coming out that we have available—that is, December 2008 compared with 2007—show there has been a 12 per cent growth in the yield of the bed sector, which is interesting. We do not see that in the numbers. There have been some inflationary factors, but also probably growth in the length of time stayed by people who are staying in the region.

Mr CHEESEMAN—I have a very similar seat and a very similar sector to yours; I have the Great Ocean Road and the Otways region. We were in Geelong yesterday and Roger Grant—I am not sure whether you know Roger—presented evidence to us that while domestic numbers looked good in terms of the number of visits, the yield was down because people, instead of coming for a couple of nights, they might have come for one night or perhaps they were just day trippers. Are you noticing something like that? Perhaps you are a little bit further out.

Mr Hatton—I can give you a few numbers on that. I will use Halls Gap as an example, as it is almost the centre of it. The average stay in the Grampians region in particular is 2.7 days. That has declined. Ten years ago it was 3.4. Anecdotally, we are already seeing a trend towards an increase. In our area there are a lot of family based holidays rather than people going for weekends. There is a lot of family based stuff. The more we develop that family based holiday, the longer the duration will be and, as Chris points out, the greater the yield will be. One of our challenges—and I think this is already starting to happen—is to see this as an opportunity and to turn it around a bit because of the style of holiday and the people who are coming into our region.

Mr Burchett—There is another factor that is coming through at the moment. We have 1.2 million bed nights in the region, but on top of that there are another two million day visitors. It is a conundrum because we are generally outside of the daytrip from Melbourne. It is a three-hour journey. We sense that the Grampians are used by people who are on a journey. The Great Ocean Road would probably be picking up bed nights out of the two million day visitors, as would Ballarat. We are picking up a component of that circuit.

Mr SULLIVAN—I am from Queensland. I know very little about the Grampians. I know about the Grampians National Park because you just mentioned it. Earlier on we had some discussion about the wine industry locally, so I assume that there are wine tours. But I absolutely know about the Stawell Gift. It is an icon event throughout this country. Are there other event based opportunities in the Grampians?

Mr Hatton—We have an enormous number of events. It is a challenge to get those events to the point that we want them to be at. It is not for us to do that. We do not see our role as being to run events. A lot of work is being done right now in looking at events and establishing what we are going to do with them, where they all fit calendar wise. The fact that we have a spring period in the Grampians gives us an opportunity, we believe, to develop events around that. The spring flowering and that sort of stuff is considered to be a real opportunity for us. Chris, you have done a fair bit of work on events already, so you might like to comment.

Mr Burchett—We are scoping a major three-month event that will go from the end of winter through to early spring. It will pick up on people's habit of being closeted away in the winter time. We are going to give them a very enticing reason to spring out of their homes. As Ross said, this region is renowned for its wild flowers, its opportunities for bushwalking and photography and a whole host of nature based activities. That is probably going to be a major event. It will have its first running next year. We will spend the next 14 or 15 months scoping it. But, as you say, everyone knows the Stawell Gift. We believe there is capacity to expand that. I do not so much mean the gift itself. The venue is chock-a-block and the beds in the immediate area are full. But we think the opportunity to put ancillary events around that is certainly in front of us.

Mr SULLIVAN—This is not a question I direct to you as a newly formed organisation, but when the former Grampians Marketing Inc. were operating, what were they advertising as the product to bring people to this area?

Mr Hatton—Our tourism base is nature based tourism, and that is what they were working on. They were an organisation that ran for some 12 years. The latter part of that time was after the fires in the Grampians, which was a major issue. They had a lot of work to do in recovering from that. So there was an emphasis purely on marketing. They were a marketing organisation, not a tourism development organisation per se. They have done a lot of good marketing work. Maybe they have not quite reached Queensland yet—and we recognise that that is an issue.

Mr Burchett—We will.

Mr Hatton—We will. But the emphasis for us now in the short- to medium-term is on development. We see opportunities coming out of what are pretty tight times at the moment. There are opportunities for us to develop some infrastructure that will have some iconic features that can give us international recognition and certainly Australia-wide recognition.

CHAIR—Can I ask you a bit about those projects. You flagged that infrastructure earlier and I assume you were referring to the advent of the Tqal grants when you talked about having until 11 June to put in your applications. Have you had the opportunity, given that you are only six months old, to get together and decide what the important tourism infrastructure projects are for this region?

Mr Hatton—We have two primary projects. The first of those has had several names—the marketers have not got at it yet—but it would be what we call a Great Grampians Walk. It would be a walk from one end of the Grampians to the other, with the opportunity for people to get on and off the walk, with facilities for camping, and private investment around that.

CHAIR—A fantastic idea.

Mr Hatton—That is not a \$500,000 project; that is a \$20 million project. A lot of work has already been done on it through National Parks and we believe it is an absolute prime for us. It would match some of the walks you hear about, like the Cradle Mountain walk and the walks in New Zealand. That is one project. The second is just to do a little bit of road works—it is not a huge amount—to finish what we call a ring road around the Grampians. That will enable people to get around the Grampians on bitumen. It is a little thing, I know, but people do not like dirt roads. It will also enable us to expand the utilisation of the facility from what we can do at the moment. So those are two of the major ones we have on board right now.

Mr Burchett—The sealing of the roads also gives us access to the hire car industry, which at the moment will not allow you to take hire cars off bitumen. Both of those projects give us platforms to really develop new product. As Ross has said, the walk gives us the opportunity to go out to the investment community and talk about a major lodge. There are beds within striking distance all along those proposed walking routes, and that gives us opportunities for new touring destinations and new touring programs. We see both of those projects as being very strategic platforms for putting nature based experiences far more effectively into the marketplace.

Mr Hatton—The other thing is to develop and release some itineraries which incorporate a very big region. If you come from Queensland you might not be able to visualise this region but it is a very big region, certainly by Victorian standards. We have been lucky enough to get the Pyrenees area into our region, which means we can develop a pull-through from the Bendigo area and also bring New South Wales far more into the frame than it is at the moment. Our major markets at the moment are Adelaide and Melbourne, as well as Ballarat and the rural cities. Melbourne would be our biggest market. Our biggest recognition, however, is in Adelaide, which is somewhat surprising, but people do the route. We had some numbers from Tourism Victoria surveys on who knows the Grampians and whether they can name one thing there. About 14 per cent of people in Melbourne could tell you where the Grampians are. You would think that was a shocking number; I thought it was a disgraceful number. Tourism Victoria tell us that is pretty good, that people cannot tell you about lots of other places as well. But there is obviously some work we have to do to get the name out there.

Mr Burchett—And also paint some specific pictures in consumers' minds. At the moment, with the economy really under pressure, we know that every region in Australia is out in the major cities marketing destinations and special deals.

Mr NEVILLE—Competition is getting hotter all the time.

Mr Burchett—Absolutely. And it is going to get even hotter. We understand that. We will continue to market our destination but we think the next three-year period will probably be most effectively used for development. Going out into industry with a lot of, dare I say it, workshops—everyone hates the word 'workshops'—on professional development. They are about getting people more effectively engaged with the industry's distribution system and more aware of just what the consumer is demanding these days. I mentioned earlier that the Grampians is a very old tourist destination. A lot of our infrastructure is very old and tired, and it is pitching at a market that is probably no longer there. The market has changed.

CHAIR—It has. I note, just for your information, that one of the people who gave us evidence in Launceston is on his way with 12 people from Tasmania to attend the Avoca races this weekend. He made a point of telling me that. The Avoca races as a destination have certainly made their way down to Launceston, at least, through this committee.

One of the ways the Commonwealth can assist is obviously through infrastructure tourism grants, which are now being opened up for availability. Are there other things that the Commonwealth or even state governments can assist with? I am thinking in terms of skills development and marketing. Where would you like to see us assist here?

Mr Hatton—I am sure that we have some real requirements in the skills development side of it.

Mr NEVILLE—Hospitality training and guides—that sort of thing.

Mr Hatton—Yes. We see a great need in that area. The issue is really about the expectation of the visitor as against what the current delivery is. Word of mouth is by far the best method of getting our next customer. We have had a fair bit of emphasis from people—a lot of them jumping down our throats—about utilising the web as a source. It is an excellent source but it is

also a tertiary source. We have found that word of mouth is the primary reason that people come and visit us. It gets the biggest number of responses. Then there is some recognition through newspapers and that sort of stuff.

Mr Burchett—It depends on what stage of the journey they are at as to what they use.

Mr Hatton—They use the web to do the final bit.

Mr NEVILLE—You have got a Grampians website, haven't you?

Mr Hatton—Yes, we have. We need to link that in more with Tourism Victoria so that there is a very nice methodology being developed. Some money has been put into that work. We need to continue developing that website so that it has a pull-down feature and ends up at Joe Bloggs's bed and breakfast.

CHAIR—You are saying that people have to make a decision to go to the Grampians first before they get on the web to do the booking.

Mr Hatton—Yes, they have to make a decision to go there first.

Mr Burchett—One of the gaps that we have is leadership. It is another component of raising professional standards. Across the industry, we have a lot of networks that relate to local tourist organisations. There is a network of event managers. There are local town tourist organisations. At the moment, despite their best endeavours, they are often lacking leadership and also an understanding of the big picture and where they are meant to be paddling to. We are certainly looking at opportunities to provide leadership and governance training so that, as a total industry, we have a capacity to raise our professionalism, to have far more of our total population resource base going in the same direction and to have the tools that we need. In terms of getting funding support for that, we have had an indication from the state government that it will go some way towards providing it. Also, the feds might like to look at how regional Australia starts to gain the necessary skills. That is obviously bigger than tourism.

Mr NEVILLE—I would like to compliment you on that idea of doing surveys. I was in regional development and ran one of the Queensland tourist regions as well as one of the industry regions prior to coming into federal parliament. You see that areas have been doing something the same way for 50 years and everyone is looking at their navel and saying, 'Oh, no, that's the way we do it here.' That is not good enough. You have to try to see it through the eyes of the guy who wants to come here and use your facilities.

I remember, when they were trying to repackage Bundaberg's image about 20 years ago, some people wanted to call it the 'Hinkler Coast'—he was the local hero—and I think that rated about less than one per cent; someone else wanted to call it the 'R&R Coast'; and someone wanted to call it the 'Bundaberg Coast'. In the end, when we did the research, it said that people were looking for coral, for barrier reef islands, and we had a couple of barrier reef islands. Once we started to develop that as a jump-off point to the Barrier Reef, it changed the whole concept. So you have got to try and find a concept-changing thing.

It was a bit hurtful. I remember when the results first came in the people at the public meeting were outraged: ‘How dare people think like that about our community?’ But these were the hard facts. They had surveyed 400 or 500 people in south-eastern Queensland and northern New South Wales and asked, ‘What’s your image of Bundaberg?’ They said it was beaches, it was this, it was that—and it was appalling. But I think you have started that, and I would urge you to keep going because that is where you get the raw material to work with.

This is not crack at Ararat or anywhere in particular, but this economic downturn is a great opportunity for domestic tourism. We heard at Launceston a combination of two things. One was that people like to go a bit offshore, like Norfolk Island, New Zealand or Tasmania; they see it as a de facto overseas holiday. That, plus the fact that there are now four airlines all going into Launceston from Sydney, Brisbane and Melbourne, has turned Launceston Airport around to be even bigger than Hobart. The interesting change in dynamic means that there is a great opportunity there for domestic tourism. Being a politician like me, Darren, Catherine or John here, sometimes when you are driving at night you go to a motel, and some of our motels are tired, tired, tired.

Mr Hatton—We have a major problem in the area of motels.

Mr NEVILLE—I do not know whether there is scope for the government to have a loan scheme for motels, but I think we are missing a huge opportunity with domestic tourism. I will not bore you now, but if you are here at lunchtime I will tell you the story of going into a motel in Gympie that would horrify you. It was *Fawlty Towers* revisited. I got off the plane in Brisbane and I was going to drive to Cairns. I went to the same BP service station that I went to that had not dirty toilets but the filthiest toilets I have ever been to in my life, then I drove another two hours to this place near Gympie and went to this motel. If I had been an international tourist, my image of Australia would have been rock bottom at not even the end of day one.

You want people to come up from Melbourne and say, ‘Hey, this is a good area.’ And I would urge you to have a look at this idea of putting lodges in the Grampians. There are two places in Queensland, Mount Tamborine, or the Tamborine mountains behind the Gold Coast, and—not so well known but along the lines of what you want to do—a place between Dalby and Kingaroy called the Bunya Mountains, where they have lots of those mountain lodges. They are not expensive ones. I would urge you to have a crack at that as well.

I was fascinated by your answer to Catherine’s first question. You said you have got this iconic thing, so first there are the walking tracks and the roads around the Grampians and trying to encourage some lodges in there. What are the other iconic things you are looking at? You have got snow, national parks, wines and cellar doors; what are the other things?

Mr Hatton—I think there are two iconic features that we have got which really are not recognised yet. We touched on one of them briefly, and that is wild flowers. The Grampians in spring are literally botanic gardens. So the wild flowers thing is something that we really want to try and promote and use; it really is an iconic feature of the area. The second thing is one of the things that lead on from what the chair and I talked about, and that is the use of bike tracks. Bikes are an area we want to look at heavily and develop a couple of really iconic bike tracks.

Mr NEVILLE—As part of the Grampians?

Mr Hatton—It is within the Grampians National Park. We have been getting some good responses from the national park on their willingness to work with us on that. One of the things that often really amaze you when you get into the Grampians is the number of people on bikes, and it is growing all the time. I am not talking about kids; I am talking about silly old people like me in Lyra—not a pretty sight!

CHAIR—No-one looks good in it!

Mr NEVILLE—Do they bring them up in their cars or do they ride them up?

Mr Hatton—They bring them up in their cars.

Mr Burchett—They are also for hire.

Mr Hatton—That market is one with a fair bit of free cash. They are people that do not go and buy a bike for \$150; they buy \$700 or \$800 bikes or \$5,000 bikes, as my son did. We see that iconic bike track work—and we are not talking about just one; there needs to be an interlinked trail—as another area.

Mr Burchett—The federal government yesterday released a new program of \$40 million for bike infrastructure.

CHAIR—That is correct—via the Jobs Fund. I am assuming there is a component in that for bike—

Mr Hatton—We are very interested in having a look at it.

CHAIR—Certainly. I was going to suggest that if you were not aware of it already.

Mr Hatton—The other thing we recognise we need to have is an activity which someone can complete in 30 minutes, which is a major attraction, which has a wow factor and which fits in with the national park and does not offend the nature based tourism factor. It is very interesting to think about but it is required. All sorts of things have been suggested—gondolas and all sorts of weird things. We envisage a five- to 10-year plan. It is recognised that we need an iconic feature that fits in with the needs of a wide range of the population and that has the wow factor and makes people ask, ‘Have you done that?’

CHAIR—Just like the Otway tree walk or—

Mr Hatton—Like the Otway walk and all those sorts of things.

Mr NEVILLE—Have you got a heritage trail? For example—I have seen this done in some areas—you link up five or six communities or local authorities, you link up the museums and historic houses, if there are any, private or public, and you have a brochure. Do you have something like that? You have a lot of rich history around here—is that all linked up?

Mr Hatton—There is a wine trail. We are very fortunate to have good art galleries in the area. Chris, you might like to speak to the art galleries.

Mr Burchett—Three of the regional galleries are of national significance in terms of their collections. The Hamilton, the Horsham and the Ararat galleries are, as I say, very, very—

Mr NEVILLE—The Victorian galleries are exceptional.

Mr Burchett—Yes. The Heysen and all the major schools of Australian art are represented very strongly. They have good benefactors—particularly the Hamilton one, with its pastoral connections. As well as that, there is a very rich tradition of resident artists in the region. The art spaces are linking quite effectively. We have just opened a wine and art gallery in the town immediately down the road from here, in Buangor, which I think is a great little initiative. It is reading the market very well. Our research is saying that the capacity for the consumer to link nature, the arts, wine and food is a no-brainer. It has been researched. It is identified very clearly. It is still in front of us—

Mr NEVILLE—Have you brochured those up together?

Mr Burchett—At the moment the itineraries are being written that will link our wine regions to the north-east with the national parks. We want to propose the option of spending a day going through the galleries as an additional component of a holiday. We know that the same consumer is motivated by that.

There is something that we have not mentioned yet in terms of iconic experiences. I do not know what number it is in the world but we have Australia's major international rock-climbing destination. It is called Mount Arapiles. Most Australians have never heard of it, but if you talk about climbing anywhere in Europe or in North America they all know Mount Arapiles. There are 2,000 climbs at Mount Arapiles. If you go to the campground at the base, it is like the United Nations. Australian schools know it—the outdoor education programs know it. We also have 1,500 beds that pitch very specifically at the school groups. So we are still grappling with how we deal with Mount Arapiles, I think, in a domestic context, given the strength and the future of our domestic markets. How will we deal with that? It is probably going to be through the outdoor education sector. That is certainly something that is already in the region, but it is almost wrapped up with international cotton wool.

Mr NEVILLE—Have you got that on your website?

Mr Burchett—It is on the web, yes.

Mr Hatton—I think we would just like to explain a little bit about where the Grampians Tourism organisation is at. We have spent a significant period of our existence setting the strategy in place and setting up a program. I sometimes feel for poor old Chris here because I am the one who demands that, because I believe in setting strategies and getting ourselves really aligned with what we want to do, but I am not one who wants to strategise forever. So what we are about now is the implementation phase of getting all that going. We have set a very tight strategy in place. It is all about marketing and it is all about development. We have a basic three-year plan to really grow the area. We are not expecting miracles in a short time, but we believe that we have a real opportunity to grow tourism in our region and we really have to do that not just in Victoria, where I think we have a huge opportunity just in the Melbourne market alone, but in the opportunities interstate, particularly where Jon comes from, in Queensland. How many

people in Queensland know the Grampians? I would say very, very few, other than those people from down south who have ventured north.

Mr SULLIVAN—They might have forgotten the Grampians.

Mr Burchett—But the fact that they know the Stawell Gift gives us the opportunity to talk about the Stawell Gift in the Grampians.

Mr SULLIVAN—Put the two together and there would be people interested in coming. You talked about developing a walk as a destination or attraction and you talked about lodges. I got the impression when you initially mentioned it that you were having discussions with a three- or four-star hotel chain to do something. Is that erroneous?

Mr Burchett—We have 3½-star and four-star hotels. We would probably need a lodge that has a capacity to pitch slightly higher as well. The trails are there, mostly, but the linking of those trails, the resurfacing of those trails and the interps of them are still in front of us. National Parks have got a long way down the planning stages of that, but it is now getting to the point where—

Mr Hatton—The aim is to have a walk where people can have a choice as to what they do. They can walk 14 days or they can walk one day on that walk. The walk is being set up so that at no point can you see a road, so you would walk through that and would not know there was a road anywhere, but you would have the ability to bring people on and off, to have people come in and bring supplies to people at particular campsites. That can be set up by private enterprise, not within the organisation. So there are lots of targets and aims. I believe it is a three-year construction thing, so we are not going to do it in a year. It probably needs another six months for a bit of work on planning and dealing with the Indigenous people. There are all sorts of issues. Most of those things have been done, so we are very confident about all that, and it will give us a walk that we could talk about anywhere in the world and say, ‘This is a challenge for anyone to do.’ But there will be some sections that will be quite easy to walk, and some sections of it will be more challenging. I think it is a real opportunity to put the Grampians on the map worldwide—a little like the Great Ocean Road, for instance. It is the same sort of thing.

Mr NEVILLE—About these lodges, is it mainly Crown land in the Grampians?

Mr Hatton—It is all crown land. It is all National Park where the walk would be.

Mr NEVILLE—Is it possible to get the state government to give you a couple of sites or the state government to put them up for tender with some terms of reference so that you get the right sorts of lodges that you are after—an upmarket one and a—

Mr Hatton—We are fortunate in that I think 12 of the 14 stop points have access to private land that is close by, which could be developed. We are not talking about expensive land. We are very fortunate in that regard. There are a couple of sites where they want to talk to the state government about getting some crown land access. I do not believe that is an insurmountable problem. I agree that that is really important.

You asked if we had been speaking to them, we have not as yet. We need to put together a prospectus which will give us the ability to go out there. I take on board what Mr Neville said before about this project. I have been fortunate enough to go to the Bunya Mountains. The lodges there are small and they are not horrendously expensive. We are not talking about some huge lodge. The opportunity to put in three or four of those small lodges at specific spots is the sort of thing we want to do.

CHAIR—Thank you very much for presenting today and providing evidence to the committee. We wish you all the best in the developments in the region. You will receive a proof transcript of the *Hansard*. If there are some things that you feel you have not had the opportunity to say, you are most welcome to write to us with those. If we have any further questions, the secretariat will write to you and ask those as well. Thank you very much for your time here today.

Mr Hatton—Thank you for the opportunity. We really appreciate it.

CHAIR—It has been absolutely my pleasure.

[12.23 pm]

FRANCIS, Mr David Leslie, Executive Officer, Public Officer, Greater Green Triangle Area Consultative Committee

CHAIR—Welcome. Whilst the committee does not require you to give evidence under oath, I need to remind you that these are formal proceedings of the parliament and should be treated as such. It is customary for me to remind witnesses that the giving of false or misleading evidence before the committee is regarded as a serious matter and may be considered as a contempt of the parliament. We are keen to get your evidence on what is happening in this region in relation to the global financial crisis, any possible solutions and any possible role you may see for the new RDA in assisting communities to overcome some of those challenges. Do you have an introductory statement?

Mr Francis—I have brought a few notes, which I hope to be able to cover off during the discussion. I am happy to cover some of those dot points initially, if you would like me to do that.

CHAIR—If you would like to give a brief overview of where you would like to go in your evidence, that would be helpful to us.

Mr Francis—Today I am trying to present some solutions rather than just focus on the problems. The Greater Green Triangle ACC has operated in this region for over 11 years. It has provided services to the community for social and economic development during that period of time and also during times of crisis, such as the dairy crisis where there was government programs to provide diversification of the dairy industry in the south-west, which was seen to be very successful. We have very broad and long-standing experience in the region.

We have always maintained a very apolitical position in the region. We have always worked on behalf of the region for the longer term. We have conducted strategic planning activities over that whole period, so we have a long-term view of the region. I suppose looking at the short term, where we are at the moment, we are still concentrating on that long-term view for the region and the ability of the region to be resilient. The northern part of the region has increased its productivity levels greatly over recent years. The southern part has diversified its industry away from predominantly dairy and sheep farming into cropping and all sorts of things—as we have heard today—around tourism and the business services sector.

CHAIR—Thank you very much for providing that introductory statement. We have heard lots of evidence today about the drought's very prolonged impact on this region but also how the diversity of the economy here, while not incredibly robust, is providing a little protection and some potential growth for the region in other areas. What sorts of things have you seen happening that you think the committee should be aware of in terms of, perhaps, where jobs growth might come in the future for this region?

Mr Francis—The compounding factor of the drought for the last 10 or 12 years has created some huge challenges for the region. But in that time it has created massive opportunity. If the

agriculture sector was still back where it was 10 or 15 years ago, we would be in a far worse situation than we are now. A lot of the reports are saying that the agricultural industry is one of the bright lights in the economy. Regardless of the drought, where agricultural enterprise is active, it is prospering and doing very well—especially in the export market.

As I said before, in the northern part of the region I would suggest that the productivity gains that have been made by the broad acre croppers have been substantial and have put them in a position where they are cropping in areas in which they would not have previously cropped if they had not made those productivity gains and those changes in the way that they undertake their activities. Down south, the diversification of industry has been substantial. Regarding the discussions around tourism, we have had a large involvement in tourism over the last 10 or 11 years.

CHAIR—What has driven that? Was it necessity?

Mr Francis—The Dairy Regional Assistance Program drove that, I suppose, in the ACC's eyes initially. I represented this region at the VECCI convention in Melbourne in previous weeks and a number of comments were made about the south-west, which leads its way up into this area, and its ability to engage with and encourage investment and diversification. Some other regions have not come to that point. The case that was put was the comparison between Gippsland and the south-west. The south-west has a lot of offshore and onshore stuff going on now. It has gas, it has a gas power plant, it has a lot of wind farms and there is a lot of support for those sorts of renewables and changes in land use. In some of the other areas, there is still, I suppose, a hesitancy to do that. We have seen that down there through the Dairy Regional Assistance Program. The community showed that it had the ability to embrace that change and they have diversified into tourism, business services, mining—as we see around Hamilton—and offshore and onshore resources. There has been a huge diversification of activity, which we believe is the key to the resilience of the region in the future and for this area, particularly the Ararat, the Northern Grampians, Horsham Rural City and further up. It will be that ability to now start looking at further diversification that is the key to the future.

CHAIR—How has the skills base kept up with that diversification? What has happened to try and have that happen?

Mr Francis—The skills base is always a great challenge. It was interesting to hear the comments previously in regard to tourism and tourism skills development. The ACC has over the past few years held a program called the small business field officer program. It has been fortunate in that it has delivered governance training, direct business assistance, Aussie host type programs and all sorts of customer service programs. The greatest challenge that we have found is take up and the resistance to it. It is very disappointing. We hosted a major tourism forum two years ago. Tourism Australia presented. All the levels of tourism presented. There was room of about 70 delegates saw customer service or the standard of service provision to their customers as being very low in the scheme of things. Tourism Australia, Parks Victoria and VECCI's tourism agency all turned around and said, 'I'm sorry; you're terribly wrong.'

We see raising the standards of customer services to appropriate levels to meet the customer's expectations as being one of the key challenges in our region. At a caravan park, one level may be okay—and I am not criticising that environment. At a higher level—at the four- and five-star

standard level—the customer service and hospitality levels really need to be elevated. We have some examples. The Royal Mail Hotel in Dunkeld is an exciting example. The developments that are going on around Warrnambool with the large resort facilities that are being built there are other great examples. But we are still probably somewhat challenged, as was mentioned earlier, in the area of accommodation standards. There are really good examples, but we are possibly not quite there.

Mr NEVILLE—Minister John Kerin ran a program to boost regional development called the country centres project. They paired us off in five sets of two so that we would exchange information. The region that I was involved with was paired off with the Greater Green Triangle. The name of the guy was Adrian Scott. I was very impressed with the sorts of stuff that you had there. More recently, in the last study that this committee did in the previous parliament we examined all the ports. We went to Portland and so on. We spent a lot of time on that. Perhaps you can update the committee on this, because it is relevant to these new terms of reference. At the time, there was the possibility for two pulp mills to be built, one near Portland and one near Penola. There was a proposition to upgrade one of the train lines into Portland on the basis of mineral sands and woodchips and another proposition to reinvigorate the line—which was still at that stage in reasonably good order—from Penola to Portland. Can you tell me where all those projects are at at present?

Mr Francis—I can give you a brief overview. I suggest that it may be a question for Scott Paterson from Port of Portland Pty Ltd, who will be appearing this afternoon. He will have a very close knowledge of those. Those developments are proceeding. The rail line upgrades from Maroona through to Portland have been completed, which is providing greater access to the mineral sands but also helping with the freight task. The port of Portland is in a phase of uncertainty because of the blue gums and when the blue gums are going to come onto full stream. I know that the two ministers from Victoria and South Australia have had discussions recently about that rail connection into South Australia, so there is some work certainly being done there. There was a lot of planning and preparation work done before the crisis that has unfolded in the last six to 12 months, but it appears that that work has good foundation. Once the ability to borrow money improves—

Mr NEVILLE—As a committee, we thought that that was one of the most promising areas of Australia for development.

Mr Francis—There is no doubt that the south-west provides some fabulous opportunities. It is blossoming from the work that has been done over probably the last 10 to 15 years now. That is the time frame over which we look at these sorts of activities occurring.

Mr NEVILLE—You are the only ACC that crosses borders.

Mr Francis—We do not cross the border.

Mr NEVILLE—Don't you? You stop at the border, do you?

Mr Francis—Yes. The old regional development organisation, the old triangle—

Mr NEVILLE—It used to go across.

Mr Francis—used to go into South Australia. We have a very close relationship with the Limestone Coast ACC and we have done multiple projects with them. We have put prospectuses together in previous years about the pulping and wood-chipping activities on behalf of the region.

Mr NEVILLE—Can you describe your ACC? Is it more about social and community infrastructure, or do you get into commercial infrastructure as well?

Mr Francis—From the ACC's experience with grant giving, which was probably the key instrument for us to facilitate the opportunities that we saw in the region, the majority of them were for not-for-profits. The private sector always presented as a challenge. When we had the Dairy Regional Assistance Program, we had a lot of projects that were to do with the private sector. Some of those blossomed and were very successful.

Mr NEVILLE—You administered those, did you?

Mr Francis—We facilitated those in the region. Others were really challenged. But there are some good examples of where they have continued. There are also examples of where community infrastructure and development has prospered. In the south-west, the Kanawinka Geopark was recently named as Australia's first geopark. That was work that the ACC started 10 years ago. Over a period of time, we developed that. So some really substantial things have occurred across the region as a consequence of those activities.

Mr SULLIVAN—I should preface my remarks by saying that although I am from Queensland I know very well the Port Fairy Folk Festival, which is in your ACC area, if not in the Grampians tourism area. My interest is in the immediate aspects of what is happening in the area as a consequence of the global financial crisis, rather than in the planning things that have been going on and that need to be extended. Is there anything you can see that will help solve the immediate problems from the global financial crisis which are probably going to be felt much more strongly in the southern part of your ACC area than up here? Is there anything government can do now to stave off problems that are probably going to be much more dramatic should they occur in regional areas than if they occur in cities?

Mr Francis—One of the greatest challenges we have in regional Victoria and regional Australia is the inequity in the ability to take up opportunities that are presented by government. The ACC network was fundamental over many years in assisting communities to do that, because the smaller, outlying communities do not necessarily have the skills or resources of the major centres. If you look at Ararat or Stawell, we do not have a business centre and we do not have a strong state and federal government presence, as they do in Ballarat and Bendigo and Geelong. So a network that is flexible and on the move is very important, but also the ability for the community to access opportunities.

We have seen an injection of funds directly to people as one strategy. There are also opportunities with solar hot water, solar photovoltaics and insulation batts, which are very exciting opportunities for the whole of Australia. But I will give you an example of the constraints for people in regional areas. In Melbourne in the daily press there are full-page ads for solar PV for free. I have registered to have solar PV put on my house—and the price is somewhere between \$2,700 and \$4,600. So not only do we have a lower take-home income—

our average weekly income in this region is significantly lower than in Ballarat, let alone in Melbourne—but the ability for us to take up those opportunities is constrained. There is no additional assistance to regional Australia or regional Victoria through a subsequent grant for being in a remote or regional area. I think if there was another \$900 for anyone in a community with a population of up to 5,000, or a certain amount of money to support the take-up, then you would see people taking up the opportunity much more readily. We are seeing major take-up in places like Mildura or Ballarat, but we cannot do it in Stawell or Ararat at the same level and we have a lower take-home pay, so we are constrained in two ways. There is a real constraint across the board on people in regional Victoria and small communities taking up the same opportunities as people can in larger provincial centres.

Mr NEVILLE—What would you recommend to us that we should recommend to government from the point of view of the downturn? When it all gets down to the short strokes, we are here to say to the government: ‘Out in regional Australia there are these problems, and perhaps these sorts of programs would assist.’

Mr Francis—I certainly think that government and our city colleagues need to look at regional Victoria very clearly when they are providing opportunities. There has been a lot of work done in partnership with the state government in recent times with the regional management forum structure and the planning that is going on in the state government. Certain things have been clearly identified. One is that Melbourne looks to itself to solve its own problems, whereas it is not looking at regional Victoria to help its solutions.

The port of Portland is a perfect example. Thirty per cent of the freight task into Melbourne has no relationship with Melbourne—30 per cent of the containers going into Melbourne have no relationship. So Melbourne would be prepared to spend millions if not billions of dollars improving rail and road infrastructure to get those containers into the port. Here we have the port of Portland, the Maroona railway line, the old Maroona interchange and an opportunity to possibly put an intermodal hub just up the road at Ararat to collect that 30 per cent and direct it somewhere else. The current response is, ‘Let’s build a new port at Hastings,’ or, ‘Let’s upgrade the port at Geelong.’ In my mind and in my committee’s mind the question is: why, when we have such a fabulous facility in Portland that is there waiting for that to occur?

Mr NEVILLE—You would have Ararat as an inland hub?

Mr Francis—It already has been for a century or more.

Mr NEVILLE—You have the two gauges of railway into Ararat as well.

Mr Francis—Yes, and you have the major connection between Geelong, Portland and Adelaide just down the road here at Maroona. It is a fabulous opportunity.

Mr NEVILLE—How does the rail line from here to Portland go now?

Mr Francis—It has just been upgraded.

Mr NEVILLE—But what is the route? Just describe it quickly.

Mr Francis—It goes from Ararat through Maroona down through Hamilton, I suppose, and then to Portland. So it pretty much goes straight down through the centre. I have not travelled because it is a freight line, so I do not know it clearly.

Mr NEVILLE—And it cuts some of the other lines, obviously.

Mr Francis—The old intermodal is out at Maroona, which is only a few kilometres down the road.

Mr NEVILLE—Is it standard gauge or broad gauge?

Mr Francis—It is standard gauge, because it connects to the Adelaide line and the Geelong line. The broad gauge is the passenger rail between Ararat and Ballarat-Melbourne—I think.

Mr NEVILLE—That excites me.

Mr Francis—I am not a complete train expert.

Mr NEVILLE—You had better throw a bucket of water over me and cool me down.

CHAIR—Paul is very fond of our train system!

Mr Francis—My suggestion would be that there are huge opportunities in regional Victoria. The continuing decentralisation of services and public infrastructure is a real opportunity. We have seen that occur in Geelong and Bendigo. There are challenges, but there are huge opportunities—and it can be responded to very quickly too because there are facilities with few people in them and there is capacity for organisations such as Regional Development Australia to expand very rapidly. It has the capacity to expand very rapidly, so government could decide to bring those opportunities and that employment to regional Victoria and regional Australia very quickly, I think.

CHAIR—Have we covered all of the areas that you wanted to cover? Do you have some concluding remarks you would like to make?

Mr Francis—I do. We have covered some of them. Some of the points that I made were that there is a failure to manage and attract investment into parts of regional Australia, and the south-west of Victoria, which I have already talked about, has been highly successful in its task in recent years and other regions have not. We need to find strategies to actually assist those regions, I believe. Regional Victoria should not be averse to new investments as a result of phenomena such as climate change. Some regions are embracing change more quickly than others—and again the south-west is an example of that. We should look to those. We have evidence of that and we should use that experience. We should not try to start from scratch today; we should look at that evidence.

My committee believes very strongly that the government has a clear role in this and has proven success in this area in the past. Regional Victoria must be ready when the economy rebounds, so we need to be in place, especially with regard to having people with appropriate skills. Regional Australia needs to have the role of the ACC network in providing economic and

community development planning and implementation assistance on behalf of the Australian government reinstated as part of the future role of Regional Development Australia. We do not have an opinion about the transition; we just believe very strongly that this needs to occur and needs to occur soon.

The government needs to provide financial assistance for job-creating strategies that serve the whole community and not be centralised in metropolitan and regional centres—I think we have already covered that. Investment which will increase sustainable jobs in communities in decline is crucial. We are going to see these communities completely spill out and become unviable during this period, especially if we do not have rain—hopefully in the next couple of days. In light of the need for economic stimulus in the wider economy, more consideration should be given to buying Victorian and Australian first, with campaigns to underpin that. There are local buyer campaigns, but I think that is a little too close to home. I think we need buy regional and buy Australian campaigns. That is what the committee is hearing from the region. There needs to be more equity in rebates for water tanks, solar power and hot water between regional Victoria and Melbourne, which I have already covered.

The development of sustainable essential services and social infrastructure that are designed to enhance the liveability of regional Australia was the other component I wanted to talk about. We very much see the problems of multiagency input into regional development decisions. Those need to be overcome with better coordination, consultation and planning. The previous Australian government regional assistance and Regional Partnerships programs supported whole-of-government responses with local and state governments to achieve the stated outcomes. A structure to continue this work must be established as a priority. The new Regional Development Australia network, which is being established to achieve part of this goal on behalf of the Australian government, has been delayed for some time now and the ACC network has had this task withdrawn for 12 months. We really are starting to hear that there is a void. We need to find new traction to deliver that assistance and support in the community. We were very supportive of the RCLIP being delivered directly to local government—that was our recommendation during consultation—but they still need assistance in doing that. Giving them something without the resources to deliver makes it even more challenging, I would suggest, than benefiting in a lot of areas.

There appears to be an increasing inequity and inflexibility of service models, which is sustaining disadvantage in regional Australia. The services must be properly funded and done in a regional context. The attraction of health professionals should not be a burden of local community alone. Government must provide substantial support to attract and retain health professionals if they wish regional Australia to prosper. The concept of moving more government agencies and departments into the regions should be examined. Such action may help boost the professional cohort and allied jobs in regional towns. We are finding that health professionals want to come to our community but that their partners are not be able to find a job. So, without that breadth of opportunity, the health professionals are finding multiple barriers to coming to our community.

Regional infrastructure still requires massive investment, but it is recognised that capital is scarce. New funding sources need to be identified because the PPPs are really under a lot of pressure at the moment. Infrastructure connectivity is needed not just between regions and Melbourne but between regions themselves—that is, the Ballarat-Bendigo-Portland-Geelong

connectivity is vital if the regional economy is going to prosper. Liveability improvements in regional Australia will attract population and economic prosperity as well as reduce the negative impacts of further unsustainable growth in our cities. Regional Victoria can assist Melbourne with improved liveability.

CHAIR—Thank you very much for your concluding comments. You might wish to provide that written statement as a formal submission at some point. I would encourage you to do that. On your receipt of the proof transcript evidence *Hansard*, which will be in a few weeks time, if there are additional things you would like to put to us we would be more than happy to receive them. The committee secretariat may also write to you if we have some further questions. I thank you very much for taking the time to present for us today.

Mr Francis—Thank you, and thank you for your time as well.

CHAIR—That is absolutely our pleasure.

Proceedings suspended from 12.48 pm to 1.57 pm

COOPER, Mr Jim, Manager, Special Projects, Port of Portland Pty Ltd

GRACIAS, Mr Peter Sebastian, Manager, Business Development, Port of Portland Pty Ltd

PATERSON, Mr Scott, Chief Executive Officer, Port of Portland Pty Ltd

CHAIR—I welcome witnesses from the Port of Portland here today. Although the committee does not require you to give evidence under oath, I should advise you that this hearing is a formal proceeding of the parliament and consequently warrants the same respect as proceedings of the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be considered as a contempt of parliament. That being said, you are most welcome. Thank you very much for providing us with some information, which has been accepted as an exhibit. Do you want to make some introductory remarks before we get into some questions?

Mr Paterson—Yes, please. I will give you an insight into what is happening at the Port of Portland by way of trade and Jim Cooper will provide an insight into the blue gum industry. Then we are happy to take questions. It will become clear, if you are not otherwise aware, that the blue gum harvest, or the pending harvest in the Green Triangle region, is a major opportunity for the region.

Firstly, there is a picture of the Port of Portland. Something to note is the proximity of the port to the community and houses. We are very close physically and we are very close to the community as an organisation as well. Certainly the community is very mindful of the importance of the Port of Portland, as is the region, in sustaining growth and jobs. In the distance you will see the smelter, which is the largest single exporter and I think Victoria's largest single export entity.

The Port of Portland, by comparison with many other ports in Australia, is very small. Our volumes are around 3.3 million tonnes—that is year ending 30 June 2008. That corresponds to about \$1.5 billion in trade, and we will take you through the figures. We will grow. We will more than double in the next few years, but relatively we will still be a small port, certainly compared to, say, Newcastle. The second image is our port catchment area—the Green Triangle region, as we know it. At the fringe we will compete with Geelong in Victoria and in South Australia, the Port of Adelaide.

The trade growth table is part of a document called the *Port of Portland Port Land Use Strategy*. That is a joint document prepared by the port and the Victorian state government, the Department of Transport. It is in draft still and will be released later this year. The purpose of the document is to look at the infrastructure and the port strategies going forward. A big emphasis in these reports is looking at the on-port and off-port infrastructure requirements—road and rail, for example. The trade table shows, as you can see, 3.3 million tonnes of products in the 2007-2008 financial year. Jumping forward, we expect in the next five to 10 years to be handling somewhere between 5 million and 8 million tonnes. For us that is major growth.

CHAIR—I am sure you will talk to us about what the capacity would be in terms of that growth. Is that figure based on current capacity or on a number of factors occurring that would enable you to expand your infrastructure?

Mr Paterson—Yes, it is very much based on growing our infrastructure capacity. The major growth is the forest products growth and that is purely driven by the pending blue gum harvest.

CHAIR—That is woodchip?

Mr Paterson—That is woodchip. The 4.8 million tonne figure is all woodchip. As for the lower number, again, that is woodchip only. The number in between those two would be woodchip and pulp. There is a pulp mill proposal in Penola in South Australia, which, if successful, and if they choose the Port of Portland to export, would make a difference. Two tonnes of woodchip equals one tonne of pulp—and you can see the conversion there.

A new trade for us in the last two or three years is mineral sands—this is Iluka with a very large investment in Hamilton and investments up north of Hamilton. We put that as a separate line item. It is not a matter of large volumes per se for the port, but it is a very valuable, high-value product. Outside of ingots, it is probably the most expensive product going through the port. Two hundred thousand tonnes of mineral sands has a rough export value of around \$200 million.

The slide at the bottom of the page is what is happening—

CHAIR—This is what you have noticed—

Mr Paterson—Yes. This is our forecast for 2008-2009 for the 12 months ending in June, and our actuals, and those actuals are annualised. The red numbers are there not as a highlight; they show that we are negative.

CHAIR—So they are down by 20 per cent, and forestry products by three per cent—and smelter and grain 100 per cent?

Mr Paterson—Yes, there is no grain—drought—and, as you see, fertiliser and mineral sands. Twenty-one per cent down in any business is significant, and there are many media reports about downturns in businesses like Qantas and the car industry. Twenty-one per cent is really up there.

However, behind these figures is a different story. The first half, through to Christmas, was very strong and, with the global financial crisis raging around us, we felt we were bulletproof. Then came January, February, March.

CHAIR—This is all this quarter.

Mr Paterson—So the fall has been all this past quarter, to the extent that our total volumes have fallen 33 per cent in three months. Soft woodchip is just under 70 per cent of expectations. Hard woodchip blue gum is growing—so that is the good news story. Fertiliser is at 63 per cent and mineral sands at 90 per cent.

CHAIR—We did not talk about ‘other’; what is the growth? Is it small?

Mr Paterson—‘Other’ includes livestock being live exports of cattle and sheep. It includes, particularly in this number, wind blades which have been strong and it will include oil and gas activity as well, which had been strong but we have seen it turned off.

CHAIR—Thank you.

Mr Paterson—I guess what is common in the trades that we have seen is that our exporters have a lower commodity price that is not new. There is obviously reduced global demand. We have seen export customers with high inventory levels going into 2009, which is particularly evident in the Japanese paper industry. The stories we have received are that paper stocks are high as is pulp, as are the woodchip stockpiles in Japan, as are the woodchip ships. Up until yesterday we had a ship that was loaded some three weeks earlier just sitting in the bay of Portland waiting to be called to Japan.

CHAIR—Has it gone?

Mr Paterson—It has only recently gone. Normally they are chomping at the bit to get loaded and get out but it has all gone slow. April has been a reasonable month for us, but does it mean that we have turned the corner? No. But for the quarter that we just had, the first quarter, if we extrapolate that forward and that is our base volumes, this port is very seriously challenged, but more so the community is very seriously challenged. It means that the \$600 million investment that Iluka made in Hamilton could be closed because there is no point producing mineral sands if there is no market for sand.

CHAIR—Can I ask you on that: what sort of employment do you have? How many direct employees do you have at the port and then have you any estimates of what the economic benefit to the town of Portland and the region would be?

Mr Paterson—I did have those numbers.

Mr Gracias—We have close to 45 direct employees and then in the region, indirectly, we have about 860 full-time employees created out of activity from the port.

CHAIR—That is including those in the industry who are exporting or importing through the port?

Mr Paterson—No, with that you would get into the thousands. Our direct employees are the 45 that Peter spoke of. Most of the activity on the port is carried out by other parties, for example, stevedores and GrainCorp. All our tenants have employees on port. There would be over 100 people. If you say, ‘but for the port’ there is the smelter which employs half the town. The smelter is over 30 per cent of the council rate take. The smelter supports Keppel Prince, which is a major engineering company that employs 200 to 300 people. They have been able to grow their expertise to participate in the wind farm. I think there are hundreds of people employed in Hamilton, so the impact that we are seeing is vast. We are very much an early indicator, I guess.

Just looking individually: mineral sands at Iluka has announced that they are struggling with overseas sales. The fertiliser industry: what worries us here is that our fertiliser volumes are well down but all the sheds around Portland are full of fertiliser, so there is a lot of stock in the system. We hear that the farmers are struggling, obviously, after years of drought. The banks are not prepared to extend further credit—again, that is third hand.

We have seen a little bit of a fall-off in livestock, but the big fall-off has been in woodchip, particularly in softwood. Softwood is predominantly used to manufacture newsprint. Hardwood, which is the blue gum, is used for the glossy photocopy paper or the glossy magazine type paper. So the blue gum is the high value product. Blue gum continues to grow; it is the only success story we have at the moment. But with reduction in demand out of Japan, softwood is struggling. The biggest opportunity we have as a region—so this is the glass half full view—is the blue gum. Jim may like to speak about this.

Mr Cooper—The opportunity with blue gum trees focuses on the plantation blue gum trees that are planted in the Green Triangle region. You will all have seen plantations when you drove here today. What is interesting is that the Green Triangle region blue gum plantations, in which planting was started in the mid- to late-1990s and has continued since, have collectively grown to become one of the four main regions in the world where hardwood grown on a renewable basis on plantations can be sourced. It is a world-scale resource. Not many people understand how significant that resource is and what demand there is for that product overseas. That is the first point to make.

The industry or plantations were established in around 1996 or 1997 using managed investment schemes as the source of funds as a result of the federal government's forestry policy. We believe that was a good initiative to kick-start what was a new industry in this region, and it has resulted in a very big world-scale plantation of about 180,000 hectares of forests. Blue gum trees take roughly 10 years to mature, depending on whether they have had good rain and weather during that time—but they are harvested at around 10 years of age. The harvest starts about now and about 10 to 12 years of harvesting of trees that are in the ground and growing now will take place.

People are making different predictions about the volume. We have spent a lot of time at the Port of Portland analysing how much timber is there and we think that between two and three million tonnes of hardwood will be produced each year for the next 12 years. Depending on how successful the weather is, it could be slightly more. But we can see the forests and we have used average yields and we have looked at the experience of other plantations in Australia and we think that that is about the quantity of hardwood chips that will be produced. This will be about 15 to 20 per cent of Japan's annual requirements for paper making. It is a very significant demand and it is interesting that even though the Port of Portland is just a small part of the supply chain from the forests to the end customers we have regular contact with the Japanese end customers. They are very interested in the Port of Portland as an outlet for the product they want. When I say that we have regular contact, they visit the port regularly. There are four or five very big paper companies in Japan and there are a number of trading houses that buy woodchips for those companies. They are regular visitors to our port. We have also sent a delegation to Japan and tested the demand.

Blue gums have a very high yield for making paper compared with native forests. There are no native trees being turned into woodchips that go through the Port of Portland. We are talking about all plantation trees.

Our analysis of the opportunity for the blue gum harvest is that it is about to start; the trees are in the ground and will be harvested. There is strong demand for the woodchips overseas. This is in the context, however, of the global financial crisis. A number of the timber companies that manage the plantations are in financial trouble at the moment.

CHAIR—We heard some evidence about that very briefly this morning—obviously from a farmer’s perspective—from someone who is expecting a return on their leasehold and is concerned about that. I do not know enough about the industry itself but I am interested to know—if you are telling me that the demand in Japan for hardwood woodchips is still there for glossy paper and that it is going to continue to be there—what is the issue in terms of these companies? What has happened?

Mr Cooper—There are several components. I have talked about the demand for the product from Japan. Coming back to the industry structure in Australia and how the trees are grown, at the moment 70 per cent of the blue gum plantations in our region are managed by three Australian timber companies: Great Southern, ITC and Timbercorp. All three have used managed investment schemes to fund their forests. So, in terms of the industry structure, they are finding that demand for those managed investment schemes from mum-and-dad investors has fallen dramatically in the last 18 months and that a major source of their funds is not there. The demand from Japan is very separate. It has fallen in the short term—as Scott just talked about. We think that in the long term—three to 12 years—it is very strong. The Japanese are the highest per capita users of paper in the world, which is up there within the top five users of paper in the world. They do not produce enough timber, they have to import it and they really like the renewable plantation white hardwood chips they get from Portland.

CHAIR—So, in order for the company to continue to grow and develop, it is requiring new investors all the time. Is that what you are saying?

Mr Cooper—The timber companies, yes. And they have to change the way they run their businesses—their business models. You will see that we are right in the middle of the transformation of those companies now. That leads on to a couple of things I will talk about in the next few slides. Over the last four years we have worked with these three major timber companies to develop plans for new infrastructure at the Port of Portland to cope with what we estimate will be the throughput of hardwood chips. Those three companies I mentioned control 70 per cent of the volume. We have also designed the facility to cope with 100 per cent of the expected new volume so that third parties, those smaller growers of timber—and you had a witness this morning who talked about whether they would have somewhere to put their woodchips through at the port—will have access to the new infrastructure that is planned. There are already hardwood chip handling and export facilities at the Port of Portland. That is controlled by GrainCorp. GrainCorp is expanding its facility for the new blue gum woodchips as well. But, at the moment, we think that, even with GrainCorp’s improvements, there is still a very significant shortage of capacity. So, of the expected export volume, we are about three-quarters short of what we need in capacity. We think GrainCorp can handle about one-quarter of the expected volume.

CHAIR—So you have had significant development work done on the Portland chip terminal. I notice from your slides that you are ready to go.

Mr Cooper—We are ready to go, and it is fair to say that all the plans are drawn up, the contracts are drafted and the environmental and government approvals are done. We were working on the last stage of the project, to source funding privately.

CHAIR—And that has dried up.

Mr Cooper—That was going according to timetable last October-November, which was coincidentally the same time that the global financial crisis hit. Basically, the message back from our shareholders and the big Australian banks, was, ‘without some kind of credit enhancement, some kind of guarantee that there will be payments, we are not sure that you are going to be paid for your investment’, because the three timber companies are in difficult financial circumstances—two in particular put out official ASX announcements about their financial situations. So we have an opportunity. The benefits of the opportunity include—and I refer you to page 6 of the slides—the jobs that are to be created. We had an economic impact study done in 2005 and, on the lowest case forecasts of woodchip volumes, the full job creation was over 2,700 jobs in the Green Triangle region. That number is higher at higher yields of timber.

But that is for all jobs. There are a small number of jobs to be created on the port but there is a multiplier effect on all support industries throughout the region, because there needs to be significant harvesting undertaken and all of the support industries for the new people.

CHAIR—What is the shortfall? How much money are you looking for?

Mr Cooper—It is on the public record. The facility will take \$60 million to construct, with all costs.

CHAIR—You have some money from the state already?

Mr Cooper—No, we do not have any money from government at all—either state or federal—and we actually have in-principle arrangements with our shareholders and banks that the project is bankable and fundable but for the credit worthiness of the timber companies which will use the facility. If some kind of credit enhancement can be provided for the payments that they must make to use this new facility then the funding would be forthcoming. So I suppose we are looking at the opportunity for new jobs and export income. The wood chips that would be exported—you would see the figure there—come to \$250 million to \$300 million of annual export income for the timber growers. Those jobs and this export income are conditional on new facilities being constructed at the port. I suppose our message today is that there is one piece of our project missing, which is credit enhancement of the project. Otherwise we could start in a matter of weeks.

Mr NEVILLE—On that point, you say you want us to recommend assistance of the federal government for the project. Are you looking for that as a cash payment, as a subsidy on what you spend, or a soft loan—what sort of thing?

Mr Cooper—Our initial approach is for credit enhancement. If there was no money advanced but the federal government was able to provide guarantees that the annual payments would be made to enable the port to make repayments of the capital it has borrowed, that is likely to be enough to get the whole system moving. Once the wood starts flowing the Japanese—they are the main customers but there will be other customers, like the Chinese—will be very quick payers for the product. Once the cash starts flowing the system will start to work. There is enough wood chips there, they are being sold, there is enough demand and when the cash starts flowing it will be quite a good business opportunity but kick starting it is the issue.

CHAIR—Given the level of concerns that certainly two companies have put out—it is difficult for you to comment on this—what is the risk of those companies going into receivership and then what would the impact of that be? I am just trying to see what the risk is to the Commonwealth, frankly.

Mr Paterson—Let me put it into the context of the risk to us. What we are trying to create is a facility of real scale in the Australian context. To do that we are going to try to create a facility that is common user. We do not want the operator to use the facility to lock out competitors. For example, if a Japanese company built this facility on the port they could use that facility to stop any other competitor getting access to that wood chip. So it is very important, we believe, that we create this common user setup. To be able to do that we need volume and to get volume we have identified these three timber companies as controlling the majority of the timber in the Green Triangle. That is the nexus we are working with. Each of these three timber companies could fall over. Two of them have said they may not survive in the next 12 months, and this morning Timbercorp went into administration.

CHAIR—Did it; I had not heard that?

Mr Paterson—I am not surprised. Last week Timbercorp said that they had until 1 May to work out an arrangement with their banks, and obviously that did not work. So all eyes from the port will now be on how the administrator works. Firstly, the administrator can walk in and, we understand, void any contracts. We have no contracts with Timbercorp or any of the companies at this stage. If we had had our facility in the process of being built, we would have lost the contract and we would have been without that volume—and without that volume we would not get a return.

However, the trees remain in the ground. The trees are not owned by Timbercorp; they are owned by individual investors. The difficulty is that Timbercorp has the right to cut those trees and turn them into woodchips and has the right to sell them to the Japanese. We do not know how long it will take to unravel those rights. The farmers may have leases that are about to expire. If those leases revert with trees in the ground, they will get a major windfall. If it gets drawn out in a large property dispute, the trees are not going anywhere because they are security. The biggest difficulty we have and the risk we have identified is that no volume moves. If volume moves, the supply chain is flush with money. That is the ironical thing—the Japanese want the product and the product is high value. We have looked at the cost structures. There is good money available in the trees for the investors still, but it is unlocking that. It could get very messy.

CHAIR—Knowing a little about property law, I suspect it will.

Mr Paterson—So you can see the risk and the dilemma we face. The concern we have is that it is a \$60 million investment. Some people have said, ‘Well, that’s very small.’ It is not to us. A \$60 million investment with shareholder and bank input would actually put the entire port at risk. We would not just lose one facility; we would lose the lot.

What are we looking for? We are not looking for a cash handout. We are a privatised port and we want to stand on our own two feet. We are asking for credit enhancement in the form of a guarantee or a soft loan. Before the global financial crisis, our shareholders, who are managed by Hastings Fund Management, told us that there were debt instruments that would have allowed us to pay when we are paid. The interest and repayment of principal would be linked to the flow of timber. Those debt instruments do not exist anymore.

Mr NEVILLE—That is very interesting stuff. So Hastings are the principal shareholders, are they?

Mr Paterson—Hastings are the fund managers. We have two principal shareholders. One is the Australian Infrastructure Fund, which is a listed company—50 per cent. The other shareholder is the Utilities Trust of Australia, which is unlisted. Both receive funding from superannuation funds.

Mr NEVILLE—How do they administer it? Do those two companies appoint a board that manages the port, or what?

Mr Paterson—Yes. Each of those shareholders has their own board. Those shareholders appoint a board to oversee the port. I have a board of directors I report to and we run as an independent company.

Mr NEVILLE—So you are vulnerable too in the sense that you are not a corporatised government board. You are sitting out there with your backside out the window, so to speak.

Mr Paterson—We are very vulnerable, and people have said to us, ‘But for the fact you are privately owned, maybe funding would be available.’ I do not buy those kinds of positions and I do not really think that that is true.

Mr NEVILLE—I can see your point, then, in making this red statement at the bottom, that what you need for your region is some sort of certainty.

Mr Paterson—We need certainty, because nothing will happen. The port will not invest and the jobs will not be created. The property feuds will go on. The investors will not get any money.

CHAIR—What I am alluding to in some of the questions I am asking is this. Obviously the Commonwealth will make determinations about the potential for risk in the sort of suggestion that you are making, but there are no guarantees about the trees, with Timbercorp going into administration. You have an administrator who is going to look to deal with its secured creditors first. I suspect there are going to be some disputes about who now owns the trees, the rights to the trees and then the rights to the contracts with Japan. If that does get locked up for a period of time, which potentially it will do, then your whole project could fall over entirely because there are just no trees to put through your plant at all, other than those of the other two companies.

Mr Paterson—Other than the other two companies.

CHAIR—Yes. That is what I am trying to tease out. I know that you cannot provide any guarantees that there will be product ready to work with, but for a \$60 million investment it would be a disaster to put money in and then get locked out because there are no trees to put through it.

Mr Paterson—That is exactly the conclusion that we have come to. We risk the entire port. But there are a number of trees. Thirty per cent of the volume in the Green Triangle is controlled by parties other than these three MIS companies.

CHAIR—So there are companies other than those three.

Mr Paterson—There are private family holdings; then there are the Japanese. But they are only very small lots. We would have to deal with about 10 or more individual companies to try and patch together volume. It would be very difficult and more expensive for lack of scale.

CHAIR—Are you seeking to meet with the administrator soon?

Mr Paterson—We only just got the announcement as we were driving here. What we will watch closely is which party ends up with the cutting and marketing rights, because that party will require access to deep water.

Mr NEVILLE—So what you are saying in essence is that without the forest products the rest of the port cannot sustain itself?

Mr Paterson—No, the port can sustain itself. What I am saying is that the port cannot sustain an additional \$60 million investment with zero income.

Mr NEVILLE—I see your point. How far down the track are you from the point of commitment?

Mr Paterson—We are just waiting to sign the papers.

Mr NEVILLE—But your neck is not in the noose at this stage?

Mr Paterson—No. We have never had any commitments or financial obligations. We have spent quite a lot of money trying to get this far.

CHAIR—If this facility is not there—obviously, I am assuming that regardless of whether you are there or not—where would it be exported from? Where would it go from?

Mr Paterson—There is no other facility in Victoria that could cope with this volume, nor in South Australia.

CHAIR—So where would it have to go if you weren't there?

Mr Paterson—If the port of Portland was not there, it would have to go via Geelong. That would be the next closest.

CHAIR—Have they got a processing facility there?

Mr Paterson—No.

CHAIR—So are you saying that it would go out as whole logs and then be processed somewhere else?

Mr Cooper—Our understanding is that it is not just the issue of capacity at other ports but the issue of economics. The economics of wood chips, in terms of how much you can sell a tonne of wood chips for, are that a very high percentage of that—up to 40 per cent—might be used to transport those wood chips to Geelong.

Mr Paterson—That is right.

Mr Cooper—They have not got that margin in the price that they sell it for. They might have a 10 or 15 per cent allowance for transport. Our judgment is that that is not viable.

CHAIR—In essence, the timber companies would just leave them there rather than take them out and—

Mr Cooper—Or they would find alternative uses for them. As part of all the homework that we have done on this project, we have looked at possibly pulp mills in the region. We have looked at whether the wood chips can be turned into biofuel. We have looked at all possibilities as to how they might be used, and our judgment is that the Japanese paper demand provides the best price and the best export opportunity. It is still very good economics for that to happen. Our case is that there is very strong underlying demand. Setting aside all contracts that might be put in place and setting aside the turmoil in the managed investment scheme industry, we think that the trees will be exported from Portland. We are looking for the catalyst that can help that.

CHAIR—I am interested in the timber companies' point of view. Despite what managed investment schemes do and why people make the decision to invest in them, you are hoping that at some point they are expecting a return on that investment—some are happy not to, as I understand it. In terms of the timber companies, obviously they have a massive resource in the Greater Green Triangle. What did they plan to do with it if you did not build this thing?

Mr SULLIVAN—It is very careless, isn't it?

CHAIR—How else are they going to get a return on their investment?

Mr Paterson—Timbercorp, Great Southern and ITC were once \$750 million plus companies. It was a no-brainer that the port was going to deal with these companies and build the facility for them. It was going to be two facilities or one big one, and we ended up with one big one. As far as offshore demand is concerned, the market dynamics have not changed, other than for a softening. And long term it is very good. Timbercorp was trading around 5c to 8c, and then nothing. It fell very quickly.

Mr NEVILLE—What is the capital investment in the port? What is it on your books?

Mr Paterson—The total asset value is around \$200 million.

Mr NEVILLE—I do not think any government, state or federal, could let that fail.

Mr SULLIVAN—It is not the port that will fail. The port will go on quite nicely, thank you very much. It is the blue gum chip industry that will fail if it does not have an export facility. That would be a correct reading of it, wouldn't it?

Mr Paterson—That is a very good point. Whether you are pro MIS companies or anti them and whether you agree with tax breaks or not, what has been developed in the Green Triangle region is world-class. It is in the ground.

Mr SULLIVAN—Correct me if I am wrong on this: the port would have understood that the port development necessary to export the chip would be funded by the companies who owned the trees.

Mr Paterson—No. The development at the port would be funded by the port as the infrastructure provider and would be underwritten by the three timber companies as the lead tenants of that facility. If we had stepped back, clearly none of those three timber companies would have been able to build the facility themselves. What they had was access to volume, and that volume had value. To put it crudely, we could clip the ticket as it went through and fund that investment.

Mr SULLIVAN—Ten years ago, when they started putting trees in the ground, how did you anticipate funding the development of the woodchip export facility?

Mr Cooper—Five years ago, negotiations started in earnest with those three companies, as well as other timber companies in the region. The facility was going to be funded by the port and, as Scott said, it was with three counterparties who were of significant substance. Also, we did not have the restrictions on capital that we have today. Even up until last October, it was not anticipated to be an issue. It has taken the last five years to develop. The work that is described on page 5 of our submission has taken many millions of dollars and about five years of engineering work and negotiation.

Mr NEVILLE—Looking more broadly over the Green Triangle region, the committee was there about three years ago. At that time, the railway line to the north was an issue. It was going to carry timber and mineral sands, amongst other things. There was to be another line or an upgrade of the old line to Penola to create a new artery from the southern portion of South Australia. There were also projects for two potential pulp mills. Can you tell us where all those projects are at currently?

Mr Paterson—The pulp mills?

Mr NEVILLE—The pulp mills and the train line.

Mr Paterson—I am going in reverse order. There are no longer two pulp mills; they have been merged into one. The current proposal is for a pulp mill at Penola. But we have questions about whether that pulp mill can secure the financial resources it needs to develop itself in the short-term. The rail activity and, in more recent times, the committee's report—I assume you are referring to the Neville report—was a catalyst to the work that was done by the state government, which was led by the Fischer review. One of the recommendations in that review was the Portland-Maroon line be taken over by ARTC, and it was subsequently implemented. The other rail projects in the region are still on the board.

More recently, the state governments of Victoria and South Australia have collaborated on the Green Triangle region task force, and two weeks ago they released the Green Triangle Region Freight Action Plan. Just prior to that occurring, joint state government submissions made to Infrastructure Australia got some traction. Infrastructure Australia at least put them in their priority listing. The document picks up the Heywood-Mount Gambier-Penola line and road developments. It picks up a lot of the work in the region from an off-port perspective, which is appropriate because on-port is our business at this stage.

Mr NEVILLE—This question is not quite in the spirit of the terms of reference but indirectly it is. You pointed out that the city is very close to the port. It would seem to me that you do not have any choice but to be a first-class citizen. Do you have any problems with fall-out? Is there dust from woodchip? Do you have any of those sorts of issues?

Mr Paterson—Yes, the primary emission issues are dust and noise. Water run-off is another one. We are in a marine environment. These issues are closely monitored. Basically, our development for this new woodchip facility includes a number of controls that relate to water and to the way we handle woodchips.

Mr NEVILLE—Do woodchips send off an emission of any sort or a dust?

Mr Paterson—We have extensively measured dust. Noise from traffic is the other one. We are very blessed with a ring road. They are all issues we need to work on. At the moment, we meet our neighbours' expectations.

CHAIR—Thank you very much for presenting your evidence here today. We are not due to report until later in the year, but I have undertaken to provide some feedback on some of the issues and ideas that arise at each of our hearings. So I will certainly ensure that the minister for transport and infrastructure is aware of your evidence before us today. Obviously, through your local member, I would imagine that you would have undertaken some lobbying efforts. Certainly, as a member of the government, if David would like me to facilitate any of those issues, I am more than happy to do so. Thank you again for appearing before us today.

[2.44 pm]

CARTHEW, Mr Christian Peter, General Manager, AME systems

PATERSON, Mr Scott, Chairman, Committee for Portland

RANK, Ms Anita, Executive Officer, Committee for Portland

CHAIR—The committee has set aside the next period for members of the public to make brief statements. I have ‘three minutes’ written here in brackets; I might be a little more lenient than that. I would remind presenters that the committee is not able to investigate individual cases, and statements should focus on one or more aspects of the committee’s terms of reference. Although the committee does not require witnesses to give evidence under oath I should advise that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. That being said, you are most welcome to provide evidence to the committee’s inquiry into the impact of the global financial crisis on regional areas.

Mr Carthew—Thank you for the opportunity to have a few words. In response to the first term of reference, the encouragement of economic development and employment, I will read this statement. My main point in being here is to ask a simple question of the government: do we want basic manufacturing jobs in Australia? Obviously that is a complex question but I would like to see it answered at some stage. I watch other countries protect manufacturing while we continue to remove what little tariffs and barriers we have. I have retrenched staff and watched them line up at Centrelink to collect benefits. Would it not be better to invest—ensuring that we have a place to work, socially engage and learn—instead of giving out handouts?

Living in a small city like Ararat allows us to see more clearly the impact of stripping away manufacturing, however obviously this issue goes right across the country. If you in the government or we as a team bravely wish to strip away the protection from and barriers to low-labour-cost countries then we should also strip away the barriers to a level playing field: superannuation, work cover, payroll tax, OH&S responsibilities and a long list that our competitors do not have to bear. The one I focus on mostly is the payroll tax. The government is asking us to hold and protect jobs—I alone have retrenched 77 people over the last few months as a result of the slow down and other factors—yet we continue to tax the employing of people. If we want economic development and employment in our region then we need to bring back the jobs.

I have spent quite a large proportion of my life in Ararat and I have watched it go from 10,000 back to 5,000 and then claw its way back to about 7,500 people. What is behind that? We have lost many jobs, both government and manufacturing. We need to learn from the fast-growing economies and regions. We need to build a strategy to bring manufacturing jobs out into our region, which will cause population growth and subsequent service improvements—transport, medical, dental, education, communication, social et cetera. Everyone is screaming out for these things but we have to have a basic look at it to see what we need to put in place first. I have lots

of examples of these sorts of companies—like Kenworth Trucks in Bayswater—and what brought them to the area. What drove that was face to face communication and seeding these manufacturing or other opportunities in certain areas and certain places.

I will jump to the second point—there are two terms of reference—and refer back to what I have already said. By attracting significant employment—let's look at trucks and buses; some niche manufacturing opportunities—we will bring the people back to where they need to be, to where we strategically want to grow our population. That then will drag in the essential services and social infrastructure that I talked about in my opening statement. They will also be attainable and sustainable because they will be used. There will be a purpose, instead of dragging things out here. I have watched us put bus routes in place. The buses drive past my house with one person on them. There are lots of things like that that do not make sense. We need to get the jobs here first and then build the infrastructure around them so that we are not wasting our country's hard-earned tax. The zero growth that we have experienced in this region—I talk of the whole region, not just Ararat—and the further forecast of zero growth will never allow us to attract any attention or any significant investment.

To summarise, my main point is we have to have a look at models that are being used by China and the surging nations, have a look at the very basics of them, go and get the opportunity and seed it where it needs to be. So thanks for the opportunity.

CHAIR—Thank you very much for that evidence. Your sector, you are in car componentry is that right?

Mr Carthew—It is more niche. I would like to direct it away from automobiles.

CHAIR—So what do you make?

Mr Carthew—We make all the wiring for Kenworth Trucks, Iveco Trucks, Mack Trucks. We also do aircraft, buses, motorcycles, farm machinery and some really good niche areas.

CHAIR—I have some transport sector industries in my own electorate. Has it been particularly in the transport sector that you have noticed a decline in your orders or is it across-the-board?

Mr Carthew—It is across-the-board. Defence is looking good at the moment as there are some long-term orders for the Bushmaster and things like that. Buses are looking strong in this environment; Volgren and companies like that are doing very well. There is a strong need to build factories in New South Wales and we are supporting that need. But, generally, things are slowing and the truck side has more than halved.

CHAIR—Have you had the local AusIndustry representative, John Finch, out to your company?

Mr Carthew—I have met John and also the ICN and many people. It is quite hard to access some of that support; it is not easy.

CHAIR—In terms of the government grants themselves, are there barriers for you to access those or is it difficult to get access to the people to tell you about them?

Mr Carthew—I go and meet the people but it seems awfully hard. We have invested \$1.6 million in machinery over the last few years. I have had business trips to Switzerland to source it and bring it back. Each time I go I say, ‘There is possibly some support available here.’ But it generally just seems too hard to get. We just go on about our business and get the job done. In the past we have applied for some training grants and we have been successful a few times.

As an educated tradesman with a bachelor degree and so forth, it is beyond me that you can grow a business successfully and on one side of a \$5 million payroll you do not have to pay this extra burden, but then all of a sudden because you have done a good job and grown a successful business you have this huge tax. We are paying between \$300,000 and \$500,000 a year in payroll tax. We are in a very small town, we are the biggest employer in this region and yet we are risking all of that. If I can add, from a passionate point of view, my young brother and myself are months away from the succession process and buying the business from the family.

I would really like to know the answer to these questions: do you want us to be here in Ararat? Do you want us to move forward, and, if so, how can we remove some of these burdens, payroll tax being the first one? We could put that back into employment, investment, better systems and so forth.

CHAIR—Thank you.

Mr SULLIVAN—As you are probably aware, the position of your company came up in a couple of presentations that we had earlier on today and there was a suggestion that there is some pressure for your company to go offshore for its manufacturing process. Is that locally generated, generated as a consequence of all of those issues that you just mentioned that you have to pay as an Australian employer or generated from someone making approaches to you?

Mr Carthew—We have not easily been able to pass labour increases and the other increases that we have incurred over the last five to 10 years back down the supply chain, so our margins have been diminished. Yesterday we had meetings with a major customer who has people in China looking to replace our input. It is real; it is coming from our major customers and it is pressure for us to go offshore.

I have travelled in Malaysia, Mexico, China and all over the world looking for options but we are trapped in this funny position with the niche market. The volume does not seem to be there to go offshore nor the will. We are a family business. I have got my brother, I have two children and I would like us to be here for 30 years offering an opportunity but there is massive pressure against that.

I might add that one of the options I have been looking at for the last few years is turning some of the civil jobs into jobs in the prison system. I do not particularly want to do it. I would rather employ persons who are not imprisoned—

Mr SULLIVAN—Uncaught criminals!

Mr Carthew—Yes, there are probably a few amongst us! If I need to protect some of those positions by pushing other positions into the prison system maybe we have to do that. That will not look very good in the eyes of the public, but we may be forced to go down that road.

Mr SULLIVAN—You asked a question at the outset about whether we want a manufacturing industry. I think you need to take some heart from what was the Prime Minister's second public pronouncement after he was elevated to the leadership of the then opposition. He said that he did not want to be Prime Minister of a country that did not make things any more. He did not define 'things'—whether they were things for which we fought to drive down wages and conditions in our workforce in order to compete with the low-wage shores or whether he was talking about things that we could sell in niche markets overseas at a premium price, where wages and wage on-costs do not matter. I can give you an example of that privately afterwards if you like. But we do seriously want a manufacturing industry in this country.

You talked about your payroll tax being \$300,000 to \$500,000. What is that as a percentage of your business turnover?

Mr Carthew—I will let you do the maths for me. As a percentage of profits it ranged between 15 and 21 per cent the last time we did it. The numbers are significant. We are a highly labour-intensive business. This year we will probably turn over around \$27 million with 220 employees. So we have got a lot of people to generate a fairly small number. Therefore, that tax as a percentage is massive.

Mr SULLIVAN—You do appreciate of course that payroll tax is a state tax that we have no coercive power over.

Mr Carthew—I fully understand that but I thought it was important that we got the message out there. I do not want to take the decision in a few months time to take this business offshore or shut it down. They are our options. If we cannot generate a reasonable return from it, it ceases to exist. It would be a huge shock to this community. To lose 220 positions would be terrible.

Mr SULLIVAN—You would have to leave town.

Mr Carthew—Almost certainly. I would be one of the ones leaving because I would not be able to live here.

CHAIR—Thank you for your evidence, Mr Carthew. As a government member I can assure you that the government is aware of the pressure that is currently being faced by manufacturing. The examination is for how we actually manage that in the short and long term. Certainly, a number of us have been raising these concerns consistently. You will receive a proof copy of the *Hansard* transcript of today's proceedings and we invite you to advise us of any changes you would recommend.

Ms Rank and Mr Paterson, would either or both of you like to make a statement?

Ms Rank—Yes, I wanted to inform you about what we are doing in the south-west to overcome the economic crisis. The Committee for Portland was developed by businesses, industries, local government and people from the community coming together to create a

membership to work on a number of projects. We find that networking in our region is extremely important because we have a lot of businesses and a lot of middle to high management who find that they need to go elsewhere for their stimulation and their training. The networking is an important aspect that we deliver.

Another role is to advocate for key issues that come up from time to time, such as transport—high vehicle productivity is one that we are supporting, as well as support for Essendon and Avalon airports. The other role is for us to roll out projects. That is where our opportunity is to make a difference. That is where we have come from.

We applaud nation-building initiatives that have recently been announced, including the plans for broadband coverage. We also applaud the government's initiatives to build road, rail and port transport. But we also encourage the bigger businesses to come to our region. To do that, and to keep the partners and families in our region, we have to provide training.

The issue that we have with health care in our area is a shortage of medical staff. Recently most of our births have occurred in Warrnambool, not in Portland. There are areas in which we could help our healthcare system.

Even though there have been big improvements in our education system in terms of upgrading buildings, we believe that the tertiary and higher education systems need support because they are the engine room for skills and future innovation, and we support them. We support the trade training centres. We would like to help them because we have big businesses that support that concept. As was mentioned before, Keppel Prince are one of those. Portland Aluminium are another big supporter of that concept. We welcome the Jobs Fund that has just been released. We will tap into that to try to roll out projects that will support small business. We see that there is a need to run training in our region because no training is provided. We also want to provide business management programs, and we could do that through our TAFE system. That is where we need support there.

To highlight what is happening in our region, tourism is a growth industry. Tourism in our region is increasing, probably through our fishing industry. We have had a boom fishing season. We are becoming the most popular deep-sea fishing destination in the south-east of Australia, which provides us with a big tourism opportunity. Local government are developing a third boat ramp. We find that from weekend to weekend 200 to 300 boats come from across Australia to fish in our region. Of course, that causes great economic growth in our region.

We need the government to support Portland Aluminium. As Scott mentioned, they employ locally 600 employees and 200 contractors, and create a range of indirect jobs. Even though the government needs to be sensitive with the environment, they also need to support our key industry, Portland Aluminium.

Local government is supporting and has applied for funding to upgrade our airport as well. That is a key driver for our region because it is one of the quickest and most efficient ways in and out. Our links to Essendon and Avalon are extremely important there. Any funding that could be directed towards that master plan would be extremely beneficial.

As I said, the role of the Committee for Portland is to deliver projects to small businesses and individuals to upskill them. We find that people go to Melbourne for their training or are educated here and move away, and it is hard to bring them back. So, if we can keep people here by upskilling them, that will be beneficial to our region.

The Committee for Portland believes that, despite the current global economic turmoil, our region with its large and unique industry base and deepwater port is well placed to capitalise on the outstanding growth potential in the timber, agriculture, mineral sands and renewable energy sectors, which we probably have not talked about a lot today. We encourage the federal government to provide funding for projects that will stimulate economic development and employment in our region.

CHAIR—Thank you. Mr Paterson, did you wish to add anything?

Mr Paterson—At a higher level, if I might. The local economy of Portland and the Glenelg Shire, which we represent, is very dependent on direct employment, direct employment from industries that are heavily exposed to international markets. We have spoken, through the presentation from the Port of Portland, about a number of those industries and how they may be tracking.

We do not have a strong or very large domestic economy per se and we do not have the cafe culture type of thing. Therefore, I think a lot of domestic stimulus packages, although gratefully received, will not have the multiplier impact in a town like Portland or a region like Glenelg, or in Ararat, for that matter, that they might have in, say, downtown Melbourne. So the comment that the industry would like to make to this hearing is very much that we are exposed. Although we are impacted in Australia by the global financial crisis, I strongly believe Australia is very well placed; however, the markets that a lot of our industries are dealing with—Japan, the Asian markets, the North American markets et cetera—are heavily impacted. We probably do not see that as much domestically as we might well do.

CHAIR—Thank you. We chose different areas to go to for this inquiry so I am conscious that, while we may be in Ararat, having Portland represented here does provide us with a different picture, as you have just stated in terms of what your economy is reliant on. That has been really important evidence for us to hear today, because different regions are experiencing different things, depending on the mix of their economy. It has been very helpful.

Mr NEVILLE—What is the ask on the airport—how many million dollars to upgrade it?

Mr Paterson—I do not think it even gets to a million.

Ms Rank—No.

Mr NEVILLE—It does not get to a million?

Ms Rank—No.

Mr NEVILLE—Everyone else is talking in tens.

Ms Rank—Yes. We would be easily satisfied.

Mr NEVILLE—What aircraft do you have servicing the airport?

Mr Paterson—We have a private airline, Sharp, and they fly Metroliners—19-seaters.

Mr NEVILLE—You say you want the link with Avalon. Why Avalon?

Mr Paterson—The major link for Avalon is with the smelter.

Mr NEVILLE—Fly-in fly-out?

Mr Paterson—Yes. They transfer people back and forth between the two smelters.

Mr NEVILLE—Do you have a daily service from Melbourne?

Mr Paterson—Yes, we have more than one flight; we have two a day, each way.

Mr NEVILLE—Can the public buy tickets on those aircraft?

Mr Paterson—Yes. It is a very good service and it is underwritten by industry.

Mr NEVILLE—They are all Metroliners?

Mr Paterson—Yes.

Mr NEVILLE—How long since Qantas or TAA or Ansett were in there?

Ms Rank—Rex was in there last year. They have focused in other regions.

Mr Paterson—Rex pulled out in early 2007.

Mr SULLIVAN—Why did Rex withdraw?

Mr Paterson—Economics, I would have thought.

Mr SULLIVAN—They did not have the same underwriting from industry that the new operator has?

Mr Paterson—I was very new to the region at that stage but my perception is that when Rex withdrew, industry rallied round to make sure that the incumbent—there were two operators—survived. With competition in that sort of market you would end up with both parties going bust, unfortunately.

Mr NEVILLE—Yes.

Mr SULLIVAN—And it only links to Melbourne, not to Mount Gambier and on to Adelaide?

Mr Paterson—It is about to.

Ms Rank—He is trialling that service.

Mr SULLIVAN—It makes sense.

CHAIR—As there are no further questions, thank you very much for attending the hearing today. You will receive a proof transcript of your evidence for any corrections. Thanks for taking the time to present before us. Thank you to Hansard.

Is it the wish of the committee that we receive the submission from Grampians Tourism as a submission to the inquiry? There being no objection, it is so ordered.

Resolved (on motion by **Mr Neville**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 3.09 pm