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, 3 SEPTEMBER 2009

TOWNSVILLE

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON

INFRASTRUCUTRE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

Thursday, 3 September 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: Ms King, Mr Raguse 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.

WITNESSES

Committee met at 8.59 am

BARR, Mr Todd, Strategic Policy Officer, Economic Development and Strategic Projects Unit, Townsville City Council

LYNCH, Mr David, Executive Manager, Economic Development and Strategic Projects Unit, Townsville City Council

CHAIR (Ms King)—Welcome. I declare open this 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 our 12th public hearing into this issue. The representatives today will be from the City of Townsville, Townsville Enterprise, the Chamber of Commerce and there will be a local economist from James Cook University.

Although the committee does not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and they warrant the same respect as proceedings of the House of Representatives. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I note that we have some media present, who I assume are ABC. I cannot tell. Do you have any objection to them filming?

Mr Barr—No.

CHAIR—That is fine. You are aware, and it is okay for them to do that. Thank you very much for your submission, which we received back in April. It is now some time since that was put in. We have read some of the media coverage that the council’s submission got at the time as well. Have you got a brief introductory statement that you would like to make in relation to that submission or some broader issues that you would like to talk to us about?

Mr Barr—I will begin by going into the main tenor of the submission: that was to look at the global financial crisis from the perspective of council, identifying the issues that we were facing, and also the Townsville region as a whole. At the time that we wrote the submission in April, the region was experiencing significant job losses and there had been a noticeable decline in business confidence and investment. In council’s April submission I mentioned the main job losses, one of which was about 300 lost at Yabulu.

At the time of that submission, the future of that nickel refinery was significantly in doubt. Since then—last month—Clive Palmer has bought the facility and its future is assured, so in terms of one of the attachments in the submission, looking at the damaging effects that that closure would have, luckily that has been avoided.

Following on from that issue of mining, looking at the broader Townsville region economy as a whole and how it has confronted the global financial crisis, there are two sides to the story. The first one is that the economy is obviously extremely reliant on mining, and mining related industries make a major contribution to the economy, along with other industries like construction. That is the first side of the story and that meant that the local economy was quite sensitive and vulnerable, particularly at the beginning of last year. The other side of the story is the diversity of the Townsville economy and the input from the government sector, public sector, health, education and defence in particular. That was helping Townsville weather that crisis. That public expense was particularly important in maintaining jobs.

More broadly, Townsville has been experiencing a major period of economic and population growth. We expect that growth to continue in the future. Population estimates put it that the city will take on another 80,000 to 100,000 people in the next 25 years or so. What that means is that, in looking at the pressures on the social services and infrastructure that the inquiry is setting out to look at, for us it is not just a factor of the immediate global financial crisis and the implications of that. It is also looking at this long-term growth pattern. From council's perspective, this is putting a major constraint and major pressures on our resources to supply that infrastructure and the services.

Before I go on to some of the particular issues and recommendations that the submission highlighted, I will briefly bring you up to date on where the economy is now with the local indicators. Most recently the stress on employment has begun to ease. Unemployment figures have gone down. At the beginning of the year, the advertised jobs in the *Townsville Bulletin* were only up to one-third to one-half of the numbers that had been advertised in the preceding years. But that trend is beginning to improve.

CHAIR—When did that start to happen?

Mr Barr—Just in the last few months; it is quite recent. Also, Townsville's building approvals hit rock bottom in December where there was a value of about $20 million. Since then, starting at May, June and July, those building approvals have really picked up, particularly in the residential and new dwelling sectors, so we expect that that growth is going to be sustained and we are optimistic about that growth in the future. The commercial sector is lagging behind but it has also begun to show signs of improvements and we are confident of that being sustained in the future as well.

Also, I notice that in the latest business confidence survey released by PricewaterhouseCoopers, while the confidence was still quite minimal it represented a significant improvement on the confidence levels that had been quoted earlier in the year. So in summary, things are taking a more optimistic and hopeful turn in the local economy. Recognising that issue, the economy and local businesses are still facing major challenges, particularly in construction and those issues that are creating unemployment are still very critical and important to council.

In that regard, I think the essential principles of the submission stand. That is, in terms of the role of council and the role of government, we see that the main role is a twofold one: firstly, to help provide stimulus and support in the short term; secondly, to keep on building capacity in the long term, particularly in the light of the high growth that is expected for the region. For that reason the submission focused mainly on infrastructure.

CHAIR—Yes.

Mr Barr—We are very appreciative of the support that the Commonwealth government has recently provided for infrastructure. One of the projects that was highlighted in the original submission was the Flinders Street redevelopment program. You would be aware that that is now proceeding with the support of the government under the Community Infrastructure Program.

The submission also included a number of broader regional infrastructure projects. I will touch on a couple today that we still think are highly critical. The first is the upgrade to the Townsville-Mount Isa rail system. That has been included in Infrastructure Australia’s list of 28 pipeline projects for the future. The second was included in our regional document and that is the need to restore and implement competitive energy for the region. At the moment, the energy available is still quite expensive comparatively. There are two effects of that: first, it is holding back new industries—it is a deterrent to attracting new industry; second, it is still a standing risk that existing industry could be lost simply because the available power is too expensive. The solutions to that problem are not simple but we see that one of the main solutions is to create a new baseload power station in the region to increase the power that is available.

The submission also mentioned the pressure on council’s resources, both in the context of the financial crisis—because development approvals and income to council, like all levels of government, had decreased—and, as I mentioned previously, in the context of our ongoing growth and increasing populations and demands on the region and on our services. For those two reasons, council would welcome any additional support the federal government can provide in terms of funding for local government. More specifically, we would welcome the establishment of an annual community infrastructure program. As I mentioned, the Community Infrastructure Program is a great initiative and if that could become a standing program on an annual basis, that would be most appreciated.

One other initiative that was highlighted in our submission was a program that was enacted in the 1990s, the Building Better Cities program. Council believes that that kind of model is still quite viable and useful, particularly in the Townsville region where we are going to be experiencing high population growth and the issues of managing urban planning and urban liveability are going to be critical. That program is attractive to us is because it reinforces the central problem of our ability to provide and get revenue for those services. We think that to provide them requires the three tiers of government to be brought together in a cooperative fashion. That was one of the guiding principles of the Building Better Cities program, which is why it remains so attractive from our perspective.

CHAIR—Thanks very much for both your submission and your update on some of the elements of that. Having read your submission back in April, which painted a not necessarily grim but a challenging picture for the region, it is good to hear that some of those indicators are not now in the same position as they were then.

Mr Barr—Yes.

CHAIR—What do you think has been unique about Townsville or about what you have done that has allowed you to weather what has occurred in the way in which you have?

Mr Barr—Council has focused on providing a stimulus to the economy for its capital works program. The next budget has about $300 million of capital works. Those major projects include a consolidated upgrade of our wastewater facilities and work on major suburban roads. Council has also made a priority of working with the state and federal governments to bring up major community infrastructure projects, such as the Flinders Street redevelopment project. That project really is critical for the future of our city centre in terms of stimulating building on our retail capacity and improving the liveability of the city as a whole.

CHAIR—Is that $300 million all council funding?

Mr Barr—That includes state and federal.

CHAIR—So the Roads to Recovery money—the Black Spot road funding.

Mr Barr—Yes, that is correct.

CHAIR—Also rail crossings—I do not know if there were any in this region—plus the Local Community Infrastructure Fund and others as well.

Mr Barr—Yes.

CHAIR—You have made a comment in your submission about the downturn in council revenues. We are asking all the councils this. Obviously some of that has occurred because of a drop in building approvals. Have you had many hardship cases for rates or defaults on rates?

Mr Barr—Off the top of my head I would not be able to answer that question accurately. I can follow it up for you.

CHAIR—Thank you.

Mr Barr—Council have made an effort in our recent budget to keep our rate rises as minimal as possible. The figure was about six or seven per cent. That has been our priority. Also, council offer a number of discounts on rates payments to seniors and pensioners.

CHAIR—Has council experienced any downturn in its revenue base because of its exposure to some of the elements of the global financial crisis in relation to investment decisions?

Mr Barr—No.

CHAIR—It seems to have been quarantined to some areas, but certainly some councils have had some exposure to that. In terms of workers who have been made redundant in the region, you and others have raised in the submissions concerns about losing the skilled workforce from the area, particularly given that, conversely, a year ago you were experiencing significant shortages of skilled labour. What is being done in the local area to retain those people, or what has happened to them?

Mr Barr—We have been working with the state and federal governments. Our immediate response to the lay-off in Yabulu was to work with the state government and their ready task force. We also established a job summit with the Queensland Premier. That set up an economic recovery task force. That is making a number of recommendations, including the retaining of skills in the economy. That group has brought together a number of stakeholders from the construction industry, also Townsville Enterprise and the Chamber of Commerce, working very closely with the Queensland government to develop a skills model and to look at timing and staging of as many capital projects as possible to help re-employ people.

On a federal level, I note that Townsville has also been nominated as a priority local employment region. We have begun working with the local coordinator Jason Millward. We are very interested in making the most of those opportunities and looking at possible sources of funding through the Jobs Fund.

Mr SULLIVAN—Mr Barr, thank you for the submission. I found it one of the better ones that I have read in terms of the information it gave me. I would like to run with a couple of things. The submission painted a reasonably grim picture for your tourism industry locally—perhaps with the exception of the backpacker market—with reduced visitation and, amongst that reduced number of visitors, a drastically reduced number of nights stayed in the area. Has that turned around or is that still the situation with tourism here?

Mr Barr—There still is some weakness in the tourism market. In one perspective the Townsville region has more advantages than a region like Cairns, insofar as our tourism market is not proportionally dependent on international visitors. A large proportion of the Townsville region's market comes from domestic visitors, particularly relatives and friends travelling up to meet for occasions. In that sense, the loss of income of our tourism segment has not been as bad. More recently we have been focusing on staging major events, like the V8 Supercars. That has provided a significant boost to the economy and to visitor numbers.

Mr SULLIVAN—Has the work that council and other agencies in town are doing in promoting tourism got any relationship with what is going on from the Queensland tourism point of view? Is there a symbiotic relationship between state and local effort in tourism?

Mr Barr—I am not intimately involved in that area. Our main tourism marketing and promotion services are conducted by Townsville Enterprise. They will be speaking later on in the forum. They do work closely with Commonwealth and state government stakeholders, yes.

Mr SULLIVAN—The other thing that I wanted to examine briefly—if I may, Madam Chair—is that your submission pointed to expansion of Townsville port as something that really needs to be done for the future of the city. The port here is in close proximity to the CBD. Is there room for expansion?

Mr Barr—Yes, definitely there is room for expansion. That issue that you have raised is one we are well aware of and we give great priority to managing it. We have traditionally had a special CBD Taskforce which is made up of local members, state members and members of the port. That task force is going to increase its activities over the next two years. One of its main priorities and objectives is to look at the management of the interface between the port and the CBD. That process has been going on for a number of years.

A couple of years ago the council released a strategy called the Townsville Economic Gateway Strategy. That brought together a number of planning instruments for both the CBD and the port. It is definitely something which is being looked at and will continue to be planned over a long time. The port expansion that is planned will be expanding out east, not towards the city centre. It will be on reclaimed land and out east towards Ross River.

Mr SULLIVAN—In the earlier inquiry of this committee, we visited quite a number of Australia’s ports. In each and every one of those instances, transport linkages to the port are a serious issue. Is the proposed redevelopment going to have good transport lines or are we going to see increased traffic in the CBD?

Mr Barr—The major issue for the port in terms of transport is developing a new access road from the highway to the port. That is currently funded and the construction is under way. That has been a major priority which council has been working for a number of years to achieve. At present, the traffic to the port has to go through some major suburban roads. I mentioned earlier the upgrade of the Townsville-Mount Isa rail system. The crucial part of that upgrade is the development of a rail corridor, which will be aligned along the road corridor which is being built. Basically, the port is the linchpin for that rail network as a whole. If it does not have the capacity to manage increased freight, then there is no rationale for upgrading the rest of the line.

Mr SULLIVAN—In your answer a moment ago, you mentioned a document that was done some years ago. I think ‘gateway’ was one of the terms.

Mr Barr—Townsville Economic Gateway?

Mr SULLIVAN—Yes. It is not a current or recent document, I gather?

Mr Barr—It is still recent. It sets out many of the initiatives, including with industry, of the redevelopment project. It also sets out a number of things which could be planned in the future, including the development of a Townsville state industrial area and the Port Access Corridor. As part of the work of the CBD Taskforce we will be looking at that document and looking at how to progress some of those strategies which were identified.

Mr SULLIVAN—If at all possible, could our secretariat get a copy of that document, which would help underpin the hearings here today.

Mr Barr—Yes, you are more than welcome. Today?

Mr SULLIVAN—If you can get a copy to the secretariat, it would help a lot with what we are doing today because it will show historic thinking.

Mr Barr—Yes. That is fine.

Mr RAGUSE—Mr Barr, the Greater North Queensland Mayors Alliance: it is a fact that there is a group, a collaborative model, I presume?

Mr Barr—Yes.

Mr RAGUSE—Having been through the Thuringowa-Townsville amalgamation and the roll-on from that, was this particular group formed after that?

Mr Barr—Yes, it was formed after the amalgamation. Every year, North Queensland has an economic development conference and that group was formed out of last year’s Economic

Development Conference. That infrastructure plan was presented at last year's Australian Council of Local Government meeting.

Mr RAGUSE—So the process, the collaborative model, is working or will work?

Mr Barr—Yes, and the Mayors Alliance is looking at releasing a new document which will focus on renewable energy opportunities in the region, which I have not spoken about today. We see that as another key opportunity. North Queensland as a whole has great advantages, particularly in solar and wind energy. That document will be looking at those opportunities and where the state and federal governments can assist in their development.

CHAIR—I understand that your upcoming annual Economic Development Conference in North Queensland has themes of building resistance, clustering and collaboration. We are very interested in extrapolating lessons from different areas to the whole of the country; obviously we are looking right the way around. What capacity has council got for economic development? How much of a focus does it have on it? In terms of the conference itself, we are particularly interested in the issues around building resistance and clustering. Are there things that you would be able to share with us from your experience here that might assist other councils in how they go about their business?

Mr Barr—The council has an established economic development unit. It has a number of functions, one of which, as I have already mentioned, is planning and working with stakeholders, looking at our city plans and our regional plans. We also have a dedicated tourism officer working with the tourism industry and we have a strategic focus on the region's future and the major infrastructure projects that are required for the region. That obviously is one of the main functions: our ability to make a contribution to the region and to facilitate that dialogue between the states and the Queensland government and to bring them together to work with stakeholders. We see that as one of the most important contributions that council can make. I have already touched on those issues. An example of the work of our economic development team is the Flinders Street redevelopment project, identifying that as a need, working on the planning and then working with the state and federal governments to bring that project to fruition.

In terms of clustering, council has been working in setting up a cluster with local engineering firms. Our economic development team accessed a consultant to work with local engineering firms. The idea was to help those firms come together and identify projects that they could bid for collectively and therefore access new opportunities in that way. We have found that to be quite a successful model. We had two streams. One was engineering and the other was looking at environmental opportunities. That program helped support a local environmental firm, AllSafe. AllSafe provide environmental services and consultancy and, with the assistance of that project, they established new offices in Brisbane. They are looking at expanding throughout Australia.

CHAIR—The secretary mentioned to me as he was walking around this morning that he noticed that you had an Enterprise House and that in that Enterprise House there seemed to be some council areas, the AusIndustry person and other state government representatives. We are keeping an eye on what is happening with Regional Development Australia. I am wondering how that clustering works? Is that something that Townsville has developed itself or has it happened by accident? And how does it work?

Mr Barr—To be honest, I am not sure. My guess would be that that has just happened by accident.

CHAIR—Yes.

Mr Barr—Townsville council works with our coordinated promotional and investment body Townsville Enterprise. It is just a main forum by which we concentrate the energies of the region and bring together stakeholders. Enterprise House is currently owned by council. I am not sure about the leasing or how those groups came to be there together. Maybe they saw it as an opportunity to work in proximity.

CHAIR—Thank you very much for that. In terms of regional development, obviously Regional Development Australia is fairly new and in its infancy at the moment. How do you see councils or clusters of councils interacting with it, if at all?

Mr Barr—We are very keen. Both Regional Development Australia and the Office of Northern Australia provide that access and gateway from our region to the state government and to Canberra and help promote the needs of our regions at that state and national level. From what I understand, the more specific objectives of Regional Development Australia still have to be established, so it is a bit difficult to comment on that, but we are very keen on the concept of bringing the regions together and also creating that pathway from the region to Canberra. That is very important to us.

CHAIR—A lot of economic development focal work from councils that we have talked to across the country is focused pretty heavily on good projects but trying to gain access to federal funding, to be blunt. With tighter economic times and budget deficits, federal funding, and to some extent state funding, is going to get more competitive and tighter. What do economic development units do then if money is not around? What do they concentrate their efforts on then if federal and state money is not going to be available?

Mr Barr—There is no simple answer to that question. The issues that we have or the responses we have are to be strategic in our priorities in terms of how we best can use the federal funding and money that is available. But from council’s perspective, there has been a long-term decline in the funding available to local councils, so that difficulty that we face is a matter of daily administration. Our ability as an economic team is to work within that environment to ensure the best planning and consultation are undertaken at the local level to ensure that council’s accountability, reporting and management are at the highest levels possible.

It is not just a matter of federal and state governments pitching in; it is also a responsibility of council to have the best projects, to have the planning, to have done the consultation with the community, to have the best business case there for those projects and to have the best accountability and the means of implementing them. The other issue is just to maintain the long-term planning focus of the region and of the council. State and federal support is always going to decline or increase as circumstances change. I am aware that, as you mentioned, with tight budgets it is likely that the pressure will be on, but our priority, our focus, is to maintain our planning, our consultation, to prioritise projects that we need to and to look at the long term and maintain those important relationships with the state and federal governments and to be in the position, when things improve, that the city as a whole and the projects that we need on the whole are there and ready to go.

CHAIR—As an economic development practitioner, have you got a general comment on the capacity for economic development in local governments across the country?

Mr Barr—In what local councils can do for economic development, the most important thing is to be strategic and to identify those areas where council can make a contribution. Obviously the economy of a region is subject to international and national factors. The infrastructure that I have been talking about today would not happen without state and federal government planning. So, as a council, you need to be aware of what contribution you can make and the best way that you can make it.

That is why we are focused particularly on working with local businesses at an everyday level: how they can get better exposure, marketing or whatever their needs are. We are focused on developing the best planning for the city and for the region as a whole and, as I have mentioned before, on developing our liaison and interaction with the state and federal government and ensuring that the community and the council as a whole has the best information available and the best means of conducting its planning and making decisions. They are the three major contributions that we can make as a council.

CHAIR—Thank you. I just want to go back briefly to the downturn in commercial developments. You had, I think, two major ones that were cancelled.

Mr Barr—Yes.

CHAIR—I do not know whether they have restarted. Do you know what reasons were given for those?

Mr Barr—I would not be able to recall off the top of my head, sorry. I can follow it up for you.

CHAIR—Was it availability of capital or they went bust?

Mr Barr—Yes, availability of capital and just that the business case was not viable at that time.

Mr Lynch—Capital was a major issue. The other aspect was in fact the confidence of retailers and businesses to go into those particular facilities.

CHAIR—The leaseholders that would have made it a viable business proposition?

Mr Lynch—Yes, without doubt. We have had a number of them. One in the CBD was a major retail facility, $200,000. The issue there was not capital but the confidence of their retailers to move into those facilities. They had already committed some $40 million into consolidating the property in that case and were well down the path of committing the capital. But to go out and build the facility would obviously significantly increase the holding costs associated with that without the tenants to move in there.

CHAIR—Has that particular project restarted, or is there, with some of the greater business confidence that you have seen in the region, any indication that that may start again?

Mr Lynch—We are liaising with the parties in that case. It is a major one within the CBD. Without doubt, they are much more confident than they were six months ago about when that is likely to start. It has been put on hold, simply. They have said, 'We're still fully committed.' They have not by any means shelved it. This is the first one off the rank. They have shut down all their major retail developments across the state—in fact, across the nation. But in this case, yes, they are much more confident now than they were six months ago. They are still not in a position where they are going to push the go button for that particular involvement.

Mr SULLIVAN—Mr Barr, I want to talk about diversity and clustering. Through your submission and in your evidence today you have instanced the diversity of the local economy as one of the factors that has given it some resilience and helped it apparently mirror what is happening nationally with the—I think the term is—'green shoots' appearing. Has that diversity in Townsville happened organically or has it been driven by groups such as the council and Townsville Enterprise?

Mr Barr—There are two streams to it. Certainly council and the Chamber of Commerce are aware of that diversity and look for the opportunities to consolidate it. We work closely with the local defence sector and the education sector. But it is the result of a long-term historical process in the development of the city. The city has had the benefit of a diverse economy for some time now. The key elements are the continuing strengthening of the city as a defence establishment. The city has always been the administrative and retail centre of North Queensland and in the 1960s you had the beginning of James Cook University, so it has also had that education focus. That works with the primary resources and the mining resources and that is how the diversity of economy has been established.

Mr SULLIVAN—So there has been a deliberate attempt to try to make that happen rather than it has just grown as the size of the population has grown?

Mr Barr—We are looking at supporting new sectors and reinforcing and improving the diversity of the city. A couple of those areas I have already touched on. They would be tropical design and renewable energies.

Mr SULLIVAN—You talked a little about clustering. I know that that has appeared in a few of the submissions. You talked of the light engineering cluster that you are working on at the moment. I am not sure which submission we received, but one of them bemoaned the ability of local construction firms to compete for Building the Education Revolution projects as a consequence of the more vertically integrated larger firms. Has there been any effort to cluster compatible businesses rather than similar businesses to enable, for example, your design people to work with your construction people to compete with those larger, generally city based, firms?

Mr Barr—Not that I am aware of. I know that local construction firms have been working with the state and Commonwealth governments to access that Building the Education Revolution funding.

Mr SULLIVAN—From memory, what the submission stated—and it may not have been yours—was that they are actually entering at a lower level than they might otherwise have been able to do and the formation of partnerships locally might assist them to do that.

CHAIR—It was the Townsville Enterprise submission.

Mr Barr—There was a construction workshop held last week with about 50 or so construction firms, which brought together our council, the state government and the Commonwealth government. Specifically, one of the programs it looked at was the Building the Education Revolution and setting up the networks to assist those firms to get that work, and looking at the issues. Some of those were compliance issues, so that work is being done with local firms.

CHAIR—Thanks very much for taking the time to provide evidence before us today. You will receive a proof transcript of the *Hansard*. There are a couple of things I think you have undertaken during your evidence to provide us with. That would be most appreciated. If the secretariat has any further questions after we go through your evidence again, we will certainly write to you about that, but if you feel that there are other things that you have not had the opportunity to raise, please feel free to write to us. We will be starting to draft our report shortly, so the sooner we have that information the better.

Proceedings suspended from 9.45 am to 10.06 am

DWYER, Mr Colin Garfield, Principal Economist, DS Economics/DS Enterprises

VANN, Professor Andrew Michael, Senior Deputy Vice-Chancellor, James Cook University

CHAIR—Welcome. Although the committee does not require 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 proceedings of the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and could be regarded as a contempt of parliament. But, that being said, you are most welcome. We have not received a submission from either of you, which is fine, but we did note a few things, which is why we have asked you to come today.

One is the significant importance of education in regional economies. We are very keen to hear about what has happened with James Cook University. DS Enterprises has been undertaking significant work in modelling impacts on regional economies—not just for the global financial crisis but, obviously, for some time, assisting regional economies to develop. We are very keen to hear some of the lessons that you may have that the committee can take away from not just Townsville but from the work that you have been doing. Have you got some introductory statements that you would like to make?

Mr Dwyer—Yes. If I can go first?

Prof. Vann—Yes.

Mr Dwyer—Thank you. Thank you very much for the opportunity to talk about Townsville today. You have invited me along here today to talk about the economic impact of James Cook University. DS Economics, or DS Enterprises, is a private consulting firm. The economic impact study was done on both Townsville and Cairns. That is because James Cook has two campuses. In 2008 the economic impact of James Cook University on Townsville and Cairns was substantial and, in coming years, JCU will continue to contribute strongly to the combined economies of Townsville and Cairns and help sustain local businesses and local jobs. JCU also offers the region some unique regional economic development opportunities and Andy will talk about those.

Importantly, JCU contributes to the resilient nature of Townsville, and also to Cairns to some extent. It is part of the solid industrial variety that has provided a cushion to some extent to the economic downturn that we are experiencing now and also to economic downturns in the past. Our regional economies are facing challenges, however. Some sectors have reduced their output and job levels significantly over the past year. For example, in Townsville one of our refineries has cut jobs quite significantly and in Cairns the tourism sector has had to cut jobs as well.

It is still unclear at the moment, in my opinion, what is the full impact of the global financial crisis and the economic deceleration on employment levels in Townsville, but the impacts from the economic deceleration on small regional centres like Townsville and Cairns are reduced by these large dependable organisations such as James Cook University. When you have those major organisations that maintain or expand their expenditure and workforce while other industry is declining, the economic benefits that are created by that individual organisation are augmented for the region as a whole. So JCU contributes strongly to the economic and employment security of both Townsville's and Cairns's regional economies.

JCU is one of the most important employers in the combined economies. In 2008 JCU, its staff and students created and supported 5,438 jobs for Northern and Far Northern Queensland residents and their families. JCU supported 4,435 jobs in Townsville and 1,003 jobs in Cairns. That represents about 3.4 per cent of employment in the Northern Statistical Division and almost one per cent in the Far North. Interestingly, for each equivalent full-time job at JCU there are another 1.8 equivalent full-time jobs that are supported in the Townsville region and 2.3 equivalent full-time jobs that are supported in the Cairns region.

JCU, its staff and students also directly support local businesses through their expenditures. JCU injects considerable amounts of expenditure into the Cairns and Townsville region. In 2008 JCU, its staff and students injected almost half a billion dollars into the combined North Queensland economies, of which $359 million were spent in Townsville and $86 million in Cairns. Once again, that represents about 3.4 per cent of gross regional product in Townsville and about 0.8 per cent of Cairns's regional economy.

The major categories of economic stimulus that are contributed by JCU include recurrent expenditure, capital, staff spending and student expenditure. One of the areas that the report did not look at was research activities and we know that that does have quite a significant impact. We did a small piece in the report on visitor and friend spending but we did not include that as part of the economic impact; we did not look at sabbaticals but we know that there is an economic impact associated with that; and also conferences that are associated with James Cook University have a significant impact. There is also the value of a degree that contributes to economic benefits to the wider region. While we have not quantified those within this report, there is opportunity, obviously, to look at that.

As far as recurrent expenditure goes, JCU's recurrent spending was around $235 million in Townsville and Cairns. Capital spending in 2008: JCU contributed around $67 million in Townsville and Cairns. In Townsville that was mainly on new medical and vet facilities and in Cairns over half of the spending was related to medical and dentistry facilities. Staff contribution: staff spent almost $94 million in the combined region economies. Respondents to our survey indicated that over half their spending was on accommodation, food and transport.

On average, staff at JCU earn higher incomes than the rest of the community. That intensifies the economic benefits from that organisation. JCU Townsville also provides a unique specialisation in higher education workers; it is about 80 per cent above the average when you compare it to the rest of the state. When you have higher incomes and more people working in those jobs, it intensifies the economic benefit for the region. Students also spent considerable amounts across both regions—almost $140 million—and respondents to the survey indicated that they spent three-quarters of their money on accommodation, food or transport costs.

In conclusion, while it has been widely recognised that James Cook University provides a social and intellectual benefit to the region, DS Economics have quantified the significant economic benefit of JCU to the northern and far northern statistical divisions. JCU provides reliable levels of financial injection—it is almost half a billion dollars—and also significant job creation of almost 5,500 jobs. Importantly, it has consequential creation of dependable localised demand. Thank you.

CHAIR—Thank you. Professor Vann.

Prof. Vann—Colin has spoken to the direct economic benefits of JCU as a corporation, but the study did not cover the intangible impacts on the economy of promoting skills and research. We have not found any good studies on quantifying that, although everybody acknowledges that it exists, but I will talk to some of the issues around it.

We certainly see regional universities as and like to talk about regional universities as ‘makers of place’. They have a role in actually constructing communities and bringing life to communities. They are centres of critical mass because intellectual inquiry and industries centres around them. As Colin was saying, they attract skilled people to the region, they promote innovation, and we would say they are lubricants and catalysts of social endeavour.

When you work in a regional university there are some particular issues and there are some particularly challenging aspects of geography for Queensland. We like to say that Adelaide is closer to Sydney than Townsville is to Brisbane, for instance, so the geographic distances are enormous. The direct impact on JCU is that a one-hour meeting in Brisbane is an all-day job. It literally can be a six in the morning till seven at night job.

Talking about the impact of campuses on cities, there are some interesting graphs recently produced by the state government. I have got three copies but I will just hang onto one of them for the moment. This is a little bit complicated, but it shows the participation in higher education by home region, and it broadly lines up with the Queensland regional cities. At the left-hand end you have Greater Brisbane, which has the highest participation rates, and you will also note that that has been a relatively flat trend for several years, so what that is showing is the participation rates from 2002 to 2007. As you move away from Brisbane the participation rates start to drop off, but it is notable that the cities that have home, long-established campuses for universities have higher participation rates than elsewhere in the state.

Townsville, as the second-oldest university in Queensland, is at the top; Darling Downs and Fitzroy, which have USQ and CQU, come next; and then the cities like Mackay, Cairns as Far North Queensland, and Wide Bay, which have had satellite campuses of other institutions started up, tend to trail in participation rates. That may not all be cause, some of that may be effect because of the orientations, but we are certainly seeing that the presence of a substantial campus makes a real difference to the take-up of higher education in cities.

The reason that is significant in relation to this is that it is an extremely challenging business to run a regional university because the economies of scale are lower, because there are the tyrannies of distance to deal with, and that is why it is important that it is recognised that it is a social enterprise and that there is support specifically for ensuring they can be successful social enterprises in the regional areas.

The other thing to note—and this is the flip side of the global financial crisis, if you like—is that in the regional areas, because of the strength of the mining industry, we have seen a steady decline in participation rates. That is reversed for most universities this year—at least in

Queensland—but it is a worry in terms of long-term skills development. The students will come back at this time, but we need to make sure that over the longer term we are able to sustain investment in skills development at the higher education and VET levels for the benefit of the community in the long term.

That gives an indication of some of the issues we face. Certainly, from JCU's perspective our key job is to grow participation in North Queensland and Far North Queensland and, responding to the post Bradley review challenges for universities, we have been looking at what we do to grow participation in Cairns. Starting dentistry in Cairns with the assistance of the federal government has been a major initiative to bring critical mass to that campus. We are also collaborating very closely with TAFE and the VET sector and with schools and, particularly in Townsville, we have established an education cluster here because we do not think we are going to meet the participation challenges unless we get better collaboration between the sectors.

To talk about some of the research and innovation impacts from the university, there is direct training. Rural health is a huge issue for North Queensland and regional Queensland, and JCU has been very active in promoting rural health initiatives. It is really important because it provides staffing; it reduces the need to pay large salaries to recruit people from overseas or elsewhere. We have been very active in promoting tropical expertise, so we have been heavily involved in issues like the TropLinks agenda. Clearly we are a networking site, because we bring people from overseas. As I am sure you know, marine science is our signature statement and an extremely strong area for us, but tropical health and biosecurity is also increasing in importance. The issues around outbreaks like hendra or diseases coming in via the cape are extremely important for this community.

Rural education generally is a very important theme for us and we have been very active in Indigenous education. We are right at the top of the sector in educating Indigenous students and well ahead of the sector in terms of rural, remote, low-SES students. The success rates for those students are actually better, according to the DEEWR figures, than the national average for those students, so we have a large volume and we are doing well.

The other thing that is peculiar about JCU is that our international student demographic is very different. We are not an Asian and South-East Asian destination so much as a North American and northern European destination and that is because people come for the marine science and the rainforest links, so we are a very good networker for those countries. We are building on that into the Pacific. Through our strategic intent of 'A brighter future for life in the tropics worldwide', we have a strong focus on working with Pacific nations, and the Coral Triangle Initiative is something that we have been heavily involved with as well.

Just going back to the issues of running a regional university, it is well established from the Bradley review that higher education is a pretty marginal business. It gets much more difficult when you are trying to run a comprehensive university for a community like this with a small scale, so the resolutions of the budget issues around regional and low-SES funding are critical to us in being able to maintain the presence we have here.

CHAIR—Thank you. Thank you both very much for that. It gives us a really good snapshot and I know we have a number of questions around that. To start with, I just want to go back to Mr Dwyer's work on the economic benefits to the region. I particularly want to talk about the international student component as an export. Professor Vann might want to give me the proportion of your students who are international and how heavily reliant you are on them, but can you expand a bit on the export activities that the university generates? Obviously there are international students, but there may be others as well.

Mr Dwyer—It is not an area that I specifically went into. While I got the overseas students and collated them—put them together—I did not actually have a look at the export value that was associated with that. It was not part of the brief that I had received from the university. Having said that, Andy might have some additional information on that that might be able to answer that question.

CHAIR—Yes. I will give you a few minutes as you look it up. It is impressive that you have it at your fingertips. Your report mentions the university's capital expenditure being a really important contribution to job creation in the region. What sorts of jobs is it contributing to and are they long-term jobs?

Mr Dwyer—They are construction jobs. Essentially, they are as long as the construction project is viable or happening. Andy might be able to talk about next year rather than the capital expenditure from this year. Next year I think there are additional buildings that are coming online. We talked about the expenditure in there but we did not quantify the number of jobs that were going to be associated with each of those projects that are there. The jobs will not be long term; they will be while the project is occurring. Hopefully, they will have some localised component in there as well.

One of the greater benefits for a region such as ours is that we have local businesses that actually get that project. They reinvest into skills in the region and then they provide ongoing support and skills for other knowledge based projects within the region. I have spoken to other members of James Cook University about this. If there is a capital expenditure component—and it comes from the federal government or it comes from the state government or it comes from a local government or it comes from another public enterprise—if there were to be more of a localised component involved, there would definitely be more of an economic impact.

CHAIR—You said at the start, I think, that it is still unclear what the effects of the global financial crisis are going to be on Townsville. Obviously, we received a submission from the council which was developed back in April. They have given us a bit of an update, and some of the things they anticipated may happen have not happened, but obviously they are not out of the woods yet. Can you expand a little on your comment that it is a bit unclear.

Mr Dwyer—The 'unclear' nature of those comments was related to the information that we are getting out of DEEWR at the moment. The unemployment information is on combined statistical divisions of north and north-west and at the start of the year, if I am correct, the unemployment rate that was produced by that report that they do on a quarterly basis was about six per cent, but you would expect that, on a seasonal basis, to be up around that level because of the influx of school leavers coming into the workforce. At the moment I think that has dropped to closer to 2½ per cent.

When you have a look at the workforce that is in that region, there are 135,000, 138,000 people and Townsville has about 60 per cent of those, so it is difficult to say that Townsville has an unemployment rate of 2½ per cent. What we do know is that at the start of the year BHP Billiton lost 300 to 350 employees. MacAir went into receivership. Hedley has since gone into receivership. The financial services sector is having difficulties locally. The property services sector and the construction sector are also having difficulties.

Prior to the GFC the construction industry had a significant role to play in the local economy, and the private sector was driving most of the construction activity that was within the community. There are a lot of projects that have been shelved since then. Whether that is due to access to finance or whether it is due to a reduction in demand is unclear to me at this stage; it might even be a combination of both of those. But certainly business confidence is a lot lower than it was previously. It is potentially in the realms of 60 to 70 per cent lower on the PricewaterhouseCoopers index.

To give you practical examples of shelved projects in the construction sector, Myer were due to come into town. They were going to spend $150 million and increase the retail opportunity in Townsville. That was shelved just recently. The mall has been shelved; that was about $200 million. The cruise ship terminal is shelved because of lack of access to finance and some difficulties with the provider. Office space: I think there were six projects out there and mooted and just about all of them have been shelved at the moment. And, of course, JCU had a Discovery Rise project that was a diversified project with residential components and also some commercial and retail components. That has been shelved, I suspect, but Andy can give more detail about that.

Prof. Vann—Not shelved, but slowed down.

Mr Dwyer—Slowed down, yes. I suspect that most of those others have been slowed because of this as well.

Prof. Vann—Yes. It is in reverse order there but that is a quite nice indicator of some of the impacts of the global financial crisis. Just to give the context, we have a very large campus geographically and we have been looking to release some of that land to development, which will allow us then to self-fund our own buildings rather than look for external funding. Because of the need to bootstrap some of that, we were looking to deals with various banks or financiers to borrow ahead and then repay it. That interest has just evaporated. We were being besieged with calls at one stage and that is not happening now. There are other issues around the project in terms of sorting out the legalities of land transfer and all those kinds of things, but certainly the access to capital has been a particular problem.

A very immediate impact has been student accommodation, so we tendered for private providers to build new student accommodation on the campus. That is critical to our international business because the US students want on-campus accommodation.

Two of the major firms tendered and that process has stalled because access to capital has been very difficult for them. Also, we were hoping as part of that deal to get accommodation built on the Cairns campus, and again it is very difficult to see how to push that forward. That is causing us short-term pain.

We have had a lot happening in capital works generally. Particularly, there has been quite substantial federal and state investment around the health sector. One of the other things that we have been funding, with support from various others, has been a campus district cooling project. We have very high energy bills relative to the rest of the sector because of the tropical climate. With some support from Ergon for reduced tariffs in the future, we have built a centralised chiller plant on the Douglas campus. I think it is $18 million to $20 million, but it will save us a million dollars in electricity and it takes about a fifth off our greenhouse emissions, so it is a very important project for us strategically into the future.

To talk about other things that are happening around the campus, we are completing the Australian Tropical Sciences and Innovation Precinct. Smart State loan money provided a third of the funding for that. The Combined Catholic Colleges are building more accommodation on campus, which they have self-financed. So there is quite a bit happening around campus but the global financial crisis has certainly slowed some things that we were very keen to progress.

CHAIR—Yes. Whether it is through the Higher Education Investment Fund or the Building the Education Revolution or some of the works that local councils are doing, to what extent is public capital not substituting for but still driving the construction industry? From what I can gather, in most areas construction is almost the sole activity.

Prof. Vann—So far we have not won anything from the Education Investment Fund but we are spending some happy time this week preparing a bid. We have had two tranches of funding under the Better Universities Renewal Fund and the Teaching and Learning Capital Fund, which were desperately needed funds for us to rationalise space, improve some of our teaching and learning spaces and refurbish our library, which has been in desperate need of renewal. So it is an important contributor, definitely, and we are hopeful that if we get the bids we are putting in for the Education Investment Fund we can continue to make that contribution.

Mr Dwyer—The multiplier effects that are associated with capital expenditure are a lot lower than in some of the other expenditure that you could make at the university. It is great to have that investment in a building but you do need to have some maintenance funding that goes into that, I might add, as well. It is not just about putting $40 million into a building; there needs to be a maintenance of around 2½ to three per cent possibly. But the impact from education is probably around 1.4 to 1.5 per cent. That is what I would estimate—the multiplier impact of getting boys more involved in the education system and increasing the participation rate out of James Cook University.

I have just recently completed a Townsville scorecard report. In that, what we showed was that the number of graduates from James Cook University last year was 1,981. If we had our share of the state graduates, then it would have been around 2,295, so there are roughly an additional 300 graduates at current comparative capacity levels that we could grow that university to. Over time we could obviously grow that university a little bit more. One of the reasons why we might not be getting that participation rate that we should be is that we are not capturing the boys, and we can talk about that.

CHAIR—Yes, I am interested in that.

Mr Dwyer—We are also losing students going down south, Catherine.

CHAIR—Yes, okay. Obviously there has been lots of discussion of late around participation of regional kids in university and that it has been declining across the country for some time, and I want to get to some of that, but I am interested in your proposition that it has declined less in areas where there is actually a regional university presence, which would intellectually make sense. What are some of the other factors and what do we need to do about it? I am interested in this boys thing as well, and I think the others are probably going to start to chime in if I keep asking questions.

Mr Dwyer—I think the statistics at the moment out of JCU are that 68 per cent of the students are female and 32 per cent are male, so that is two girls for every boy. That is great for the boys out there at the moment!

Mr SULLIVAN—A great marketing tool!

Mr Dwyer—Yes, a great marketing tool. One of the reasons is that the boys are attracted to the mining and construction sectors.

CHAIR—They are going into the workforce, you are saying, instead of going to uni?

Mr Dwyer—Yes. But to my way of thinking as well—and there has been some discussion in the local media—our curriculum might not be encouraging our boys as best as it could to go into universities.

Prof. Vann—We have done some research on this. Professor Nola Alloway did some research several years ago about the participation rates for boys in regional areas. There are some consistent themes that come through that and also through the surveys done by the Queensland state government. The typical statement would be, 'I've had enough. I've done 12 years of school—why would I want to do any more?' Part of the issue is that boys are getting switched off by school, in fact, and that goes back to my comments about why we think it is so important to get together with the school sector and take a collaborative approach to solving that problem.

It is true that the strength of the economy has meant that people have been making economically rational decisions about job choices. In some cases they are presuming that they will come back at some point in the future when they have got some money in the bank, but we know that if people drop out of education for too long they simply may not come back. So we know that part of the challenge is to find pathways back in for people.

Again with support from the federal government, we are refreshing our curriculum, and one of the key things we are looking at is how to make sure we have a curriculum that is attractive to people, that provides pathways in for low-SES groups and just generally makes university attractive. The figures that we have been looking at show that we have had a four per cent drop-off in male enrolments over three or four years across the board. That may reverse as the economy slows down, and we have certainly seen the enrolments start to come back this year, but if the economy gathers strength again it may actually be the reverse of the global financial crisis that is causing us the difficulties. As I mentioned before, it is a long-term sustainability concern. I have got the international numbers, by the way.

CHAIR—Yes. Thank you.

Prof. Vann—For 2007 there were 2,816 EFTSL in international out of a total of 11,249. That is about 25 per cent. That is somewhat below the sector average.

CHAIR—Somewhat below, yes, but it is still a substantial proportion of your income.

Prof. Vann—Yes, it is.

CHAIR—To what extent do you think it is the make-up of the region that you are in and your catchment area that is driving boys' choices? You mentioned that mining, obviously, has been grabbing lots of fit young men for quite a period of time now, versus boys' education overall. Is it something that is specifically, not unique here, but might have a different picture here than elsewhere?

Prof. Vann—I think it is sharper here. I do not think it is out of kilter with the concerns about boys' education everywhere but it is certainly sharper in the regions. Nola Alloway's suggestion is that for those living in the tablelands, say, the aspiration for most boys is to join the family business and to have a ute, to put it crudely, and for the girls, because of the cultural traditions, there is not necessarily the same future, so their aspiration is to get a higher education qualification so that they can escape from that community and possibly go to a major city. So there is cultural work to be done. We do need to reset the expectations around higher education participation and I think there is a job for education providers to engage with people on their own terms.

Mr Dwyer—Some of the information that is available on the census is that I think roughly 25 per cent of Brisbane or a metropolitan area have degrees but when you come up to Townsville it is around 12 per cent, it is almost half that. Having said that, Townsville, with its university being the second-oldest in Queensland, has the highest degrees per capita outside of the South-East Queensland or major metropolitan area, so I think it is also a family cultural thing: that in major metropolitan areas there have been generations of families that have gone to university whereas, in a regional centre with a university that is maybe 30 years old, there is not that generational capacity.

CHAIR—I am very lucky, coming from Ballarat, to have a university in my community and a terrific vice-chancellor who is championing the cause of regional universities as well. The make-up of our university is pretty high in terms of kids who (a) come from regional areas and (b) are the first ever in their family to have attended university. Is yours similar? What stats would you have on that?

Prof. Vann—Very similar. I have not got stats to hand on first in family, but I do the welcomes for students and ask people to put up their hand if they are first in family, and it is about half. I think that is consistent with the statistics that we have been able to gather. The tale I have told around JCU is that two generations ago my grandmother came from a fishing village in Scotland and had to leave school at 14 and, despite being a very bright woman, just did not have those opportunities—neither did my grandfathers, for that matter. Two generations down, it is expected that my generation went to university and it would be seen as terrible if we had not. So you can reset the cultural expectations on the time frame of generations; you cannot do it on the time frame of years. But part of our job is to do that, and that is our thesis about the value of having a substantial campus, because then not only do you have the opportunity but, through the workforce in that institution, you also have people who directly see the value of higher education and can proselytise that in the community.

CHAIR—Our country is so spread out that you cannot have a substantial regional university campus in every community across the country. That is just the reality. But everywhere we go we hear just how important it is to have a university. How do you balance that? What do you do about the provision of regional education or higher education across such a sparse country?

Prof. Vann—It is a challenge, and I think you are right, because for instance Bowen have been in touch with us to say they would like a mini-campus of some sort too and they recognise a full campus is not possible. I just want to pick up on Colin's point. If we could get the participation rates the same in Townsville and Cairns as in Brisbane, we could have far more substantial university presences than we do, so part of the answer I think is time, but also making sure that there is some supplementation so that regional universities can do the job they need to do.

CHAIR—Is lifting the caps going to help with that at all?

Prof. Vann—We are not particularly concerned about that because we actually get a very good share of the people who go to university—through QTAC in Townsville, at least. People do make choices to move elsewhere for various reasons. We need to do better in Cairns. There is an issue there with bootstrapping yourself up, because when you cannot run full courses in everything, if they cannot come to Townsville they may well choose to go to Brisbane instead, so that undermines the enterprise. But that is where we are trying to get things like dentistry happening so that we can build critical mass there.

It is a challenge. It would not diminish that. If what was recommended in the Bradley review—and with the federal budget recommendations—is implemented in a reasonable way, it will give Australia the best opportunity it could have to do that, and it is up to us to exploit that effectively.

Mr SULLIVAN—Professor Vann, it is clear that the university is a great contributor to the local economy. Obviously it would be interested in finding out ways that it could be contributing even more. The participation rate of boys would be one way, so good luck with that. Competition between a bachelor's degree and a bachelor's ute is probably a bit hard to overcome! You mentioned that your signature qualification is in marine science and can I say that actually my nephew has one of those.

Prof. Vann—Good to know.

Mr SULLIVAN—But he came from Tokyo to study here, having previously gone to work there. I have not spoken to him about this—I never considered it before today—but I wonder why he may have logged on to James Cook whereas other people in Asia are perhaps not logging on to James Cook for that qualification.

Prof. Vann—It would be the same tale from regional universities everywhere I think, including Ballarat, which has a substantial international cohort but they are not in Ballarat, they are in Melbourne. The usual story, on average, about South-East Asian and Indian students is that they prefer to go to places where there is already a community and typically there is not that strength of community in regional cities. We certainly are doing everything we can to market ourselves into those markets and to make ourselves welcoming to international students. There is work to be done there.

It takes time to build relationships and word of mouth is very important. If you look at the success we have had in the US, it is returning students who will say, ‘Well, hey, I went to this great place and I have a fantastic degree.’ They go back and spread that to other students, who will come in succeeding waves, and certainly we have deep and long relationships with the universities in the US. We have not to this point had those same relationships with Asian universities at the undergraduate level but we are working to build those.

Mr SULLIVAN—And you have mentioned you are looking at other courses to try and attract international students. Would you be looking to build those courses for the markets that you are already attracting or would you be looking to try and move into Asia and, if so, how do we overcome that community aspect?

Prof. Vann—We are trying to do a bit of both. A good example would be the Master of Professional Accounting which is a very attractive degree internationally. We also have a campus in Brisbane and we have tended to find that Indian students are still preferring to go to Brisbane to study rather than come to Townsville or Cairns. There is work to be done there. It comes back to our student accommodation, I guess. Part of the strategic aim is to get that built because you then have the opportunity to create communities of your own on campus and, particularly given the challenges we have seen around international education recently, you can say more reassuring things to international students if you actually have them within the campus.

Mr SULLIVAN—And Indigenous students would be important to the development of Townsville and the north. How successful are you in that field?

Prof. Vann—As I said, we are close to leading in the sector. I think Charles Darwin is slightly ahead of us, and Batchelor Institute are obviously well ahead of us in terms of percentage of enrolments that are Indigenous, but we are right up at the top of the sector. We do very well. We need to do better. So it is a strategic aim of ours to increase Indigenous enrolments. Enrolments are very strong in the health faculty and in the arts, education and social science faculty. We have the School of Indigenous Australian Studies. They are less strong in science and engineering, and again that is typical, but we need to do more work on that I think.

Mr RAGUSE—Just taking another angle on some of the funding sources, I am wondering whether there is a dependency on some benevolent funding for projects and programs, or even on corporates being involved. Do you have a CRC as part of the JCU?

Prof. Vann—We have had. We have been involved in several CRCs, yes.

Mr RAGUSE—Has the GFC had an impact on other sources of funding for projects, programs or some special areas of interest—if there is a dependency, of course, on people having access to or being able to provide those sources of funding?

Prof. Vann—Some. Again, we are working on philanthropic revenue and on finding commercial partnerships with people. We have what we hope will be a very successful project on biodiesel from algae. It is a terrific project. Effectively, it takes sunlight and carbon dioxide and makes feedstock and fuel. We are building a pilot plant on the campus at the moment. So, where there is an economic rationale, some things are rolling. There has not been the same tradition in Australia around philanthropy, either corporate or personal, as there is in say the US. Again, we are investing in an engagement office to encourage that. The government schemes to encourage industry collaboration are enormously important and we would argue that the tax breaks around R&D could be more favourable to that than they currently are.

Mr RAGUSE—I know in South-East Queensland in particular there have been a number of funds available from certain sources into buildings. I know building assets are not necessarily the be-all and end-all, but JCU is not really—

Prof. Vann—In partnership with UQ we have had, I think, US$1 million from the Gates Foundation to develop a mosquito/dengue research facility in Cairns, which was terrific, and we have had nearly US$1 million from the MacArthur Foundation to develop a master’s of development practice. It is another nice story about the impact that JCU has in the US. They are running a number of these things—it is associated with the Earth Institute—and they were not planning to fund an Australian one. In fact, they thought they had got their Asian university, but when they reviewed the applications everybody put ours at the top of the pile, which is a lovely little story. Again, it is an opportunity to reach out into the Pacific. It is a way to tap into philanthropic revenue to achieve some of the aims.

Mr RAGUSE—So some tax incentives might be a way of widening that catchment, yes.

Prof. Vann—I think they would. We do need to work on the culture of giving, I think, and that is something all Australian universities are working on. Because we have not had large revenue streams, we have not then seen a drop-off through the global financial crisis because of people seeing their personal wealth affected. We have had some significant donations from individuals, for instance, for scholarships in education. We have had a very significant donation from a local private donor who wishes to remain anonymous around that. So it is happening but, for us at least, we have not had the scale of philanthropic donations recently that would have been directly impacted by the GFC.

Another important point to make about the impact on the international student revenue is that so far we have not seen a huge impact from that. The theory is, of course, that many students make these decisions well in advance. US students, an important market for us, have often saved and planned well ahead and will not necessarily have changed their decision, but we will be interested to see over the next year or two. It may actually be that the impact comes after the immediate financial crisis is past.

CHAIR—I am interested, obviously, in the economic benefits of the university to the local community here, but I am interested in some of the other things that may sit within your research arm. One of the things we have done is to go around the country and talk to economic development professionals, and it would be fair to say that the capacity of local communities to understand, drive and participate in economic development in their regions is pretty variable across the country. That is just an example. Obviously there are often other skills and capacity issues in regional areas. How does the university contribute to those sorts of things?

Prof. Vann—We have reasonable strength in economics—not as strong as we used to. We had an extraordinarily strong economic department in the past. The loss of enrolments has meant that we cannot sustain that, but we do have good economics academic staff. We certainly try to play a very active role in local business groups, like TEL, and you will hear from Dr McDonald after us. We are certainly consciously trying to contribute to the debate around the future of economies, and commissioning the report from Colin was part of trying to explain our economic relevance to the regions and, to some extent, stake our claim as having a seat at the table as a significant industry.

CHAIR—Mr Dwyer, have you got a comment to make?

Mr Dwyer—No.

CHAIR—Thank you. Thanks very much for providing evidence before us today. I think it is a particularly challenging time in higher education, and particularly for regional universities, but I think it is also a really exciting time. I do not think I have seen as much focus on regional education previously as I have over the course of the last year or so. It is good.

You will get a transcript of your evidence and both of you will review that. If there is anything additional that you would like to provide to the committee, you are most welcome to do so, and if we have any further questions we will certainly write to you. If you want to make a brief final comment I am certainly happy to do that. I am just a bit conscious that we have run over time for the next witness.

Mr Dwyer—We are sorry about that. We talk lots, us two!

CHAIR—We have obviously been interested in your evidence so we have asked you lots of questions.

Mr Dwyer—Yes. I just raise the issue of the opportunities associated with research clusters out at James Cook University and the opportunities in that Pacific region. I was talking to Professor Wronski, head of the medical faculty, just two days ago and he raised how we might be able to take advantage of that, grow the medical workforce and the health workforce up here in North Queensland and also offer some benefits to the community generally. So there are some opportunities there and there is money, I think, available from various sectors; there are philanthropic and public sector opportunities.

CHAIR—We will certainly watch that with interest. In relation to the report that the government has been given on health reforms as well, I am assuming you would be keen to make some submissions around the workforce participation recommendations, so I encourage you to do so. Thank you for coming today.

[10.53 am]

McDONALD, Dr Lisa Maria, General Manager Economic Development, Townsville Enterprise Ltd

CHAIR—Welcome, Dr McDonald. Thank you for coming today. Although I do not require you to give evidence under oath, I need to remind you that these are formal proceedings of the parliament and as such warrant the same respect as proceedings of the House. It is also customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. Thank you very much for your submission. I am really interested to hear about how Townsville Enterprise works, its interaction with local government, its possible interaction with the new Regional Development Australia, also how you formed that and the key messages you want us to go away with from Townsville, having learnt from your experiences. That being said, have you got a brief introductory statement?

Dr McDonald—Yes. I will just explain what we are. We are the peak regional development body for North Queensland. We cover the Townsville council area plus Hinchinbrook, which is Ingham to the north, Burdekin to the south and Charters Towers to the west. Our main role is really in economic development. We also cover tourism and conventions. My section is economic development. Our main focus is doing research to identify the infrastructure that we need to grow our region. We also had a very strong focus on attracting skills to the region, but that has shifted to retaining skills in the region. That is primarily because it has been so difficult for us to get skills here that we really do not want to lose them, because things are going to improve. Another one is attracting investment to the region and keeping our companies growing and active during this global financial crisis. So we do things like trade missions and supply chain studies to identify opportunities within bigger projects for local companies.

CHAIR—So each of the local council areas puts in a contribution, but then you have also got funding from the state government. Is that right?

Dr McDonald—Yes. Townsville City Council is our major sponsor. We are also sponsored by the Port of Townsville, the airport and Ergon Energy. We receive some sponsorship from the local smaller councils. The Queensland state government provides money through the Queensland Regional Development Initiative. For that, though, we do project work. We do specific projects, so it is not just a grant type situation. The rest of it is private enterprise. We have about 380 members. Most of the bigger businesses in the region are members of Townsville Enterprise. We have got great connectivity with the business community, so are very tapped in to what their issues are. We have a staff of about 22. As I said, we cover tourism, promotion and convention bureaus.

CHAIR—Thank you. Do you want to outline some of the elements of your submission? One of the things you have highlighted that I am particularly interested in is your concern about the loss of skilled workforce from the region and some suggestions as to what could be done about that.

Dr McDonald—One of the things that we have been working on in the last 12 months is clusters and looking at the potential benefits of bringing a whole range of related industries together. We have very strongly supported an organisation that has been around for a while but was just about dead on its feet called the Townsville Regional Engineering Cluster. We have brought them in under our umbrella and provided administrative and on-ground support. That cluster is all about working with engineering, manufacturing, fabrication and associated industries to improve their skills, particularly to compete for government work, because many of them did not have the kinds of accreditations that are required—code compliance et cetera—but also identifying opportunities for them out of some of the major projects that are in the region and encouraging them to work together as partners in projects so that they can deliver larger projects.

One of the issues with projects that are delivered by the state and the Commonwealth is their packaging. Often they are design and build, so your John Hollands, your Leightons and those companies get those projects and then they will farm out work to the small and medium enterprises. We are trying to give them a bit more of an edge so that they are better able to take on some of those larger projects.

CHAIR—Is that what has happened around the Building the Education Revolution stuff in the region? What has actually happened?

Dr McDonald—The Premier, Anna Bligh, asked us to convene an economic recovery task force. That is five local business leaders, supported by Townsville Enterprise, and we have got a research person associated with that. His main role has been looking through those policies, particularly looking at the Building the Education Revolution, as it is coming up, but trying to break apart the definitions of local content from a Queensland perspective—because Queensland I guess is delivering the BER—and sorting out how that is interpreted by purchasing officers within government. I do not know if you want a copy, but we did a submission to the Queensland government about best practice by governments to effectively stimulate employment opportunities in Queensland, which has a more detailed breakdown of some of the analysis that we have done on purchasing policy.

CHAIR—Terrific. Thank you.

Dr McDonald—Basically what we have found is local content is very vague. I guess free trade agreements and things like that influence it, but local content is Australia and New Zealand, so it is not particularly focused on regional businesses. There is also a lot of uncertainty about how purchasing people interpret the policy guidelines. We have recommended that some of that be cleared up through more definite wording in policies but also, potentially, through working with purchasing officers so that they have a bit more certainty in how they are expected to deliver, because there are some potential conflicts in terms of being open and competitive and then favouring local business and things like that. They are uncertainties that need a little bit more definition if that is going to occur.

Mr SULLIVAN—Somewhat in defence of Queensland education bureaucracy, they are faced with a situation they have never been faced with before, in building something pretty much in every school in the state. It is possibly reasonable that they have turned to firms that they know, who have worked with them historically in the past and will deliver what is required. Having read your submission, my thoughts were that consortia can provide exactly what an integrated construction company can provide and need to be encouraged to acquire that status with the department. I wonder whether that is what you are working towards. As you say, you are encouraging that industry.

Dr McDonald—Yes, that is very much the focus of the Townsville Regional Engineering Cluster and why Townsville Enterprise took such an interest in it and decided to support it, because that is a good focal point and a framework for those companies to come together. We are working through some business development type activities. Yesterday we held a workshop for them on code compliance and how to get it. But also the manager of TREC, which is what we call it, has been very actively talking to potential clients, such as the prime contractors, and government about how he might pool the members of TREC together to try and deliver some of these projects. Yes, we are certainly on the same wavelength as you, because that is the only way that they are going to get a bigger chunk of the pie.

Mr SULLIVAN—The other question I was going to ask is probably a rude question in some senses. Of the professional staff, how many are trained in regional universities such as JCU or CQU and how many have come from the big-city sandstones and the like?

Dr McDonald—Just generally across—

Mr SULLIVAN—Across your organisation.

Dr McDonald—I went to university at the University of New England; so not a sandstone university.

Mr SULLIVAN—I can understand why you made the change.

Dr McDonald—Yes, that is right. The climate is much better up here. I do not really know about the other guys. There are not that many people at the professional level. Actually, a lot of the younger ones went to JCU. They are local kids. Like in the marketing and—actually, the two staff that I have got working for me are ex-JCU. One did Master of Economics here. There are only a couple that probably are outside the region.

Mr SULLIVAN—To use our sort of language, people who have got skin in the region is a good thing.

Dr McDonald—Yes, although you will find in Townsville that a lot of people are originally from outside the region. That has been through government—like, I came here to work for CSIRO. That has attracted people in. You have got Defence. A lot of ex-Defence people settle here after they have done their time. There are public servants. There is the mining boom and we have just gone through a tremendous construction phase. That has brought a lot of extra people into the city as well. We have gone through a three per cent population growth rate for the last few years. That is way above the number of babies that can be made. That gives you an idea of what has been happening in the region.

Mr SULLIVAN—Is the Thuringowa business enterprise centre still operating or has that been folded into an organisation such as yours?

Dr McDonald—No, it is still operating and I think it has just been re-funded. It has a different purpose to us. We are a little bit more big picture in trying to create the opportunities and stimulate economic development and they are more hands-on—'This is how you do your business and make it more efficient.'

Mr SULLIVAN—A new enterprise—it would be interesting to know how much small entrepreneurial activity is around at the time, but we can find that out.

Dr McDonald—I do not know if I put it in there, but the average gross regional product growth rate in the North Queensland region over the last five years was about 10 per cent. That is China type numbers. In 2007-08 it was over 20 per cent, which gives you an idea of what has been happening here and why it was like a screaming halt. The jobs lost in the mining sector: even though they are in the north-west division, one of the biggest sectors of our economy is mining services and manufacturing services. The other reason why we supported TREC is because they are the engine room of our economy and the skills and the professional level of service is something we do not want to lose, because things will pick up out there, and once it is gone it is very hard to get it back. I cannot even remember what your original question was.

Mr SULLIVAN—BEC. We moved on.

Dr McDonald—That is the small business generation, but that is what has driven that—the mining boom, a lot of new businesses and the construction.

Mr RAGUSE—On collaboration and cooperation, a few years ago the Queensland government identified those key enterprise zones. I think that is probably this model here, where you are considered the northern and there is a far northern. Cairns obviously slips into that next region. Is there much of a relationship between those zones? That leads on to our role out of the RDA model and how they might also attach themselves. How do we collaborate and make sure we are not creating those silos or the potential for silos to be created?

Dr McDonald—I guess we have inter-regional issues, then we have wider regional issues that are a function of living in Northern Queensland, which has very little representation in governments, so we need to group together to make our voices heard. One of the big unifying things has been energy and you will see that there is some stuff in there about renewable energy. We have just done some research that has been co-sponsored by Mackay Whitsunday Regional Economic Development Corporation; MITEZ, which is the Mount Isa to Townsville Economic Zone; and Advance Cairns. So we all cooperated in paying for that and we are all simultaneously lobbying or trying to attract investors.

Renewable energy is our big focus. Not only do we believe in that direction for sustainability—we need baseload power in the region—but we are not competitive for gas or coal. That is why they all are located in Central and South-West Queensland, because that is where it is cheaper to operate. So our big opportunity is renewable energy. For example, next week Mackay and ourselves are holding a workshop with sugar millers to talk about co-generation and in October we are working with Advance Cairns on a wind type workshop. So, yes, we work very closely on things like that. We share a lot of information between each other. There is a really good link there and I think it is improving all the time.

Mr RAGUSE—An added little bit, which is more of a particular area, is the superyacht concept that has been floated in North Queensland for many years. That was driven by Cairns. Is that still part of the thinking, or has it moved away from that concept of superyachts and all of the other facilities and complementary industries? Is that something that the north is still driving?

Dr McDonald—Cairns has a superyacht cluster where I guess they are pooling a whole bunch of services that those kinds of yachts will require—interior refits and engineering and supplies and things like that.

Mr RAGUSE—So it has not spread further south, because it was originally down to the Whitsundays and then into the Sunshine Coast and then into South-East Queensland.

Dr McDonald—It is probably more an issue of infrastructure. Cairns is pretty well set up for that. One of the early proposals for the ocean terminal here with the associated infrastructure was to have a superyacht area, but I think that is coming back to just an ocean terminal. We probably will not have the same level of infrastructure here, so it has not been on Townsville Enterprise's radar.

CHAIR—How do you see your body interacting with the new Regional Development Australia? What discussions have you had or what thought have you given to that?

Dr McDonald—We think they should be using us as much as possible. We collect a lot of information, a lot of statistics, we do research, which is all really valuable stuff for them to feed back to the government. Also, we do a lot of consultation within the business community and the shires themselves. So we have a lot of insights that they can benefit from. We are hoping to work fairly closely with them and we would not like to see any duplication of activities there. We have been in the region for 17 years, so we have got the track record and the level of recognition in the community that RDA can really benefit from. We see that there is a good opportunity for some strong collaboration there.

CHAIR—We heard just briefly from council this morning about the issue around energy infrastructure. You have got in your submission, and you have just touched on before, the opportunities in renewables. The council talked about the need for increased baseload generation here. What is happening with that? You talked about a couple of projects that you are doing, but is there anything larger scale?

Dr McDonald—In terms of larger scale, there have not been any new projects that have come forward. There was originally a gas-fired station proposal for the Townsville State Development Area, which died. One of the issues with gas, obviously, is that it is increasing in price because it has got an alternative use and it is going towards world parity, I suppose. So the main work we have been doing is saying, 'We're not realistically going to get these things, so what is it that we can do?' We are coming to a bit of a crunch time in North Queensland. By 2013, 2014 our capacity to supply will be exceeded by demand. We either build new power lines up here, which increases our transmission costs and increases the cost to industry, or we generate more electricity in the region, which reduces the cost to industry. Obviously, we are keen on the latter solution.

The report that I talked about identified opportunities for renewable energy investment in the region. We looked at wind sites, obviously sugar cane, co-generation, but also discussed solar. We are doing things like the workshops, talking to investors. We sent the report out to absolutely everyone in the universe so that they know what is up here. Every chance we get we talk about it. The other thing that we are strongly arguing to the Queensland state government is that we need some good transmission infrastructure in the region that will facilitate some big solar projects.

To the west we have the best solar resources in the world. If you look at a map, it is right up there with the best, but there is not the transmission infrastructure to get out there. At the same time we have got the Mount Isa grid, which is the Mount Isa-Cloncurry region. They are a landlocked grid and they are coming to a crunch time where they need more energy. So there is a great opportunity to link Townsville and Mount Isa via a transmission line and that opens up cheaper power for them, because they can buy off the National Electricity Market, and it opens up those prime areas for solar development.

We are very keen for the Queensland government to take a strategic role in supporting that. At the moment they are taking a bit of a hands-off role, in that they will let private enterprise decide. We disagree with that. We think there is an opportunity here for some real nation building and ensuring a future energy supply for Northern Queensland. We are very strongly pushing that proposal as something really solid that will generate a lot of other activity.

CHAIR—Do you know what happened to the 300 to 350 workers who were made redundant in the early phases of the downturn in mining? Did they leave the district, predominantly?

Dr McDonald—It is very difficult to track them, although the local DEEDI office did do some follow-up, because they have got their rapid response task force and their hotline and stuff, and they did find that probably over half were re-employed in the region. That was probably a function of the really critical skills shortage we had there for a while. In the construction industry the real impacts have been felt in the last six months, because there was so much ongoing work. We had a couple of projects that died, but there was a lot of stuff that needed to be filled out and they were desperate for any kinds of tradespeople and people associated with that. So we did see some re-employment in the region, which is really good to see, before Clive Palmer came and saved the day by buying Yabulu. That is why we did the economic analysis, because that would have probably been a tipping point.

CHAIR—You would lose people completely.

Dr McDonald—Yes. They are very high paid jobs. They have got a fairly high multiplier in the community. So, yes, when he came in, that was a huge confidence booster for the region.

CHAIR—What do you think helped to drive that decision that they made to invest in here at this time? It is not easy for anyone to make that decision. What helped?

Dr McDonald—My opinion?

CHAIR—Yes.

Dr McDonald—They got a bargain, because BHP was pretty keen to get rid of it. We were lucky they did not do a Ravensthorpe on us, actually. I think we might be able to take a little bit of credit for that, because we did this study that had pretty scary results and it found its way through to BHP executives and government. Particularly after what had happened down at Ravensthorpe, I think they were probably suffering a little bit in their public image.

The management out at Yabulu did a fantastic job in making that facility start to make money. They had a really big downturn where it was too wet. Their ponds filled and they could not produce anything, so the plant basically did not operate for six weeks, so BHP was just looking at a complete loss, a negative. But they got the plant up and going and ran it at a profit so that they were able to hang in there a little bit longer. There were a few different factors and I think BHP's willingness to just sell it provided a good price.

CHAIR—Thank you very much for presenting evidence before us today. You will receive a transcript of the *Hansard*. We obviously will go through that again and look at your submission again as well. When you go through that, if there are any gaps that you really want to highlight that you do not think you had the opportunity to do, you are most welcome to email us or to write to us about that. The secretariat will also write to you if we have got any other questions. Is there anything else you wanted to finish with?

Dr McDonald—I just want to go back to the infrastructure issue, which I do not think we covered very well. One of the things that the whole region grows on is the north-west minerals province and that is starting to pick up again with commodity prices picking up. However, the biggest issue we have is infrastructure to get that product to the port. We have got an 80-year-old rail line that has not really been upgraded in 80 years. It is the same capacity. It was shut during the wet season for six weeks, which really hurt a lot of businesses. There are businesses like Sun Metals who send stuff out there, like acid out to the phosphate mine, and copper. A whole range of commodities are taken on that line and those businesses were hit hard. We estimated about $38 million a week in value added was lost.

However, apart from that, we have some new projects that are looking to start up out there and they are facing a capacity constraint. We put a submission in to Infrastructure Australia to put that line on the priority list and it is on the priority list. However, the Queensland government and QR did not follow up with the more detailed information. They had a first session, then they were meant to provide the extra information. We are really keen to see that extra work go in so that there is a good case to go to the Building Australia Fund—to Infrastructure Australia. I wanted to make it really clear how critical that piece of infrastructure is for the region. If that does not happen then nothing new will happen out there and new things out there drive economic growth across the whole region.

CHAIR—Thank you for putting your case for that as well. Thanks very much for appearing before us today.

Dr McDonald—Thank you.

Proceedings suspended from 11.21 am to 11.28 am

STACK, Mr Craig, President, Townsville Chamber of Commerce

CHAIR—Welcome. Whilst I do not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and as such warrant the same respect as proceedings of the House of Representatives. It is also customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. That being said, you are most welcome. We are particularly keen to hear how the business sector is faring through this downturn. We have had before us today the university, the council and Townsville Enterprise, but our experience with chambers of commerce is that they provide first-hand good knowledge from their members, so thank you for appearing before us today. Have you got some introductory comments that you might like to make?

Mr Stack—If I may. I note that we can speak for five minutes before we answer some questions.

CHAIR—I am sure we can be a bit lenient.

Mr Stack—Welcome to Townsville. It is fantastic to see you getting into the wider regions but particularly this one and I trust you have seen some of the things that attract business here. As an introduction to the chamber, we represent 650 business members in the Townsville city environment. We have a very close relationship with the chambers that exist in some of the smaller towns close by, and in fact have a very close relationship with our next major city, Cairns. The Cairns chamber visited us only two weeks ago and we discussed a number of matters that were important to the business environment across this wider region. We also have a very strong working relationship with Townsville Enterprise. I note that you have heard from that delegation already and in fact we also formed part of and assisted Townsville Enterprise in their submission to this inquiry four or five months ago.

In terms of mood within the business environment in Townsville, like many other businesses in Australia, we were like rabbits staring into headlights 10 to 12 months ago. We were very concerned about what might happen in the mining and mineral processing sectors of our economy. There is a general underlying confidence about the resilience of our economy with its diversity of performing sectors, but a lot of the merged business in the last 15 years had very strong links to mining and manufacturing and mineral processing. The linkages between those businesses created concern for our members, be they in flights to mines, tyre providers, different service providers to mines and so on. It was certainly viewed as a cascading concern when mines started laying people off and metal prices started to retract.

The mood currently is a little bit more confident; there is certainly greater confidence in the ability of our economy to rely on its diversity. It had not been necessarily tested before and there is a great deal of relief in that we did not get some of the major employment losses that we anticipated at the start of this year. Two particular areas of employment losses were Century Mine and our nickel refinery at Yabulu. We seem to have escaped both. In fact, talking with Century Mine last week, they are in far more of an expansionary mindset than a contracting mindset, so that is very encouraging.

Going forward though, which is where business is currently looking, where are the next—I should not say ‘opportunities’. I do not think businesses are necessarily looking for opportunities at the moment. What they are looking for are those areas where they might be able to bed down and make sure that any existing underperformance within their business can be brought back to the level of business they would like to see.

It is no coincidence that we assist Townsville Enterprise with their performance. I notice that they had seven issues that they presented to this inquiry and, while all seven have our support as local businesspeople, the first point, being expansion of infrastructure, is possibly the most important area for us. The Mount Isa to Townsville rail line is important, and not just for Townsville businesses. The key point of discussion with our Cairns chamber colleagues was the expansion of capacity on this rail line. Our Cairns neighbours found a strong drop-off in employment in fly-in, fly-out workforce, as we did, and anything that assists the operating capacity of those employment centres is as important to Cairns as it is to us. Consequently, we believe that that rail line is a very strong North Queensland-wide asset and directly impacts on not just Townsville’s port and Mount Isa’s refinery but on those areas in between, significantly, and just as importantly on those areas surrounding the coastline here.

The other point in the note here was the Missing Link rail line into Abbot Point. It really knocked the wind out of Townsville businesses in February when that Missing Link project was shelved. We feel again that the Missing Link would be something that would promote a more rapid development of a port at Abbot Point, allowing a Townsville port, Abbot Point, Mackay and Gladstone to offer a very strong and much more diverse opportunity for exporters across the Central and Northern Queensland areas.

In terms of other issues that Townsville Enterprise raised, while they had seven issues, there are only two or three that probably require more comment from the chamber. They had an emphasis mainly on Mount Isa and Abbot Point. Townsville businesses and Cairns businesses would very much consider it advantageous to have a scoping study of the mineral province that exists between us, known as the north-east mineral province. At the moment, local engineers suggest that between Charters Towers in the south and Mount Garnet in the north there are potentially 4.5 million tonnes of metal and other ore bodies there that could be produced. The operating costs of such a production are far and away lower than they are for more remote areas, and both areas provide very strong sustenance to employment over the medium term. Currently, the areas are not provided with any infrastructure. There is no rail and there is a single-lane bitumen road servicing them.

As a business environment, we would like to promote that as one of those key beneficiaries to an area beyond Charters Towers, but something that impacts directly on the population of 500,000. We also believe Townsville Enterprise’s point about supporting emerging industries, primarily baseload energy, is very significant for our region. The desire for such a piece of infrastructure is to ensure that the small to medium sized operators have an expanding pool of larger operators developing and operating in this wider area that they can continue to service. It is no secret that, particularly in the mining industry and occasionally in the metal processing industry, they have a finite life, so anything that can encourage further development of participants in those sectors is great and baseload competitive energy supply is significant. In a wider North Queensland expanse, Cairns chamber and Townsville chamber both think that is an area that underpins the further development of this region in a very effective manner.

The other point we make is about engineering clusters and different industry clusters. We appreciate that that is really something that has to be created and promoted internally, but if there is some facility or operating support for that type of clustering, again, from a wider regional perspective—not necessarily a city-wide perspective—that would be a great advantage to the further development of skills and enterprise in our wider area.

The last fear is what may happen over the next two to three years, as opposed to GFC, and the main concern there is the impact of any ETS. I would have to suggest that local businesses are generally ignorant of any positive and/or negative impacts of the emissions trading scheme but it is emerging as something that they are most concerned about.

I go back: as far as mood, generally in our Townsville region it is stronger than we find in some of the surrounding areas and, while there is now a far more regional view taken by businesses—because over the last 15 years a lot of local businesses, be they in Townsville or Cairns, have started to merge a lot more and compete in each other's areas—a strong view about a stronger Cairns and a stronger north-west is very much where we in Townsville sit.

CHAIR—Thank you very much for those quite detailed introductory comments. I note that a lot of the forward strategy and thinking is still based around mining. I do understand that it is a significant part of the economy here, but conversely that has meant that you did experience a sharp shock with the downturn in mining and experienced the downturn very early on in the piece. You said in your evidence to start with that the diversity of your economy had not been tested before. In light of that, I am interested in what you have learnt this past year and what sorts of things you think you are going to need to do, not necessarily this year but in the longer term.

Mr Stack—There are some parts of our economy that have been generally unaffected over the last 12 months.

CHAIR—Which are they?

Mr Stack—Government and defence have been a very straight line and a fillip for our community. If we look at Townsville city alone, more than 30 per cent of pay packets are directly impacted by a government related income. That has been fantastic for us. It has meant that our retail sector has continued to perform in possibly a slightly better framework than some other regions, and some of our other areas such as hospitality and tourism have held up moderately well. People living in the region are better salespeople for our region than we used to be and major events and national sporting teams and some arts festivals and so on have really held the lifestyle together. It has meant that we have had, across all our sectors, far less of a population drift than we might have expected otherwise.

Another sector that has held up quite well has been our education sector. We have a view that that is often reliant on the leader of the sector, and we have a university and representatives at the university who are tremendous in their community endeavours, and have considerable growth in their particular field. Other sectors are a little weaker and probably a little bit more reliant on confluence, partly stemming from mining and industry, and a third of our economy comes directly from mining and mineral processing manufacture, but the other 67 per cent of the economy has been performing quite well.

Our construction sector has been weakened from a private sector funding basis, but our public sector funding or projects supported by public sector funding are probably the strongest in regional Australia. They are commencing now or will commence this financial year, so our construction sector, I think, will find itself in quite an enjoyable position. That is about the limit of the difference in the sectors. We are pleased that these other things exist and it has meant that we have not had people leaving town at a rate of knots.

CHAIR—You have had the diversity of your economy tested and, whilst it is not anything that any of us would want to have happen, these things do tend to come in cycles and this has been a particularly difficult one. The 1990s obviously challenged local communities but there were lessons learnt in that. What do you think you would do differently or would think about differently up here?

Mr Stack—The focus was quite rapid, and in the last five years the focus has been primarily on expansion in the mining and mineral processing sector. Going forward, we have a very good commitment by our education providers in the fields of tropical health and science. We are looking for our region to be very dominant internationally in the field of tropical health, tropical living, tropical architecture—whatever it might mean to live in the tropics. I am sure the university has been here and outlined that plan for you. That is something that has wide support locally. As a region, our employers and employees look to increase or enhance skills in those areas as much as possible, to the point that we now can look to assist and associate with travel and trade missions to other areas across the tropics.

There is a very expansionist attitude in our local businesses. We would have a number of local businesses that have been developed over the last 20 years that would be national leaders in what they do, be that in various forms of commercial or retail property development, in forms of engineering. In what they do, there are a lot of worldwide leaders here, and that is one of the things that we take forward. If it is able to be harnessed better in a tropical environment, great.

We have to be very careful that we do not get a little bit complacent because we are the administrative centre for the north. That is where our government and defence capacity over the last little while might take us—we could get a little bit too comfortable. But we have generally, as a region, cruised through. There is no other way. We have a number of large employers and it is about trying to protect those large employers to make sure that if in fact they need to wind down in the future—which is the case with mines—there is sufficient scoping of new opportunities and sufficient training for people to take on.

CHAIR—Thank you.

Mr RAGUSE—I asked Townsville Enterprise about the superyacht concept and whether there is a connection. It appears that Townsville Enterprise did not have a particular view on that, other than that there is a cluster up in North Queensland. I know it was very strong there, and certainly in the Whitsundays and Brisbane. Superyachts have come to the region. GFC may have had some impact on whether Cairns is still travelling down that track or whether there have been significant moves for it. I know the Cairns Chamber of Commerce were very supportive of it at one stage.

Mr Stack—It did not form part of our discussions with the chamber. We were looking at what really assists the region to keep functioning in a sustainable manner, so things like highways and so on were the points of discussion there. Our own chamber has no general view on the superyacht concept.

Mr SULLIVAN—Thank you, Mr Stack. You mentioned at the end of your opening comments about the emissions trading scheme void causing some concern amongst your membership. Has there not been significant material put into their hands in relation to what it does mean or are they just, like me, trying to work out what all that significant material means?

Mr Stack—No. Understanding its impact, particularly on some of our bigger employment providers—that is, again, our mineral processors and our mines—is something that, as a local group of businesspeople, is very hard to qualify. We do not understand how an individual mineral processor might be impacted by it. We do not understand what impact pricing may have on them—by that I mean pricing of the product they produce and/or the cost of any scheme. We do not completely grasp that impact. Information about that impact would need to come from the processor or the miner, or whatever. But as a wider community in North Queensland, I do not think that businesspeople and so on are really across the entire emissions trading scheme issue. We are only putting this as a priority now. We should have done this 12 months ago, but we did not. We need to get across any potential impacts there.

Mr SULLIVAN—With everything else that was going on 12 months ago, perhaps it is a good thing you did not, because I note you say that the mood currently is one of some confidence and relief that we have not, to date, suffered what the rest of the world is suffering. To complicate it with uncertainty about ETS might have been a bit more ‘rabbits in the headlights’, as I think somebody said earlier today. That obviously would be a matter that would not just apply to Townsville, it would apply elsewhere, and it is very difficult for the government to tell you what your major companies’ impacts are going to be. As you say, it has to come from them.

Mr Stack—We believe it has to come from them. If there is a significant and realistic impact, then we would be supporting any view they have. Our primary support is to make sure that the impact on employment levels is minimised, if in fact there is going to be one. But we are quite ignorant about that impact.

CHAIR—Unfortunately, the difficulty of a political process is that often people’s claims about particular things are part of that process. It is quite difficult to get access to good, solid information at the moment, so I do understand that.

Mr SULLIVAN—Most companies would be waiting until they see the colour of its money before they dare to try and work out what it means to them.

CHAIR—The notion around business certainty has obviously been heard fairly clearly by the government in trying to proceed with it. That is understood.

Mr RAGUSE—You have 650 members of the chamber.

CHAIR—It is huge.

Mr RAGUSE—That is quite a strong chamber. In regard to the representation, if we are talking about 30 per cent of members being in the mining industry, that would mean many more of the members would be the smaller businesses.

Mr Stack—Very much dominated by small to medium sized enterprises, so generally under 20 to 25 people, with by far a heavier weight of our membership from businesses under eight people. We are a similar size to Cairns. Just as importantly, we have got some small towns close to us with populations of only 8,000 or 10,000 people, with 100 members in their chamber. So, proudly we would say, they are groups that are very conscious of the community that they live in and participate very strongly in that community.

Mr RAGUSE—Which I think goes further: if you are saying that there is a level of confidence amongst that level of enterprise, things may well be quite sustainable here. In terms of those members calling on some of the other services that you provide through seminars and information sessions or locking into some of the programs we run as government—both federal and state—has there been a change with more information gathering than there might have otherwise been? People are more engaged now in learning more about options, opportunities, future?

Mr Stack—No, I have not noticed any significant change. Groups such as the Queensland Chamber of Commerce and Industry would be more directly involved with the provision of those types of workshops, seminars and so on, whereas we are a little bit more focused on networking and the occasional information session. They would be better people to ask.

CHAIR—Thank you very much for providing evidence to us here today. You will receive a proof transcript of the *Hansard* and, if there is anything additional that you would have liked to have had the opportunity to say to the committee, please feel free to write to us. The secretariat will write to you if we have got any further questions. I declare the meeting closed and thank the secretariat, the witnesses and Hansard for their attendance today.

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

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

Committee adjourned at 11.54 am