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# SENATE

## Official Committee Hansard

EMPLOYMENT, EDUCATION AND TRAINING REFERENCES  
COMMITTEE

**Reference: Regional employment and unemployment**

MONDAY, 4 MAY 1998

CHURCHILL

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**SENATE**

**EMPLOYMENT, EDUCATION AND TRAINING REFERENCES COMMITTEE**

**Monday, 4 May 1998**

**Members:** Senator Crowley (*Chair*), Senator Tierney (*Deputy Chair*), Senators George Campbell, Carr, Denman, Ferris, Stott Despoja and Synon

**Substitute members:** Senators Mackay and Carr

**Participating members:** Senators Abetz, Allison, Bolkus, Brown, Colston, Forshaw, Mackay and Margetts

**Senators in attendance:** Senators Allison, Carr, Crowley, Mackay and Synon

**Terms of reference for the inquiry:**

- (1) An assessment of the factors that contribute to the disparity in employment levels between different regions and also between regions and capital cities, as well as the continuing high levels of regional unemployment, with particular reference to:
  - (a) the impact on job opportunities as a consequence of increases or decreases in the level of federal, state and local government funding and services;
  - (b) the direct and indirect loss of income to regional communities;
  - (c) its impact on the level of private sector investment and activity in regional communities;
  - (d) the effectiveness of labour market programs and vocational education and training on job creation in regional areas; and
  - (e) assessment of the effectiveness of current and previous governments' funding and program delivery in promoting regional job creation.
- (2) an examination of remedial strategies that have or can contribute to reducing regional unemployment, including any overseas experiences.

**WITNESSES**

**ANDERSON, Professor Alexander John, Campus Director—Gippsland and Berwick campuses, Monash University and Gippsland Development, Switchback Road, Churchill, Victoria 3842 . . . . . 296**

**CAMERON, Ms Diane, Executive Officer, Gippsland Area Consultative Committee, Post Office Box 537, Morwell, Victoria 3840 . . . . . 277**

**DUNN, Mr Robin Marshall, Manager Infrastructure, Loy Yang Power Ltd, c/- Bartons Lane, PO Box 1799, Traralgon, Victoria 3844 . . . . . 311**

**DUNSTAN, Professor Barry Thomas, Chairman, Latrobe Valley Taskforce, Box 972, Morwell, Victoria 3840 . . . . . 277**

**ELKINGTON, Mr Richard Lewis, Manager, Corporate Relations and Environment,**

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**Committee met at 9.56 a.m.**

**CAMERON, Ms Diane, Executive Officer, Gippsland Area Consultative Committee, Post Office Box 537, Morwell, Victoria 3840**

**DUNSTAN, Professor Barry Thomas, Chairman, Latrobe Valley Taskforce, Box 972, Morwell, Victoria 3840**

**FOSTER, Ms Bettyanne, Manager, Gippsland Research and Information Service, c/- Monash University Gippsland Campus, Churchill, Victoria 3842**

**ACTING CHAIR (Senator Synon)**—I call the committee to order and declare open this public hearing of the Senate Employment, Education and Training References Committee. Today's hearing at the Gippsland Campus of Monash University is part of the committee's inquiry into regional employment and unemployment. I welcome Professor Barry Dunstan, Ms Diane Cameron and Ms Bettyanne Foster. The committee prefers all evidence to be given in public, but you may at any time request that your evidence, part of your evidence, or answers to specific questions, be given in camera, and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate. I now invite you to make an opening statement, and at the conclusion of your remarks we shall proceed into questions.

**Ms Cameron**—We are starting today's submissions by inviting Bettyanne Foster from GRIS to give a statistical overview of the region.

**Ms Foster**—My role here today is to give you a demographic profile of Gippsland, and particularly the Latrobe Shire. I have got a series of slides and graphs to give you the statistical overview. The Gippsland region is made up of six shires, with a total population of 222,000 people. Bass Coast Shire, which includes Phillip Island, has a population of about 20,000 people. Latrobe Shire is the largest in the centre, with 68,000 people. East Gippsland, which includes the Gippsland Lakes and Lakes Entrance, Bairnsdale, has a population of 38,000 people.

Growth in this region has slowed, and in some cases there has been a negative growth over the past five years, and even over the last 10 years. Growth in Latrobe Shire has actually declined between 1991 and 1996, and, to a certain extent, in Wellington Shire as well, which is the neighbouring shire. This means that these two most populous shires have impacted on the Gippsland growth rate, so there has been a negative growth rate. The green bars show you the growth rate between 1981 and 1986, and there was very healthy growth in this region up until that time, but, because of various impacts on the region, there has now been a negative and falling growth.

This is a bit of history of the Latrobe Valley, which of course is the power centre of Gippsland and Victoria. The population grew very rapidly in the postwar years. There were power stations being built up until the 1980s, with Yallourn Power Station being the first power station on line in 1924, Hazelwood Power Station in 1964, Yallourn W in 1975, Loy Yang A in 1984, and the last one was Loy Yang B in 1992. The population growth of the

towns of Latrobe Valley grew very rapidly up until the mid-1980s, and, as you can see, there is quite a decline in the populations of all of the towns between the 1991 and 1996 census.

This is an indicator of the changes in the power industry, which of course has been the major impact on this region. So while the electricity generation has maintained or even increased slightly its output, the personnel in the power stations has declined quite considerably, to the tune of about 6,000 people who are not working in the power industry any more. There have been quite a number of impacts on the Gippsland region, not least of which is the SECV restructure.

Another major industry in the region is Australian Paper, which restructured in the early 1990s. The brown coal liquefaction plant which employed several hundred people closed down in the early 1990s. The National Safety Council, which was working outside Sale, closed down in the late 1980s. It employed about 400 people at some time. The Esso head office in Sale employed originally about 1,200 people. The head office moved to Melbourne, so the work force is around 800, which are the people working on the rigs in Bass Strait.

The state government restructure has had an impact on the region, with numbers in health and education declining. Local government amalgamations have had another impact on the number of employed people. The national recession has affected us all, and gambling has had an effect as well. I will not go into those in any great detail, unless you wanted to ask some questions.

**Senator CARR**—How did the gambling have an effect?

**Ms Foster**—In a small region, in a depressed area, some of my slides will show you that there are large numbers of people on unemployment benefit. They do not have a great deal of resources, and they resort to gambling to give them a little bit of hope, I guess, and that has impacted on the retail trade in the area, as well as other businesses.

**CHAIR**—Ms Foster, both this submission and the one from the Latrobe Shire Council do give us a number of these stats, so can you flip them and highlight the bits that you think stand out.

**Ms Foster**—Latrobe Shire's population projections for the area show very little growth and increases in the older age groups. This shows a decline in the power industry again. All I wanted to show you here was that, while the region has suffered a great deal of loss of employment, the diversified power contractors are increasing in their employment. The small pale blue part shows new industry coming into the region.

**CHAIR**—Just before you change that, what does Monash mean, the green layer there?

**Ms Foster**—This is the campus of Monash University here.

**CHAIR**—And the two sections below that?

**Ms Foster**—That was BCLV, brown coal liquefaction plant. It used to be looking into turning brown coal into oil. That was a pilot plant with Japan. That has closed down. I have

used the June 1997 figures for unemployment rates in the shires. Gippsland's unemployment rate is 12 per cent; Australia-wide it is 8.5. Some areas within Gippsland are much higher.

**Senator SYNON**—What is the Wellington Shire figure?

**Ms Foster**—It is 13.0 per cent. Participation rates show quite a change in this region. There used to be a very high participation rate in Gippsland and the Latrobe Valley. That is no longer the case. The Gippsland participation rate is 56.9 per cent; Australia-wide it is 59.9. That is the number of people either employed or unemployed as a percentage of the population over 15 years.

**Senator MACKAY**—Given that extraordinary low participation rate, what would the real level of unemployment be? Have you done any work on that?

**Ms Foster**—I have got some slides that will show you that. What we have found is that people are actually leaving the work force or leaving the labour force, so they are not employed and they are not looking for work. They have just opted out.

**Senator MACKAY**—Which means that the real level of unemployment is probably a lot higher than what is stated.

**Ms Foster**—Probably a lot higher, yes, I would say so. In the labour force in Latrobe Shire, just comparing percentage changes between 1991 and 1996, full-time employment has gone down by 16 per cent; part-time employment has increased. The blue part there represents those not in the labour force. So the people who have opted out have increased by five per cent, even though the number of people in the working population age group—the 15- to 64-year-olds—has actually declined by six per cent.

Gippsland is a little bit different. Even though part-time employment has increased greatly, the total number of people unemployed has declined, and the total number not in the labour force has increased—so that explains those two—and the number of people in the working age group has declined as well. What we are finding is that in Gippsland, because there are a number of retirement areas in Lakes Entrance and Bass Coast, the older age groups are coming in and boosting up the population numbers in the over 15 years category.

As to the number of taxpayers in the Latrobe Valley over several years: as a peak in 1989 there were about 32,000 people paying taxes, and that has declined now to just over 25,000, although it has increased a little bit since 1995. The number of people receiving unemployment benefits in Latrobe Shire increased dramatically in 1991, 1992, 1993, and it has remained at a fairly high level of about 4,600 people.

Another indicator is the median house prices. Just comparing housing prices with different regional centres in country Victoria, Latrobe has very low median house prices, and has done for quite a number of years, and it actually is declining from 1993 to 1996. So you can actually buy a perfectly acceptable house very cheaply in the Latrobe Shire—this is just an example—for \$18,500. That is just from an ad out of the local newspaper. If you wanted to have one that has had some work done on it, like plumbing and the stumps redone and all

those sorts of thing, it would cost around \$25,000. They are dramatic examples, but they are quite real. That is my brief overview. I do have a copy of the slides I can pass over to you.

**Ms Cameron**—Bettyanne has adequately covered the factors for the disparity in employment levels between Gippsland and other regions, and capital cities. Two factors that perhaps will impact further on the region are the drought, particularly in East Gippsland, and the current Asian economic crisis. I have included with my paper a list of companies that have moved into the area or expanded with their investment and their job growth. You can see that for the level of investment—I will not go through the chart now—the number of jobs actually generated in that is still very small.

Much debate has occurred as to the wisdom and morality of the dramatic economic restructure, but basically the Gippsland ACC has taken the view that the past is a foreign country. Rather than look backwards to what might have been we have chosen to look forward to what we believe, with careful and visionary leadership, Gippsland will become. The Gippsland ACC is delighted with the recommendations which Dr Kemp has made and the recommendations of the parliamentary review committee. The four priority areas which he has outlined for ACC are regional leadership, information brokerage, regional coordination, and for ACC to act as honest brokers to assist the embedding of the Job Network, which are roles which the Gippsland ACC has already been undertaking. We have developed a regional employment strategy and, in consultation with the community, are currently reviewing and expanding it.

A new strategic regional plan will reflect a combined community vision for the development of employment opportunities for Gippsland. The regional employment strategy was developed after the ACC assessed the Gippsland situation with regard to employment, and then developed four widely-embracing strategies to assist not just with the alleviation of unemployment but also with its prevention.

Firstly, critical to the attraction of any business or industry to Gippsland is a labour market stocktake. The ACC is currently working on a skills audit which will identify the actual and potential work force. This will provide a statistical snapshot of the region and its component parts, so that local and state governments can use the information as part of their package to promote and attract new industries to Gippsland.

The ACC has also embraced a strategy to increase the potential of small business, which continues to be the backbone of Gippsland's economy. If the productivity of small businesses can be increased, if the employment of staff is freer of red tape, if small business people can understand the new apprenticeship system, then employment growth can follow.

Through DEETYA's regional assistance program funding the ACC has assisted in the development of a business incubator, which will open in June in Moe. It will accommodate up to 40 small businesses. This incubator will be linked to all of the NEIS providers in the region so that fledgling businesses are provided with the support they need in the early years to become successful. We are also assisting a business incubator in Traralgon, and conducting a business incubator feasibility study for Bairnsdale.

Feasibility studies are currently being conducted into forestry in East Gippsland and horticulture in the Latrobe Valley, with the intention of forming industry focus groups to assist in value adding. It is expected that the horticultural study will give rise to the formation of a flower growers cooperative. In conjunction with South Gippsland Shire and RAP funding, we are assisting in the development of a gourmet food cooperative in Leongatha. This is an attempt to diversify the economic base of South Gippsland and keep our young people in the area.

The ACC is also the major sponsor of the Gippsland business awards which will promote and acknowledge business excellence in Gippsland. We believe that these awards will increase business confidence and equate to job growth. The strategy to assist the region's youth is one which has set a special challenge. Teenage unemployment on DEETYA figures in Gippsland is 42.3 per cent and is much higher in some of the smaller towns.

Falling school retention rates is a major concern. In conjunction with Western Port ACC, Gippsland piloted the schools life-skills program which ran in nine schools in the two regions. The concept was simple: it provided a job club-type program to students who were considered by their schools to be at risk of not completing secondary education. The aim of the program was to teach self-influence, information and skills in resume writing and interview techniques, and students identified their own career paths.

Over 80 per cent of these students have remained in some form of education or have commenced a full-time traineeship or apprenticeship. The sample was extremely small—120 students in all—and so the ACC has now been funded by DEETYA to conduct an expanded pilot across all Gippsland schools, with an office served by the jobs pathway program.

Other programs for youth have been directly interventionist. They include the provision of young achievement Australia programs solely for unemployed youth, and assistance with the great young Aussie car wash scheme to provide immediate employment and training for unemployed young people in Moe.

Other activities include assistance for projects with major significance to the area. These include the funding for the development of concept plans for the proposed Gondwanaland Voyage and International Research Centre in Lakes Entrance. In conjunction with RMIT, this project will provide a centre for academic research, an educational facility for schools, and a national and international tourist facility.

**CHAIR**—Ms Cameron, I think you are very much taking us through the submission that arrived today. It is very useful. I just wonder if, in the interests of time, you can highlight the remaining pages, like the headlines. If you want to talk about the railway to Walhalla—and I will ask you about that later—labour market programs, and the NEIS, could you just paraphrase what is left to tell us?

**Ms Cameron**—Sure. I guess the ACC's comments on labour market programs would be that they are delighted that NEIS and jobsearch have continued, being probably the two most useful programs. The only comment we would make on the demise of the labour market programs is that we would like to have seen a better investigation into the effects of the

stimulation into the local rural economies of the money that came in via labour market programs, and the reduction in the cash-in-hand economy.

I suppose the main drift of the paper is that Gippsland is one of the regions across Australia that has the capacity to contribute significantly to the development of the overall economy. It is a resource rich region, both in natural resources and human resources. However, in order to capitalise on these resources, we need special assistance. Gippsland often misses out on competitive funding—the railway being one of the most recent examples—and we would ask you to consider the provision of a special non-competitive regional cross-portfolio funding package.

This would allow the region to finance some of the visionary and innovative projects which have the capacity to attract international investment and therefore benefit the country as a whole. We suggest that the government consider targeting regions such as Gippsland for extra resourcing for a given period of time, so that growth can occur more quickly than it otherwise would.

**CHAIR**—I love your last line which says that Gippsland, like the phoenix, will rise, but it will get up much faster with a big stimulation of government funding.

**Ms Cameron**—Yes.

**CHAIR**—That is a great line. Thank you for that submission. Professor Dunstan, would you like to make an opening statement?

**Prof. Dunstan**—My submission to you today is as Chairman of the Latrobe Valley Taskforce. The task force is a voluntary action group of about 20 of the major industries, infrastructure leaders, and education providers situated in the central part of the Shire of Latrobe. The aims of the task force are quite simple, and that is to use collective influence, company influence, to bring new employment or to stop the drift of employment away from the region.

The task force, however, is not just a business council. It goes beyond that. The task force started in 1991, really under the sponsorship of the then federal member for McMillan, Barry Cunningham, and has continued to work with the present member, Russell Broadbent. The region has been very fortunate that both of these members have been strong proponents for the region. However, the task force itself does not see itself as party political in any way.

The Latrobe region is the hub, as you all probably understand, of an extensive national asset, and it is estimated that the energy export from this region is in excess of \$5 billion a year. The brown coalfields on which you sit at the moment and the Bass Strait oil and gas reserves which lie very close to this region are serviced predominantly from the Latrobe region. However, it is a source of concern and some bemusement to many of us that little real attention has been given to the region which generates such national wealth, and that the changes occurring to the region which reduce the region's potential remain essentially without comment.

As you saw, the region reached a peak in the mid-1980s, and then, with maturity, especially in the power industry, it became politically and economically expedient to head into a period of reform. Those reforms have now been achieved, with a huge gain to national productivity. A simple example of this can be seen in the electricity prices here in Victoria—by implication the price leaders for the national grid—which have fallen 10 per cent to 30 per cent in real terms.

However, an article in the *Age* on 29 April indicated that some of Australia's major electricity users are now making savings of 60 per cent in real terms. Clearly, the downside of economic reform has been major job loss, estimated by some at up to 8,000 from a population base of around 75,000, as you saw. This rapid loss of jobs is roughly equivalent to four BHP Newcastle steel mills. The threatened closure of one such steel mill was met with sustained public indignation, significant media attention, and promised government action. We could contrast that to the intense silence which has occurred over the restructure and economic reform of the Latrobe region.

Another factor in the region, of course, has been the outsourcing and outflow of skilled professionals, and the consequent loss of employment for younger people. There has been a rapid drop in the number of professionals employed in this region. I give you an example where, up until 1990, this region probably was unique in that it supported branches of most of the major professional societies: the Society of Accountants, the Institution of Engineers, the Royal Australian Chemical Institute, the Institute of Mining and Metallurgy, and so forth. Nowadays, very few of these are in fact still operating, or they are moribund or struggling for membership. So we have seen both the top and the bottom taken out of the employment scene as the economic downturn followed the restructure.

If you overlay these restructure changes and job losses with the vast range of changes taking place throughout the rest of rural and regional Australia, you may understand some of our problems. This region, like others, is the recipient of other economic and government policy changes which have led to local government amalgamations; bank amalgamations and closures; school, college and university amalgamations and rationalisations; closure of state and Commonwealth government offices during restructure—always with a staff reduction—and which have usually focused on those who are younger, less skilled, and obviously more vulnerable to economic and social changes.

I will give you two examples. Last Thursday, by chance, I was visiting staff at the local CES-DEETYA office which formally closed, as you will know, on that day. A year ago, that organisation employed 152 people and now, in all its Centrelink and other permutations and combinations, it probably employs one-third of that. Again, it is the younger and less experienced staff that are displaced, and in this region potential re-employment is at least 150 kilometres away in the nearest capital city. A major bank which operated in the central Latrobe Valley a year ago had 10 branches. Due to amalgamation and restructure and the transfer of central processing to Melbourne, it now operates three branches with 57 fewer staff—and the list goes on.

With the exception of this Senate hearing, there have been few from the various levels of government who have come to observe these structural changes to what we consider to be an important economic region. State and Commonwealth governments currently seem ill-

equipped to notice or to respond to such fundamental changes which impact directly on employment and, when there is response, it is often late, misdirected, or depressingly inadequate.

**CHAIR**—Can I just ask you to pick the eyes out of the next few pages.

**Prof. Dunstan**—We can see this regional situation as depressingly irreversible or, with some effort, a window of opportunity for the region to build towards a better future. The Latrobe Valley Taskforce is in the latter class. Whilst not believing that the task of economic and social regeneration is an easy one, the task force is prepared and does intend to be part of the solution. The task force of course does not act alone; it acts in concert with many other groups. But I think publicly somebody should indicate the enormous leadership which is currently being shown by the newly amalgamated Shire of Latrobe, this university, and Gippsland Development.

I was going to talk briefly about some of the good things which are happening in this region, but I think it can be seen from some of the figures that Diane has talked about that there is an economic recovery happening here. It is happening in the development of small new businesses, and it is happening through the development of industries looking beyond the region and looking beyond Australia, and now working globally to bring new development into the region.

**CHAIR**—That is very much appreciated, Professor. I hope that we can come back and give you time to get onto the record some of the good things. This committee is looking at the contributors to regional unemployment, but we are also very interested in local suggestions and proposals for solving it. We would like to give you the opportunity to put some good news on the record, apart from your written submission. I now formally receive this submission into evidence.

**Senator SYNON**—Ms Cameron, thank you for your submission, which is very helpful. You talk about the fact that there are a number of regions across Australia which you think can significantly contribute to Australia's economic future and that Gippsland is one of those, being a resource rich region. However, you talk about the need for resourcing. I am wondering if you could expand on that. I know you have talked about a tripartite government or a cross-government pool of money, but I am wondering what are the kinds of responses and support structures that would enable you to get on with the job. Inherent in that is, what are the barriers that you are currently experiencing?

**Ms Cameron**—I will take the first part first. As a region we are becoming very much more cohesive. We need to get together and work out together exactly what it is that we need to fund as matters of priority. We seem to miss out on competitive funding. We have got some big projects here that could generate job growth and economic growth, and they are struggling to get off the ground. I have mentioned a couple of them in my submission. If we got together as a region and had a funding package that we did not have to compete for, and the leaders of the region essentially worked out the priority use of that money and had a staged release and a staged growth for the region, then I think we could expand. Probably the barriers to that are the duplication of services. I know that is a role that the ACC will be looking at very carefully in the next three years, and competing for funding with other areas.

**Senator SYNON**—Is the main inhibitor a lack of resources? You talk on the next page of the need for imaginative vision of local leaders. My experience in this area, which spans a long time, is that money is one part of the response, but the community interest and involvement, the capacity to keep young people in town centres, and the capacity to motivate town leaders, are as much inhibitors as resources. Is that your experience or do you have that and just need the money to get on with the job?

**Ms Cameron**—Gippsland in my time here has started to grow, particularly with the economic restructure. There certainly was the climate years ago of the hand-out mentality here—company towns, everyone was secure, and all the rest of it. With the restructure that is no longer so. People know now that they need to fight for what they have. I think that has given rise to a lot of leadership in the area and working out exactly what we do need and how we need to go about it. I think we do know what we need, and other submissions today will outline that. As my paper said, we will go ahead and we will grow, but we will grow more slowly without government assistance.

**Senator SYNON**—Why do you think the region is unsuccessful in gaining competitive tenders?

**Ms Cameron**—Perhaps the region is not as well marketed across Australia as other regions, and that is probably a failing of all of us. We are not as well known. I do not really know the answers to that. Some of the projects here are as good as any I have seen or heard interstate or within Victoria. I think also there has been a negative connotation perhaps to the Latrobe Valley in the early days, with strikes and that sort of thing. We are looking 15 to 20 years in the past, but people sort of hear ‘Latrobe Valley’ in Melbourne and wince.

**Senator SYNON**—There is still some stigma.

**Ms Cameron**—Yes.

**CHAIR**—It depends how far back into history you go, doesn't it?

**Ms Cameron**—Sure.

**CHAIR**—It used to be the great success story, for those of us who are old enough to remember.

**Senator SYNON**—I just have a question for you, Professor Dunstan. You talked about the fact that, with the exception of this Senate panel, there have been few interventions or little interest really by levels of government in the valley. What would you like to see, because presumably you do not necessarily want government interfering down here?

**Senator CARR**—You mean creating a few jobs—that sort of thing?

**Prof. Dunstan**—I think it goes far beyond that, Senator. The reason why I am saying something like that is that it does start from the top, but to change the attitudes of government and governments—and I am not talking of any particular side—is a long and sustained process. The reason why this region is in the situation it is is not a simple one, and you

cannot supply simple answers to it. You must look at the more complex text to be able to understand it. That takes a bit of time. Our concern is that it has been very stop/go, that there have been attempts to look, and with a change of government or a change of policy they all disappear and go away.

For those of us who have been around the region long enough and believe we know some of the answers, there really is not anybody asking the questions as to what has gone wrong in the Latrobe region, and what does it really need. Certainly there are many government programs which are aimed at one sector of the work force, such as ameliorating the loss of young people's jobs. We have seen LEAP, RED and every other acronym that you can think of over the last 20 years, but none of those are looking at why the region has got itself into problems. I would like somebody with the clout of the federal government to sit here for a reasonable period of time with us and start to work through those.

**Senator SYNON**—You say:

State and federal governments currently seem ill-equipped to notice or respond to such fundamental changes, and when there is a response it is often late, misdirected or depressingly inadequate.

I am sure that assertion would concern government representatives of all political persuasions and tiers of government. Do you have any suggestion for the mechanisms that government can put in place so that our responses are not late, misdirected and inadequate? What would you like to see?

**Prof. Dunstan**—Let me just go back, if I might, for a second. The major restructure of the electricity industry in this region started in 1988. Effectively, this is an inquiry looking at employment in this region in 1998. There were attempts to push that along at various stages, but it has never been the sexy attitude of, 'What's required?'—to look at why it is that a region has lost its employment base. What I am suggesting is that, whenever there is economic change or reform or restructuring, it should be the role of government to be an umpire, a director, and a game plan leader, I think, in terms of what is expected on the other side. That is not directed at either government, because both governments of both persuasions have been part of the restructure of this power industry.

**Senator SYNON**—There is not time to pursue it now, but I would personally be most interested, as I am sure the committee would be, with any ideas about how such a mechanism could work.

**Prof. Dunstan**—Thank you.

**Senator MACKAY**—I have just a couple of questions to Ms Cameron. On the changing role of the Area Consultative Council, I noticed that—and you said in your presentation it is included in your submission—you have developed a regional employment strategy. Would it be possible to get a copy of that?

**Ms Cameron**—Yes, it would. It would probably be more useful for you to get a copy of the strategic regional plan, which is the revamped version, which will not be complete for about six weeks.

**Senator MACKAY**—Do you have anything that we could use at the moment? Is the regional employment strategy available at the moment?

**Ms Cameron**—I can send you a copy of that one, yes.

**Senator MACKAY**—Perhaps you could send us in six weeks time—six weeks is a long time with regard to this inquiry—the full-blown effort, the regional plan. That would help.

**Ms Cameron**—Sure.

**Senator MACKAY**—What additional resourcing do you get for the increased role that you have?

**Ms Cameron**—We do not know yet.

**Senator MACKAY**—Can you explain to me firstly what the increased functions are and, secondly, why you do not need additional resources.

**Ms Cameron**—I did not say we did not need additional resources.

**Senator MACKAY**—I am sorry, I did not hear you.

**Ms Cameron**—We just do not know what our additional resources are going to be. We always need more money.

**Senator MACKAY**—Perhaps I could ask the question again. What is the changed role which has been advised by the minister? What, if any, additional resources are you going to get?

**Ms Cameron**—Dr Kemp last week indicated that he saw ACC as the lead agency for the coordination of regional approaches to unemployment. We also have a role in overseeing the embedding of the Job Network system in the employment services market, to monitor—not the effectiveness of individual providers—the coverage of the region and to see whether government contracting has adequately covered unemployed in the region. We have also been asked to take regional leadership in the dissemination of information, possibly across portfolio. Minister Somlyay has spoken with us also. We will probably become a great disseminator of information across portfolio for the whole of the region.

At this stage we do not know what the extra funding is going to be. We are funded for the secretariat. We have received in this ACC \$90,000 nominal funding this year for regional assistance programs. We have also won competitively more funding for the life skills project and for the business incubator in Moe. We are compiling at the moment 12-month business plans to indicate to the government the sorts of funding that we need to carry out the sorts of projects that we have on the books. It remains to be seen how much of that funding we will receive.

**Senator MACKAY**—The \$90,000 surely does not represent the entire RAP funding allocation?

**Ms Cameron**—Yes, it does.

**Senator MACKAY**—The entire RAP funding allocation?

**Ms Cameron**—The nominal funding for this ACC out of RAP funding this year was \$90,000. We received additional RAP funding for two major projects which were considered to be of statewide or national significance.

**Senator MACKAY**—What did you do with the \$90,000?

**Ms Cameron**—We are conducting two feasibility studies in horticulture and timber—forestry—for value adding. We have assisted in the development of the home paddock initiative in Leongatha, which is the gourmet food cooperative. We have got other projects on the books that are presently before DEETYA for use of that funding that have not been approved yet.

**Senator MACKAY**—Would you regard \$90,000 as adequate?

**Ms Cameron**—No.

**Senator MACKAY**—How much did you bid for? What did you ask for, or was it just an allocation that was given to you?

**Ms Cameron**—It was an allocation, yes.

**Senator MACKAY**—There was no assessment as to how much RAP funding would be required?

**Ms Cameron**—No.

**Senator MACKAY**—The role that you have articulated that the minister has given with regard to a variety of things, particularly the implications or how the new employment services market is going to work, seems to be fairly comprehensive. Are you hopeful that you will get additional funding with regard to this? What indications have you had?

**Ms Cameron**—We have had no indication as to the funding levels at all, except to say that the secretariat funding will be maintained.

**Senator MACKAY**—You have got an indication that you will not be cut?

**Ms Cameron**—No, we will not be cut.

**Senator MACKAY**—Which I suppose means you are a bit ahead. But you have been given a whole lot of other stuff to do, and you have not been given any indication as to resourcing yet?

**Ms Cameron**—That is right.

**Senator MACKAY**—If I could turn to Professor Dunstan: first of all, thank you very much for the tangential compliment, if you like, to the committee for coming down to the region. As the instigator of the inquiry, it was one of the things that I was pretty keen to see. Coming from Tasmania, it seemed to me that it was not often that inquiries actually went out to talk to people. We have had similar feedback in South Australia, and so far it has been regarded as a useful exercise. With regard to the REDO, you have indicated:

The REDO was established in 1994 but it does not seem to have been well supported, and its mandate to make an immeasurable difference across the 500-kilometre long Gippsland region gives it an unenviable task—

You then go on to talk about the review. What do you mean by that?

**Prof. Dunstan**—Firstly, it is pitifully small to be able to do anything. The REDO is three people, I think. The REDO board is a broad ranging group of people who are adding value to the activity, but they are predominantly volunteers. The REDO itself has little ability to seek out and influence people. Basically boardrooms are where new economic development is going to come from to this region. It is going to come by people being convinced, coerced, cajoled and encouraged to redevelop in the region. Three people can do little of that.

**Senator MACKAY**—What is the history of funding to the local REDO? What are the funding levels currently? What were they?

**Prof. Dunstan**—I cannot tell you. I am not a member of the REDO board. I have had a fairly close association through my previous association here at the university. I think Professor Anderson, who is the last speaker this morning, can probably answer that more carefully than I can.

**Senator MACKAY**—Just finally, with respect to the last paragraph, I think that is very interesting and a not uncommonly articulated perspective that the changing nature of government policies and programs is in itself a difficulty. In terms of the evidence we have got so far, it seems that people are very keen out in regional Australia to have services delivered at the coalface—through the coalface, if you like—and that there has to be far more integration in the delivery of those services and also with the development of specific projects. There is a view that the coalface is contracting very much. Do you have any comment to make on that?

**Prof. Dunstan**—Yes, certainly. I will take one specific example, if I might. One of the very pleasing things that has happened in this region is the enormous outward focus of a number of the new businesses, and many of the old ones as well, who are outside Australia trying to sell products and services. The nearest effective Austrade office from here is 150 kilometres away.

**CHAIR**—Where?

**Prof. Dunstan**—In Dandenong. It comprises one poor person who has a huge region to service, so that it is necessary for people to talk to Canberra, to Sydney, and to Melbourne, and unfortunately some of the stigma comments that were made before are some of the

negative influences that you have to work against. As a managing director of a company attempting to work in that scenario, I see it every day. People do not believe that things, first of all, can come from regions, and, secondly, to come from the Latrobe Valley is even worse. That is a bit of a cynical response, I know, but you will understand what I am saying.

**Senator MACKAY**—I understand. One of the recommendations that seems to be emerging quite strongly is the coalface delivery of services. Austrade has in fact got a mention several times in that it would be much more useful if there were more Austrade offices at the coalface.

**CHAIR**—You said the value of exported energy is \$5 billion. Do you mean exported out of the Latrobe Valley or out of the country?

**Prof. Dunstan**—No, I meant exports of energy products from the Latrobe region. The coal and gas are estimated to be \$5 billion annually.

**CHAIR**—So that just means not out of the country, but from out of the region.

**Prof. Dunstan**—No, not out of the country. It is significantly greater than that.

**CHAIR**—You also told us that the *Age* newspaper on 29 April indicated that some major electricity users had made savings of up to 60 per cent.

**Prof. Dunstan**—Yes, that is correct.

**CHAIR**—What has happened to the average householder?

**Prof. Dunstan**—The average householder's cost level has been held neutral in real terms, which I suppose one would say is a reduction because of increasing CPI over that period.

**CHAIR**—But in fact the gains have been very small for householders?

**Prof. Dunstan**—Yes, I would assume so.

**CHAIR**—Are they still subsidising the people who are making a 60 per cent killing?

**Prof. Dunstan**—I would not have thought so.

**CHAIR**—They were in the past. The Victorian power station at West Port was actually designed, I think, in large part to help smelters at Portland that never got off the ground. But Victorian householders were paying to subsidise electricity for business. Is that still the case?

**Prof. Dunstan**—I think it would be very difficult to find evidence of that today. The pool price for generation has collapsed. The distribution prices have been significantly higher. In Victoria, since the period of reform, prices have been held constant against a rising level, so there is reduction in real terms in that sense.

**CHAIR**—How do you suppose a major electricity user—and you can perhaps tell us what that means—could make a saving of 60 per cent?

**Prof. Dunstan**—With the reform in Victoria, the electricity users were divided into four classes. Those in the very large class—Richard Elkington may be able to tell you the exact cut points—say, greater than 150 megawatts a year, were able to directly contract or to seek contracts with various supply agencies. The system now is down to level 3, as of 1 July, where people with an average monthly bill of \$1,500, I think, can now contest for supply and seek a contract, whereas domestic customers in Victoria will be able to do that around the turn of the century, I believe. But in each case the supply industry has been highly competitive. The supply industry is now prepared to negotiate long-term supply contracts with major customers at very low levels.

**CHAIR**—We might need some hard figures on that to look at the impact. If the householder goes last, it sounds like a similar sort of story, at least in the interim. I will check the facts before I conclude.

**Senator ALLISON**—Ms Cameron, you say that if business were freer of red tape that there would be an increase in business activity and jobs growth. What do you mean by that?

**Ms Cameron**—I am talking about small business. Continually we find one-man organisations or family businesses that have difficulty understanding government requirements and difficulty with the paperwork of establishing or growing their businesses. We see this particularly in the area of putting on apprentices and trainees; it is just too difficult. Where they could use an apprentice or a trainee, the whole process is just too difficult. We are hoping with the new apprenticeship system and with the new Job Network providers that that will be simplified.

**Senator ALLISON**—Is part of your role at all to supply assistance to small business in this respect?

**Ms Cameron**—Our role is to assist the Job Network providers to do that. What is difficult about it is that quite often these small business people have very low levels of literacy.

**Senator ALLISON**—Professor Dunstan, you mentioned that some young people now in this area need to move 150 kilometres to get to an employment centre. Can you give us an example of the practical difficulties associated with that?

**Prof. Dunstan**—Senator, my point, first of all, was that it was not just 150, but it was the growth of the out-migration of young people from the region. The biggest problem here is that with the fall away of employment there are many families who are now not able to support younger people. They tend to stay in the region because they cannot go off for jobs and get into the bottom end of the unemployment queue in that particular sense. If they wish to seek employment, it means moving, breaking families, taking families away. Many of the younger people—and I am talking about younger people in their twenties and early thirties—are the ones who are selectively moving out. I think in two or three years time we will see those sorts of out-migrations reflected in the age profiles of the region.

There is already some indication that that is happening. So we are getting a skewing of the population, again from those sorts of sources, but the reference to 150 really is that Melbourne and the capital cities are seen as the new areas of employment for many young country people, that the only viable place for them to go is away from the regions into the cities. Basically that was my point.

**Senator CARR**—As a Victorian senator, I am very familiar with your region. I am very familiar with the long-held view that this region was in fact the Ruhr of the South. It was developed under the public sector as a great motor for the economic development of the state. Isn't the situation that you face today essentially directly linked to the failure of the public sector to support the region?

**Prof. Dunstan**—Senator Carr, to attempt to answer your question, I think there are two parts to the answer. The public sector has established this region. Most of the major economic benefits flow from what the public sector or the people of the state did in seeking a new benefit. That new benefit was the economic rationalisation that they considered at the time to be necessary. The economic pulse that has come as a direct result of that was the second part of the task. My view is, yes, the public sector did fail to notice that there was a consequent effect happening whilst that restructure was taking place. So I think the enthusiasm for the restructure and the perceived benefits were the prize in front of many politicians' eyes, or many bureaucrats' eyes, and the concerns and the downside of that was not recognised sufficiently.

**Senator CARR**—The other part of that argument essentially is the inherent failure of the private sector. This region would not have been developed without the public sector. What is to assume that you can maintain the momentum that you once had without the public sector?

**Prof. Dunstan**—I cannot answer the first part of your question, because it was never tested whether the private sector could have achieved the result. There was never an alternative or an opportunity for the private sector to develop, for example, the brown coal measures. They were locked up as state assets, and the state was the only one that had access to them, apart from very small parts in the last 10 years. So it is difficult to determine whether they could have done a different job, a similar job, or a better job.

**Senator CARR**—But what is to say that the private sector is going to be able to fill the gap now as a result of the removal of the public sector from the region?

**Prof. Dunstan**—If I do not hold the view that the private sector can pick up some of the direction, then I am forced into a view of total pessimism, because I see little government attention. One of the graphs of Bettyanne Foster showed the emergence of new industries. Predominantly that new industry is not government-driven industry; it is people seeking access to either the resources of the region, the infrastructure of the region, or being coerced and cajoled into the region by some of the groups which are attempting—

**Senator CARR**—I noticed the size of those different sectors as well on that graph, and I noticed how small—

**Prof. Dunstan**—Yes, it is very small.

**Senator CARR**—The point I am coming to is, to what extent do you believe governments, federal and state, have a responsibility to ensure the levels of economic growth in this region are maintained?

**Prof. Dunstan**—That is pretty difficult to answer.

**Senator CARR**—It is pretty straightforward, I would have thought.

**Prof. Dunstan**—Let me put it this way. This region developed with the strong assistance of the state government. It went through a perturbation when the state and the Commonwealth decided that there was a better way of doing things—I will leave it at that in that particular assumption. I believe, therefore, it is the responsibility of state and Commonwealth to understand what it produced as a result of that. If it turned off the tap and produced a result, then it should understand what it produced. Therefore I can only say it is the responsibility of state and federal governments in some ways to at least understand and monitor what has happened. If it is within the power of the state and the Commonwealth to turn around the worst effects of that, then I believe it should.

**Senator CARR**—It just strikes me that in every other aspect of life—and as an educationalist presumably you would be encouraging your students to acknowledge that when they make a mistake they change their behaviour—it seems in this country the sorts of economic policies that we are pursuing—the market-driven economic policies—are being maintained, quite contrary to all the evidence of the disastrous social consequences that they are having. Would you like to comment on that proposition?

**Prof. Dunstan**—You are leading me into a difficult question there, Senator. Yes, I understand your argument. Perhaps I could respond in this way: it is a very difficult argument, however, to mount to a 17-year-old Moe boy, who is one of the four out of 10 who is not likely to get a job, or likely to get employment in the next 10 years in this region whereas 10 years ago the state had a system which did tend to sweep those up. We all paid for it. We all paid for it in supporting a state owned industry which was capable of employing those people. We have decided to work otherwise. If that decision has been made collectively to work otherwise, then we should include all of those who are affected in the result as well.

**Senator CARR**—That leads me to the next point. One area to which we see a lot of attention paid by the state—and I am talking about local, state, and of course national government—is the question of education. What more do you think could be done to facilitate economic development through the education system?

**Prof. Dunstan**—I think I would have to say that in this region the educational infrastructure is very sound. I think other people will comment on various deficiencies and so forth, but I think it is sound. But I think it can be used as the vehicle to turn around much of what we see. It is not a lack of capacity here; it is a lack of customers in that particular sense. So it has the ability to be a bigger and greater agent for change than it has currently been. I think in that sense the educational system is probably one of the cornerstones of the region and its ability to be directly involved in change.

**Senator CARR**—Ms Cameron, would you like to comment on that proposition?

**Ms Cameron**—I have not got much to add to Professor Dunstan's comments, other than to say probably one of the greatest barriers that we are finding to unemployment among the youth is literacy levels. Where we have a sound educational framework we would like to see more emphasis on literacy in the schools.

**Senator CARR**—What about TAFE places? I notice the debate around the question of TAFE in this country, in particular the so-called efficiencies that have been imposed on the TAFE system which has seen massive reductions in the level of service in TAFE. Would you like to comment on that?

**Ms Cameron**—I think TAFE is a very valuable resource for skills training of our youth.

**CHAIR**—There is just one last question that you may even want to take on notice, because we must conclude. I appreciate the pressure we are all under because of the time constraints. You have talked about the difficulties of getting it wrong in terms of a piecemeal approach: governments change, the names of the organisations change, the personnel change, and there is big interruption, and so on. You have also talked about the importance of trying to measure accurately the costs. As you said before, we pay a very large price in high unemployment. People can measure the benefits of cheaper electricity—or at least some people can to this point—but who pays for the high unemployment? Who pays for the dislocation? Who pays for the kids who have to go 150 kilometres to get anything? Do you think it is time for someone to be looking at a new economic model that factors some of that into the so-called benefits of rationalisation?

**Prof. Dunstan**—Could I give an example of just some work that my own company is currently doing. We are working with the various sectors of the Chinese power industry and coal industry, which are changing from a planned economy to a market economy—a change much more graphic than ours is. The reason we are working with them is that they are coming to Australia and predominantly to Victoria to see how we have done it. There is a touch of irony in that particular case. But at least well ahead of the change they are trying to understand all of the factors which will take place. So the answer to your question is, yes, we do have to count the cost of all of the various pieces and, yes, we do need a new social/economic model of some sort. I am not naive enough to imagine that it is tomorrow or the next week or some hidden research paper which is going to produce it, but it does come from governments and people talking together more effectively, I believe.

**CHAIR**—The people in the community know exactly the price. They are paying it. What they are saying to us is, 'Would you take the message to government.'

**Prof. Dunstan**—Yes.

**CHAIR**—Thank you both very much indeed.

[10.59 a.m.]

**ANDERSON, Professor Alexander John, Campus Director—Gippsland and Berwick campuses, Monash University and Gippsland Development, Switchback Road, Churchill, Victoria 3842**

**HOLLOWAY, Ms Penelope Jane, Chief Executive Officer, Latrobe Shire Council, Kaye Street, Traralgon, Victoria**

**JENKINS, Councillor Brendan James, Mayor, Latrobe Shire, Kaye Street, Traralgon, Victoria**

**CHAIR**—Welcome. The committee prefers all evidence to be given in public, but should you at any time wish to give your evidence, part of your evidence, or answers to specific questions in camera, you may ask to do so and the committee will give consideration to your request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate, as has happened in recent years. The committee has before it submissions No. 77 dated 30 April 1998, and a contribution from Professor Anderson today.

**Prof. Anderson**—I would like it on the record that Murray Holmes and a range of staff here wrote that. It has my name on it, but I did not actually write it all.

**CHAIR**—Are there any alterations or additions you would like to make, either of you, to those submissions? Is it the committee's wish that those submissions be received as evidence? There being no objection, it is so ordered. I wonder if you could now make a three-minute opening statement. We have the benefit of a large number of the submissions. I would ask if you could in three minutes pick what are the high points that you would like to point out to the committee—or the low points—and then we can ask you to put the further stuff that you want to put on record in answer to questions.

**Councillor Jenkins**—Senators, in the late 1980s there were more than 11,000 people employed in the electricity industry in the Latrobe Valley. They produced over 90 per cent of the state's base load power. They still do. Only 3,000 jobs remain in the electricity industry in the Latrobe shire, private or public jobs. Those jobs were lost through the direct result of federal and state economic policies. The extent of that loss would not have been as great had those policies not been in place. Successive Commonwealth and state governments unleashed economic devastation, with either no prior thought towards replacement jobs, reskilling or the restructuring of the regional economy—or with prior thought—and a complete disregard for replacement jobs, reskilling or the restructuring of the regional economy.

That process began in October 1989. At that time the electricity industry, as well as employing over 11,000 people, employed close to 1,000 technical and trade apprenticeships. Less than 10 per cent of those sorts of apprenticeships and traineeships are available in this region today, which is one of the reasons why this region has got to the saturation point of 50 per cent youth unemployment. As you would be aware as you have gone around regions, what happens when we get to that stage of unemployment amongst youth in regional Australia is they just move. They have just got to leave. There are no opportunities for them.

You can never get to 100 per cent youth unemployment because they just move away once the situation becomes hopeless for them.

As I have explained, no provisions whatsoever by successive state or federal governments were put in place to cope with the downsizing that their policies directly caused, and, further, that their policies were predicted to cause. It was known that the outcome of the policies of the federal and state governments in the late 1980s up until today were going to cause this level of unemployment in this region, and no proactive policies were put in place. While it is pleasing to see senators such as yourselves come here to talk about remedial action, there is no doubt that Professor Dunstan was right when he said that 10 years ago the federal and state governments should have been thinking about remedial action. There were no specific assistance packages to assist economic and social adjustment.

In one area, the oldest factory in this region—the Morwell briquette factory—connected to the electricity industry. A positive proposal was put in place to turn around the business that was variously described as losing between \$20 million and \$40 million a year. An active policy was put in place largely through the Coal Corporation of Victoria, with the final support of the state government in the early 1990s, which means that that installation, the oldest in Victoria, still continues to produce briquettes, exports a large number of those overseas and is in fact a positive business.

**ACTING CHAIR (Senator Synon)**—I am afraid we are running very short of time today. Would you be able to conclude your comments as soon as possible and perhaps we will pick up some of those points in questions.

**Councillor Jenkins**—One of the main points is that we often talk about the competitive advantage that we have in Latrobe Valley with the cheapness of our power. At the moment, because of the rules that are being put in place—again by federal and state government—the current rules for distribution and transmission of that power means it is as cheap to buy power in Latrobe Valley here as it is to buy that same power after it has been transmitted all the way to Mildura or, in fact, interstate. If you look out the window you will see that we are in sight of three power stations. We have not even been given the opportunity to use the competitive advantage that we have in this region to produce power. I will allow Chief Executive Officer Penny Holloway to talk about some of the processes that we have been going through more recently.

**Ms Holloway**—As you have the shire's submission before you, I do not propose to go through it in any detail. I did want to make a few key points. We are very aware in this area of the need to diversify industry and build on what we do have to grow our business and therefore generate employment. We see the Latrobe shire as being the centre of Gippsland. Its success and its development are really key to the success of Gippsland generally. At the council we have been very active in promoting economic development. We see that as a major priority and in fact have devoted \$2.3 million to that effect, and these are the funds that we have achieved from the rates from the power generators since they have been privatised.

But we cannot do it on our own; all the parties need to work together. I think that is the point that has come through this morning. Without a combined effort from the Common-

wealth, state and local government, the private sector, and the university working very actively together we will not be able to successfully turn around what we have seen happen here in the last 10 years. We do need major business investment, but it is impossible to just let the market prevail. We cannot sit back and say, 'Oh, well, in time the market will prevail and all will be well.'

We actually have to be proactive about seeking out new investment in this area and we have to build on our particular advantages. We had Boston Consulting do an analysis of the sources of comparative advantage in this area late last year so that we can be much more focused on where it was that we should be putting our energies and our efforts. Clearly we have substantial natural resources that we should be building on, and those are well known—our coal resources. But we also have our forests and our agricultural resources. I am happy to make this available to the committee if that would be of use.

In order to chase these opportunities that have been identified through that analysis of comparative advantage, we really do need to invest substantial amounts of time, energy and resources to attract National Foods to the area, which was a new business to this region which opened reasonably recently. The shire put in over \$1 million as an incentive. The state government likewise put in the same amount of money. That was over \$2 million to attract a new industry to the area. These are the sorts of sums we are talking about—they are not small amounts of money—if we want to be able to be competitive against other regions that are going through similar exercises in trying to attract new industry to their area.

Finally, there is a lot of determination in this area. The parties are working together, but we do need to have the direct involvement of the federal government as well as the state government, local government, the private sector, and the education area to be successful. Without that, we just do not have the critical mass of resources to be able to achieve the major breakthroughs that we need.

**Prof. Anderson**—Thank you for the opportunity to be able to speak with you and to be here today. I am interested particularly in the future and the employment opportunities of the future. I have no argument with our history or with the past, but you know all that. In looking at the future, there are a couple of points I would like to make that I think are important. Increasingly, in the modern world, comparative advantage is essentially a man-made thing; it is a created and constructed thing. Comparative advantage does not necessarily rely just on having the most resources or the best resources. They help, but many of the more successful parts of the world have very few or no resources and they are still doing a lot better than us in some cases.

The other issue that I think is important to recognise is that countries do not trade with each other; companies and regions trade with each other and engage in economic activity. The organisation and marshalling of the forces of a region I think is going to become increasingly important to Australia, and it is something that we have not focused on enough. To do some of these things, and to comment on what is going on locally: I think we have been but we need to link more to global agendas in our local behaviour, and a lot of that is beginning to happen. I can illustrate that later if you wish.

There is a lot of talk about the need for leadership and the need for us to be a bit more active about taking our future into our own hands. To do those things—it has not been said before and I think it needs to be—we need more autonomy and self-determination at the local level. The region is very much based on a branch mentality. We wanted to hold a meeting the other day of the Latrobe Valley Taskforce, and four or five of the key members were called off to meetings in Melbourne by their betters, so there is a branch mentality that is inconsistent actually with regional development and inconsistent with leadership and self-determination in the region.

I am not talking about us running away or seceding or anything of that sort at all. I am simply saying that businesses that are most successful across the globe, and multinationals, do not usually organise along cost centre lines. They usually organise along the lines of profit centres or investment centres, and they have a bit more decision-making autonomy at the local level than this region as a whole tends to have. That is going to be important as we go further if the region is actually going to be capable of going forward. It also then has a bearing on the range of services that becomes available in the region, and the types of people who will come to the region to work in the longer run. So that is an important issue.

The close collaboration between Latrobe shire and Monash and other groups in the region—but particularly those two—on issues concerned with the cultural and economic development of the region needs to continue. I see real merit in the long run in creating an education precinct of schools and TAFEs and so on around Morwell and Churchill, particularly to work with high schools and younger people to help prepare some cultural shifts there, to lay the foundations for that. There needs to be a greater focus on R&D and the continual upgrading of what Monash is doing. Monash here needs to perform in the interests of the region because there is no point having the R&D unless it is very good, and it is only if it is very good that it will be a magnet for future opportunities and for other players to come into the region.

You can see in the paper that we have started a small business and technology complex, and we have some projects under way there that are quite interesting for this region. There is a young group over there, for instance, employing about 18 people. They are doing marketing material and brochures and so on for companies in the US and other parts of the world. They do it all on the e-mail and the Internet and so on. They would have based themselves in Melbourne, but they function out here quite happily because they have the communications to do it.

On behalf of Gippsland Development and in my role here at Monash, I am chairing a committee for the region, looking at improving our communications and IT infrastructure across the region and how we can organise life with Telstra and others so that you can operate from here in a way that is no more costly than if you were operating in Sydney and Melbourne. There is not much point skiting about the benefits of all of this stuff around the nation unless it benefits rural areas, and if this technology does not benefit rural areas no technology is ever going to.

The charging rates for all of that I think are a matter for government to address. Most of the high charges, as I see it, in simple terms are justified by investing in infrastructure and in future technologies. The satellites do not wear out all that quickly, the lines do not wear out,

a lot of the technology that is used is not something that incurs heavy depreciation, except in the sense of technological obsolescence, but it would not be difficult to organise a charging regime that made life much improved for the regions.

In terms of some simple, practical steps that might take the region forward, I see that it would help enormously in the region if the CMS energy park were to proceed, and we need more discussion about the detail of that. But if whatever help was necessary could be organised to make that happen—and a lot of it hangs on CMS anyway—that would make a big difference to the region over five to 10 years. The Green Inc business and technology complex, which you will see at lunchtime, needs to work as a bridge between academia and industry, and is a mechanism not only for economic development but for social and cultural development in conjunction with the Latrobe shire in the longer run.

It is vital for the development of the region that we not only preserve but strengthen Monash locally, and that, you would be aware, is obviously an issue as Monash is an international institution and we operate regionally. There are some issues there that need to be addressed. I also run the Berwick Campus at Monash which is experiencing quite rapid growth, so I am aware of the differences between the parts of the institution.

I think the issue of building an education precinct around local schools as our population declines is really quite important. This is the last point I would like to make. The statistics that I have been given suggest that there will be about 4,000 fewer children in the age bracket six to 20 in this region by about the year 2020. Now, we can let all that fall on us, or we can plan and organise a bit and have some strategies to deal with it.

There have been a number of discussions locally in really what I must say at this stage is a quite small group about how that might be dealt with. The thinking that has emerged so far about the solution is quite common, and has a lot of central elements to it. We are thinking now of ways in which we might develop an educational precinct in conjunction with the university that would lay the foundations for some serious positive developments in the future.

The last thing perhaps is that there is now the beginning, through GREEN Inc. and some of the new initiatives, of a culture of enterprise developing in the region in its smallest stages, and that needs to be built upon and taken further. There has been \$12 billion or \$15 billion of foreign money and large-scale funding come in, taking over the power stations. The region to this point has not leveraged off that investment at all, and we need to do that.

**Senator CARR**—Mr Jenkins, in your council's assessment, what can the Commonwealth government do to assist the region in the short term?

**Councillor Jenkins**—In so far as the Commonwealth plays a role in the new rules in the electricity industry, this region would benefit from being able to utilise our competitive advantage in terms of electricity price, and it is only through an agreement between the states and the Commonwealth that makes it as easy to buy electricity from the Latrobe Valley almost anywhere in the country as it is to buy it here, or as cheap to buy electricity from the Latrobe Valley. To change that is going to take agreement from the states and the federal government.

**Senator CARR**—In terms of public investment, what would you like to see?

**Councillor Jenkins**—In terms of infrastructure investment, the infrastructure that is currently taking place here is taking place through the private sector without much consultation with local government in particular. The last major infrastructure investment was in the Latrobe Regional Hospital, and the positioning of that means it may not actually bring the benefits that that should to the region. We will be losing a lot of clients for that new public hospital to Melbourne because of the situation that was put in.

As far as our strategic position in transport, we need investment in transport infrastructure. The improvements that have been made over the last 10 years in our road infrastructure have actually proven of benefit to the Latrobe region's capacity to utilise electricity and our manufacturing expertise, and be able to get that to Melbourne or to the eastern suburbs within an hour to an hour and a half, through the improvements in the roads. There must be increased improvements in that, and a halt to the degrading of our current rail system which is progressively being cut off as it goes further to the east. It is now getting more difficult to even access our timber resource to come in here for treatment because of the downgrading of the rail system through to Bairnsdale.

**Senator CARR**—Thank you very much. Can I just turn to Professor Anderson. You mentioned that you thought that education had a very important role to play in terms of remedial action. I notice in your submission you say that government action has directly led to some of the difficulties faced by the region in terms of its levels of economic activity. Can I just say this to you: in terms of the reliance upon education, how do you see that submission in the context of the federal government's cutbacks, which I see you do note. As I understand the situation, \$4.4 billion has been taken out of the DEETYA budget; that is, 27 per cent of the total budget cuts that this government is seeking to impose on this country have come from one portfolio area, which on balance constitutes only about 10 per cent of the whole of government activity. In view of your submission and in view of those figures, is there not a real problem in trying to get acknowledgment of the priority that should be given to education and related areas?

**Prof. Anderson**—I think there is an understanding in most parts of the community I deal with—federal, state and local—that education is not only critical to the future but it is increasingly critical when you consider the kinds of enterprises that creates seem to be the ones creating employment and which Australia needs to get into. But the government is like a lot of other organisations in business and elsewhere: the allocation of funds does not always line up with the understanding about what is critical.

**Senator CARR**—I notice in your submission for instance you say:

In response to Federal Government cutbacks in higher education, 120 jobs have been lost at the Gippsland Campus of Monash University.

Is that up to this point—so over the last two years?

**Prof. Anderson**—Well, over the last three years or so, yes. That is the case.

**Senator CARR**—Under the previous government funding actually expanded by about 60 per cent, so where are these 120 job cuts? Are they in the last two years, or not?

**Prof. Anderson**—I believe they are. I would have to check the file precisely, but that is close enough to give you the order of magnitude, and is broadly accurate.

**Senator CARR**—That is in the current financial year, is it? Are you expecting any more?

**Prof. Anderson**—We would not expect a lot more, but that will of course depend on how well we are now able to perform in the environment we face at the present time.

**Senator CARR**—Professor, I notice you said ‘a lot more’. Are you expecting more cuts, or not, in terms of jobs at this university?

**Prof. Anderson**—Not for the next year or so.

**Senator CARR**—So there are no more expected in this current financial year?

**Prof. Anderson**—I am not saying they will not occur, but I am not yet aware of them.

**Senator CARR**—I see. So what is your operating grant? Has it been reduced?

**Prof. Anderson**—No, our operating grant is reasonably similar to what it has been. These issues are a bit complicated and a bit difficult to deal with in a totally explicit way because not all of the facts have been sorted through in a fully researched way. Some of the changes have occurred because we were operating as a largely autonomous campus, and we have integrated with Monash progressively more over the last year or two. So that has come in conjunction with the cuts. We had some cuts fed through to us. There may be a little more of that yet to come, but that is not clear yet. But some of the changes have also occurred because of closer integration with systems in Melbourne.

**Senator CARR**—I see. So has the number of publicly funded places at this university declined?

**Prof. Anderson**—In Monash as a whole there will be a decline of about 1,000.

**Senator CARR**—And how many at this campus?

**Prof. Anderson**—That is in the process of being determined ultimately, but a relatively small number here, not more than 100.

**Senator CARR**—Is that postgraduate or graduate?

**Prof. Anderson**—Undergraduate, essentially.

**Senator CARR**—So it is about 100 undergraduates, and you have not been able to make them up through distance education or anything else?

**Prof. Anderson**—The campus is actually growing quite well in distance education numbers, and it is growing fairly solidly with full-fee paying international student numbers, but in relation to the on-campus load, if you regard the government as one buyer of places, they are probably not buying as many as they were.

**Senator CARR**—So what percentage is 100 spots in terms of the total number of government funded places at this campus? That is for Australian undergraduates, I take it?

**Prof. Anderson**—Yes. I would have to give you a direct answer on that. Probably about six per cent, at a guess.

**Senator CARR**—Again, I note the importance of the point that you make, but if there is a six per cent reduction in Commonwealth funded places at this university for Australian undergraduates, it again implies to me that you will need to work pretty hard to get your submissions accepted by this Commonwealth government. What action are you taking to do that?

**Prof. Anderson**—That is probably true. My attitude has always been, just based on what I observe, that there appears to be a general pattern of less rather than more government support, and that appears as though it is going to be ongoing. Therefore, we need to devise other strategies to serve our communities and acquire the resources to do our job.

**Senator CARR**—Sure. Research and development has been another area in which the government has traditionally provided substantial support for investment, and of course Monash University has had an extensive private arm, so I have no doubt you have been able to attract additional resources in from the private sector to make up for the cuts to government. What has been the impact of government cutbacks to research and development as far as this region is concerned?

**Prof. Anderson**—As far as this region is concerned, not great, because historically the campus was a college of advanced education until six or seven years ago. We have been developing quite quickly and quite successfully a research culture, but much of the funding that has come into has come from—well, not from government sources, anyway.

**Senator CARR**—Yes, I thought that might be the case. In our discussions with other regions we have noticed that one of the things that distinguishes a more remote region tends to be the very high level of people who do not actually have any educational qualification at all. In some areas we have visited, it has been as high as 80 per cent. Given that in the past there has been a massive apprenticeship training program through the SEC which has now gone because the private sector does not seem to be as interested in long-term training and development in that area, I would have thought that here the numbers of persons who do not have any qualifications at all would be in the high 70s. Would that be right?

**Prof. Anderson**—I do not know those statistics exactly. We have got them all. I cannot recall them from the top of my head. I do know that we are a few percentage points—not as many as you might expect—down on the averages that apply across Victoria and on national averages. So we are down.

**Senator CARR**—So it would be in the 70s?

**Prof. Anderson**—We would have to check that number. The variation is not as great as you might expect from national averages, but we are under.

**Senator CARR**—Yes. I would have thought that, because of the extensive training programs that were undertaken by the SEC in the past which have now been lost.

**Prof. Anderson**—Yes.

**Senator CARR**—In terms of your concept of an educational precinct, do you think more work needs to be done, particularly at the adult and community education end? I know that is not particularly popular amongst universities as a rule, but the adult and community education sector has been a very neglected area. Are you including that in your proposals?

**Prof. Anderson**—I was not at this point, although we work reasonably closely with a group called SCOPE in Morwell. We have worked closely with them. I am not sure what their current situation is, but they have had an annual budget of \$2½ million to \$3 million. They have provided a wide variety of programs and courses for the group you describe.

**CHAIR**—I wanted to ask, Professor Anderson, if you could provide those figures that Senator Carr asked for on notice.

**Prof. Anderson**—Yes, we can do that.

**CHAIR**—That would be very useful.

**Senator SYNON**—I have just two questions, to either Ms Holloway or Mayor Jenkins. Firstly, in your submission you talk about the Latrobe shire's 'rural, retail, and services sector each exceeding employment in the once-dominant electricity sector' and, 'Whilst electricity remains important, signs exist of a diversification of the shire's economy.' Would you please elaborate for the committee how that diversification has occurred. Has it been as a result of natural growth or as a result of direct intervention in certain areas? And, in terms of the diversification, which sector or range of sectors do you hold most hope for in terms of future employment prospects in the shire?

**Ms Holloway**—In response, I believe that the diversification that is showing signs of occurring has been largely the direct result of intervention in the marketplace. We see, for example, the example I gave you before of National Foods, which is value adding in the dairy industry. That is an area of manufacturing that we did not have here before. It has established here as a direct result of major effort on the part of local and federal government in bringing together a package and an enticement to get that particular factory here. It would have probably gone elsewhere in Victoria anyway. That is one example.

As far as call centre development is concerned, that is not an area that we in the past have been strong in, but now are seeing ourselves developing some critical mass in, with the Centrelink development in Traralgon that was opened about six months ago. It required major effort on the part of local government and state government to entice that particular

development here. Other examples are Green Inc., that Professor Anderson has talked about, which is really looking at the commercialisation of research and development, particularly in the information technology area. Clearly the market has to be there, but the choice of this area over another has largely been brought about through active intervention.

**Senator SYNON**—So when an organisation like National Foods is comparing this part of Gippsland with possible other sites, both within Victoria and nationally, what are the competitive advantages of the valley that you would use to persuade such an employer to come here?

**Ms Holloway**—In the case of National Foods as an example, it was central to its raw materials. The dairy industry is very strong, not just in Latrobe Valley but in Gippsland. So that was one obvious advantage. We were able to provide good land, an access to water, and waste water treatment. Quality water was important for that particular industry. We were also able to provide particular incentives in terms of rate holidays and so on. So there were active incentives provided by local government, and there was a good source of people to be employed. A large number of the people who have been employed in that particular plant were long-term unemployed.

**Senator SYNON**—We could talk more about that, but I will move on. You also talk about the need to reverse the trend of the concentration of our population in capital cities, and you talk about the necessity of leadership by government and a holistic approach to policy. A little further down you say that there has never been such an approach since the bipartisan commitment to post-World War reconstruction. That is a point that I really wanted to raise—the issue of bipartisanship in relation to responding to regional challenges—and particularly unemployment. I think it was you, Professor, who said that indeed the problems became evident here in the valley 10 years ago when in fact there was a different persuasion of government, both at state and federal levels. How do you think, within the partisan political system that we have in Australia, we could encourage a more bipartisan approach to the difficulties that regional Australia is facing, and the problem of unemployment in our community? Do you have any practical suggestions?

**Councillor Jenkins**—First of all, Senator, there has to be a commitment from the two other parts of government, other levels of government, to that sort of approach. At the moment we are going through a situation here in Gippsland where the state government is convening meetings with local government to talk about these issues, many of which cross state and federal lines. Local government has made the request at the two first meetings with the state government to involve the federal government, because it is absolutely no use the federal government or the state government or local government attempting to address these problems—and a great number of problems—by themselves. It is counterproductive. We have made the request, and at the moment the state government seems to be reluctant to do that.

To an extent, we cannot change the federal and state governments' opinion on that, but we can only impress upon them that we need that to occur. If you have an influence on the Victorian government to make that occur, you would make our life a lot easier.

**Senator MACKAY**—Just very briefly, what is happening with the new employment services market down here? Do you know?

**Ms Holloway**—Do you mean in terms of the changes?

**Senator MACKAY**—Yes, last Thursday's changes.

**Ms Holloway**—Well, the changes have occurred. A number of providers have been awarded contracts in the job market, but we are probably not the right people to ask, to address that.

**Prof. Anderson**—It is probably why we are being asked.

**Senator MACKAY**—No, I am just curious. I thought there was somebody else appearing who is now not appearing, and I was going to ask these questions. It is probably referred to in submissions. Can I move on then. I notice in the council's submission there was what I thought was a very interesting suggestion about disincentives to downsizing; easier differentiation between city and country businesses in payroll tax and fuel taxes, et cetera. How would that work practically? It is an interesting concept.

**Councillor Jenkins**—At the moment this takes place on a case by case basis, and to an extent that particular dot point comes in with specific assistance packages. At the moment that does take place, particularly in relation to payroll tax and fuel taxes, as far as government is concerned, when they are attempting to influence a business to set up in a certain area or to set up in Victoria first of all. What we are really saying is that if those incentive packages are going to occur, and we have an infrastructure in regional Victoria—which we do—which will go to waste, it would be of net benefit to the community if those packages were presented to attempt to get organisations, businesses, to use existing infrastructure, rather than have to come up with new infrastructure.

For instance, Bonlac has built a new dairy processing plant over 30 kilometres away from us, this side of Warragul, and the infrastructure in roads alone that the Victorian government had to provide to put that processing plant there, rather than in the Latrobe region, was over \$12 million, just in roads. Now, had they built somewhere where the infrastructure was already available, that cost would have been forgone for the Victorian taxpayer. What we are saying is, if you are going to use those tools to attract businesses, attract them to places where the infrastructure already exists.

**Senator MACKAY**—There has been a lot of talk in terms of industry policy, about actually providing interventionist assistance by way of infrastructure, tax breaks or tax holidays—specific grants if you like, in terms of seed funding, et cetera—from a national industry development fund. What do you think about those sort of mechanisms?

**Councillor Jenkins**—They are occurring. The problem at the moment is that they are not occurring in any coordinated way. I think the chief executive officer went through a couple of the recent arrivals here in this area: National Foods, Bonlac, the Department of Social Security spike centre, which is set up in a privately owned new building in Traralgon, and GREEN Inc. here, which has assistance not only from the university but the federal

government, and local government. It is already happening in terms of assistance, but it does not seem to be happening in a coordinated way, and it does not seem to be happening in a way that recognises the benefits of a developed infrastructure that already exists for us here.

It has been ad hoc, but we are getting involved in it. Every industry that looks to develop in this region that approaches our economic development organisation wants to know the level of subsidy that they will be given, not only from the state government but by local government, and that is happening right across local government.

**Senator MACKAY**—What about at a federal government level?

**Councillor Jenkins**—As I say, my understanding is the federal government makes the same sort of attempts to attract people, but not in a coordinated fashion, and not in a way that develops industry in places where there is existing infrastructure.

**Senator MACKAY**—This issue of coordination is coming through very strongly in terms of hearings that we have had so far. Firstly, what are the difficulties that are currently being experienced in your area with lack of coordination and the adhocery, and, secondly, how would you restructure it in order to overcome those difficulties?

**Councillor Jenkins**—Well, those problems I have already gone through, in relation to the state government setting up a process which only involves the two areas of local and state government. In that case it is the department as well as the politicians. But really it is only going to take place when there is a committed policy that we can all understand and have some level of agreement with, and in particular the federal and state governments. But this sort of intervention is occurring. I have not seen the free market actually operate. They tell me it does somewhere. I have not seen it operate. There is this intervention. We do not know, we do not even have an understanding of what triggers this intervention in any one place. We have to, to an extent, take pot luck every time an industry wants to come and develop here. We then go and see separately federal and state government to see what they are able to provide in assistance.

**Senator MACKAY**—You talk about the REDO being severely under-resourced, et cetera. Would the REDO be a reasonable conduit in terms of if you want a single port or a single conduit?

**Ms Holloway**—That currently is the only one that we have. The Area Consultative Committee is another one, but that is concentrated on a particular brief. The REDO is the only Gippsland-wide economic development operation currently. We certainly need something like that, rather than set up something different. It would make sense to use the one that we currently have and beef it up.

**Senator ALLISON**—I have a question about the subsidies that are being requested by industry, Councillor Jenkins. Do you get the sense that this whole competition between regions to attract industry to their area is in itself causing difficulties? I notice that you say you have made water and waste-water treatment concessions or provisions available. To what degree is this competition a threat to the environment? To what degree do you have to offer

up more water and more services in terms of waste-water treatment, for instance? Does that concern you?

**Councillor Jenkins**—What concerns me in particular is that this competition for new business does not take into account the effect on the environment, it only takes into account the capacity of any local government area at the time to invest in attracting people there, and at the end of the day it is always a dollar figure on that investment. I am yet to see anybody ask what better improvements or better environmental treatment we can offer here rather than somewhere else. It is always a bottom line dollar figure.

**Ms Holloway**—Just on water and waste water, I think what we were saying before is that is one of our competitive advantages, that we do have a good water supply, and we have good infrastructure in place for waste water treatment, so that is something that we are able to offer incoming industry that is looking at establishing here over, say, another area.

**Senator ALLISON**—And yet is it not the case that given the drought in Gippsland that you have enormous pressures on the water systems in this area?

**Ms Holloway**—That is right, we do.

**Senator ALLISON**—An amount of \$2.3 million has been spent by the council in economic development. Is it too early to measure in actual jobs won through that expenditure whether that has been worth while or not?

**Ms Holloway**—I think the tally to date would be about 900?

**Councillor Jenkins**—Yes.

**Ms Holloway**—About 900 jobs have been achieved as a result of local government intervention. Obviously that is in packages with other levels of government, but those are the ones that we have been able to directly influence over the last few years.

**Senator ALLISON**—One other quick question that has not come up today: has there been an issue for local industry or for industry setting up here about raising finance? Is there the same access to finance in this region as there is in the city?

**Prof. Anderson**—There is plenty of money for good ideas anywhere if your ideas are good enough. Money is never the problem. The problem is imagination about what to do, and ideas and proposals that will add up. That is the same all over the world, I think.

**CHAIR**—How do you get from Moe to Morwell if you have not got a car?

**Councillor Jenkins**—Walk.

**Ms Holloway**—There are buses, and there is a train, but it does not run very often.

**CHAIR**—In other words, you use buses. How often do they run?

**Ms Holloway**—I don't know because I never take the bus. I don't know the timetable.

**CHAIR**—Good point. But what I would like to know is, if you are talking about competing—regionally competing, competing across this region versus Newcastle, versus the Northern Spencer Gulf region or whatever—how much competition goes on between Warragul, Moe, Morwell and Traralgon?

**Prof. Anderson**—Not as much as there used to be.

**CHAIR**—Since there is one shire council covering the lot?

**Ms Holloway**—We do not cover Warragul, but we cover Moe, Morwell and Traralgon.

**CHAIR**—And is it because of the one shire council that you have now got less competition?

**Prof. Anderson**—I think it is partly that. The people from the shire might have their separate view of it, but I think it is partly that. I think it is also partly the fact that three or four years ago the situation was not good in that the towns were located—the way Gippsland was set up—a day's horse ride from town to town, sort of thing, and so it built up around that, and everybody had to have their own one of everything. A 15-minute drive was a long way anywhere, whereas if you are in North Sydney a 15-minute drive is nothing and you think you have got pretty good access. So I think there are a lot of issues like that.

The REDO operating over the last three years, supported and funded by all the shires, has definitely heightened awareness of the region as a whole, and the need for a more collaborative approach, and I think the region is beginning to see itself, at least in part, more as a region, and less as a series of fiefdoms.

**CHAIR**—But if you wanted to open a hospital in Morwell, how inconvenient is that for people from Traralgon or Moe?

**Prof. Anderson**—Not very, in my view, relative to the North Sydney illustration, but obviously if you looked at it from an historical perspective, from people living in the region, it mattered a great deal.

**CHAIR**—Where are the public hospitals in this area that have closed?

**Councillor Jenkins**—The public hospitals have closed in Moe and Traralgon or they are in the process of closing. The new hospital is actually built remote from all three major towns. You probably flew over it. It is next to the airport. It will require either a car or some form of public transport to get to it.

**CHAIR**—Next to the airport?

**Councillor Jenkins**—Right next-door to the airport.

**CHAIR**—Yes, we did, actually. That is interesting. I hope they only land light planes.

**Prof. Anderson**—The great shame about the hospital—and it is historical, it is not sour grapes or anything—is that if you are building a shopping centre you do not put the shops in the four corners of the town and the butcher's shop as far as possible from the paper shop and so on, and one of the things we have got to do in Gippsland is focus on how to get our assets that have synergies and can work together more together. So the hospital is actually nowhere. There was some interest in having it closer to Monash, and there are various other places it could have been, but it is not located in a way that generates a lot of synergies with any other assets in the region.

**CHAIR**—So if you want to go and work at this new hospital, having lost your job in Moe or Traralgon—being a nurse or a hospital aide or a porter or anything else—you now at least have to find a car?

**Prof. Anderson**—That is true.

**Councillor Jenkins**—In relation to your first question, Senator, about competition, there is no doubt that the current siting of that hospital was caused to a large extent by competition going on amongst the major centres even after the amalgamation process had taken place, before council was in control. It is hoped by the Latrobe Shire Council that the amalgamated shire, under control of council, will see the end of that sort of competition, because that is the poor result that we finish up with.

**CHAIR**—I have just two questions, and I am going to put them on notice, because we are so out of time. In your paper, Professor, you say the economic changes have benefited the nation. That is presumably of the Gippsland oil, gas, electricity—all those things—and that the various social costs have been borne by the people of Gippsland. To some extent I agree with that, particularly the localised unemployment and so on, and where you put your hospital, for example—and we will not talk about who owns that hospital, because that would make an interesting comment. I don't mind if you tell us on the record.

But the other thing is that the people of the nation also bear the cost a little through the payment of unemployment benefits, through revenue forgone that taxes then have to raise, and so on. I was wondering whether you know of any work or whether you have done any work that might look at how you measure the social costs, and how you actually put that into an equation. Is there any real net gain if you lose X number of people from your power station and theoretically produce cheaper power, while all of us now have to pay much more in the way of unemployment benefits, and the other costs of social dislocation—more people through CES, more whatever. Can anybody tell us this? If you know of any studies or you can refer them to us, that would be very useful.

I was just wondering, Mayor Jenkins, if you could tell us—on notice preferably, and not a great thesis, but some dot points preferably—of the infrastructure needs in this area. Are they sufficient, or is it the fact that public transport, for example, is not good enough; that you have lots of nice towns that are a day's horse ride away, and the days of horse-riding are over. What is the public sector infrastructure or public or private transport services that you need to put in to make this place hum a little bit more? If you can tell us about that on notice, that would be useful.

In particular, another infrastructure that has been raised with us in a lot of places has been Telstra. If you want your businesses on line, trading on the Internet and so on, you have got to have adequate infrastructure to have people hooked up to computers, let alone telephones, faxes, et cetera. Could tell us, on notice, what is the state of the infrastructure, if it is sufficient to the task in this area, or whether it needs more investment. That would also be very useful for the committee.

**Senator MACKAY**—I am going to have to say this to you, Professor Anderson, regarding your comment to Senator Allison that there is always plenty of money for good ideas: the lack of access to capital is the single biggest disincentive in relation to SME growth in Australia, particularly in the venture capital and risk capital area. I would suggest you go and talk to the national organisations, because they are screaming about lack of access to capital. I do not think it is quite as simplistic as you indicated.

**Prof. Anderson**—I will just reply very briefly. I can agree with you from one perspective, but I was involved in running a venture capital fund for some time, and I did set up and run for six years the Illawarra Technology Corporation at the University of Wollongong, where we started a great number of small businesses. Having been on both sides of the problem, I have found that you can always get money for an idea that stacks up, and if you have got a lot of dollars and you are trying to put them out there and you are accountable to someone for not losing them, the main problem is not whether there is money around. There is a lot of money around. The main problem is finding ideas that you can sit the money beside and be sure that you do not lose it, and then there are questions of risk and all the rest of it. So I stick by what I said.

**CHAIR**—And if there is anything further you can add to Senator Allison's question about whether or not it is harder to sell a good idea in the country as apart from a good idea in the city, that would be useful too.

**Prof. Anderson**—It is.

**CHAIR**—Thank you very much indeed.

**Ms Holloway**—Whilst you were out of the room, Senator Crowley, I mentioned this document which was the Boston Consulting study of sources of comparative advantage in the Latrobe Valley. I am happy to make that available to the inquiry.

**CHAIR**—The committee welcomes that. Thank you very much indeed. If there is anything that strikes you that you needed to have said, please drop us a line. We would welcome it, and thank you very much for your attendance.

[11.57 a.m.]

**DUNN, Mr Robin Marshall, Manager Infrastructure, Loy Yang Power Ltd, c/- Bartons Lane, PO Box 1799, Traralgon, Victoria 3844**

**ELKINGTON, Mr Richard Lewis, Manager, Corporate Relations and Environment, Loy Yang Power Ltd, PO Box 1799, Traralgon, Victoria 3844**

**CHAIR**—The committee prefers all evidence to be given in public, but should you at any time wish to give your evidence, part of your evidence or answers to specific questions in camera, you can ask to do so and the committee will give consideration to your request. I point out, however, that evidence that is taken in camera may subsequently be made public by order of the Senate, as has happened in recent years. I would like to invite you to make an opening statement and we will ask questions. Unfortunately we are flat-strapped for time. Can you flash through the pictures—

**Mr Elkington**—Indeed I will.

**CHAIR**—and not hold up explaining what is patently obvious to us. We hate to do this to you, but we want to get out of here in about 15, 20 minutes if we can. Thank you very much.

**Mr Elkington**—I understand that Loy Yang Power has been invited to make a presentation today, particularly on the proposals by a majority shareholder, CMS Energy, for economic development in co-location with the power generation facility. The presentation, if I had time, would have consisted of a brief description of what Loy Yang Power is, a presentation on the importance of the brown coal based generation industry, in the regional Victorian and Australian context, and then a presentation prepared by CMS Energy, outlining the economic development goals—they have been in this business now for 40 years in Michigan—the results they have obtained in both Michigan and Argentina, and the potential program for Loy Yang Power. That is who we are. That is our mission.

It was particularly gratifying to us when we were privatised last year that the community relations aspect was reaffirmed. Particularly in the American context, they saw community relationships very much as economic development.

**CHAIR**—Mr Elkington, CMS?

**Mr Elkington**—CMS is an acronym, as the Americans are fond of using, for consumers energy.

**CHAIR**—Thank you. I never would have guessed that.

**Mr Elkington**—This is what we do. We are a four by 500-megawatt turbo-generator and boiler unit. We produce electricity at the lowest cost in the national electricity market. We mine 30 million tonnes of brown coal a year. We not only supply Loy Yang A power station, which we own, but also an adjacent power station, Loy Yang B, and we dig 4½ million cubic metres of overburden or dirt. Revenue is approximately \$500 million a year.

Our land holdings are approximately 5,000 hectares, 250 hectares of which is prime serviced land, which really is the focus of an economic development industrial park. Our employees in the company are 530.

**CHAIR**—Down from?

**Mr Elkington**—It is difficult to be exact, because it is a different organisation, but down from about 1,200 in 1988.

**CHAIR**—Thank you.

**Mr Elkington**—History: in 1977 construction commenced. I will skip to February 1995. We were corporatised.

**CHAIR**—No, we can read it, Mr Elkington. It is probably quicker. Thank you.

**Mr Elkington**—Some stuff on brown coal there, the value of Australian exports. It surprised me, actually, to learn that Victoria was the highest in manufacturing products.

**CHAIR**—That is interesting.

**Mr Elkington**—The value of selected resources and exports—that is the aluminium, steel, pulp and paper, and petroleum, also quite significant in those areas. Latrobe Valley brown coal generates 85 per cent of the energy of the state. There are 4,000 employees directly employed in the brown coal industry, 160,000 jobs in the Victorian industry, and \$16 billion in domestic and export income.

**CHAIR**—The other 15 per cent of your energy—Victoria's energy? Is that from—

**Mr Elkington**—Hydro, natural gas.

**CHAIR**—Thank you.

**Mr Elkington**—Brown coal has no real other economic value, aside from briquettes of course, except as a fuel for electricity generation, and only when you mine it in massive quantities and use it at the site. So our competitive advantage really with brown coal is it is readily available and it is close to the generation site. It is low cost, clean, and in huge quantities, and it has got low ash, and sulfur trace elements, and its high water content in fact is the reason why we produce electricity with a relatively low thermal efficiency.

CMS Energy—the director of economic development kindly e-mailed me a presentation. I would have loved him to have been here today, but he is in Brazil. Their goal in economic development is an investment in corporate citizenship, developing the local economy, increasing business revenue and creating public and private partnerships. One thing we did not think about before we were privatised is that being privatised and bought by an American company brings the overseas associations and relationships that those companies have. For example, on the board of Consumers Energy are Ford, and Ford and General Motors are their largest customers in Michigan.

The other advantage is that we now have potentially a major private investor proclaiming overseas benefits of the Latrobe Valley and Loy Yang, and that has significant power when compared with the governments proclaiming those same messages. What we do is all those things. One comment on that is points 3 and 4. We have no wish to run a separate economic development portfolio program. We have looked already at the Gippsland development, Latrobe shire, Business Victoria and a swag of federal authorities. We have had excellent cooperation.

First year milestones would be to develop and introduce an economic development program in relation to a two to three-year plan, and conduct a launch. There will be major marketing initiatives, a US based investment and joint venture seminar, and a direct marketing campaign. I will illustrate later. This has already occurred with respect to Entre Rios, an Argentina program. In the second and third year they translate the program to a local CMS Energy operation, and continue promotional activities and complete investment, joint venture and export projects.

Assistance to the region, state or province will be development of marketing materials, brochures and prospectuses and a promotional videotape. Already I have been involved in drafting a set of promotional material for Latrobe Valley. The area would be promoted in international markets in an endeavour to attract new capital investment. Expected result—expansion and attraction of the business enterprise, new capital investments, direct energy sale, and what is in it for the company? It will be a long-term electricity supply contract, direct jobs and indirect jobs created from a multiplier effect.

**CHAIR**—What capital investment are you anticipating?

**Mr Elkington**—Am I anticipating?

**CHAIR**—Are you going to build a new power station?

**Mr Elkington**—We are looking at the feasibility of the need for increased co-generation capability, so it may well be, in order to supply a co-generation ability at the site, we may have to install additional generation capacity. The results from Michigan in 1997—there is a job retention and a job creation element there. The results in a developing market—Entre Rios in Argentina: there was a distribution company acquired by Consumers Energy, I think it was in 1995, and during 1997. They were the results of that particular economic development program.

CMS Energy sees those as the principal elements in formulating a business attraction strategy—promotion, price, place and people—and an analysis needs to be conducted at the plant site, consisting of those particular elements. In particular, industrial park targets would be specific targets marrying in with those of the region. We would be looking for energy-intensive industries, emphasise value added manufacturing, and the common thread in most of the locations are food processing, paper and forest products, and metal fabricating.

They are already thinking in terms of how they might promote Loy Yang as Australia's gateway to Asia. The attributes of the site are seen to be: 500 acres of prime service land, with all the infrastructure predominantly in place already; low cost energy, potential source

of steam, et cetera; saline disposal, roads, and we have proximity to resources and markets. The target markets would appear to be food processing, pulp and paper, and aluminium die-casting. There are some contributions from the Chief Executive of the Michigan Jobs Commission on CMS Energy's partnership in that state, and a quote from the secretary of production in the province of Entre Rios in Argentina.

The current status of this particular proposal is that we were privatised in May last year. The Chief Executive of CMS Energy announced at a civic reception that that particular company was committed to economic development. That was followed up in October 1997 with a two-week visit to Australia, including one week in the Latrobe Valley, by CMS's director of economic development and their Asian manager.

Since that time there have been a number of technical evaluations conducted at the site, in both Singapore and in the US, and there has been a series of financial and economic studies, feasibility studies and a review of generation capacity.

**CHAIR**—Is that about all you have to tell us, Mr Elkington?

**Mr Elkington**—Indeed it is.

**CHAIR**—Can I also ask you whether a copy of those slides would be available to the committee?

**Mr Elkington**—Yes.

**CHAIR**—Is it the wish of the committee that those be received? There being no objection, it is so ordered. That is most appreciated, particularly the speed with which you have assisted the committee. We do beg your pardon. Can I call Senator Mackay.

**Senator MACKAY**—Thank you, Chair.

**CHAIR**—We just have to also, my colleagues, practise a pretty close restraint on ourselves.

**Senator MACKAY**—Thank you. I take it the interface between you and the local industry is quite cooperative. How do you access—through the REDO or the ACC? How do you work with the local community in terms of industry development?

**Mr Elkington**—We have got an excellent relationship with Latrobe shire. In fact, most of the communication I get on these issues I e-mail to both the shire and to Gippsland Development. I want to keep them fully in the picture, and it is certainly seen that way by American owners, that we need to be in partnership with local authorities.

**Senator MACKAY**—Right. Have you noticed that there is a lot of money around with regard to industry development initiatives in the valley?

**Mr Elkington**—Well, we are asked to quote on a regular basis for potential economic development already on the Loy Yang site. There are regular inquiries, and the shire is better

placed to comment than I am, but we would quote on perhaps two a month, on groups expressing interest in locating next to a power generator.

**Senator MACKAY**—That is terrific. So there is plenty of money around in terms of setting up SMEs and in terms of venture capital, et cetera?

**Mr Elkington**—I am not sure whether it is around here. Certainly the effect of the Asian economic downturn does not appear to have affected the number of economic development inquiries.

**Mr Dunn**—Just on that, there is an ash utilisation project that we are looking at with another company, and again I agree with the previous comments: providing the sums tally up and it is a profitable business to be in, it will win the financing. Currently that project is looking very promising and so therefore the financing, it has been indicated, would be able to be available.

**Senator MACKAY**—That is very heartening. I will take that message back to my party in terms of its policy in the next election, because my state of Tasmania is desperately in need of capital and SMEs there are screaming out. So perhaps we can have a look at that region instead.

The final question is in relation to the new employment services market. Have you got any views with regard to that, in terms of CES closures and in terms of how you are going to be able to access employment services through Employment National or whomever has won the contracts here?

**Mr Elkington**—So far as interfacing at Loy Yang Power is concerned, we have not been in the recruiting mode for some time.

**Senator MACKAY**—No. I appreciate that.

**Mr Elkington**—And we currently do not have any relationship other than a normal business relationship with any of the successor bodies. We have a relationship with Gippsland Group Training for apprenticeships, but in terms of the job market that is about the only relationship we have.

**Senator MACKAY**—So what relationship do you have with Gippsland Group Training? Do they provide training for you or—

**Mr Elkington**—Yes, they provide training for a number of apprentices.

**Senator CARR**—On the question of recruitment, the training/apprenticeship programs that used to be run through here were renowned. How are you going in that area? Are you having new commencements for apprenticeships?

**Mr Elkington**—It is not my area of functional expertise. Most of the apprentices that we have a relationship with are employed by our maintenance contractors. We do employ, from

memory, four directly because we have a very small in-house maintenance component, but nearly all of our maintenance these days is provided—

**Senator CARR**—By contractors.

**Mr Elkington**—It has been outsourced.

**Mr Dunn**—We do encourage our contractors to participate in the apprenticeship schemes, and they do that through the Gippsland Group Training group, and we oversee that in terms of discussions with them on contract meetings and so on.

**Senator CARR**—So is that part of the contract arrangements? Is it an entry component that they employ apprentices?

**Mr Dunn**—To my knowledge it is not obligatory, but it is certainly encouraged, to facilitate the ongoing support of their technology and their work force.

**Senator CARR**—Have you noticed there is any shift in the pattern of employment of apprentices or don't you have the data?

**Mr Dunn**—Well, certainly I reinforce previous comments that there are certainly a lot less apprentices in training employed within the power industry. That is my only observation.

**Senator CARR**—And are you able to indicate whether there is a shift away from the traditional apprentice to the new shorter-term trainees?

**Mr Dunn**—No, I am sorry, I cannot comment on that. It is getting out of my area of expertise.

**Mr Elkington**—Those sort of issues would generally be looked after by HR people in the organisation, and I am not close enough to make any informed comments.

**Mr Dunn**—We could perhaps provide some feedback and get some dot points perhaps from our HR manager.

**Senator CARR**—I would appreciate that, yes, particularly in terms of numbers, the scope of the traineeships, whether they are AS1s, AS2s or AS3s, and whether there has been any shift in the distribution. It is indicative obviously of commitment to longer-term higher-skilled training packages. Thank you very much.

**Senator ALLISON**—I was interested to hear you describe the brown coal industry as being clean, and I wondered if you could comment on the health costs associated with your industry in this area and whether that is a disincentive to business in locating in this region.

**Mr Elkington**—I have not got any specific details on health costs associated with the brown coal industry.

**Mr Dunn**—The air quality in the Latrobe region is very good. It is better than the metropolitan areas in Melbourne. I think historically there has been a perception of the reason for that, and certainly—

**Mr Elkington**—That is true. The power generation industry has been funding since 1975-76 the Latrobe Valley air monitoring network, which has something like monitoring stations, so it has been thoroughly analysed and mathematically modelled. The information that is available to us would indicate that this area, despite the perception of it being highly polluted, is in fact not polluted at all.

**Senator ALLISON**—It is said that Australia has very old infrastructure in its brown coal energy generation, and that our standards are much lower than world best practice in Europe, for instance. Could you comment on that?

**Mr Dunn**—There is some old plant within the Latrobe region, such as the briquette factory, and I suppose coming through then you would have Hazelwood as the next one—and those plants gradually retire out. But with the current sale of the generators there was some extension of licence agreed within those sales for those plants, and there are undertakings within those to maintain or bring those precipitators back to reasonable levels of performance, as they were designed. But in relation to Europe, I am not familiar with the comparisons, but certainly with the newer plant in the region, it is state of the art technology in terms of air emissions with Loy Yang A and Loy Yang B and any new plant would be designed to obviously meet current and stringent conditions for air emissions.

**Senator ALLISON**—Your new industrial park, you say, offers disposable saline. Can you expand on that a bit? Salination in this area is a major problem, is it?

**Mr Dunn**—No. If you go back to the late 1970s, it was identified that you could no longer continue to allow the surplus water that comes from the ashing systems to go into the rivers and catchments, so there was an integrated saline waste disposal system installed which collects all the saline waste from Yallourn, Hazelwood and Loy Yang and sends that to an outfall saline system to the ocean, which is quite acceptable within saltwater environments, and that continues to be operated, and there is some surplus capacity within that system which could be utilised within an appropriate industry, but at the same time protecting the quality of that saline waste so that it wasn't going to affect any EPA licences or issues relating to the ocean outfall.

**CHAIR**—Can I ask why is it that you are seeking industries that are high users of power? At one level the answer is patently obvious, but why wouldn't you also be looking at the very new industries, high-tech industries, that are very low users of power? They're sexy; it is where the big money is. Why aren't you after them?

**Mr Elkington**—I guess the answer is we are after them all. But it makes more sense to us in terms of the economics of the industry to attract high energy users alongside the plant, because we can give the advantages of co-generation as well, and we can obviously—

**CHAIR**—It makes sense under one analysis, Mr Elkington, but if you sold lots of industries small amounts of power, then presumably you can cover more industries than great big energy guzzlers.

**Mr Elkington**—We are just developing. We do not want to actually detract from what the region is also doing. It makes sense to us to co-locate large users of electricity next to a power station. It probably does not make as much sense to locate, for example, a metal fabricating company; they could easily locate next to us or it could be in almost the main street of Morwell. So it makes more sense to locate high energy users—perhaps with high infrastructure needs in terms of drainage or saline disposal—next to a power station.

**Mr Dunn**—I guess a factor there is that there are significant transmission losses on the grid if you locate the equivalent industry in Melbourne, for example. If you put an extra plant, then those transmission losses are then not there, so you end up—

**CHAIR**—Can you provide us on notice some of the information about transmission losses? That would be very useful, and the cost of that. Can you also provide for us on notice the cost of your power, and if some industry users—the maxi megawatt users—are getting a 60 per cent saving, who in fact is picking that up, or where are the efficiencies in the restructure that means that you can actually allow some companies to make a 60 per cent benefit, and the household users to be paying more or less the same, with the promise that one day in the next millennium they will get a benefit too?

**Mr Elkington**—Or in other words, who is making the money.

**CHAIR**—Well, yes. Quite.

**Mr Elkington**—It is not the generators. I can assure you of that.

**CHAIR**—That is very interesting. If you have got some information about that on notice, that would be very useful for us.

**Mr Elkington**—I would be glad to supply it.

**Senator CARR**—The privatisation of the SEC involved very large investment—\$4.4 billion I think you said.

**Mr Elkington**—It was \$4.75, Senator.

**Senator CARR**—Was that investment predicated on the assumption that you could have these downstream effects in terms of an industry park? Was that part of the calculation that led the company to spend that sort of money?

**Mr Elkington**—It may well have been in the mind of CMS Energy. I think the purchase of these generating assets was predicated on full price for electricity.

**Senator CARR**—In their own right they are obviously very profitable, so it is not predicated on further downstreaming.

**Mr Elkington—No.**

**CHAIR**—Thank you very much, Mr Elkington and Mr Dunn. The committee would like to place on record its appreciation to Professor Anderson and to Monash for making available this beautiful room. I have not yet heard what are the Gippsland timbers that are featured here, nor whether it is true that the four windows behind me actually feature all the seasons, though I am told that they are all the same in Gippsland; it is always raining. That is also, I am sure, not true, and it is certainly not true at the moment. One has to say this is a very beautiful room, a very pleasant place to have had a meeting. We would like to put on record our appreciation very much for the all the assistance, including administrative, that we have had here this morning. I thank everybody for their contribution. Like this hearing shows us, from place to place the causes and the problems are very much the same. The solutions are very different. Thank you very much for your contributions.

**Committee adjourned at 12.24 p.m.**