



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

EMPLOYMENT, EDUCATION AND TRAINING REFERENCES
COMMITTEE

Reference: Regional employment and unemployment

MONDAY, 4 MAY 1998

BAIRNSDALE

BY AUTHORITY OF THE SENATE
CANBERRA 1997

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

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

CONNOLLY, Mr Bruce Peter, Executive Director, Victorian Eastern Development Association Inc., PO Box 99, Bairnsdale, Victoria 330

DIOGUARDI, Mr Dino, General Manager Operations, Vegco Pty Ltd, 83 Bosworth Road, Bairnsdale, Victoria 3875 343

ELLIOTT, Ms Pamela, Chief Executive Officer, WorkWays, 265 Main Street, Bairnsdale, Victoria 3875 357

GELL, Mrs Anne, Parent, PO Box 325, Lakes Entrance, Victoria 3909 359

GELLY, Ms Gabrielle Diane, Chief Executive, Lakes and Wilderness Tourism, 421 The Esplanade, Lakes Entrance, Victoria 3887	321
MOORE, Mr Don, Manager, Eastern Victorian Group Training, 210 Main Street, Bairnsdale, Victoria	360
MURPHY, Mr Shane Peter, Economic Development Manager, East Gippsland Shire, 273 Main Street, Bairnsdale, Victoria	343

Committee met at 2.28 p.m.**GELLY, Ms Gabrielle Diane, Chief Executive, Lakes and Wilderness Tourism, 421 The Esplanade, Lakes Entrance, Victoria 3887**

CHAIR—Welcome. The committee prefers all evidence to be given in public but should you at any stage 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.

I would like to ask you now to make a few opening comments and then I will call on the senators for questions. We have got a very tight schedule this afternoon, so as well as asking my Senate colleagues to be brief, I would ask that your opening statement be shorter rather than longer. Other things that you might want to add we will take either in your answers to questions or at the end of your comments.

Ms Gelly—Tourism is big business. Other industries in East Gippsland do contribute towards the economy of the area—for instance, in the 1995 figures, the timber industry was worth \$50 million to East Gippsland—but tourism is worth \$134 million. With the multiplying factor of 1.8 that is used in regional tourism calculations, that extrapolates that value for East Gippsland down to \$375 million. In 1995, 893,600 visitors spent a total of 3.5 million nights in tourism in lakes and wilderness regions. The average length of stay was 3.9 nights and the region also attracted 335,000 daytrippers.

Once again, using the standard formula that is always used for creating tourism, every \$45,000 spent in a region creates one position. So tourism created nearly 3,000 jobs in 1995. The figures, I am afraid, are 1995 figures but they are the ones that Tourism Victoria and us still have to use. I think that almost two-thirds—65 per cent—of all the visitors had been here before, which is paying a great tribute to what we have over here. The age groups are predominantly 25- to 39-year-olds, 40- to 54-year-olds and 55-pluses. They are the age groups that come here.

An interesting fact, though, is that international visitors stayed an average of 6.6 days, which was the highest in Victoria—even higher than Melbourne. These visitors are particularly German and Scandinavian, North American and Canadian, and this market is growing. Anecdotal evidence in the last two or three years says that this has actually doubled, so tourism is becoming bigger and bigger.

CHAIR—Is that essentially a backpack market?

Ms Gelly—No, it is not, actually. The backpack market has increased here and it is increasing but, amazingly, it is the German, Scandinavian and North American 35- to about 55-year-olds market with lots of money to spend. It is the pristine environment that really attracts them here, and the natural wonders. Eighty per cent of this shire comprises state or federal parks, so we know it is pristine and it is going to remain so, and that seems to be a huge attraction.

There is also another attraction, I think, that is causing the international market to come down here. It is the Highway One or Princes Highway. Instead of coming down through the centre, which in our advertising we always say is boring—going down through the Hume Highway—you go down the coastal route and it is incredible scenery all the way. It is having quite an impact on what happens in this region as far as that goes.

Victoria is setting itself up as the touring state in Australia and there are two major projects—the Great Alpine Road and the New South Wales and Victorian governments have now got Highway One as a major project. I am on a steering committee for both of those and they will have further impact. So for every part of tourism that increases in this region, as I said, for every \$45,000 that is another job.

The information centres here are increasing. Our visitation is increasing as well. In March alone we had 1,000 visitors extra in each of our three centres, so that also increased the figures, I thought dramatically. Did you want me to speak about any of the issues that are there?

Senator CARR—Why do you think there is 10 per cent unemployment?

Ms Gelly—In this region? In my own sector, some of the training is not relevant to what the needs are in the sector, I think. Some of the training needs to be on a higher level, a more sophisticated level, more in tune with the trends in hospitality and tourism. Some of it is there but it is just too basic. I think that is a really important level. With some of it the restrictions are a little bit intense. With the land of Parks Victoria, there are a lot of developers who would love to develop that but because of the restrictions imposed because of NRE or crown land and Parks Victoria land, they cannot do it. So there is a lot of infrastructure there that I think could happen that is not happening because of it.

There is a seasonality factor as well. The winter area up here is still perceived as being a very low area. There is seasonal work in the major sections and then those people tend to drop off. I think also youth unemployment and Aboriginal unemployment up here is quite high. That needs to be addressed in terms of hospitality and tourism courses, I think.

Senator CARR—The normal proposition people put to us is that there is unemployment because there are not enough jobs. Are you saying that that is not the case here?

Ms Gelly—I am going against the trend here, am I? I do not think there is unemployment because there are not enough jobs. I think there is unemployment because not enough of the correct jobs are being created. I think the correct jobs can be created by better training, better facilities for entrepreneurs to do things, and better recognition of some of the industries that are actually creating the jobs.

Senator CARR—Recently, the government has made significant cutbacks to the budgets both at a state level and federal level. What impacts have those cutbacks had on this region?

Ms Gelly—As far as tourism goes?

Senator CARR—No, in general terms. Obviously there is an interrelationship between tourism and all the other services that governments provide, so has there been a decline in the level of servicing by governments?

Ms Gelly—I would probably have to take a really broad view. In the transport industry, cutbacks in transport have been severe up here because transport—

Senator CARR—The train lines were cut out.

Ms Gelly—Train lines, et cetera. That has had a real impact on us.

Senator CARR—What about school closures?

Ms Gelly—Yes, I would not say that would have a dramatic impact on tourism so much because three or four of the schools I know are now art galleries that are creating tourism jobs. I do not know whether that has had such a huge impact. With transport, I would say that some of the government shire amalgamations and things like that have had an effect because of the employment factors. Some of the industries are not doing as well now. But tourism, to me, has not lost its footing and, in fact, is on the upward trend.

Senator CARR—Thank you very much.

Senator SYNON—Ms Gelly, did you finish your remarks to the committee? Was there anything else you wanted to say first?

Ms Gelly—No. Senator Carr's questions actually brought out the other things I wanted to mention like training, regulation and government funding. The only other thing is that for bodies like Lakes and Wilderness Tourism, where we have a strong economic funding base from the shire, if there are any more cuts in shire funding or any more restrictions on the shire and they do not have that funding, then I think my organisation for one would be in a lot of trouble without the shire benefit that we have now. It is organisations like Lakes and Wilderness Tourism that create such a strong demand for tourism because they work so successfully within the area.

Senator SYNON—Congratulations for your involvement in an industry and a sector that is creating jobs in Gippsland, especially based on that figure of 3,000 in 1995. When you were answering Senator Carr you indicated that you felt that it was more of—and you did not use these words, these are mine—a structural unemployment problem down here: that there are jobs and there are people, but they are not necessarily well matched. Do you feel that there is enough training provided in the tourism and hospitality industries? Do you have more jobs than you can fill?

Ms Gelly—I do not think we have more jobs than we can fill, but yes, I think there are. We had a case just recently where a young girl came into town and she got four jobs in one day. Because she had incredible experience in the hospitality industry she just walked into four places, and got four jobs in one day. There are jobs there on a seasonal basis and I think training needs to be geared to what it is. Sometimes in training you have these

wonderful schemes, but they do not actually create the skills which the people who come out at the end need within this industry.

Also, of course, our membership base has almost doubled in the last 18 months to two years in my organisation, and most of that is small business. I also think there needs to be the capacity to train people in small business. Most of that is bed and breakfast, and small tour operators and things like that. That is creating employment as well, but I think there needs to be some kind of employment where you can say to people, 'These are your skills. You can go and set up your small business.' In a rural area that has huge potential.

Senator SYNON—Does the local TAFE college not provide that level of training for you?

Ms Gelly—It does, but I think where we fail maybe in that area—and it is as much my problem as anyone else's—is that we probably do not match what we need, or what the tourism industry needs, and what the TAFE college is doing. We do not match those together as well as we possibly could. I think No. 1 is a lack of communication, or maybe a lack of understanding of each other's businesses.

Senator SYNON—So in an ideal world, in terms of the growth of your industry in this part of Victoria—a beautiful part of Victoria—what would be your ideal? What would you hope for that is not on offer at the moment?

Ms Gelly—I suppose a better understanding from Tourism Victoria of rural tourism needs as well. Tourism Victoria seems to have a hell-bent attitude that internationally you must only promote the Great Ocean Road or Phillip Island. I think they need to have a better understanding of rural Victoria and that there are places other than those. That creates a problem with the international market. An educational system or a training system is needed that better matches skills and the needs of an industry like ours. East Gippsland Shire does such wonders with organisations like mine, with financial support and there should be that sort of recognition, I suppose. There just needs to be time to create the jobs for what we are doing.

Senator SYNON—In summary, is it fair to say that you are fairly optimistic about the future in the tourism and services sector at least?

Ms Gelly—Yes, very optimistic, actually. I am very encouraged by what has happened in the last year.

Senator SYNON—Thank you.

Senator ALLISON—Ms Gelly, you said that there was a need for infrastructure which was not happening—in your words. What sort of infrastructure are you referring to, and who should pay for it?

Ms Gelly—It has been interesting, say in the last three or four months, because I have had quite a few developers come to my office and want to develop infrastructure, accommodation, et cetera, but it is in areas where there are restrictions because it is crown land or

NRE or Parks Victoria owns the land. You get into a very controversial area here but, if developers use environmentally sustainable principles, they should be able to develop on crown land an infrastructure that is going to enhance tourism in this area. I think it is a really important issue.

Senator ALLISON—Is that not at odds with the reason that you identify for German and Scandinavian tourists coming here and being able to access wilderness areas?

Ms Gelly—Absolutely. It is not at odds, but it has a strange relationship, doesn't it? With 80 per cent of this area within that land mass—of those two areas—I think there are enough spaces where we can do something that is environmentally responsible and sustainable, and still keep the integrity of the area. It is a huge land mass that is locked up. Basically you can do it—there are plenty of them. I have identified half a dozen myself where it would still be appropriate to do it. I have a very strong environmental background and so I really am very careful of where I say that could happen.

Senator ALLISON—Is it possible to give us a couple of examples?

Ms Gelly—Yes—the Errinundra plateau. There are a couple of very good places at Errinundra. I think there is an excellent place at Cape Conran—besides the development that is already there now. There are another couple of places on the Gippsland Lakes that could have some sort of development, and in the higher reaches of the Snowy River as well.

Senator ALLISON—And some of these are in national parks, are they?

Ms Gelly—Yes, they are—state and national parks.

Senator ALLISON—You mentioned earlier that it was a problem that the rail service had been cut to Bairnsdale. Can you give us some more details about what you see as problematic about that? What evidence have you got of the impact on tourism? What sort of people use a train who would not otherwise come here?

Ms Gelly—Evidence from my members in tourism indicates that it had a huge impact on people who have a train assisted ticket once a year. A lot of those people used to come to this region on the train on their holidays and use this once a year, and all the people who had travel vouchers came to this area. It did stop that. There was quite a dramatic decrease when that happened. For people who do not want to drive and who really love the train travel part, if they have to get off and go by bus and then get off and do something else, it is a discouragement to actually doing it by train. That evidence is from operators who relied on that traffic and who said that their business fell when that happened.

Senator ALLISON—What process was there before the train line was cut? Were you able to make submissions to the government about your—

Ms Gelly—I am sorry, I was not here, Senator Allison. I have only been here for two years, so it was before my time. I was not here so I do not actually know what submissions were put to government. I was living in Melbourne at the time. I cannot answer that one.

Senator ALLISON—Do you have figures on the mode of transport down here?

Ms Gelly—It is car travel at present.

Senator ALLISON—One hundred per cent? Are there no tour buses?

Ms Gelly—It is not 100 per cent, but it is quite high. The tour bus industry here tends to go through to Merimbula or somewhere like that, and stop here on tour. There is a lack of transport. Even with a bus service, the huge problem for us is that, for the backpacker industry, it stops here at about 2 o'clock in the morning. We have an overall transport problem, I think. It is not only train but bus services as well. It has quite a severe impact on people who just want to travel around by public transport.

Senator ALLISON—You mentioned that you thought there was a need for training for operators of small business in the tourism industry. Is there a NEIS scheme here?

Ms Gelly—Yes, there is, actually.

Senator ALLISON—Does it meet those needs and, if not, why not?

Ms Gelly—It does, but you have to be unemployed for 12 months, I think it is, to get onto a NEIS scheme. So if you are not technically unemployed but you just want to start up a small business, it does not fit where you want to go. I put into my budget this year some training for operators. It is a very small budget and a very small amount of training, but they have been well attended. People say, 'Oh, gosh, I didn't even realise that.' I am trying now to encourage people to go on to further training by actually giving them—with my small budget—a sample of the training that is available to them and the training I think they should have if they are going to go into their own small business.

Senator ALLISON—So you would support the expansion of the NEIS scheme?

Ms Gelly—Yes, very much so, because it is quite restrictive that you have to be unemployed for 12 months to get onto that scheme. People are very nervous, in a way, and even if they only had six months support while they were on that scheme, that would be great.

CHAIR—What were you doing in Melbourne? Were you in tourism in Melbourne?

Ms Gelly—No. I was the national general manager of the Australian Conservation Foundation.

CHAIR—I think it might be the story of the day to ask you what reasons you had in the back of your head when you came here, but I will not.

Ms Gelly—I can tell you, actually, Senator Crowley. It was the pristine and fabulous environment.

CHAIR—I wanted to know, too, whether all those German and Scandinavian tourists are the ones who come to South Australia and then go and explore Kangaroo Island. It is the same kind of group. That is interesting. Has the downturn in Asia in any way affected tourism here?

Ms Gelly—No, not as yet. It is not our market, actually. We were just looking at ways to get into that market when that happened, and we shelved those plans. It is not our market. I would like it to be later on, but at this stage it is not. I think the markets we have have not been tapped to their full potential.

CHAIR—How do you, from somewhere like East Gippsland, tap into Victoria selling the regions of Victoria overseas, or looking for custom? Do you have to tout for yourself, or can you expect the Victorian tourism commission to tout for you?

Ms Gelly—You have to tout for yourself to a certain extent, I think. We have our regional brochures overseas, but as I said, Tourism Victoria has a bent that they promote Melbourne, Phillip Island and the Great Ocean Road, and then when they get people here they say, ‘Well, look, we’ll put them all around to the other regions.’ It is a good philosophy, but I feel it is quite narrow minded. I think it should have a broader aspect. Maybe, now that the Great Alpine Road is open, they might utilise that and promote that. But I think on a Victorian basis they should have a wider group of products to go to the international market with.

CHAIR—*The Man from Snowy River* made a bit of a hit here and there.

Ms Gelly—Actually, it is amazing—and I am glad you raised that. I was in Atlanta for the Olympic Games and everywhere I went, not one person asked me about—

CHAIR—The Great Ocean Road.

Ms Gelly—the Great Ocean Road or the Opera House or Uluru or anything. Middle America was there in droves at Atlanta, and all they ever asked me about was, ‘Is the Man from Snowy River or the Man from Snowy River country really real, or is it just some fictitious thing?’ It is a huge market. It is massive. And we have that with the German and Scandinavian markets as well, but no-one has tapped into it. I keep telling Tourism Victoria, ‘Look, you’ve got to tap into this market,’ but no, they have got a program, and that is the line they go down.

CHAIR—I think you have got a real winner there. I certainly read—in the most strange places, actually—that one of the reasons that *The Man from Snowy River* was such a hit was that Australia, once again, did it better than America—which always drives them mad. In particular, what we filmed was the scene of horse-riding, and nowhere—even all those cowboys dying in the American Westerns—was as good as that ride down the mountain. So you have got the footage, you have got the stars, you have got the film, and you have got the country.

Ms Gelly—And we have got the place.

CHAIR—That is exactly right.

Ms Gelly—We need more water in our rivers, but we have got the place.

CHAIR—I think a few of us might like to support you getting more water in your rivers. You have used 1995 ABS figures. How do you cope when quite clearly those figures are very out of date? They may not be too wrong in your area, but in other places the very big downturn that has happened in the last 12 months or so would make those figures hopelessly inaccurate.

Ms Gelly—Yes, it is interesting, because I was really concerned at having to give you those figures, so I looked at what Tourism Victoria are using, and they are using the same 1995 figures. I am obviously going to have to go down and stamp on a few toes and ask for later figures.

CHAIR—Of course they are ABS figures, but where do you get them from?

Ms Gelly—Tourism Victoria. Usually Tourism Victoria parcels the figures up and gives them to you, but they are using the old ones, so I think I will have to make a submission to them about that.

CHAIR—Yes, that is an interesting point if the figures are as out of date as that. There is always a bit of a lag with ABS figures, but I thought Tourism Australia did more contemporary figures than that.

Ms Gelly—They just published the document at the end of last year, and they used 1995 figures in December.

CHAIR—To what extent are you and New South Wales at war for tourists down here?

Ms Gelly—Actually, we are not at war. I do not believe in doing that. You get more with honey than vinegar. I am working with them. I am on a steering committee with the New South Wales government, with members from the South Coast, and we are looking at promoting Highway One, so that we will send people to them and they will send people to us. We will promote that region as being the ultimate touring drive, because most tourists land in Sydney and then make their decision to go north. What we have got to tell them is, 'No, no, no, it's no good up there. Come down here.' So that is why the Princes Highway has to be looked at.

CHAIR—If, as you say, this area is sexy because it is pristine, because it is wilderness, because—

Ms Gelly—The weather is better.

CHAIR—Of course—it never rains—and for all of those reasons people would have to come here, my concern is about your comment earlier about infrastructure. With more infrastructure you bring in capital. You create a sense that this is an area that is up on its toes and doing things, and you get more job opportunities. On the other hand, you have to be

very careful. There are lots of restrictions—‘You can’t build here, it’s national park or it’s heritage,’ or what have you. What would you like to suggest or who do you see would assist in making a plan for the region that would deal with those appropriate restraints, but still allow clearly delineated areas or patterns or programs for progress and how capital investment can happen? Should that be the federal government? Should that be the state government? How do you imagine it might happen?

Ms Gelly—You have got federal and state governments involved in those two land areas, so I would imagine it would have to be a committee that those people are on. I think Parks Victoria and the NRE, who manage both of those aspects, would need to be involved.

CHAIR—NRE?

Ms Gelly—The Natural Resources Environment would have to be involved in that. But I think state and federal governments in the tourism region and the bodies that manage those land masses would have to get together. I do not think you should have development en masse. I think it should be targeted, and it has to be the best known principles because, no matter where you go internationally, you can still go into a pristine environment and one section of it has infrastructure. I think we can do it, and we can do it well, by learning the lessons that have been learnt overseas, but I think it would have to be a bipartisan approach that we would all have to be work together.

CHAIR—Ms Gelly, thank you very much indeed for that contribution. It has been very clear and very direct and very helpful for the committee, and so I thank you very much. If there is anything further you want to pass to the committee at any time, or if there is any way in which we can help you, please feel free to contact the committee.

Ms Gelly—Thank you.

[2.56 p.m.]

CONNOLLY, Mr Bruce Peter, Executive Director, Victorian Eastern Development Association Inc., PO Box 99, Bairnsdale, 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 consider 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. We have received a submission from you, Mr Connolly. Would you like to make a brief opening statement, and then field questions.

Mr Connolly—Rather than present statistics today, as I am sure you have access to all of those, I wanted to talk about some issues that I see as being current and topical in relation to regional unemployment. As I say in my paper, we have six main sectors here, and I would just like to pick an example from the timber industry which I think highlights the problem we face in this area. We have been working with a furniture company called Wentworth Furniture now for some 18 months to try to get them to relocate to the area. One of the strengths of East Gippsland is its natural feature grade timber.

One of the strengths of East Gippsland is its natural feature grade timber. That timber is very valuable but at the moment quite a lot of it is going into things like woodchips, tomato stakes, and a whole range of products because it was once referred to as defect timber. Some of the timber you see in this room is natural feature grade timber. The government, through organisations like the Victorian Association of Forest Industries, has been working very hard to change the image of that timber to be natural feature grade. If we can do that, we can turn that timber from being tomato stakes into something worth 10 times more because of the price you get for a natural feature grade evaluated timber.

Wentworth Furniture has been working for some two years now on developing natural feature grade furniture and they are now the leaders in Australia for making natural feature grade furniture, particularly for bedding. They are very interested in relocating a substantial part of their operation to this region, into Orbost. They have a problem in Heidelberg, which is where the headquarters are. One of the reasons they want to relocate here is because they cannot get people to work in their factory. They see that there is an opportunity for them to shift down here, access the messmate supply, which is a type of timber, and work very closely with the sawmills. In terms of an industry, this will bring somewhere between six jobs at start-up through to 60 jobs in year 3, and in terms of investment, just over \$1 million.

We have been to both state and federal governments talking about this company and what it can do for the regional area, and we have found that there are no programs as such that fit this sort of industry. That is fine, because in terms of jobs, there are not a huge amount of jobs, and at a state level all you are doing is shuffling the jobs from city to country. But in terms of vision for Australia and for regional areas, what Wentworth Furniture can do for the furniture industry is to create a whole new market for this timber that we are currently using in chips and for defect products.

We have tried to push the vision more than the actual jobs and dollars and cents, and it has not gone across at any level. Because it can create a whole new market for furniture but also for a place like Orbost, which has suffered very badly from timber industry policy over the last 10 years, it is providing an opportunity for that community to become focused on furniture production. Given that Wentworth Furniture is a leader in that area, we see that there are significant opportunities to go and attract some of the other furniture manufacturers who are sitting out there on the sidelines watching them to come and relocate some of their activity here.

In the paper you circulated to consider, one of the issues was overseas experience. This works very well in America where all furniture manufacturing companies to a large degree are located close to the source of timber. That is what we see as one area in this region that we can push very hard. It is an issue of somehow being able to grasp onto the vision more so than the actual jobs and dollars and cents in the start-up, because there is a lot more to it than just that. It is those types of issues that can make a huge impact in regional areas.

I suppose the only other thing I should mention is investment funds. We have done a significant amount of work trying to attract private investment funds into this region and a number of difficulties arise when you start to try and look at this area. One is that the superannuation funds particularly will not consider investments of less than \$5 million. I worked with a lady who was working with the ACTU back when Labor was in government. She was working on a project to try and get funds to come out for \$1 million to regional areas. That project seems to have disappeared—it no longer exists—so obviously she was not successful in that.

Talking with the investment houses in Melbourne, they have perceptions of country areas. East Gippsland, for example, is seen by stockbroking firms and investment houses in Melbourne as being a place full of native title issues and protests, and therefore they do not consider it. I went to a seminar in Sydney that was run by the investment industry and they said, 'You don't get people out of Collins Street'—and whatever the main street is in Sydney—'to come down to areas like Gippsland to look.' These are some of the things that we have to battle constantly. It is very hard for regional areas to put up projects because we do not have projects worth \$5 million for a start, but over three or four projects we can, and they will not look at those in total, so private funds are very hard to get into the area.

We are starting to see some emergence of new initiatives, and the e-commerce, or electronic commerce, is one area where I think we can do something. There are new programs operating on the stock exchange now where small investors can perhaps trade in and attract funding. We are working with a few people in the area here to access some money that way. The attraction of private funds to regional areas has been very difficult and I think that impacts significantly on prospects for jobs.

I think programs like the DPI rural communities program and the regional telecommunications infrastructure fund are fantastic because they are getting out into the small country areas. Little tiny communities can benefit from those projects, and I think that is a very important point I would like to leave with you. It is the grassroots level that can make projects work—not coming in at a big bureaucratic level somewhere high up, but working

with the people on the ground in country areas—and that will actually achieve the results. That has been demonstrated through a number of projects in East Gippsland.

CHAIR—That is a very good opening indeed, Mr Connolly, and I think everyone is jumping with questions.

Senator MACKAY—That was a very good presentation, thank you. I was very interested that you raised the Australian Stock Exchange project because it is the first time it has been raised and I had it in the back of my mind to ask people how it is going. When it was launched I accessed the home page and had a look and it looked quite good to me. Are you aware of anybody that has used the stock exchange project down here?

Mr Connolly—We are working with two small businesses right now trying to access funds through that.

Senator MACKAY—How are they going with that?

Mr Connolly—Good. The project is on line, initially anyway. It is very good to get that information. We have not got very far yet, we are just in the process, but it is the first time we have been able to access, if you like, the big investment houses through something and it is a very good medium to be able to do that.

Senator MACKAY—However, it is not the entire answer, is it?

Mr Connolly—No.

Senator MACKAY—Which comes to my next question on access to capital, which is a big issue in regional economies. I am from the state of Tasmania and we have a lot in common with Gippsland, especially this part with the timber industry and so on. One of the big problems that we have found is the access to capital issue, and the fact that there is stigmatising of regional economies in various different ways. We have been stigmatised in the past for a number of reasons. What is the role of government in terms of access to capital and access to investment risk capital and venture capital, in particular, for SMEs in a particular region?

Mr Connolly—I can give you a very good example. We are currently working on a project to link up small sawmills—not the big ones, because they are doing very well by themselves—with the end user for timber, which in this case is companies like Ikea. The big problem for them, to get from a tree that they might get as a special feature grade tree through to pieces of componentry furniture for Ikea, is the bit in the middle, which is drying it, processing it, and finding the market.

We think that we can set up a cooperative of those people whereby we have the expertise and the knowledge to go out and find the end market for them, bringing together experience like that which exists in Europe at the moment where furniture manufacturers actually buy the tree so that they are paying something up front for the storage of that timber whilst it is being air-dried through to the kilns. We think we can bring in private sector investment because, if you can guarantee the price right at the start for the end product—which might

be 18 months down the track—if it works, you are creating opportunity for kilns to be funded by outside investment, just as a pure return on investment.

Where government can come into that is in helping us get suitability studies done. In this particular example we have used the wood and paper industry strategy, and we have also used the Victorian state government, who are going to help to contribute to that providing the sawmills contribute as well, and they have all come in on it. They can see that individually they cannot do much at all, but collectively they can, but they are in an industry that is very competitive and has got a lot of history of not cooperating. If someone comes in in the middle there, they can just bring them together and it can work. The government can help out by just putting feasibility study funding into things like that.

Senator MACKAY—Do you think there is a role for a regional intrastate development fund? You are talking about how super funds will not invest for anything less than \$5 million. A lot of SMEs require a substantially smaller amount of money than that, but they do require money in terms of start-up funds and so on. Do you think there is a role for that type of mechanism?

Mr Connolly—I can see it is very hard for government, given what happened in Victoria years ago. It is fraught with all sorts of problems. I do not think regional pool development funds work because they are too big and do not affect the SMEs. If you look at a region like East Gippsland, we are micro-businesses, we are not even small businesses, by and large. So you have got to bring it down to something that is very bite-sized. If such a fund did exist it would be very good.

Senator MACKAY—In your submission, you talk about how the delivery has to be very much at the grassroots level.

Mr Connolly—Yes.

Senator MACKAY—What about if the decisions and the delivery were actually at the grassroots level? I think that is the key and that is certainly the message that is coming through loud and clear to us.

Mr Connolly—Yes.

Senator MACKAY—I think in the Victorian situation we could discuss how perhaps that could have been done differently, but it does not mean that the concept is wrong.

Mr Connolly—No, and there are very good examples both in Australia and overseas. The results are very good for projects like that. Albany in Western Australia is a good example, so I am told. I read some information on the example in Albany where they put money into small business and charged commercial rates, but the fact that the community is driving it means that the people actually have a compulsion to repay it.

Senator MACKAY—You talk about a decrease in public sector employment and also a decrease in services which has a dramatic effect, in terms of the submission you have

provided, on local communities here. What service diminution in particular or what public sector involvement in particular?

Mr Connolly—If you look at something like what was the State Electricity Commission in Victoria, first it was privatised and then the services were retracted. People have been pulled out of the small towns who used to live there and work there, and at the same time you are pulling out their families, so that the schools hurt and all those sorts of things impact on it. Now you ring a number somewhere and someone comes out and, if you are in a place like Swifts Creek or Omeo, you have about a two-hour wait before someone can get to you. They are the things that people see. It may not necessarily have been all that much better in the old days but perception-wise some of them very much feel like things have been lost.

In a local government sense, one of the impacts that has happened with the amalgamation into the shires here is a loss of local leadership too. People in some of the smaller communities who once had councillors now have no-one except for a councillor that covers a big area. There is no person in the town you can go to and say, 'Okay, I've got this problem and I need it fixed,' the way you used to be able to. It makes it hard. So people see that as a service that is lost, even though it is a bit of a perception of service because they probably are giving just as good a service. But the fact that they have not got anybody local on the ground makes a difference. Power is a good example, because we do have problems in this region with power in that the service of power and the delivery of it has been deteriorating over the last few years as well. So that has sort of made it a bit worse.

Senator ALLISON—You mentioned that the stockbrokers think of East Gippsland as being all about native title issues. Presumably that is a negative, not a positive. Are there any Aboriginal culture projects under way here? Is that something you encourage? Or are there any tourism projects that involve indigenous people? Can you expand on what you are doing here in that sense?

Mr Connolly—There are some very good Aboriginal things here. I forget the exact numbers, but we have the highest regional Aboriginal population in Victoria. We have a very big settlement here called Lake Tyers. We also have a very active Aboriginal community in Bairnsdale and at Lake Tyers. There are a number of projects being initiated. One is the Bataluk culture trail, which is a trail that goes through from around the Sale area to the border showing all the Aboriginal icons. There are things like special trees and special middens and all sorts of places where things happened. That has all been documented into a trail where tourists can drive along and see it. In fact, if you are travelling by car, you might see some of the signposts as you are driving, whichever way you are going.

Senator ALLISON—Why is it, do you think, that stockbrokers have this misconception then about what goes on here in terms of the relationship with Aboriginal people?

Mr Connolly—It is just media reports. To put it very crudely, the way it was put to me was that we are a place full of greenies and a native title lock-up. That is how it was put to me by a stockbroker. He said, 'No company is going to go down there and risk their good name.' It is not true, but it is the perception.

Senator ALLISON—On a greenie issue, can you expand a bit on the woodchipping industry and saw milling? What we hear is that woodchipping has taken away a lot of jobs from areas like this because saw millers can no longer operate small businesses; they do not get access to the sorts of timbers they need. I think that is what you are hinting at, but perhaps you could give the committee a little more detail about those problems.

Mr Connolly—This area is known for its hardwood timbers. Traditionally hardwood timbers went into the framing of houses. The pine market has come in and taken that away, so the traditional saw miller, with very little vision of where value adding might go, has run into problems with actually getting rid of their timber. Markets are now starting to be developed for value adding and feature grade timbers, but woodchips were a very good way to get the timber out and get some return because they were having stockpiles of timber building up in yards that were not going anywhere.

Senator ALLISON—That was timber that went into the saw millers' yards and then went off to woodchippers?

Mr Connolly—No, quite a lot of it is just based on forward orders.

CHAIR—What does that mean?

Mr Connolly—What they do is go into an allocation—a logging coop, they call them—where a number of trees are to come out and you are allocated those trees. What you need to do is find a market for those trees before you even start to take them out of the place. If you do not find a market quickly you end up with a big stockpile sitting in your yard that you are paying for. A number of saw mills, because there is such a good demand for woodchips, have been turning more of the very low-class timbers—it is not feature grade but the lower-class timbers—into that sort of product. That goes out.

CHAIR—That makes it clearer to me what was meant there. Thank you.

Senator ALLISON—Nonetheless, what you are suggesting is that what goes to the woodchippers is not the waste product, it is not what is left over once you take out the other timber.

Mr Connolly—That is the ultimate. That is what everybody is trying to achieve.

Senator CARR—Mr Connolly, I also commend you on your presentation here today. I think the submission you have made is a very good one. Are you suggesting to us that in your judgment the VEDC model had something to commend it?

Mr Connolly—Yes.

Senator CARR—I notice in recent times that the VEDC was actually making a profit.

Mr Connolly—Was it?

Senator CARR—Do you see that a development fund is necessary—a public fund, a bank of some description—to provide for small scale economic enterprises?

Mr Connolly—I think it could work as one, yes.

Senator CARR—There used to be a time when we had development banks. Are you saying with the privatisation of the bank that those sorts of facilities have now been lost? Since the privatisation of the Commonwealth Bank, are you saying that the development bank no longer fills that function?

Mr Connolly—In my experience in this region, yes, it does not.

Senator CARR—But the VEDC model is one that you think might be worth having another look at?

Mr Connolly—Yes. One very good example is that we were involved with the Office of Labour Market Adjustment program here and I found that the OLMA committee put money into projects that have provided a lot of jobs on the ground. I cannot quantify them exactly but I know through my work that hundreds of jobs were created over that five or six years that we were involved with OLMA. There is just nothing around like it any more. It had flexibility. It was a bit different because you were not putting money into businesses, but you were putting money into projects that created spin-offs for businesses.

Senator CARR—Demand.

Mr Connolly—Yes.

Senator CARR—Lifting the level of economic activity in the region.

Mr Connolly—Yes.

Senator CARR—It just strikes me that throughout your submission the fundamental theme running through it is the role of the public sector. As I read your submission, you are saying that when the public sector withdraws it reduces the level of economic activity in the region and, as a consequence, the level of unemployment increases. That is essentially the theory you are putting to us.

Mr Connolly—Yes.

Senator CARR—So therefore is it not the argument that the state, however it is defined—Commonwealth, state or local government—ought to be spending more public money on economic activity? Isn't that the other side of the argument?

Mr Connolly—From my perspective I would like to see that, yes.

Senator CARR—So if you leave it to the private market itself you are not going to be able to provide sufficient levels of employment. Is that the proposition you are putting?

Mr Connolly—It is beholden upon organisations like mine and the shire to go out to those private sector companies and organisations and demonstrate that there is the capacity in this region to do things. I think this region, through its natural features, has the capacity to expand significantly in areas like value-adding of timber and vegetable production and vegetable processing and things like that, but there is just no link now between the people that are making the decisions in a lot of instances and the natural features.

Senator CARR—You ran an argument before about the timber company in Heidelberg.

Mr Connolly—Yes.

Senator CARR—Why shouldn't that timber company move down here and set up a plant? Why does it require a government subsidy to do that?

Mr Connolly—It does not, but I am not sure that we are going to get it here without some sort of help. The company is putting part of its operations at a significant risk to come down here and there is a level of comfort there that we would like to be able to provide through helping them, and there is no way that we can do that at a local level.

Senator CARR—Yes. As you might have gathered, I am a strong supporter of public intervention, but I am wondering whether or not providing subsidies directly to companies to undertake what ought to be a private activity is the best way of spending public moneys.

Mr Connolly—I am not necessarily saying that it should be a subsidy. It could be an interest-free loan, it could be an equipment purchase that falls back into public ownership, or something like that, later on.

Senator CARR—I see—some other form of incentive.

Mr Connolly—Yes.

Senator CARR—You say in your submission that incentives do not make the difference between employing and not employing. Surely, if an abattoir has a subsidy provided for the purchase of its stock, or labour market programs that mean you can get labour on the cheap, if the profits are subsidised in that way by the public purse, it would imply that they will employ people.

Mr Connolly—Sure.

Senator CARR—It might not necessarily be a good expenditure of public moneys.

Mr Connolly—My experience with the job incentives in the region is that they do not make that much difference.

Senator CARR—Infrastructure does, marketing does, and interest-free loans—those sorts of financial infrastructure services?

Mr Connolly—Yes.

Senator CARR—What about Telstra? Do you think that the privatisation of Telstra is going to assist the labour market here or not?

Mr Connolly—I do not know.

Senator CARR—Are the telephone services good here? Is ISDN widely available?

Mr Connolly—It is getting better, and getting better fast.

CHAIR—It is getting better from what, Mr Connolly?

Mr Connolly—A very poor position. We do not have mobile phone access in most of this region. There are places in this region that do not receive television.

Senator CARR—And radio transmission is not too good in places as well.

Mr Connolly—That is right. If you go to places like Bonang and Bendoc, you might pick up Canberra TV on a good night. So there are some very basic things that are missing in the area.

Senator CARR—I am just wondering then, in a privatised market, how can you expect the public interest to be protected to ensure that small and remote communities would be serviced?

Mr Connolly—Yes, that is a good question. I do not really know the answer to that. I think the activity that can happen on-line for e-commerce particularly will create traffic and will be in demand.

Senator CARR—But you have got to have the infrastructure put in before that can be done.

Mr Connolly—That is right.

Senator CARR—And I was just wondering if under public ownership you at least have the capacity to get onto a few executives and say, ‘What about providing a service in the region?’

Mr Connolly—Yes.

Senator CARR—How do you do that in the privatised market?

Mr Connolly—You cannot, just from the cost.

Senator CARR—You can in a public interest sense.

Mr Connolly—Yes—social equity—you can.

Senator SYNON—I wanted to first of all thank you for your positive comments and reinforcements with respect to many of the federal government's present programs—for example, the regional telecommunications program of industry, et cetera. You talked about the Gippsland Timber Development Centre and the focus on the timber industry with assistance from the federal government. Could you explain a little bit about that project and the assistance that the project received.

Mr Connolly—In the days just before the election, when Labor was still in government, the Working Nation program, as I understand, funded it. Some \$2.8 million came into the Gippsland development regional organisation for this project. It has just been completed now, and I think Minister John Anderson is opening it on 5 June this year. It was funded almost entirely from that fund.

Senator SYNON—What kind of jobs would be involved in it?

Mr Connolly—It was in three stages, and stage 2 got funded, interestingly enough, which is the training centre. The East Gippsland Institute of TAFE is running a number of timber-related courses out of there. Furniture design is one of the main ones. We are operating business incubators which were funded by the Department of Employment, Education and Training to the tune of \$400,000. We have five incubators built there. All of them are just being completed now, and all of them will be occupied. We also managed to build five business incubators in Orbost. The take-up has been a little slower there, but they are starting to get tenants now. In the centre there is mainly training in logging operations and harvesting operations. Monash University is going to be doing research there. The idea is to create a centre of excellence for hardwood timber.

Senator SYNON—So it is more about appropriately equipping people for the jobs.

Mr Connolly—Yes, and creating a focus.

Senator SYNON—Following on from Senator Allison's questions regarding your comment in the submission about the logging protesters and native title claims having an adverse effect on the region, would you hazard a guess about the extent of that effect in terms of jobs or investments?

Mr Connolly—No, I would not. I was surprised that that was the response I was given, and when I heard it from two different people in two different companies in a similar way, I thought there must be some common perception in the investment community about it. I really could not quantify it.

Senator SYNON—But you do not know how wide it is?

Mr Connolly—How wide the view is?

Senator SYNON—Yes, the perception.

Mr Connolly—No.

Senator SYNON—Do you think it is only confined to the investment community?

Mr Connolly—I hope so.

Senator SYNON—You say that in your experience job creation programs and incentives have been marginally successful. Given that an awful lot of federal government money goes into those types of programs, how would you prefer to see that money better spent? Do you have a view?

Mr Connolly—I am not really sure how to answer that. I do not think the subsidies in themselves make a great deal of difference. They do to a number of employers. I think the demand has got to be there before the jobs are going to be taken up in a lot of areas. I am not too sure that, in a direct sense, the government can do too much about that, apart from some of the bigger picture issues that are out there.

Senator SYNON—Do you base that assertion on anecdotal evidence, or have you done some research?

Mr Connolly—It is based on anecdotal evidence. We do a lot of work with small businesses and a lot of them will not look at employing someone just because of the condition of the business.

Senator SYNON—You talk about the streetlife program—which I was very pleased to see, since I was the initiator of that when I was in the state government—and you talk about, flowing on from that, there being no quick solutions, and that the response for the creation of real jobs within a community, especially one that faces problems of isolation, must come from a grassroots level. In view of those comments and perhaps your experience of the streetlife program, are there any recommendations you have for how government might better involve the community generally in its response to unemployment?

Mr Connolly—I think programs like the DPIE rural communities program are a very good start because, as I understand it—and I am just testing that right now—it has the capacity to bring the community together to come up with solutions for it to create its own destiny, like streetlife. I think that is an important way to do it.

Senator SYNON—I was thinking more of the federal government program.

Mr Connolly—Yes.

Senator SYNON—Are we talking about billions of dollars?

Mr Connolly—Billions of dollars? I am not too sure. Most of the communities in this region are quite small. Bairnsdale, Lakes Entrance, and Orbost are the three biggest, and they have the capacity to tap into those type of programs, but most of the small communities just want to be able to do some very basic things. They do lead to jobs. In Cann River and Buchan, where I am working at the moment, the little things they are doing, like just creating a good streetscape, are going to create room for people to stop and buy food. If they buy more food they can take another young person on as a worker—it is things like that.

Senator SYNON—Yes, that revitalising of the town.

Mr Connolly—Yes, they are driving it, because I do not think I, the shire or government can drive it. It has got to be the community that drives it.

Senator SYNON—Would you like to see more grassroots involvement in the myriad of government programs? Would you like to see a model whereby perhaps the resource and the money is given to grassroots communities to develop their own responses?

Mr Connolly—A lot of them have a problem in doing that. They need help and leadership to do that. Certainly at local government level, for example, I think local government has the capacity to get out there and do that. The state system does not seem to do it as well. I have seen AusIndustry programs come through the state system and, by the time it gets down to the people who are supposed to get it, it is nothing like the federal government intended.

CHAIR—Mr Connolly, we have to finish now. There are a couple of questions I would like to ask you, perhaps on notice.

Mr Connolly—Sure.

CHAIR—With your proposal that people should buy a tree before it is cut down, is that really like stock valuation tax up-front? A lot of people pay a stock valuation on the tree once it is cut and lying around drying and so on. Are you suggesting that a similar payment should be brought ahead?

Mr Connolly—I suppose if you are getting the benefit of the income, it probably would.

CHAIR—It might be interesting to follow that up. I just wonder if you might check that and see if there is anything further you can tell us about that.

Mr Connolly—Sure.

CHAIR—Secondly, we have just left hearings at Morwell where we met Professor John Anderson. My colleague, Senator Mackay, says he will regret saying that investment capital is no problem at all. I was just thinking that one of the wicked things we could do is say, 'How long since you have spoken to Professor John Anderson? Tell him that we came down here and said that he is an absolute whiz at getting money and if you cannot get less than \$5 million, maybe Professor Anderson can.' I mean that a bit seriously because he is in the business of innovation and using ideas and imagination to get things happening at the Green Inc. organisation down there at the university.

I am pleased that you know him and that university. You have mentioned it, but how closely do you work with it in terms of getting the university and ideas and imagination and small business projects up and running? Do you, for example, go through that campus for any of your projects?

Mr Connolly—We do work closely with Monash. John Anderson was the chair of the Area Consultative Committee and I was deputy chair for a number of years on it. I know John very well. Yes, we do use Monash quite a lot.

CHAIR—See if you can get some money from him.

Mr Connolly—He has never offered that.

CHAIR—Tell him that the committee thinks he is absolutely wonderful and Senator Mackay will keep him honest. Finally, could you on notice—not now—give us some understanding of what you mean by the Wentworth example?

Mr Connolly—Sure.

CHAIR—Apparently a more flexible approach is needed. I presume it is flexible.

Mr Connolly—That is what I submit—the furniture company.

CHAIR—That is Wentworth. I beg your pardon. I was up the river at the joint of the Darling and the Murray. The last question is: the timber on top of all these desks, are they squashed together tomato stakes now made very beautiful?

Mr Connolly—Yes.

CHAIR—I thought you might say so. Thank you very much.

Mr Connolly—A pleasure.

CHAIR—If we can call our next two witnesses. In the interests of time I understand that each has agreed to sit at the table with the other. I just would like to know that you were not in the terrible business of being sworn enemies. There are a few people in the room who said they would be pleased to take the opportunity to just speak for three or four minutes on the record about things that really concerned them—in a public forum. I would like to do that. I understand one of those people is here at the invitation or proposal of Senator Synon, and a couple of other people. If we can find the time we would certainly like to be able to do that.

[3.32 p.m.]

DIOGUARDI, Mr Dino, General Manager Operations, Vegco Pty Ltd, 83 Bosworth Road, Bairnsdale, Victoria 3875

MURPHY, Mr Shane Peter, Economic Development Manager, East Gippsland Shire, 273 Main Street, Bairnsdale, Victoria

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 taken in camera may subsequently be made public by order of the Senate, as has happened in recent years. Would you each like to make an opening statement. If you could take a couple of minutes—three or so—and then we will ask questions. I would ask my colleagues perhaps to hold their questions until we have heard from both speakers. For the record, we have received a submission from you, paper Z1.

Mr Dioguardi—Vegco is a company that started in 1994. We specialise in the production of value added packaged salads and vegetables, such as this. We supply that product to 520 supermarkets domestically. That is our core business. We do not export at all. We are a domestically based and focused company. I will just paint a picture about the background of the company quickly.

As I said we are based in Bairnsdale. We are occupying a site that was once a frozen factory. We commenced in 1985 under the name of Gardenland, which was subsequently owned by Edgell Birdseye when Pacific Dunlop bought out Petersville Sleigh's operation in 1991. They closed the frozen factory along with two others in Australia. That had a significant impact on the local economy. About 85 people lost their jobs, and the East Gippsland vegetable growers, who account for about 20 per cent of Victoria's production, lost one of their biggest customers.

Basically the factory lay dormant for a couple of years and, through the work of people like VEDA and various local businessmen, we kicked off in 1994 with a completely different focus. The market in Australia and worldwide in frozen and canned vegetables is on a decline and we saw the opportunity to market a fresh, convenient-type product to the Australian public. The reason for that is that this sort of product originated in Europe in the early eighties and represents about 15 per cent of the total vegetable market at the retail level. Likewise the trend followed in the United States where it occupies about six per cent of the market, and in Australia at the moment it is less than one per cent. We see huge opportunities to get this sort of product up and going in Australia as a truly value added vegetable product.

CHAIR—What is it—air-dried, snap-dried, not dried at all?

Mr Dioguardi—Completely fresh.

CHAIR—How long does it last?

Mr Dioguardi—Seven days. It is a product that has to be refrigerated below four degrees—not frozen, just chill temperature in your fridge.

CHAIR—When was this made?

Mr Dioguardi—That was made today.

CHAIR—And if it is not eaten by next Monday, it is for the chop?

Mr Dioguardi—Yes. The actual segment which we are targeting is one of the fastest growing segments in Australian supermarkets. There is a big push towards chilled convenient-type meals that are healthy, nutritious and appeal to a lot of people who are busy—like yourselves.

CHAIR—Do you have to add the moisture, or does it come out of the—

Mr Dioguardi—The product is washed three times and that is just residual water from the actual washing process. We do not use any chemicals or preservatives at all. We procure about 90 per cent of the vegetables from the region at Lindenow, about 10 minutes from here, so as much as we can from East Gippsland.

CHAIR—Thank you.

Mr Dioguardi—One of the strengths of producing this sort of product out of East Gippsland is obviously our raw material advantage in the vegetables being so close to the growing area, and also the fact that the growers who grow for us have had a background of growing on a contract basis. They did that for the frozen factory, so they are used to supplying on a dollars per kilogram basis. There is very fertile ground in the Mitchell River valley, in Orbost and further down the line, and this lends itself to the specialty crops that we grow.

Another reason why Vegco has been a success is that we have had a good association with the National Union of Workers, who are an investor in our company. From day one we basically had an enterprise bargaining agreement in place which allowed us to tailor-make our work force and to customise it to the needs of Vegco as opposed to award conditions.

Just quickly, we commenced production in July 1995. We started off with about 20 people. We now employ 90 people and that is fairly constant year round. We recently merged with our main competitor called Harvest Fresh Cuts in Brisbane last October. We both had about 35 per cent of the market share before then and now we have got about 70 per cent of this market share in Australia. We will turn over about \$22 million this year, and we believe the category will be worth about \$100 million by the year 2000.

Certainly in the United States it experienced really explosive growth; it doubled every year for about three years. We are just at the bottom of that S-curve now, where we believe we will experience that same sort of growth.

CHAIR—Is that about it, Mr Dioguardi?

Mr Dioguardi—Yes.

CHAIR—What is the last passionate point you are going to tell the committee?

Mr Dioguardi—Probably the most important point from Vegco's point of view at the moment is that we need to ensure a constant supply of water in East Gippsland. With the drought conditions this year, it has not affected us yet but it has been very close to. It has certainly affected our growers. We have had to procure out of the region at significant cost, and the quality has been a lot lower. So the main issue that is affecting us at the moment is to ensure a constant water supply for the factory and also for our growers.

CHAIR—Can we come back to you?

Mr Dioguardi—Yes.

CHAIR—Thank you very much for that.

Mr Murphy—The paper I have given you gives a little bit of a background to East Gippsland over the last seven or eight years, and the job opportunities impact and so forth, and what I see are some of the problems our industries, which are very rural and commodity based, are facing and our vulnerability to them. But in all of this, of course, there are opportunities for us, and I think Dino's is one of those industries that shows where we do have potential, and there are others. It is a matter of how we seize those opportunities.

I am seeing education as being the prime driver in the cultural change from the way we used to operate to the way we should be operating into the future. I draw on the Israeli experience, where they have a lot of science and engineering-type programs and practitioners in the field there, working with their farmers, to maximise their water usage, to get the highest yield. They do the genetics, they bring all of that sort of thing together, and I think that is something we have to learn to be; as smart as that, if not better. I do see the region having a potential to take on that. We have a lot of natural advantages, but, Dino is right, we do need water security.

There are other things in infrastructure where I think partnerships between the government levels can be very important, at the federal, state and local government area, whereby you can have more flexibility in the program deliveries; not so much a guideline approach. I think Mr Connolly brought out previously the OLMA program. If I still remember, I think OLMA is still in the draft guidelines, they have never ever been formalised, and to some extent that allows a lot of flexibility at the local level if you get the committee structure right. I do believe a partnership approach of the three levels of government with industry is the key there.

I think that, going back, if you can impress upon them the need for governments to keep investing in the education area, the programs area and the infrastructure. Senator Carr, that point about the VEDC had some very good positives. A lot of people may view that there is a management problem with the program. It is not so much the program. I would like to see something like that come back. We are amassing huge amounts of money in the superannuation funds. They have to invest somewhere. You cannot just put it all into stock, it has to go

somewhere—to help the economic benefits and the true job creations, which is the wealth creating area, invest back into the infrastructure regions to develop their potential. That is the way I see it going.

CHAIR—Thank you very much. It is succinct, a very useful paper. I will turn now to questions from my colleagues. I thought I might just very quickly open the batting by asking: do you suppose our superannuation funds with your dollars are investing in Pac Dunlop to close down your local factory? It is a bit ironic, but it is probably not without relevance.

Senator CARR—Mr Dioguardi, you have got fairly large numbers of union members employed in your factory?

Mr Dioguardi—Yes.

Senator CARR—Just about 100 per cent?

Mr Dioguardi—Yes, about 90 per cent.

Senator CARR—So you are obviously doing very well in terms of working with the National Union of Workers.

Mr Dioguardi—Yes, we have a good relationship.

Senator CARR—And you say the enterprise agreement actually assists you in getting a good output?

Mr Dioguardi—Absolutely. It gives us that flexibility of working days, without penalty rates on the weekends, and shifts at night without penalty rates. Given the nature of our business, because it is such a short shelf life, we need that flexibility.

Senator CARR—Mr Murphy, I hear your concern about the educational sector in particular. How do you respond to the proposition that there has been \$4.4 billion taken out of DEETYA, which is about 27 per cent of all the budget cuts, despite the fact that DEETYA only makes up about 10 per cent of the whole of government expenditure?

Mr Dioguardi—I put in the report, I think, ‘the provision of education’. My view of the past decade or so is that there has been a skills acquisition approach to a lot of the DEETYA programs, with the hope that industry would rise up, natural occurrences would occur, and that they would take on the skilled work force as their market opportunities opened up. That is all right in the expanding markets, but we have not had that in Australia, and so I think after a period of time, skills that have been acquired, if they are not used, are lost. We have lost the focus there. I think there have to be some wealth creating type programs, and I do see education being there to tap the potential of the individual.

The point here is that if you can have delivering of higher education at the local level, not having to send our kids down to Melbourne and all these other sorts of things, it can have an enormous economic impact on our regions. I do not think we are too far away from

the technology to be able to do that, for all the RMITs to do their classrooms in the person's home or some sort of central point. We cannot be too far away from that.

Senator CARR—In this region, the number of people without any qualifications at all is above the national average. This is not having a shot at people in the region. It just indicates that the infrastructure in the region has not been up to scratch, so something like 75 per cent of people in this region would not have any educational qualification at all. The trend by the federal government in fact is to move in exactly the opposite direction to what you are suggesting: that is, to withdraw further. How do you respond to that obvious contradiction from what you are proposing?

Mr Murphy—I would have great concerns about what they are trying to do, unless you can get that delivery at the local level, because again you are sending people away from the area all the time if you try to centralise. There has to be some, I suppose, decentralising approach to it.

Senator CARR—Do you think there should be more in regard to the adult and community education end of the business? We talk a lot about schools, we talk a bit about TAFE—not as much as I would like—and we talk a great deal about university. We have very little being said about retraining workers, educating people who have left school, the post-30 age group.

Mr Murphy—Yes, post-30, post-45. We have a very significant number of unemployed in those age brackets. It is many years before they retire, there are many years of productive life left, and unfortunately not much is being done in that area. So, yes, I would love to see a community based approach to that. I do not think the answer is always in the models that are being used. I think we have got to be more flexible and try to create or develop the innovation within the groups themselves.

Senator ALLISON—I have a question about water use. You have both mentioned today that the efficient use of water is the key to economic growth in this area. My question surrounds the role of government agencies in spreading that message and putting in place the infrastructure and in education for farmers. Are there any problems in this area in relation to the number of staff who are now in DNRE and other agencies? Perhaps you can answer that first, then I will go on with my next question.

Mr Dioguardi—My experience with that organisation is, first, there are not enough staff and, second, the staff who are there are not suitably up to speed with the latest technologies. If we are talking about irrigation, say benchmarking against the Californian vegetable industry, they have had to be quite efficient in their water usage because of salinity problems. There needs to be more benchmarking, getting them overseas and then transferring that information back to our growers. Absolutely.

Senator ALLISON—Whose role is that? Is that a state government role in your view, or does the federal government have a role to play?

Mr Dioguardi—I think it is for the state.

Mr Murphy—I probably take a view it is for all Australians. Water is a national resource and it has got to be used very well. We do not want to get into fights between government levels as to what is the best approach for the management of it.

Senator ALLISON—Water is a big issue in this area, isn't it? I suppose it is exacerbated by a drought; nonetheless, is it not also true that irrigation has been responsible for the salination of enormous areas of agricultural land in this area? Do you see that as an ongoing problem? To what degree is this a threat to jobs in the region?

Mr Dioguardi—From Vegco's point of view, the crops we grow are very small acre compared to what used to be grown for the frozen factory, being peas, beans, and sweet corn. It is pretty broadacre in terms of vegetables. We use a lot less land and a lot less water. That has helped a lot in the area in cutting down water usage. That is not to say that those other crops are not important in the area. I think water application methods can improve, but, in terms of the crops we grow, not by that much.

Senator ALLISON—So you are arguing that your kind of industry is jobs intense and resource low in terms of its needs.

Mr Dioguardi—Yes.

CHAIR—Any hydroponics, Mr Dioguardi?

Mr Dioguardi—No.

Senator ALLISON—Would you consider doing that?

Mr Dioguardi—No.

Senator ALLISON—Why?

Mr Dioguardi—They do not produce high enough quality vegetables for our product.

CHAIR—That is interesting. Maybe you will have to tell us more later why that is.

Mr Dioguardi—It is basically because they break down a lot faster when they have been cut up than those that have been field grown.

CHAIR—Because they take up too much water?

Mr Dioguardi—We think so, yes.

CHAIR—That is very interesting.

Senator SYNON—Mr Dioguardi, I have just a couple of questions relating to your staff selection or recruitment. We note that you have grown from 20 to 95 and I congratulate you for that. You must be a very important employer in the region. Do you have any difficulties

with recruitment? How do you go about recruiting? What kind of level of schooling, qualifications or background do you look for?

Mr Dioguardi—We get a lot of applications for work—more than we can fill. The majority of people we employ at Vegco are women—probably about 80 per cent. Their average age would be about 28—around there. It is mainly women—I am not being sexist—that need to work, be they single mothers or it might be a second job for some people. We have in the past put on a lot of young people, but my perception is that they do not stay because it is easier to go on the dole.

Senator SYNON—Is it a 24-hour operation or seven days a week?

Mr Dioguardi—It is seven days a week, not 24 hours a day.

Senator SYNON—When you first started expanding your business, did you initially go for young people?

Mr Dioguardi—Yes.

Senator SYNON—And it has been a gradual realisation that—

Mr Dioguardi—Yes. There are still quite a few young people there. Don't get me wrong. I would like to see something like the work for the dole scheme brought to Vegco. We have got various different projects in the pipeline at the moment which have an even shorter shelf life than the products we are marketing, and they are probably going to be night time operations. The cost of doing that, to us, can be quite high. If we could bring in work for the dole people and get that project off the ground it is going to mean real jobs in the long term for East Gippsland.

Senator SYNON—As a local employer do you support concepts like work for the dole generally?

Mr Dioguardi—Yes, if they are made into realistic ventures.

Senator SYNON—And your recruitment? Do you recruit directly or through agencies?

Mr Dioguardi—Both through the local CES and through agencies. And I should say that the majority of people are from East Gippsland.

Senator SYNON—They are local.

Mr Dioguardi—Yes.

Senator SYNON—I have some questions for you, Mr Murphy. Is the shire involved in the Area Consultative Committee, and do you have any comments to make on its effectiveness?

Mr Murphy—I have my name up at the moment for membership of that committee, and membership of the subcommittee, or the hub, as I think it is now called. Mr Connolly was the previous member and principal representative for East Gippsland prior to that. I cannot give a very good answer for the ACCs. In our role in shires, we have Gippsland Development representing shires, the old REDOs under the DPIE funding, and you have ACCs. I think strategically it would be better if they were joined in some way—to have one organisation across the region not duplicating or repeating what others may do. I am not sure if that is going to happen. I presume that will happen as the funding dries up in one area.

Senator SYNON—In your section regarding labour market programs, my reading of it seems to suggest that there are some inconsistencies with what we heard from the first witness today, Ms Gelly, from the Lakes and Wilderness Tourism. I am not sure if you were here. She asserted that she thought there were jobs there, but perhaps not the appropriately trained people. What you seem to be saying is in fact the opposite, that there has been an emphasis on skill acquisition, including in the tourism and hospitality industry, but that basically there is not the demand to employ those people. Did you hear her evidence?

Mr Murphy—No, not that particular comment. I heard part of it.

Senator SYNON—How can we reconcile those two points of view?

Mr Murphy—There has been a lot of training done by our local TAFE courses and by our SkillShares and Group Training in the traineeship areas of hospitality, so I am probably a little surprised about that remark, but then there may be gaps that are being missed. I do not know what specific areas she is talking about, but I would have thought there is quite intensive training for hospitality training here. We are more recognised for that.

Senator SYNON—Perhaps you could all get together after. Given your comments on education earlier, would you support the government's move to try to keep young people at school longer?

Mr Murphy—With the purpose of what, just staying at school?

Senator SYNON—Evidence suggests that you are three times more likely to be unemployed if you leave school before year 12, and the government is attempting to provide incentives to keep people at school until year 12.

Mr Murphy—I think there is a balance there that has to be found. As our world gets a bit more complex, technological and so forth, you do need the higher skills I suppose to work with a lot of this technology, and so staying on at school is very important. But a lot of the courses have to suit what industry has to offer. Maybe that is where the structural misalignments occur. I think there are some very good projects now starting up, the VET projects, where they are trying to get kids staying at the higher education, going out with employers for X number of weeks a year and so forth. I think they are excellent programs to meet the needs of the locals and the local situation, yes.

Senator SYNON—That has been quite a focus of this government, to provide opportunities for people in schools to start pursuing vocational training while still at school, so it is

good to hear your support for that. Finally, you talk about the necessity of a partnership between the three tiers of government in terms of responding to difficult problems in regions, including employment. How likely do you think that is and what do you see as the impediments to a cooperative arrangement between the three tiers of government?

Mr Murphy—The reason I want to see partnerships is that if we are looking, say, at East Gippsland, there is some infrastructure there—it could be the Lakes Entrance bar, and so forth—which will need a lot of money to fix. We have a very important industry—fishing—depending upon that bar. To fix the problem, to keep dredging the bar all the time, requires a lot of money. That is seen as one of the most strategic things that you can do for this area: to fix up that bar on a more permanent basis. It is beyond local government costing capabilities; you get into state and maybe even federal governments. You need the three working together and agreeing that that is a strategic, very good thing for East Gippsland to do. I am not sure how that works in reality for politics, timing of elections, or whatever, but taking all that aside, I think it is critical that we should have that. It is the best use of our money that we have got.

CHAIR—Dredging the Lakes Entrance: those of us who come from South Australia are watching with interest whether the Murray is just about to close its mouth for the second time in recent history, so I suspect I have a large sympathy with the challenge of that. It is I suppose a bit surprising but an interesting example in answer to Senator Synon's question. I note that you have talked in the opening paragraph in your submission about considerable restructuring of DEETYA, education, VicRoads, natural resources, ports and harbours, electricity, health, community services and, finally, shire amalgamation. There is not much left out but I do not suppose you put trains in. Can I put trains in?

Mr Murphy—Yes.

CHAIR—Ports and harbours: can you please explain what in particular in the ports and harbours area down here has been affecting you?

Mr Murphy—It is just another one of the state government department's authorities that is being restructured. It is undergoing restructuring at the moment. Some people have been put off, taking their redundancy packages. You can see that it is just another example of what is going on, the changes that occur.

CHAIR—I felt a bit more optimistic earlier in the day—is it the end of the afternoon or is it you two who are more realistic than optimistic?

Mr Murphy—I am optimistic.

CHAIR—Good.

Mr Dioguardi—I think this region has got great opportunity. There is no doubt about that.

CHAIR—Can either or both of you tell the committee what you think is the highest priority to address the question of regional unemployment?

Mr Dioguardi—From my point of view, the best way to go about it is to try to make companies like ourselves more prosperous.

CHAIR—You seem to suggest to us that the thing that helped you get going as a company was VEDA; that is, a bit of government infrastructure there?

Mr Dioguardi—That was part of it, and a lot of money. The thing that helped us get going was not reinventing the wheel in terms of the product that we were trying to market. It was to go overseas and bring it back and use some Australian ingenuity and get it out into the marketplace. We are well on the road to doing that. But, firstly, we need a guaranteed water supply, so we do not jeopardise our growth, and, secondly, perhaps lower our labour costs, which is one of our major costs, through things like work for the dole schemes.

Senator CARR—What is your labour cost? What percentage of your turnover is labour?

Mr Dioguardi—In terms of dollars we would spend locally about \$2 million a year.

Senator CARR—What is your total turnover?

Mr Dioguardi—It is \$22 million.

Senator CARR—It is a very small percentage.

Mr Dioguardi—Sorry, not \$22 million; that is our combined company in Brisbane—

Senator CARR—Sure. You say it is \$2 million out of \$22 million. You are saying you do not want to pay wages; you want the government to pay the wages.

Mr Dioguardi—No, it is \$2 million out of about \$9 million, actually.

Senator CARR—It is still a very small percentage of your total costs. I am just trying to get it clear in my mind. You are asking the government to pay your wages bill.

Mr Dioguardi—I am not saying pay all of it. I am saying help us with new projects, in getting them off the ground, and in return we are going to create real jobs.

Senator MACKAY—How do you introduce work for the dole in your industry? How would you do that? Are you suggesting have work for the dole—

Senator CARR—You are replacing other work.

Senator MACKAY—So you would replace existing employees with people from work for the dole schemes?

Mr Dioguardi—No, not necessarily.

CHAIR—What were those proposals you said might happen? They were overnight, short term—

Mr Dioguardi—Yes, we have got a new project. I will not elaborate but it is a new product we are going to launch into the marketplace. It involves working at night, basically, because it has got a very short shelf life—less than a 24-hour shelf life.

CHAIR—At night? You mean 11 till 6 a.m.?

Mr Dioguardi—From 10 p.m. till two in the morning; around those sorts of times.

CHAIR—That gets it ready to go by bus or trucks to the city?

Mr Dioguardi—Straight onto a truck and straight onto the supermarket shelf the next morning.

Senator MACKAY—You would see that as an appropriate project for work for the dole?

Mr Dioguardi—Yes.

Senator MACKAY—But that is work for Vegco; that is not work for the dole. That is the government subsidising your wages bill. That is not what work for the dole is supposed to be. That is why the private sector is specifically excluded from work for the dole projects.

Mr Dioguardi—But in return you are going to make Vegco more an expanded company, aren't you?

Senator MACKAY—Yes, but why should the government pay your wages bill?

Mr Dioguardi—Why shouldn't they? They are paying for the unemployed.

Senator MACKAY—You are proposing that the government introduce work for the dole and you would not have to pay the wages bill; the government would. So people would work for unemployment benefits for your company?

Mr Dioguardi—Yes.

Senator MACKAY—For how long?

Mr Dioguardi—But not all of it; part of it.

Senator SYNON—Whilst you have got new jobs—

Mr Dioguardi—Whilst we have got new jobs. As that project expands we can put on those people permanently.

Senator MACKAY—But it is really no different—

Senator CARR—What do you think your shareholders would feel about this?

CHAIR—Could I just ask you, Mr Dioguardi, before you answer all those wonderful contributions from the right and the left, what sort of company structure do you have? Are you a private company, a single owner? Can we invest in you on the stock exchange?

Senator CARR—No, we are an unlisted public company.

CHAIR—How many shareholders?

Mr Dioguardi—Four main shareholders and a myriad of smaller ones.

CHAIR—Are any of the people employed in your Vegco able to buy shares?

Mr Dioguardi—Not at the moment, no.

CHAIR—Are you planning to become—

Mr Dioguardi—We are looking at an employee share scheme, yes.

CHAIR—A minute ago we asked either or both of you for a bid for one or three things, particularly the one priority, that might make a difference. It has just dawned on me, before I ask you that, Mr Murphy, I have one last question for Mr Dioguardi. If there was another company like yours that had the wit to set up a new Vegco, would that not be in competition with you and would that not actually mean both of you were non-viable? They would need another new idea, wouldn't they?

Mr Dioguardi—Yes, pretty much. We have got exclusive rights to the technology in Australia.

CHAIR—That is the rule I like, Mr Dioguardi—‘We in private enterprise believe in competition and all those things until—dot, dot, dot, dot.’ I am delighted to hear the story of, as you say, somebody getting off and bringing in a new idea and making it happen. Mr Murphy, how will we solve the problem down here?

Mr Murphy—I suppose, looking at the highest priority, I think capital for infrastructure is the key.

CHAIR—What infrastructure in particular?

Mr Murphy—There are probably half a dozen sorts of projects that could be tackled.

CHAIR—Give us your bid.

Mr Murphy—Water security.

CHAIR—What does that actually mean? A dam?

Mr Murphy—It could be a dam, it could be off-stream storage, it could be a number of different ways, but increasing the amount of water available to the greater land mass. I think the Lakes Entrance bar, for our fishing industry.

As for telecommunications, we do not have ISDN throughout, which is a problem. We do need to be able to compete in the New Age. In transport, I would look at the return of our rail service back here plus the continuing progress of making a four-lane highway all the way from Melbourne down to Lakes Entrance to cut down the time for tourism—and there will also obviously be benefits to business. I would probably even invest in some other little things, smaller projects—having venture capital available for projects that we see as important to some of our local industry. Specifically, I would mention our saleyards. Like a lot of regions or councils around Australia, saleyards are falling down—

CHAIR—Is that s-a-i-l?

Mr Murphy—No, s-a-l-e.

CHAIR—Oh, cattle sales—those sorts of saleyards—not fishing boats. Thank you. I'm glad I asked.

Mr Murphy—For smaller population regions like ours we have a high catchment area for beef and cattle. We have our fifth highest throughput in the state in this area but infrastructure has not been maintained in the past, for whatever the reasons, and so we are faced with the problem now of how to meet the new age where you have to have codes of practice, QA, and everything else. Often for councils and so forth, it is very difficult to be able to solve their problems. So having investment structures—whether it is private, capital or whatever; I do not mind—but having money available for some of these projects.

CHAIR—Mr Murphy, you are Economic Development Manager for the East Gippsland shire. A man is outside the door, waiting to come in and see you, Mr Murphy. His name is Mr Dioguardi and he wants to put to you the proposal that he has got a new scheme to create some more jobs, but as a part of the set-up he would like to make an application for working for the dole money. Will you assist him?

Mr Murphy—Yes.

CHAIR—Because why?

Mr Murphy—To create employment, new opportunities, yes. Whether it is appropriate for wage subsidies is what Senator Carr and others are picking up on. Maybe there are other ways it can be brought in to offset some of the initial start-up costs, but I think that is what flexibility of programs is about. It is how you want to construe it maybe but, yes, if you can somehow minimise the risk for companies to take these areas—and not just a taxation risk by running off the loss but other ways—I think we should at least explore it.

CHAIR—That is a very interesting point. In fact what both of you are saying is that there needs to be some kind of bridging to get you started in a new area. This will have to

be on contract for a limited time with clear objectives and outcomes set. If they are not met, it does not proceed and so on.

Mr Murphy—Agreed, yes.

CHAIR—My colleagues and I equally have bells and alarms ringing when it looks as though this is a way of getting cheap labour. I am very interested in your response to that, Mr Murphy, because I can understand that you are a bit nervous. At least it would seem to me that you were saying it might be useful as a kind of way of investing but there may be other ways of doing that without perhaps looking as though you were subsidising wages.

Mr Murphy—Exactly, yes.

CHAIR—But for a short term, the idea of a set-up is—

Mr Murphy—We cannot walk away, Senator Crowley, from the fact that enterprise business must take its own risk in certain area. But for small companies out in the rural areas who do not have access to a lot of capital and so forth, maybe there are things we can do there. To explore that I think would be good.

CHAIR—I would not like to see people creating a false sense of being able to cope because you were for a time working with a very large subsidy—which is effectively what it is. It is an idea for an injection to start things, if you can understand that.

Mr Dioguardi—It is a subsidy. Don't get me wrong. I am not saying—

Senator SYNON—It is really no different from jobstart. That was also a subsidy for wages.

Senator CARR—I think working for the dole is very different.

Senator MACKAY—That is an interesting point, as far as I am concerned. Really what you are on about is a traineeship program with proper training that is outcome-linked.

Mr Dioguardi—Basically, yes.

Senator MACKAY—That is exactly what jobstart was, which is completely different from what we are on.

CHAIR—This is just about to hot up, Mr Dioguardi or Mr Murphy, and it is at that terrible time, I have to say, unfortunately. We want to provide an opportunity for people in the community—I think it is three, but maybe more—if they would like to come to the table. Thank you both very much indeed. It was very interesting and very useful. Next time I see Pac Dunlop I might speak to them. Those of you in the community who would like to come and take the opportunity to just make a three-minute contribution, bells will ring giving you a half-minute to go, and my colleagues and I will listen and ask no questions.

[4.12 p.m.]

ELLIOTT, Ms Pamela, Chief Executive Officer, WorkWays, 265 Main Street, Bairnsdale, Victoria 3875

CHAIR—Welcome to you all. This being a public forum, I think it is unlikely that you will be asking to put any of your comments in camera—that is, asking for them to be made privately—but I point out to you that, if any of you want to do that, of course the committee would consider that.

Ms Elliott—I just wanted to speak to you about unemployment. I have been in the unemployment industry for 10 years. I would like to give to you a few simple facts about our area. We cover Sale to the border in our services that we provide. The majority of our kids, 85 to 90 per cent leave the area to go to tertiary studies in capital cities and do not return. The kids who complete year 11 and year 12, who remain in our area, have been assisted through the job pathway program locally and VET programs, but those kids who do not get work will fall into the following groups: poor literacy and numeracy, poor presentation skills, personal problems, none or very little parent support, one-parent families, drug and alcohol dependency.

The non-existence of public transport: kids at 17 cannot take up apprenticeships and traineeships if they have to travel, and many of these require travel to and fro from work. So there is no allowance for kids to have some sort of restricted licence at 17. There is unwillingness of some young people to relocate to Melbourne due to no reasonable accommodation available there and no support groups. It is a known fact that kids who go from the country to the city have very high drop-out rates of staying in those areas.

The lack of training now with some of the cuts in some of the training programs: pre-employment training is virtually non-existent. If you are trying to train long-term unemployed people, it is not just about training them in skills. It is about training them to start again—self-esteem, confidence-building, presentation; all those things that do not happen overnight. Believe me, some people only get a kick-start after two years. We have had clients who have just got a job after two years. That is with working with them, not two years unemployed.

Many older unemployed have been redundant and do not have necessary skills to access employment or training programs. It is the same story—the lack of skills, literacy and numeracy and general ability to keep up with the changes posed on us by technology. They are used to working with their hands. Those jobs are not there any more. More retired people are coming to the area, and I guess the service industry is a possibility, but once again it takes a type of person to work in that service industry and not all long-term unemployed people have those skills.

The lack of regional unemployment due to local issues at the moment: I listened very carefully to Gabrielle talking about hospitality. A lot of our clients are not up to the mark of working in the hospitality industry, given that the hospitality industry demands extreme skills and presentation and literacy and numeracy skills. Often our clients are put up and do not

get those jobs. Unemployment, particularly the long-term unemployed, as I said, also causes poor emotional health. I am recently on a committee to access funds for men's health, and I think there is an issue there of emotional health, self-esteem, which breeds a whole lot of contempt and other issues.

We have a shortage of qualified tradespersons; they have left, because of a lack of opportunity. Certainly we have unfilled jobs in our area and cannot fill them with the skilled people; for example, panel beaters, mechanics and professionals. We cannot supply the demand of the employers in the area to fill those. Our clients do not reach the mark.

The actual abolition of labour market programs: I come from 10 years of working with labour market programs and I think the recent SES program that was implemented by the government was a very good program, given that we had a very high rate of continuation of those people but, once again, six months is a very short time for unemployed people to become competitive. Being competitive is really what we are talking about. I think there are so many people out there applying for jobs. You might get 60 to 100 people applying for one job and it is the competitive nature and, working with the long-term unemployed, there are a lot of things needed before they are starting a job.

CHAIR—Timing is all, Ms Elliott, and you have finished exactly on your three minutes. Thank you very much indeed.

[4.17 p.m.]

GELL, Mrs Anne, Parent, PO Box 325, Lakes Entrance, Victoria 3909

Mrs Gell—I am here as a parent. I am very upset. I have heard people talk about work for the dole. They want to see what it is like for kids to work for the dole. As far as I am concerned, it is nothing but conscription, except they are not in khaki or they are not in navy. I have had three brothers die over the last few wars, and what are we doing to our children? Nothing. We have not got decent education.

I have got letters here. One says her daughter cannot go on with health and occupation because she cannot be trained any more because they have not got the money. Another one relates to the chainsaw licences. This was in 1996. Mr McGauran came up and presented things to these three kids who had done excellent work. The unemployment is here from base. This lady says that she cannot go on doing her operator's certificate to level 2. That is taken away from them. Why? Why can't they go on and upgrade their education? Why can't they with the first aid level? Most employers want level 2 first aid courses and things like this, and kids are not getting the chance.

We have not got any public system down here as far as buses go. You talk about trains and things like this. They go away, the kids. There is just nothing for them. No-one stands up for them and does something for them. I will forgive our kids, but they will never forgive us, never, because there is nothing, absolutely nothing.

I have got five great Australian kids, and there is one child here who would be one of the hardest-working kids I have ever known. She will chainsaw anything down, and she will do anything. She will go out and she will work with cattle. And what for? There is nothing for her. You cannot even say to her, 'Go and jump on a bus'. You have to take them. It has been a 60-kilometre drive in here today. There is nothing public. Even if we wanted to go and see Mr McGauran, we have got to go down to Sale. We cannot meet with our local members. It is the same as people say to me as a parent, 'When I was going to school, it was, "You can cook the cakes, you can do this, you can do that".' I used to run the kids 300 kilometres a week to teach kids basketball, netball—anything to get them going—and what for? 'People might say, 'You don't work.' I worked. I worked damn hard. I didn't get paid for it. And even as an older parent now, I would like to see something done for our kids in our society, in East Gippsland society.

CHAIR—Mrs Gell, sometimes it takes somebody from the community to sock it right to the heart of this committee, and I thank you very much for what you have said, because everybody else who has given us stories today knows and works with the people you are talking about. They do that, and they come to talk to us with sorts of ideas and proposals and plans. You have given us a reminder about the real people. I suspect Ms Elliott did, too, but I think even she would agree that you made it more real by a mile, and thank you very much indeed.

[4.20 p.m.]

MOORE, Mr Don, Manager, Eastern Victorian Group Training, 210 Main Street, Bairnsdale, Victoria

Mr Moore—Almost all has been said, I believe. There are a couple of things. I would like to support those speakers who have spoken about venture capital and investment capital. I have listed five things that have happened since I have been in East Gippsland in the 25 years that I have been here which have been detrimental to our economy.

We have had the introduction of corporate retailers, we have had the introduction of pokies, we have had the introduction of the superannuation scheme, we have had the withdrawal of government departments, and we have had the exposure of all our rural industries to the world market. I am not arguing with those decisions, I do not know whether they are right or wrong, but all of them have sucked disposable income from the region, and there does not appear, to an average fellow like me, any return. So I believe somewhere along the line we have got to get a user-friendly access to investment capital, for all sorts of reasons, including infrastructure and setting up new businesses, because if we cannot get access to that capital, then we cannot get new business, which will create the employment we need.

My second concern is education. We are in the employment training business, our core business is apprentices and trainees, and we have a fairly extensive selection process. Most of our employees come from what I would call the middle level educated person leaving secondary college. We are not after the Einsteins, but we need someone who has the ability to think independently and to solve problems. We have a small pre-vocational workshop where we pre-train our apprentices before they go to work. Our trainers at the moment—even though these people have VCE certificates—we find that we have to spend the first hour of every day with remedial maths and English. Now, these are supposedly qualified people leaving school, and what is more, they are not the bottom of the rung.

We have an education system which I believe is lowest common denominator. We have an education system which I believe is centred around people who say, 'This is what you need to learn,' and do not worry about curriculum based on what people can learn, and therefore I believe our kids spend a lot more time at school than they need do, a lot of them, and a lot of time idling away, not really paying a hell of a lot of attention to what they are doing. The VET program that has been introduced by the government and the pathways program are initiatives which I applaud in terms of improving our education system. I just think we need to go a little bit deeper and look at the feasibility of the VET program in terms of the involvement of large numbers of employers.

We do not have a lot of employers in East Gippsland, and if we have large numbers of secondary school students wanting either part-time apprenticeships or wanting work experience, we are likely to educate out our employers. I think if we take the current VET program to its logical conclusion, it is likely to bust. I do not think we have the capacity within this community to handle it.

CHAIR—Can we finish there, Mr Moore, or have you got one last point that you are desperate to say?

Mr Moore—There is one problem that I do not think anybody in this room is going to tackle, and I believe that is the uneven playing field between large business and small business. I think we have an economy which very much favours large business at the expense of small business, and I can talk about that for about three hours if you want me to.

CHAIR—And I think you would have a lot of company. Thank you very much indeed. Because of the pressure of time we do have to finish now. As ever, our public forums provide us with the icing on a very constructive cake of witnesses this afternoon in Bairnsdale. I particularly thank our colleague Senator Synon, who recommended very strenuously that we should come to Bairnsdale, and I think it has been a very useful afternoon indeed. Thank you very much. We have to accept the presentation from Mrs Gell. There being no objection, it is ordered to be received. The committee stands adjourned until our next meeting on Thursday. Thank you.

Committee adjourned at 4.26 p.m.