



COMMONWEALTH OF AUSTRALIA

# SENATE

## Official Committee Hansard

### EMPLOYMENT, EDUCATION AND TRAINING REFERENCES COMMITTEE

**Reference: Regional employment and unemployment**

THURSDAY, 18 JUNE 1998

NOWRA

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**SENATE**

**EMPLOYMENT, EDUCATION AND TRAINING REFERENCES COMMITTEE**

**Thursday, 18 June 1998**

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

**Substitute members:** Senator Mackay for Senator Carr, Senator Carr for Senator Denman and Senator Allison for Senator Stott Despoja

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

**Senators in attendance:** Senators George Campbell, Crowley, Ferris and Tierney

**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**

**BACKHOUSE, Ms Helen, Coordinator, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527 . . . . . 804**

**BAIN, Mr Ian Forsyth, Executive Committee Member, Papermill Action Community Team, PO Box 50, Bomaderry, New South Wales 2541 . . . . . 770**

**BLACK, Ms Finnessa Realene, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527 . . . . . 804**

**BURNEY, Mrs Kerry Anne, Human Resource Manager, The Gates Rubber Company (NSW) Pty Ltd, PO Box 636, Nowra, New South Wales 2541 . . . . . 794**

**DONOGHUE, Mr Merv, Executive Committee Member, Papermill Action Com-**

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**EMPLOYMENT, EDUCATION AND TRAINING REFERENCES COMMITTEE**

**Regional employment and unemployment**

NOWRA

Committee met at 8.41 a.m.

**HOCKEY, Mr Ronald Joseph, General Manager, Nowra Manufacturing, Keystone Pacific Pty Ltd, 114 Albatross Road, Nowra, New South Wales 2541**

**LAY, Mr Milton Robert, Executive Officer, Shoalhaven Area Consultative Committee Inc., P O Box 1227, Nowra, New South Wales 2541**

**CHAIR**—I welcome our first witnesses this morning. The committee prefers all evidence to be given in public. But should you wish to give part of your evidence or answers to specific questions in camera, you can ask to do so and the committee will give consideration to that request. I do have to point out that evidence taken in camera may subsequently be made public by order of the Senate, as has happened a couple of times in recent years.

The committee has before it submission No. 98 dated 30 April 1998. Are there any alterations or additions that you would like to make to that?

**Mr Lay**—No, there are not, other than to say that the first dot point will be handled by witnesses later in the day—Jane Farrell and Kerry Burney. Also, the last dot point about projects will be handled by Greg Pullen, who is a witness later in the day.

**CHAIR**—One of the things I have been forgetting to do—and I think we will do it just before I invite you to make some opening remarks—is to thank the shire council for the opportunity to have our meeting in their chambers here today. The committee very much appreciates that. We are out of the municipal areas and out of the standard government offices—actually, by my inclination as well; I prefer to be where the real world is and where you can see daylight. We also do appreciate very much the assistance that the shire is providing with the use of these chambers today.

Could you make some brief opening remarks, and then senators will ask questions?

**Mr Lay**—Thank you. Just from the point of view of the area consultative committee, I think it is important to note that all area consultative committees nationally—that is, 58 of them—are currently writing three-year strategic regional plans. I think those plans would be made available through the Department of Employment, Education, Training and Youth Affairs and signed off by the government about mid September. So summaries and the like could obviously be made available to the references committee, and you would have a good cross-section of regional Australia's plans in bringing government, the community and industry closer together in the regions that might interest you.

**CHAIR**—Are you saying that you might be able to provide those from your point of view, or are you suggesting that we should look out to see how many of those we might be able to get ourselves?

**Mr Lay**—I would suggest both. We would most definitely be able to make available our plans in Shoalhaven. I would suggest that you could get those others through the department.

**CHAIR**—That is something we can follow up. That is very useful information.

**Mr Lay**—I have some brief comments about Shoalhaven. Our population here is about 82,000, and it swells during the summer holiday period to about 300,000. So therein lie some opportunities in employment and hospitality, and they do exist. Our region is in close proximity to Sydney. It has its natural beauty. One of the demographics showed that it is a very cheap place. For example, you could buy a three-bedroom brick veneer house one street back from the beach here for about \$120,000. You could rent that same house for probably \$120 a week, and that would give an indication.

Our current unemployment rate is 14.4 per cent, our youth unemployment rate is 23.3 per cent and our Aboriginal youth unemployment rate is about 45 per cent—and higher in the 15 to 19-year-old age group. We experience a lot of people transferring into this area—because of its natural beauty and because it is a great place to live—who are currently job seekers. They may be in receipt of unemployment benefits, but they would definitely be unemployed as they transfer into here. We did some statistical information in 1996. We had a look at seven months of 1996, and for seven months they averaged in excess of 150 people per month—that is a gross figure—transferring into the area who were currently in the status of job seekers. Those figures came through the CES.

The established industry base here is very much manufacturing, retail, tourism, hospitality, the Department of Defence and building and community services. An indication of wages paid by industry is that the manufacturing sector pays the most, with about \$63 million per annum; the defence sector, \$45 million per annum; and unemployment benefits paid per annum in Shoalhaven equate to about \$55 million. So you can see the importance of unemployment benefits to our local economy. We would like to change that and have it another way, but that is a fact of life.

We currently have some tremendous opportunities in the infrastructure developments taking place, either approved or very well down the track in the planning stage. They include obviously the developments out of HMAS *Albatross*. There is a joint educational precinct being built at West Nowra with TAFE and the University of Wollongong. I will leave Greg Pullen to elaborate on those later on.

Without going into a lot of facts and figures, another great benefit here is that we have a federal national park at Jervis Bay. I think a statistic that would interest the committee is that it gets 700,000 visitors per annum. That is considerably more than both Uluru and Kakadu National Parks. I think there is a terrific opportunity, both for the Aboriginal community that manages and owns that national park, the Wreck Bay Aboriginal community, as well as all other facets of business in Shoalhaven to benefit maybe through joint marketing activities to the visitors. That is about all I have to say by way of opening remarks.

**CHAIR**—One of the things I have required for this regional inquiry is maps. I am having a lot of fun learning much more detail. This is a much better map here. Can you tell us a bit more about the Aboriginal association with Jervis Bay?

**Mr Lay**—The Wreck Bay Aboriginal community administer—I think that might be the correct term—the federal national park of Jervis Bay. There was a handover to that effect, I think, about two years ago. I think there are plans to enlarge the actual area that they will administer in and around Jervis Bay.

**CHAIR**—On both sides of the opening to Jervis Bay or only south?

**Mr Lay**—At the moment the park is on the south side of the bay, and it includes areas such as Green Patch and Wreck Bay itself. Also, there is a defence establishment inside the park.

**CHAIR**—There is a bombardment range, is there? What a great name. I love that!

**Mr Lay**—There is a navy bombardment range on the northern side. It is called Beecroft Peninsula. It is a very beautiful place—when it is not being bombed, obviously. I was there the other day at a little place called Honeymoon Bay. It is sensational country.

**CHAIR**—It is open to the public?

**Mr Lay**—Yes, it is.

**CHAIR**—That is not managed by Aboriginal people?

**Mr Lay**—Yes, I think it is. I could not be absolutely sure on that.

**CHAIR**—Thank you very much. Mr Hockey?

**Mr Hockey**—My submission comes from a company perspective, as a local employer but also a national employer. We employ something like 500 people within Australia, and this is the head office for that company. I am talking for basically the company Australia wide and not just Nowra. We find that in the Nowra area there is a lack of suitably trained staff at a skilled level, particularly in the engineering and accounting areas. We have recently run advertisements for engineering staff and have failed in the Nowra/Wollongong area. We have then advertised in Melbourne and Sydney and had 58 applicants. Fifty were from Melbourne, a couple from Adelaide I think and the rest were from Sydney. We tend to look for tertiary trained staff to be imported into the area. We find that we cannot find anyone suitably trained here.

In the general employment area, we tend not to use the incentive schemes that are available. We find that those incentive schemes are really short-term gain. If anyone is looking in the short term, they will, perhaps, take that up; however, they will not do that when they are looking for a long-term employee. The small gain that you get from the incentive scheme is not relevant.

**CHAIR**—Are the gains mainly for the employer?

**Mr Hockey**—For the employer—yes.

**CHAIR**—You can tell us more about that later, Mr Hockey. That is very interesting, thank you.

**Mr Hockey**—Our comment would be that we should, if anything, look to providing incentive schemes for re-employing people who have been out of work in the short term.

They will come back to the work force much quicker than the long-term unemployed. That is not socially popular probably, but it is realistic. As a result, we tend to poach staff from other companies rather than take the unemployed base of people. That is based on skills. We tend to train our own people. We do not look for support in training schemes. Again, if you want something, you have to do it yourself, so we do not typically look for any training support. We put on trainee accountants, engineers or whatever it might be.

For shop-floor labour, if you are looking to put the longer-term unemployed people back into the work force, then I think the term 'work for the dole scheme' is a great idea. It creates the discipline for people to get back into the work mode. I currently know a guy who has part-time work. He is finding it extremely difficult now to get back into the discipline of getting up and going to work, even though it is only something like 20 hours a week. He is finding that extremely difficult.

**CHAIR**—Excuse me one moment. We have a television camera here. It is necessary for the committee to approve the filming. There are no objections from the committee. It is so ordered, as we say. You can go ahead. Excuse me, Mr Hockey.

**Mr Hockey**—Later on we may hear some comment on schools workplace schemes, so I will leave that. I think that is a good challenging idea. In summary, we would say that Australia needs to recognise that we need to value add at a more technical level than we do. We are looking to employ a labour based work force. I think we have to change our minds and start to look for technical value adding. We are on the doorstep of Asia where we talk about \$1.50 an hour. We cannot compete in that game. We have to change our overall approach to the working environment and technically value add. That is exactly what we have tried to do here in our operation in Australia, particularly in the manufacturing environment. Again, we do not believe that you can use tariffs to protect any of that labour force.

**CHAIR**—Can you briefly tell me what Keystone is principally involved in making?

**Mr Hockey**—We manufacture flow control equipment, which goes across all the various industries that you can think of. There is airconditioning needed for industry—be it mining, be it petrochemical, be it water treatment—so we manufacture valves, actuators, big bellows for chimney stacks, et cetera.

**CHAIR**—I have got the picture. You need people in the research/engineering design area. You need people on the floor assembling and manufacturing. You need supervisors. You need someone to make your books work and somebody to do the accounting.

**Mr Hockey**—We need people across the total spectrum—MIS people—

**CHAIR**—and somebody to look for export markets, et cetera.

**Mr Hockey**—Yes, we do that very aggressively.

**CHAIR**—Senator Ferris, would you like to open the batting, please?

**Senator FERRIS**—Mr Lay, could you tell us whether the council is involved in any business-planning incentives/job promotion programs in this area.

**Mr Lay**—Are you talking about from the local government perspective?

**Senator FERRIS**—Yes.

**Mr Lay**—They have an economic development office that has, I think, three or four people employed. They are quite proactive in the area of assisting local industries and also encouraging industries to relocate or further develop in the Shoalhaven.

**Senator FERRIS**—What would you see as being the main attributes in relation to promotion for industries from Sydney or perhaps Wollongong?

**Mr Lay**—I think it is lifestyle. I think people who live and work here and establish their businesses here do so because they want to do that activity in this particular area. I think some of the other speakers today might even elaborate on that as well.

**CHAIR**—What about communication opportunities? I have driven down this morning. I can see the road access. What about access through telecommunications? Do you have any difficulties there, or is that another advantage?

**Mr Lay**—I am not an expert in that field. Currently, a number of players are working on a project about telecommunications and, in general, the network that is available, particularly to the Illawarra and the south coast. They are working with major players, such as education, et cetera—those sorts of people. Yes, I think that they are being as proactive as they can be to make sure that those telecommunication links are available in this area and that we are not disadvantaged because of our location.

**Senator FERRIS**—I was interested in Mr Hockey's comments about work for the dole. Would you agree with those comments? Would you have anything to add from your own experience?

**Mr Lay**—In 1996, this community developed what we termed the Shoalhaven earning a living program. I will give the committee some brochures on that from 1996. We went to Canberra and made a presentation to the then minister for schools, Dr David Kemp. We were mildly surprised when the Prime Minister got up on the Sunday program in January 1997 and announced work for the dole, because work for the dole actually contained nearly every ingredient that we had presented to Dr David Kemp. We probably feel quite proud that a program that we had some input into about that initiative was to be taken nationally and now is national. We would like to see the Shoalhaven earning a living program, which to our mind was a volunteer social program driven by the community, implemented and available for all unemployed people in the Shoalhaven. I know this is a long winded answer.

**Senator FERRIS**—It is a very interesting one.

**Mr Lay**—It is important to say what we did do. In 1996, we talked to 800 unemployed people. We surveyed them individually. In the strongest terms, 70 per cent of them said that

they would participate in voluntary, community-driven projects for up to two days a week while they received unemployment benefits. We then contacted 700 community groups, which was about the total number in the Shoalhaven, and 150 of those community groups said, 'Yes, we would participate.' Armed with that information, we went and saw Dr David Kemp. We piloted two projects: one at the Naval Aviation Museum at *Albatross* and one at a golf club in the southern Shoalhaven. They involved only 12 unemployed people, but they were very successful. From that, we were able to do full assessments on costings, outcomes and whatever.

**Senator FERRIS**—In the follow-up, how successful has it been?

**Mr Lay**—The follow-up is in limbo at the moment, simply because a local organisation has a contract with the government for work for the dole. I think there are currently 250 participants involved in that program. I understand it is very successful. That organisation is also instrumental in working with the area consultative committee and this local council in developing what we have termed Shoalhaven earning a living.

**Senator FERRIS**—Do those people still have their names listed as unemployed? Are they still classified as unemployed?

**Mr Lay**—Yes, they are. The work for the dole program, as I understand it, is not an employment program and supposedly is not there to provide jobs or training. But I think what we recognised in our assessment is that it does provide, as Ron said, a great basis for confidence and for character building and getting people back into a situation where they are used to turning up on time and being responsible for their actions.

**Senator GEORGE CAMPBELL**—Mr Lay, you say that the program has been successful. How do you define 'success'? Out of the 250 people participating, how many of them have actually finished up with jobs or back in the work force?

**Mr Lay**—I do not know, because the work for the dole program is a current program. It would only be able to be assessed at the end of that. I guess that assessment would also be more true over time—following through with the 250 people and having them surveyed in six months, a year or a year and a half.

**Senator GEORGE CAMPBELL**—How would you define the program as being successful? What was the success rate of the program that you ran?

**Mr Lay**—We went through a normal interview situation for people who volunteered for those two projects. We had 12 people involved—six in each program. Most of those were long-term unemployed people. I do not have the actual results with me, but I know of at least two people who have got permanent jobs out of that. One was taken on by the actual sponsor of that SEAL project.

**Senator GEORGE CAMPBELL**—How did you recruit those people? Did they volunteer?

**Mr Lay**—Yes, they did volunteer. At that time, both the CES and the Department of Social Security were active in supporting the program here. That program, as I said, was a pilot program funded through DEETYA.

**Senator GEORGE CAMPBELL**—I want to ask about the new arrangements for the ACCs, the three-year funding or three-year strategic plans. Are you confident that the level of funding being provided will enable you to effectively carry out the enhanced requirements of the ACCs?

**Mr Lay**—The indication from the departments at this point in time is that they would like to see us run an operational budget that is cost neutral for this current year; that is, to 30 June this year. Most ACCs I have talked to, with my own peer group, have indicated that they would be asking for slightly more. There was also an indication—I think it was passed through the budget this year—that the regional assistance program that funds ACCs and other project activities that might be identified in the regions did get an increase, not that any of us have seen the actual amounts per ACC. We are assuming there will be an increased amount on what we had last year.

**Senator GEORGE CAMPBELL**—I can assure you that the funding for the ACCs is exactly the same as it was last year. The RAP funding has been increased, but that is for projects as opposed to administering the operations.

**Mr Lay**—Last year the budget for our ACC was somewhere in the vicinity of \$114,000 to run an operational budget and \$120,000 for RAP projects. I think it is interesting to note that we got information in the last month—and I think most ACCs did, almost nationally—that that RAP project funding was underfunded right across this nation.

**CHAIR**—‘Underfunded’ meaning—

**Mr Lay**—Meaning that very few of the ACCs actually spent their allocated funds.

**Senator GEORGE CAMPBELL**—Underspent?

**Mr Lay**—Underspent, yes. ‘Underfunded’ is the wrong term.

**Senator GEORGE CAMPBELL**—Why do you think that is the case?

**Mr Lay**—I can only talk with confidence about my own ACC. We had difficulty in recognising projects that could be agreed to by the department, that fell inside the guidelines. The guidelines were never really clear. A brochure came out quite late about RAP funding and the criteria and guidelines. So I think there was some lapse between the funding becoming available and ACCs being very proactive in taking it up, in encouraging community groups and other like groups to apply.

**Senator GEORGE CAMPBELL**—Was there no direct briefing for ACCs?

**Mr Lay**—There has been ongoing briefing. I do not know why communities are slow in coming forward in putting in applications for funding. I do not think we were at fault, but

maybe some ACCs were not so quick off the ground, if you like, in advertising the fact that there was funding available to do X, Y and Z.

**Senator GEORGE CAMPBELL**—Did you spend your allocation?

**Mr Lay**—No, we didn't.

**CHAIR**—By how much?

**Mr Lay**—It is a little difficult, because they work in what is paid out of this year's budget—and what is committed out of next year's budget, of course. I find the whole program a little hard to understand. We have projects that we might have agreed to and being funded currently in excess of \$400,000, but the payments actually made out of this current fiscal year would be less than \$120,000.

**CHAIR**—You might have \$80,000 committed for four years, but that leaves you a bit over each year?

**Mr Lay**—Yes.

**CHAIR**—And that is a round figure. Should I go up or down?

**Mr Lay**—That is probably about right.

**CHAIR**—What do you think would have made it better? Earlier advertising?

**Mr Lay**—I think clearer directions through the department. One of the situations—I do not think it is the fault of the department or the ACCs—was that that particular department has gone from 16,000 employees two years ago to 4,000.

**CHAIR**—2,500 by Christmas.

**Mr Lay**—Two thousand, or whatever it is going to be in the future. While the area consultative committees may have remained quite stable in their membership and their executive officers, the people they were dealing with in the department constantly changed.

**Senator GEORGE CAMPBELL**—Can you give us a bit more detail on your comment about the reluctance of some industries to utilise employment programs?

**Mr Hockey**—From our point of view, we look for a long-term employee. We are not interested in short-term gains. That is false economy.

**Senator GEORGE CAMPBELL**—I do not understand what you mean. Could you explain in a bit more detail what you mean by that statement?

**Mr Hockey**—If we take an employee on purely to gain \$1,500 or \$2,000 assistance when we are looking over a 12-month period, when we are looking for the life of that employee to be something in the order of 5 to 12 years, \$1,500 is not even worth looking at.

We look to get a fitness for purpose employee, not just someone that we can get a short-term gain from.

**Senator GEORGE CAMPBELL**—Again, I am having difficulty coming to grips with what you are saying. Are you saying that by utilising the employment programs you are then limited in terms of the type of employee you can pick up?

**Mr Hockey**—No. In the light of the administrative paperwork that you need to go through, even if we identify a good potential employee that may have benefits available to the employer, again we would not necessarily take that up because we are more interested in getting on with our own business than being involved in any bureaucratic approach. I have done that. I have employed people on assistance schemes and I have found that the hours that has taken out of my time or the time of someone in the payroll office does not tend to equate to a return. We are not interested in returns from governments, if you like, or committees that give us some monetary return. Our time is precious. So if we are going to lock up somebody else's time in trying to get a payment, we are not interested in that.

**Senator GEORGE CAMPBELL**—How would you view then the new Job Network?

**Mr Hockey**—With the schools, are you saying?

**Senator GEORGE CAMPBELL**—Sorry, the new Job Network—the replacement for the CES?

**Mr Hockey**—Again, at this point in time we do not even consider that. We do not even utilise that and probably are not looking to utilise that.

**Senator GEORGE CAMPBELL**—So as an employer, how do you go about getting employees?

**Mr Hockey**—In the local region, if we want labour—straight labour—we will use word of mouth. Again, we have got 80,000 people, we have 200 employees; there is ample networking to employ people by word of mouth. We also take people who have initiative and come to our front desk and fill out an application form. We keep every application form and we review those. We take the people who have got initiative.

**Senator GEORGE CAMPBELL**—You say you employ about 200 people. What is the make-up of your skills base?

**Mr Hockey**—We have got something like, probably, 80 people on labour, direct assembly and stores.

**Senator GEORGE CAMPBELL**—Production line?

**Mr Hockey**—Production line. Process workers, they are. We have some semiskilled people in the engineering workshop area. We have engineering staff. This is the head office for Australia, Indonesia, southern Africa and New Zealand. So we have a cooperative

administrative base, we have accounting and then we have operational people in manufacturing.

**Senator GEORGE CAMPBELL**—Do you train your own apprentices?

**Mr Hockey**—Limited.

**Senator GEORGE CAMPBELL**—Limited?

**Mr Hockey**—Yes. Again, we tend to have operators rather than trained machining staff. We have a select group of 10 or a dozen people in that trained area. We have been very successful with those people where the average employed life of those people would be something like probably 8 to 10 years. So we have a stable in that area.

**Senator GEORGE CAMPBELL**—Are there any group training schemes in the area?

**Mr Hockey**—There have been some. We have not participated. Again, Milton could probably elaborate on that.

**Mr Lay**—There are some group training schemes in the area. I would not say that there is a large participation rate in those schemes.

**Senator GEORGE CAMPBELL**—Why is that? I understood Mr Hockey to say earlier on that he had a concern about getting skilled employees. Presumably, that would be a concern for other employers in the area. Somebody has got to train them, and that is a cost or an investment for someone somewhere.

**Mr Hockey**—Skilled employees in the tertiary level where we are talking about mechanical or electrical engineering staff, we would tend to put our own trainees on there. They are not apprenticeships as such. We would also put accounting staff trainees on where they would do part-time university. So we tend to run two or three or four of those people at any stage.

**Senator GEORGE CAMPBELL**—But in terms of your production line—semiskilled people—you just hope that they will turn up with the skills?

**Mr Hockey**—Again, the individual skills that we require in our machine shop, we are extremely conscious of the people who we have there. We look after our staff. We have not, I guess, lost too many of those staff. We also keep a very good database of the skills that are around in that particular area. As I said, every person who walks in the front door goes into a file and we will access that information. You may have some representation this morning from one of the local paper mills. We will look at the employees. Currently, they have lost 19 people, I think, in a staff reduction. Again, we are looking at those employees to make sure that they are available in the area and have, in fact, already interviewed some of those employees even though we may not have a position for them at the moment.

**Senator GEORGE CAMPBELL**—Talking about the problems of the unemployed in particular age groups, particularly the 45s and over, what are the sorts of problems there?

**Mr Lay**—Just one statistic: in the 45 to 54 year age group, we have an unemployment rate of 10.6 per cent. I think the state average, or the national average might be 6.2 per cent. In the over 55s, it is worse; it is 20.1 per cent here in Shoalhaven compared to, I think, a state or a national average of 8.2 per cent.

One of the things, I guess, that tells us as a demographic statistic is that we have this immense pool of people who are underresourced by this community. These people in most cases have great work skills, great work ethic and work experience that they could bring. What the area consultative committee has attempted to do with other organisations is to try to harness some of that resource in a mentor program. We identify them as being able to contribute to our own Shoalhaven earning a living program. I do not know if that adequately answers your question.

**Senator GEORGE CAMPBELL**—It raises the point that I wanted to get at. Why are they not attractive employees for a company such as Mr Hockey's?

**Mr Hockey**—We have actually utilised two staff in that age group. One of them was through an employment assistance program. Again, those two staff are no longer with us. They just did not work out. Not disregarding what Milton is saying, I think that there are staff out there, or people out there who have a lot to offer. I guess maybe it is not in the area that we are looking at.

**CHAIR**—All right. Can I call Senator Tierney?

**Senator TIERNEY**—You were referring to the SEAL program earlier on. I believe you have also put in for some places up in the highlands areas. Could you tell us a little bit about that and what sort of work would be involved there?

**Mr Lay**—I am not aware of the highlands. The area consultative committee does not cover that area, and I am unaware of programs that might be—

**Senator TIERNEY**—It must be another ACC.

**Mr Lay**—Yes. In fact, I think the southern highlands is administered by Sydney south, or one of those.

**Senator TIERNEY**—Right. There are about 50 places going in up there. I thought that you might have had some knowledge of it. The Green Corps Program down here, could you just tell us what is happening with that?

**Mr Lay**—I think that there are one or two small projects that have utilised Green Corps or at least have been submitted as Green Corps projects. I am not personally aware of any particular activities under the projects or, in fact, how they have gone or their outcomes.

I might just add something there that has only happened this week that has got some relevance, though. The local government here, the Shoalhaven City Council, has, I think, successfully applied to have an environmental levy paid with next year's rates or this year's—I think that it might be next year's rates. There was some commentary that that

would add \$17 or \$18 to each ratepayer in the Shoalhaven Shire. Just in talking to their economic development office yesterday—and you could probably ask Greg Pullen a little bit more about this later on today—that environmental levy would then assist the council in obviously sponsoring and being quite active in projects that might involve work for the dole and/or the Green Corps Program.

**Senator TIERNEY**—Minister Kemp has announced \$7 million for 2,800 apprenticeships in Illawarra. Obviously, a lot of these would probably be based further to the north in Wollongong. Could you perhaps just outline what is happening in this area with the apprenticeships?

**Mr Lay**—The apprenticeships that were announced by the minister, I think there was an initiative there that some of them were for part-time apprenticeships. That was an initiative that might have been a first, particularly, in this region. I think the majority of them may well fall into what we call the northern end of the Illawarra or the Wollongong Shellharbour type area.

**Senator TIERNEY**—Most of the industry is in that area?

**Mr Lay**—I am unaware of how many apprenticeships have been taken up by, say, the manufacturing sector in the Shoalhaven, so I cannot comment on actual numbers.

**Senator TIERNEY**—The witnesses from the ACC will be here this afternoon. We might ask them that question. The minister has announced that the role of ACCs will change. How does that impact on what the ACC is doing here?

**Mr Lay**—As I said in my opening comments, our area consultative committee is currently writing its three-year strategic plan and developing a business plan for the first year under that plan. We see the new role of ACCs as being important, and the minister and the department see ACCs as having a critical role in carrying out a number of functions. The first function is working in particular on economic development activity with other peak groups in the region. The second is giving some feedback to the minister on the effectiveness of the Job Network and the new employment services market not on an individual level but in terms of how effective it might be in the region. The third major focus that Senator Campbell referred to is the RAP project funding arrangement. There has been an increase, and we should ensure that our region has projects that support our strategic regional plan.

**Senator TIERNEY**—You referred to relationships with other regional bodies. Could you explain how the ACC works with those bodies? In particular, are the councils on the south coast from north of Shoalhaven to the south working under any sort of cooperative arrangement to attract projects on a regional basis rather than on a specific council area basis?

**Mr Lay**—The Shoalhaven area consultative committee has 16 members who represent business and community groups, including local government. They are perceived to be the leaders of business and community in this area. The Department of Defence and a Shoalhaven group of unions are represented on the committee. The Aboriginal community and youth are represented. It is made up of many of those individual committee members who then have cross-membership of regional development boards—in this case the Illawarra

Regional Development Board—and, as I said, local governments. We also have cross-membership and cross-association with industry groups such as the manufacturers association, retailers and so on. In developing our strategic regional plan we have gone through a very wide-ranging consultation process with those people and groups.

**Senator TIERNEY**—There have been problems in some areas where groups overlap. The area to your west, Goulburn and Canberra, was quite a model for putting it all together on a regional basis. Are you happy that the coastal section is working in a cooperative way to further regional development in the area?

**Mr Lay**—Very much so. There is good communication between the four ACCs that represent this region. That is DEETYA's region. Those four ACCs are the Illawarra, ourselves, the south east, which includes the corner right down to the Victorian border and out through the Monaro, and the ACT. We meet regularly. We have a DEETYA representative as our liaison officer, and there is excellent communication. As a matter of fact, we are meeting on the 29th of this month to tell each other about our own strategic regional plans, who has been consulted and how we can link in with the planning process. Obviously, we have common borders.

**Senator TIERNEY**—Basically, that includes the electorates of Gilmore, Eden-Monaro and the Canberra electorates, does it?

**Mr Lay**—Plus the ones in and around Wollongong.

**Senator TIERNEY**—Up to and including Wollongong as well?

**Mr Lay**—Yes.

**Senator TIERNEY**—That is quite a big grouping.

**CHAIR**—Do you hold much optimism for this region?

**Mr Hockey**—Very much so. We have high unemployment and my personal opinion is that we probably have a group of long-term unemployed who may never get work. As Milton said earlier, it is a lifestyle area. You are interviewing Greg Pullen, of the council, later on. His office has been successful in attracting a number of companies to this region. If we continue to push that approach, yes, it will be successful. But I do not believe that we will have low unemployment here. Unfortunately, I think we are stuck with high levels of unemployment and in different age groups.

**CHAIR**—Do you and Mr Lay agree on everything, or do you sometimes dust each other down?

**Mr Hockey**—We probably do not meet as often as we should.

**CHAIR**—That is a very good answer. Mr Lay is chuckling. Mr Hockey, what is he chuckling about—a few of those discussions in the pubs when you have points of difference?

**Mr Hockey**—From our company's perspective, unfortunately, we do not participate in as many community-style projects as we could. We tend to come in and out fairly quickly. I am a member of a number of different groups in the area trying to be locally based. Unfortunately, I do a reasonable amount of travelling. I have some difficulty with the number of different groups all trying to do the right thing by the community. Perhaps we should have just one or two groups. For example, the manufacturers association and all sorts of different groups are all trying to do something for their own part of the community. Is there not a better and simpler way? If we were more united in the total approach we would get the best bang for the buck. A number of people who are employed around here are trying to do good things for the area. But do we have a coordinated approach? From where I stand, that is perhaps not the case. But that is because I do not put enough time into it, either. I understand that.

**CHAIR**—How long has your business been down here?

**Mr Hockey**—Twenty-seven years.

**CHAIR**—Have you won export contracts to South Africa and Indonesia?

**Mr Hockey**—Twenty-five per cent of the production in Nowra is exported to somewhere in Europe, Africa and all over Asia, including Korea, Japan, North and South America—every continent in the world.

**CHAIR**—That is fantastic. How long have you had those export contracts? Did you have those from the beginning, or have you been getting those over the past five or 10 years?

**Mr Hockey**—No, probably aggressively since 1987 or 1988.

**CHAIR**—Were you ever assisted by AusIndustry or the export market development grants?

**Mr Hockey**—Yes, very much so. We had great support. Particularly into Asia and North America we utilised those facilities, and a little bit in Europe.

**CHAIR**—Do you have a comment about how those facilities have now been wound back or removed?

**Mr Hockey**—From a selfish point of view, it would be great for that to continue. I addressed a discussion a few years ago concerning the fact that, unfortunately, not enough was being done for some of the smaller industries that had export potential but which were not export wise and certainly not export ready.

**CHAIR**—Thank you very much for your contribution. All of us would like to spend more time talking with you both, because you have given us what I might call 'counter-intuitive' evidence. Mr Hockey, you made it very clear that you would rather this be managed with a longer term view than taking handouts in the short term, which is almost like settling for the money but not giving a commitment to a person or recognising what that person will contribute to your enterprise. Not too many people have told us that view. I

appreciate that. I appreciate very much that you have pulled no punches in putting across your point of view. I would love to ask Mr Lay how he is coping with you, but we do not have the time. I can see his view, particularly when there are all these community groups. That is almost, by definition, what the community is like. And I guess Mr Lay has to try to broker the multitude of organisations to somebody like yourself who is interested in centralising it all and managing it with fewer people at the top. The community tends not to be like that.

I do appreciate your contribution. It is different from lots of other contributions, and I think the community appreciates that. There are some things that I think Senator Ferris would agree with and some things that I would agree with. Maybe we will take tea and talk about it, too. We have different party perspectives on these things. We are trying to find out what are the facts rather than the politics. You said that some of the things that the Liberal government is doing do not work and some do. The same goes for the Labor government. So it is more important for us to find out what works for the community. I think that is the focus of this committee. I thank you both very much. If there is anything further that you think we should know or you would like to pass on to us, we would welcome that. And if there are other questions that we would like to put as the committee deliberates further, would we be able to contact you?

**Mr Hockey**—Yes.

**Senator FERRIS**—Also, in relation to the SEAL program, anything from the development of that program that explains how the groups got together right at the start might be useful.

**Mr Lay**—I do have some documents here. I am happy to pass them on.

**CHAIR**—That would be really good.

[9.34 a.m.]

**LAMONT, Mrs Fay Margaret, Secretary, Shoalhaven Manufacturers Association Inc., 5 Flinders Road, Nowra, New South Wales 2541**

**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 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. Would you like to make an opening statement of a few minutes, and then the senators will ask questions?

**Mrs Lamont**—I actually canvassed manufacturers in the association to get their ideas. So I was representing the ideas of a group rather than just my own self-interest. Most manufacturers that I have canvassed have tended to give both a national and a regional view on strategies that could improve employment opportunities. Regional issues that are a concern and which were expressed include training.

Regional areas do not have the facilities to provide specialised training, especially for manufacturing, which is not viewed by some in our community as being a prime employer of the region. Manufacturing actually spends over \$65 million per annum on wages in Shoalhaven and is the biggest employer group. TAFE tend to concentrate on filling classes for their available teachers, instead of looking at market demands and providing different and more applicable courses. For example, an employee of mine is going to TAFE at Granville on his day off to do a warehouse certificate course. Manufacturers had requested this course after canvassing members on their training needs. Manufacturers have also tried in the past to work with local high schools and TAFE to implement a manufacturing certificate to better equip and give children at low-entry level better honed skills to be successful in job applications with industry. Accreditation of the course seemed to be the stumbling block.

Funds to assist in these projects would be of help as long as the funds were specific to educational needs of industry and not for another study. We keep getting more money for studies, but we do not see the results of studies. We feel like we are out-studied at times. Extra tax deductions or assistance could be given to companies which have to send employees to Sydney or larger regional centres for training. It is not only the immediate cost incurred; it is also the travelling and unproductive time off which is often a huge burden, especially on the smaller employer.

Skills in regional areas in general do need to be upgraded, as potential employees do not have the variety of self-help programs or exposure to varying types of industry that their city cousins do. Government active support in the form of funds for the new university campus is of prime importance. The manufacturing sector hopes that courses relevant to them will be conducted at the new university as well as courses to attract external students to the area.

Transport infrastructure is a prime concern of manufacturers. Assistance in the upgrading of all main roads to Sydney and the Hume Highway is important to increase efficiencies and stabilise the region's competitiveness. Some roads are still single highways and are quite dangerous for the large tankers and double-axle trucks. A necessary part of this strategy

should be the immediate start of the Shoalhaven Highway from South Nowra to Canberra—trunk road 92.

**CHAIR**—We had better find that on the map. Start that one again.

**Mrs Lamont**—A necessary part of the strategy would be the immediate start of the Shoalhaven Highway from South Nowra to Canberra—trunk road 92. It does not exist. Mr Howard announced a highway of prime importance.

**CHAIR**—This would take out the Macquarie Pass, would it?

**Mrs Lamont**—It is instead of the Macquarie Pass. It is for the southern region to have access.

**CHAIR**—Is this through Tarago?

**Mrs Lamont**—No.

**CHAIR**—Give us a bit of a clue. I have a map here from Nowra, and you are taking us to Canberra?

**Mrs Lamont**—Yes. The route has not been worked out yet. Routes are being looked at now. We have funding for a study. It would open up this whole highway. This would take trucks off dangerous roads, for example, Kangaroo Valley, that need to service the Goulburn, Canberra and Melbourne areas. Federal government should be encouraging state government to continue service of a railhead at Bomaderry and services should be expanded on this useful freight and people mover service.

Transport costs are often a big expense for employees living in outlying settlements of Shoalhaven. There is no, or very little, public transport, and the only method they have for attending work is the motor vehicle. Government support should be given to these keen employees who are on low start wages, generally under \$400 per week, or transport infrastructure should be more closely examined to assist them. These people, who are mainly on the lower economic scale anyway, are severely handicapped in actually obtaining employment—because of distance—and then their travelling costs, if they are successful.

Regional Australia is more vulnerable than city Australia, as it does not have the infrastructure and business community and communication that the cities have. Support should come from all tiers of government, and the federal government should show by way of funding that it expects the other tiers to support their commitment to the development of regional centres with an aim to reducing unemployment in these areas. Support can be given by: purchasing locally instead of out of the region, the state or Australia; decentralising government departments to regional areas instead of closing them; and expansion of existing government departments, for example, the navy at Shoalhaven. Shoalhaven manufacturers are supportive of any expansion of HMAS *Albatross* or HMAS *Creswell* as we believe the community and economic spin-offs are good for our area. Support should also be given for enterprises that wish to decentralise to regional Australia or expand their existing premises. That support could be in the form of available reasonably priced land, waiving of infrastruc-

ture costs, subsidies, one-off grants to assist with capital and the reduction of land tax and, especially, payroll tax.

At present, regional Australia has a poor image. That is mainly due to high unemployment and, therefore, the accompanying social ills that go with that economic mire. Crime, drugs and violence are steadily increasing, which makes the community feel unsafe and stifles investment. Government support is needed for social programs, police and social welfare workers.

In relation to employment opportunities, work for the dole is a good strategy to give back some self-esteem to the people. When people have low self-esteem, they do not always make good employees as, often, they have reached a stage at which they think that everyone owes them something but they do not owe society anything. This attitude is often reinforced in the society that they are in.

As to national issues—no regional economy is healthy unless the national economy is. The removal of taxes on employment and paperwork would encourage employment. Even though payroll tax is a state charge, I am sure the federal government could encourage the dropping of that insidious tax. That is seen as the tax on employing people with no direct benefits going to the business community. That tax is great for even taxing tax. For example, it taxes FBT tax. FBT is known as the tax that grows and grows. It creates unproductive paperwork and is quite cumbersome on small business. Both those taxes are seen as a burden on business and a bit of a laugh for the public sector, which is busily taxing itself for FBT with our tax dollars, whereas business has to find it out of profits and, in these competitive global market days, without increasing the unit prices.

Increases in superannuation and the ever-changing tax implications also have an impact on employment. At present New South Wales manufacturers are worried about the final cost of workers compensation for them. If a new project is being considered by a business, often it will be dropped if it is labour intensive not just because of the wages of the employees but all the added on-costs to maintain the employees: \$500 per week becomes \$700 per week with added on costs and expenses, without even including the cost of the paperwork. Employee costs are making an impact on other service industries, such as banking, which is turning to machines. That adds to our unemployment overall. More encouragement is needed for manufacturing to remain viable in Australia or we will become a nation of traders depending on a world from which we are geographically isolated. In Australia's push for globalisation, has it been assured that, as a small nation in the big picture, we have a level playing field, or are we being dominated by large companies which are no longer investing in Australia and using it only as a trading post?

Manufacturers should be encouraged to participate in R&D. The decrease of R&D incentives from 150 per cent to 125 per cent is not an incentive. Continual nitpicking of submissions by non-technical people in the department is not supportive of the scheme. New formats and partnerships for R&D are not conducive to encouraging smaller companies to sustain their R&D. That has come out in the new policies that reveal what the government is looking for in relation to the tax incentives surrounding R&D.

As to industrial relations—a lot of members feel the unfair dismissal law is still tight. In the United Kingdom, for example, you can put employees off without warning if they have been employed for less than two years. Many bad work practices usually happen after the initial employee enthusiasm has waned, for example, after six months or a year. In the good old days, of course, if people were unhappy, they would leave and could get another job. Today they do not have that opportunity and often feel trapped in their jobs and so often do not have good work practices.

More people could receive retraining in the form of apprenticeships if the wages were not tied to an age but rather to a stage of apprenticeship. For example, you could have a 30-year-old first-year motor mechanic apprenticeship. However, government subsidies do not make up for those wage differences. These days, the average apprenticeship subsidies are designed for people who are 18 and under. They should be allowed for people of all ages who wish to enter into those agreements.

The changes to the wholesale tax system are currently a concern for manufacturers, because we are unaware of how that will impact on our cost of raw materials and profits because information has not been given out. Finally, what do we need to sustain long term jobs? A healthy economy!

**CHAIR**—Thank you very much indeed, Mrs Lamont. That has raised about 5,000 questions. I will call Senator Campbell to open the batting.

**Senator GEORGE CAMPBELL**—It would be useful if the submission that Mrs Lamont made could be made available to the committee.

**Mrs Lamont**—I have made that available already.

**CHAIR**—As there is no objection to that submission being received, that is so ordered.

**Senator GEORGE CAMPBELL**—You have raised a whole range of issues in your contribution. In relation to the issue of specialised training not being available in the local area, is the nearest TAFE college in Wollongong?

**Mrs Lamont**—It is in Bomaderry.

**Senator GEORGE CAMPBELL**—Do they provide the full range of courses that are available in TAFEs in Granville or Wollongong?

**Mrs Lamont**—No.

**Senator GEORGE CAMPBELL**—What services are missing in terms of manufacturing?

**Mrs Lamont**—We did canvass our members. We think that the warehouse certificate would be applicable to the industry and also to some commercial enterprises in town. They said they had trouble meeting the facilities and providing teachers skilled to teach the course.

**Senator GEORGE CAMPBELL**—What was the demand level?

**Mrs Lamont**—At the time, we could guarantee them a class of 15 people.

**Senator GEORGE CAMPBELL**—They were still not prepared to put the resources into delivering that course?

**Mrs Lamont**—No. They said their resources were needed in other sectors.

**Senator GEORGE CAMPBELL**—What did you do in terms of those people?

**Mrs Lamont**—Skillshare runs a forklift drivers course as part of its program, which assists in a basic skill for warehouse workers. A whole range of other skills is taught in the warehouse certificate, such as how to look after stock, rotate stock and pick stock. That is part of the certificate course.

**Senator GEORGE CAMPBELL**—Have the local manufacturers discussed setting up a group training scheme of their own?

**Mrs Lamont**—Not on our own, no. We mainly feed into the ACC and skillshare group for our demands. The manufacturers association is run by the local manufacturers on a voluntary basis. We keep fees very low: \$50 per annum to cover the paperwork. It is strongly supported by our local council, which assists us with some secretariat work. At the moment, we are seeking funding from RAP to have a professional secretariat to help us to expand our membership and to investigate things like group training. When volunteers are running any organisation, they have their businesses still to look after. You just do not have the time to give the organisation the time it deserves.

**Senator GEORGE CAMPBELL**—Essentially, what you are saying is that the infrastructure in the Nowra-Bomaderry area is not there to sustain an effective skills development base for manufacturers?

**Mrs Lamont**—That is right, yes. The infrastructure is not here, but the need is here.

**Senator GEORGE CAMPBELL**—What effect would the very fast train have in terms of meeting some of those transport needs, if that development goes ahead through Wollongong to Canberra?

**Mrs Lamont**—If the university goes ahead, I could see it having an impact in bringing students down here quicker from Sydney. Unless the rail head is actually upgraded to Bomaderry as well—the very fast train does not come down very far, whereas the services at Bomaderry, of course, are being decreased—I do not see any significant impact, just from a manufacturing point of view.

**Senator GEORGE CAMPBELL**—So the proposal is not to bring the very fast train down as far as here?

**Mrs Lamont**—No, it is not. But you can if you wish. We would love it. I am sure we could do something with it.

**Senator GEORGE CAMPBELL**—That essentially means that the whole of the area south of Bomaderry is virtually unserved by public transport?

**Mrs Lamont**—That is right. The other problem is for our employees. We have a large residential area further south. For example, I even have employees who travel up from Ulladulla every day. There is no transport infrastructure. They have to depend on motor vehicles, and the roads all the way are not in the best condition. So often they are looking at three-quarters of an hour to an hour to travel to work. For the basin area it can be half an hour to travel to work. That is quite a large residential pool.

**Senator GEORGE CAMPBELL**—You are saying that this is a substantial cost disadvantage to those employees, particularly those in low income jobs?

**Mrs Lamont**—Yes, I feel it is.

**Senator GEORGE CAMPBELL**—Is the impact of that measurable in terms of percentage of their income?

**Mrs Lamont**—Quite frankly, when people come in for an interview and they ask for the wage and they are going into a low skilled job—usually you start with the award wage and as your skills increase your wages go up—they will of course relate the cost of their travelling to work and what they are going to earn with what they are getting from the dole, if they have got a few children, and sitting at home and doing nothing or just going fishing. For some people it is just really the self-esteem and sometimes it will actually cost them to have a job because they have to work and they have very high self-esteem. But for those other ones who are bordering, quite often they will consider the ramifications to their own pocket from having a job.

**Senator GEORGE CAMPBELL**—You spoke earlier on about the impact of paperwork on business manufacturers and about what the current government has done to reduce the amount of paperwork for small business. You obviously have not seen any of the impact of that at your end.

**Mrs Lamont**—In a way it is a little bit laughable. If your FBT is under such-and-such you do not have to keep a record, but then you go for a tax audit and they say, 'Prove that your FBT is under such-and-such, because we believe you are probably cheating.' We still have the paperwork there in case we go to tax audit. So you do not have to pay to fill in the forms as a smaller manufacturer, but you still have to retain all the paperwork in case you go to audit to prove that you are not at the FBT taxable level to put in that return. We find that is a little bit tongue in cheek.

**CHAIR**—It is true for most citizens, is it not, though, Mrs Lamont, that we may all make a claim where we do not have to prove it? It is only on an audit that we find, do we not, that we have to have the documentation to prove those claims?

**Mrs Lamont**—Yes, so we are not really reducing any paperwork, because the paperwork has to be there.

**Senator GEORGE CAMPBELL**—How many of the manufacturers of your group in this area would be paying payroll tax?

**Mrs Lamont**—Quite a significant number. My company pays payroll tax.

**Senator GEORGE CAMPBELL**—But of all the manufacturers in the area, what percentage?

**Mrs Lamont**—Out of 55 that we have on our books, I would say that a good 40 would be.

**Senator GEORGE CAMPBELL**—So they would be employing, what, 20-plus employees?

**Mrs Lamont**—Yes. Our company employs 36 people. There are a lot of companies that have been here for a while and have actually expanded within the region.

**Senator GEORGE CAMPBELL**—You talked about the R&D start funding and your inability to get access to that. You talked about the cutback in terms of the level of R&D funding, but what other problems do you see with the scheme? Is the hurdle that the company has to jump to get access to the funds too high, or is it just a question of the level of funding?

**Mrs Lamont**—I think it is a bit of both, if you are encouraging people to participate in R&D to make their companies grow. R&D has actually been responsible for the growth of our company. I do not think reducing it to 125 per cent is a real incentive for a company to pursue it.

The other thing is just the amount of paperwork and sometimes dealing with the bureaucrats who are actually judging your submissions for the R&D. It is very difficult. I have had to fight that department twice, the last time with the intervention of my local member. I now pay a consultant, so I suppose I am now keeping another person employed. I pay a consultant who will write the stuff that the department wants, in the format they want, which is another cost to my R&D. To me, is it a productive cost? But they will accept the submissions.

You could write a wonderful submission and basically be researching nothing. To me, they should have the field workers coming out and saying, ‘I want to have a look at that prototype you have claimed for. Prove to me that you are doing R&D.’ When they came out and audited me, I said, ‘Here is this laboratory, which is just for R&D. Here is the equipment I was talking about. Here are the products I was talking about.’ But all they could care about was that the submission was not right.

We now have the resources to fight that and to use the system, and since I have gone to consultants I must say that my R&D submission has actually increased—that has cost the

government more dollars—but for the smaller companies that do not have the resources, who are actually doing R&D, to also engage a consultant, quite often they just do not bother claiming for it any more. They just merrily go on their way because of the unproductive time they have to put into the paperwork.

**Senator GEORGE CAMPBELL**—Maybe that in part accounts for the substantial underspend that there was in the last financial year of the R&D fund.

**Mrs Lamont**—It is a huge resource you are wasting in paperwork. You could be working on another product with the time you put into paperwork. I have a technical manager. He does paperwork, I audit all his paperwork—that takes a lot of my valuable time from the company—before it goes to the consultant, then it comes back to me, and then it goes to the accountant. Meanwhile we could have developed a few new products.

**Senator GEORGE CAMPBELL**—Would you be supportive of a scheme that linked R&D funding to the direct contribution by the companies?

**Mrs Lamont**—In which way do you mean ‘direct contribution by the companies’?

**Senator GEORGE CAMPBELL**—In other words, the more money you put into R&D directly as a company, the higher the concession you get from the government.

**Mrs Lamont**—As long as it would not eliminate small companies, because your threshold would be so high. There are a lot of smart, small companies out there which are doing great work and are sustaining the economy because, through their R&D, they are actually employing more people.

**Senator GEORGE CAMPBELL**—It would actually be an advantage to smaller companies.

**CHAIR**—I have to call Senator Ferris now.

**Senator FERRIS**—I have already had a couple of questions. I suppose, just in view of the comment that you finished your interesting submission on, that is, the comment about a healthy economy, the news about the dollar and locking in lower interest rates must have helped your state of mind as you drove to give us evidence this morning. What does your company make, Mrs Lamont?

**Mrs Lamont**—We are a chemical manufacturer. We have three streams. We manufacture liquid aluminium sulfate, which is why we actually established here in the Nowra region. It was a base product for the paper mill, which is no longer used. It is also used in water treatment as a flocculant. It makes the mud sink to the bottom and you have got a clean water supply. We also manufacture detergents, disinfectants and specialised cleaning products. We target our market for the food and hospitality industries as well as hospitals, and we sell to any man and his dog. The third and growing part of our business is contract manufacturing. We have 24 active reaction vessels on site at the moment. My husband is working on another four. We do import replacement manufacturing under contract for

companies like Ciba-Geigy, Croda, Dupont, Hoechst, Castrol, Mobil—large international companies.

**Senator FERRIS**—Very impressive. Is your organisation engaged in any promotion of this region outside of the Shoalhaven area? Do you, for example, ever send business delegations overseas? Have you used the facilities of Austrade to promote your businesses as export markets?

**Mrs Lamont**—Some companies in our association have used Austrade. We have a lot of export people. The association itself tends to use the resources of our council development officer because, as I said, we have only a part-time secretariat of voluntary workers for those types of things, or feed into Australian business, which is the regional chamber of manufacturers.

**Senator FERRIS**—What about the SEAL program? Have any of your members been involved in either the work for the dole program in a more formal sense or the SEAL program as the precursor to that?

**Mrs Lamont**—Not that I am aware of.

**Senator FERRIS**—Do you have any comment on the work for the dole program? Would your company be likely to look at that program?

**Mrs Lamont**—My understanding of the work for the dole program was that I basically could not use that for a company; it was more for a community. Otherwise, you would be getting free labour. We have had—which is probably under the SEAL program—people who worked for us for six months, which has not cost the company wages. We have had three employees under that program. I just cannot remember, it probably was the SEAL program. I cannot remember. Then we have retained those employees.

**Senator FERRIS**—So they got permanent jobs out of that?

**Mrs Lamont**—Yes, they did.

**Senator FERRIS**—How do you see those programs changing the self-concept of those people? What I am trying to establish here is whether those programs are worthwhile precursors to getting paid work in a work force where they may have begun as a volunteer.

**Mrs Lamont**—I must admit my first impulse to employing people is because I need them and I want the best person for the job. I got involved in the program basically because I was approached and they said they were sure we had got a job out here for somebody, you know, 'There is something that you must want done.' So we did put that person on and, as we saw his esteem grow, then we trained him. He is actually now a trained operator in our company.

**Senator FERRIS**—When you are recruiting, do you share the view of the earlier witnesses about particular skills shortages? Does your organisation have any views on how that might be overcome on a small-scale basis here in the Shoalhaven area?

**Mrs Lamont**—I suppose this is why we are actually looking for a professional secretariat for our association. That person would have the time to pool this information and work closer with the ACC and our council to develop those.

**Senator FERRIS**—How many employees would there be in your membership?

**Mrs Lamont**—I heard you say \$65 million worth of revenue in the area. That is not all from our members; that is just from manufacturing. Not all manufacturers are part of our association.

**Senator FERRIS**—How many employees would there be among your members?

**Mrs Lamont**—In rough terms, about 2,000. I did not bring those figures with me.

**Senator FERRIS**—And do you recruit locally?

**Mrs Lamont**—Yes, I do.

**Senator FERRIS**—Would that be the view of your members also? Do you try to recruit locally?

**Mrs Lamont**—Yes. Sometimes if there are special skills needed, you would advertise in Sydney or through some of the other universities for specialty people, for example, as in engineering or whatever.

**Senator FERRIS**—I think you were here when the previous witness, Mr Hockey—and I think Mr Lay also—talked about this area having a very positive image as a lifestyle area. Are you aware of any negative images of the area?

**Mrs Lamont**—Yes, when I talk about this, it is socially or associated with unemployment, with an increase in the crime rate and drugs and stuff.

**Senator FERRIS**—Sadly, that is a problem that is not just limited to this area.

**Mrs Lamont**—I know, but people tend to try to believe that regional areas are safer areas. Quite often when you are looking at external investment, like getting people to decentralise from Sydney, often one of their considerations is, 'We will move to a regional area because it is "safer" and we will have a better work force there because it will be a different attitude from the cities,' but it is not always correct.

**Senator FERRIS**—One of the points that has been raised by previous witnesses and in particular in Tasmania earlier this week when we were there is the stability of the work force. Because they do live in an area where unemployment is relatively high, the work force is very stable and there is not a high turnover of staff. Would that be the case for your members?

**Mrs Lamont**—I would say they find that as a percentage of their work force. The larger percentage of their work force is stable workers with good retention rates. Of course, there is

always the bottom end of your work force where—I suppose maybe it is a sign of today's society—they are fine when they first start the job and then they start whingeing. They are often not really a stable work force, but that is only a percentage. I would say the bigger percentage is a stable work force.

**Senator FERRIS**—Thank you.

**CHAIR**—What percentage of your work force is women?

**Mrs Lamont**—Not very high, actually. Out of 36 employees, I have six women.

**CHAIR**—And what are they employed as?

**Mrs Lamont**—Clerical and one as a general labourer.

**CHAIR**—Right. Do I remember or am I right in recalling that you actually were the Telstra Businesswoman of the Year?

**Mrs Lamont**—No, I was only a finalist.

**CHAIR**—A finalist?

**Mrs Lamont**—Yes.

**CHAIR**—That is a fair tick, is it not?

**Mrs Lamont**—Yes.

**CHAIR**—I am not wanting to score cheap points about the gender allocation. I wanted to ask you, though, if in your experience any women working in your organisation or among the network of manufacturers were having trouble with child care in this area.

**Mrs Lamont**—Yes, there is a shortage of child care accommodation in this area. I know that from my daughter-in-law more so than from my employees. I must admit that my employees are using their own family infrastructure to assist them. I think that is more out of monetary needs because child care is expensive.

**CHAIR**—You mentioned the importance of all levels of government working cooperatively. Do you believe that there should be something more done in terms of developing a kind of industry plan or an employment plan for this region?

**Mrs Lamont**—We would go on even if the government lost seats. That was the general plan.

**CHAIR**—I am missing half your words.

**Mrs Lamont**—Sorry. It would be interesting to have an industry and economic development plan for this region such that all parties agreed this was an area of need and

that it did not matter who got in at the next state or federal election; as Australian citizens, we would all work towards it. But I suppose I am a bit idealistic.

**CHAIR**—I do not think you should label yourself. You are saying to the committee that you think that, if there were an industry plan for the region that involved Commonwealth, state or shire tiers of government, it could result in a better use of the resources here?

**Mrs Lamont**—Yes, as long as all tiers fitted into it.

**CHAIR**—As long as?

**Mrs Lamont**—As long as all tiers could agree to it and fit into it, yes.

**CHAIR**—What is your group's major concern about unemployment in the region? Is it that it seems to be intractable and unable to be solved, or is it that it is giving a bad name to the area and that that is not good for future investment?

**Mrs Lamont**—I think it is a bit of all of that. We need to have more industry here. Sometimes there is a perception in the community that industry is not good for the Shoalhaven and that we should just concentrate on tourism, because industry can sometimes be a bit messy. Quite frankly, I think tourism will add to our pollution just as much as industry, which is now much more regulated in terms of how much it is allowed to pollute, which is nil. Quite often, other industries can feed off new industries coming in and that can lead to a small local industry, if it is compatible, growing into a medium sized industry employing more people. You get extra spin-offs in addition to the normal economic spin-offs that you have in any community.

**CHAIR**—Are you optimistic about this region?

**Mrs Lamont**—Yes, I am. I am even optimistic about the whole of Australia.

**CHAIR**—For now, I am asking you to confine your optimism. Do you think that the challenges facing this region can be solved in the near future?

**Mrs Lamont**—No, I think it is long term. There are a lot of problems here. But I do believe that the Shoalhaven has a very good community spirit. A lot of people and the local business associations here are working to improve our image and economic development, and that is also a prime target of our local council.

**CHAIR**—Do you believe that the federal government should have a greater presence here in terms of the provision of services locally, such as Job Network, CES and Medicare? Are those services sufficient, or do you believe that there have been too many cutbacks?

**Mrs Lamont**—I believe there have been too many cutbacks not only on a federal level but also on a state level. It is also occurring at a service level. For example, MBF, the banks and everyone else has been downgrading.

**CHAIR**—Are you saying that the way to get jobs in an area is through investment and that at the moment there is a retreat of both public and private investment from this region?

**Mrs Lamont**—Yes, I would say that.

**CHAIR**—That is a message we are getting from lots of other places. Your contribution today has been very pithy and useful, and it represents the voice of a large number of people in this area who are saying, ‘We believe there is a lot of good to come of this area. We need a few things to change to help it to happen.’ Thank you very much indeed.

**Proceedings suspended from 10.16 a.m. to 10.38 a.m.**

**PULLEN, Mr Gregory John, Economic Development Manager, Shoalhaven City Council, PO Box 42, Nowra, New South Wales 2541**

**WATSON, Councillor Gregory Herbert, Deputy Mayor and Chairman, Industrial Development and Employment Committee, Shoalhaven City Council, PO Box 42, Nowra, New South Wales 2541**

**CHAIR**—The committee prefers all evidence to be given in public, but should you 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 ordered to be made public by the Senate, as has happened in recent years. Would you like to make a brief opening statement? Then the senators can put questions to you.

**Councillor Watson**—I have been involved in public life in this area for almost 25 years. I have held the role of shire president, mayor, deputy mayor and chairman of many of the committees. I have also been involved in a wide range of external type committee activities. I have been a lifelong resident of the Shoalhaven area. During that period, I have been able to observe what has really happened with employment trends in this area.

If we go back to the 1950s, about 40 per cent of our work force was employed in the manufacturing industry. That was a very high figure, but we had just picked up a couple of new industries. The paper mill was one, as was the John Bull Rubber Company. Our population base at that time was relatively low. We continued on with what I regard as very significant growth in the manufacturing sector up to about 1970, when a decision was taken by the Whitlam government to sign an agreement with the United Nations whereby effectively we agreed to cut tariffs with a view to achieving a transfer of manufacturing activity to developing nations. I believe that this is the underlying cause for most of the unemployment problems that we now suffer not only in Australia but in regional Australia in particular, which has not had the capacity to recover from that decision.

Within 18 months of that decision being taken we lost almost 250 jobs in the manufacturing sector. A factory which was the manufacturer of shirts closed down within 18 months of that decision being taken. As a flow-on from that decision, there was a decision to adopt an automobile policy which suggested that there should be only three manufacturers of automobiles in Australia. The Leyland company's closure then led to the closure of a very significant rubber extrusion plant which employed about 150 people.

During that time I became very active personally in trying to offset the problems that we could see coming up with the loss of jobs in the area, and as a council we formed an industrial promotions unit. An extension of that unit is the position that Greg Pullen now holds with this organisation. You will find that the manufacturing jobs that we now have in this area are greater than the New South Wales average. This is mainly related to the activities that this council has undertaken in encouraging industries like Nowra Chemicals, from which you have just heard evidence, to establish here. It has mainly been achieved by small industries that have come in and continued to grow.

I suggest that the policy that we adopted in the seventies and are now continuing through GATT agreements may be fundamentally flawed in that it is being predicated on the basis that we need to export minerals, coal and some agricultural products which, I believe personally, in some cases are environmentally unsustainable—and ecologically unsustainable in the case of many of our agricultural exports that are being produced in ecologically sensitive areas of Australia, which are being irreparably damaged by the continuation of agriculture in those areas.

Having said that, I recognise that we cannot go back; we have to look to the future. I was most concerned by the recent GATT agreement which was entered into, when we agreed to further cuts on the basis that Japan, in the next 20 years, is going to cut their protection attitude. I do not believe that will happen. I believe that the Japanese economy will continue to decline, even though there will be some resurgence of it, and those cuts will never happen. So it leaves Australia in a precarious position, where we are the only ones who start to believe in the level playing field—or the world economy, as it is now called. That original agreement in the seventies has now progressed to being called the world economy, and it is being enshrined in GATT agreements. I believe that this philosophy is being driven by multinational corporations which have an absolute vested interest in not manufacturing in Australia and, in fact, manufacturing offshore.

I submit that the decision to transfer jobs from the so-called developed world in the seventies to the underdeveloped world has backfired. It has probably been the worst thing we could have done for them. It has destroyed their sustainable lifestyles and created false expectations and enabled exploitation of those people by multinational corporations, which have taken over our manufacturing activities in Australia and transferred them off shore.

I could go on at some length, but at a local level the paper mill that we have in this area is still of vital importance to this city. I believe that the proposal that was put to Paul Keating by Amcor to take over the North Broken Hill holdings in fine paper manufacture was falsely deployed and there was not a full disclosure. They argued that if they had the manufacture of 40 per cent of fine paper in Australia—or all the fine paper manufacture—that related to only 40 per cent of the Australian consumption of paper and, therefore, they would not have a monopoly. But when you took into account the undisclosed situation that they control somewhere between 80 per cent and 90 per cent of the import of external paper, it gives them an absolute monopoly in the fine paper market. If this committee really wants to do something regarding regional Australia, not only here but in Tasmania and Victoria, there should be an inquiry held into Amcor with a view to forcing Amcor to sell its fine paper section because of misrepresentation to the Commonwealth government.

**CHAIR**—Committees are always assisted by straight shooting and gutsy contributions. We thank you. I am sure that there will be lots of questions. Mr Pullen, do you wish to say something?

**Mr Pullen**—Yes. I have prepared a short paper with some overheads to enhance it.

*Overhead transparencies were then shown—*

In my presentation I will give you a short profile of the Shoalhaven in relation to the population, the economy, economic growth within the Shoalhaven and where I see some solutions for the future with regard to unemployment. As you know, the Shoalhaven is located some 160 kilometres south of Sydney, close to Sydney's international airport and relatively close to Canberra. The lower two-thirds of the map shown on the overhead is the Shoalhaven. That map is of the Illawarra region. The population increase in the Shoalhaven is characterised by rapid growth mainly in two sectors: young families and in the retiree group, the over 55s. As you can see by that graph, the population is going up quite dramatically. Currently there are 82,000 people in the city. They are spread over 49 towns and villages over quite a large area of 4,600 square kilometres. To demonstrate that it is not purely the retiree market, I have a slide that demonstrates school enrolments. The top line is the Shoalhaven. The dotted line is Coffs Harbour. The lower line is Taree. We use those three areas as a comparative. Coffs Harbour is regarded as a growth area. We are growing at a much faster rate than Coffs Harbour with regard to school enrolments.

The labour force in the Shoalhaven is around 31,000 people. Because of that population increase, it is currently increasing by 730 each and every year. The work force growth, that is, the number of people in work, is rising by about 530 each year. They are average figures from the statistics by ABS and DEETYA. Basically, a lot of jobs are being created in this area, but we are not creating enough. The unemployment levels rose from 1996 onwards. At December 1997, unemployment was 15 per cent.

With regard to growing the economy and growth in the economy, we really need to know how the economy ticks. We now have an overhead that shows the value of wages in each of the industrial sectors of the Shoalhaven for those 31,000 in the labour force. As you can see, manufacturing and defence represent over \$110 million in wages and are by far the bulk of the wages into the area. Retail is obviously characterised by part-time and casual work. Using pure employment numbers, in manufacturing there are 2,500. In retail, there are 6,000, but they earn less money. Those are the average characteristics of the work force in those sectors. Building and construction is always sensitive to interest rates. That building boom is starting to take off now with the interest rates being down. However, I think that other insecurity in the economy in relation to job security is putting a dampener on that growth. Tourism is characterised by part-time and casual work and also seasonal work. Our tourism industry functions mainly through the summer months.

**CHAIR**—Mr Pullen, can you tell us how many people work in each sector?

**Mr Pullen**—No, not from these statistics. Approximately, in manufacturing there are about 2,500. In defence there would be about 1,800, and in retail there are about 6,000. I am not quite sure about building and construction. I think the figure is about 2,000. In community services, there are about 3,000. Tourism is one that avoids the statistics, because ABS does not keep statistics on it. It is an industry sector, not an industry. It runs across retailing or manufacturing. However, I believe that \$30 million would be equivalent to about 1,000 full-time equivalent jobs.

Before we talk about some solutions, I will discuss how we grow the economy and how we assist the economy to grow by way of Shoalhaven City Council and the economic development officer's role in that. We are assisting industry, both new and existing, to move

into the area, to export and to add wealth to the area. When I say 'export', I point out that a question was asked earlier about whether we get involved with Austrade and similar organisations. Yes, we do. This council has employed people to go overseas and represent industry. If you want to ask me about that in the future, I am willing to answer questions on this issue. We are assisting the industry base in productivity improvement and skill enhancement of their work force. Also, we provide a forum for assistance programs by state and federal governments to help business and industry. We coordinate that. We are basically a referral centre. If industry is looking for some government assistance, it usually rings my office first and then I ferret around and put them onto the people. We have a very good networking arrangement within the city encouraging collaborative ventures, especially in the defence area, which is of vital importance to us and a growth area that we are looking to expand on.

As to the support framework to have the economy grow, a lot of the industries are here because of lifestyle. Maintaining our environment is of importance to us in all other considerations. We have to keep it attractive for the people to keep living here. Obviously, we have to maintain our economic growth. We also have to satisfy the social needs of the employers, the employees and the community in general by encouraging recreational facilities and health facilities. Transport is a critical issue in this area because of our lack of public transport systems. We are relying on private operators to operate within the area. We are working with the universities and TAFEs to expand education. Our No. 1 priority is to maintain employment and the creation of employment, because with that we can assist people to contribute to their community and the social fabric of the Shoalhaven.

Before I move onto solutions that we feel we need to talk about, I point out that there are four categories of unemployed in the Shoalhaven. School leavers come out of the school system at various exit levels and are trying to move into this area for employment. The structural changes in the economy both in Wollongong and Sydney have a dramatic effect here, with people relocating from those areas to here, because it is a cheaper lifestyle than the metropolitan lifestyle. Those people need a social network before they can get into a job. There is usually a time gap involved. We also have disadvantaged groups: the Koori community, people with developmental disabilities and so on. We also have the retiring 'unemployed', that is, people who decide that unemployment benefits would be a good income source for their retiring years, move to the area and can survive on unemployment benefits.

In terms of the solutions as I see them, in consultation with the community we have to maintain economic growth in the Shoalhaven. We have to support the business sector and maximise the government assistance programs to those businesses. We have to coordinate key infrastructure into this area so that those businesses can grow. I have a slide that will outline some of the infrastructure advanced in our negotiations to bring the three levels of government together, and that is the key to it. Approximately \$400 million is to be spent on various projects: the education precincts, which is the TAFE and university development; the upgrading of HMAS *Albatross*; and a venture by the Shoalhaven City Council and the state government in a technology park adjacent to HMAS *Albatross*, which is consistent with the government's new policy on bringing industry and defence together, to have our industry capable of assisting defence in both peace and wartime.

We have a Shoalhaven regional effluent management system, which is taking effluent waters from ocean outfall and putting them into pastoral improvement; the eastern gas pipeline from Sale, through this area and into the Wollongong/Sydney market; and the Shoalhaven Highway, which is a project which will link the northern Shoalhaven across to the Hume Highway and give better access for our products and for our major industries from this area into the southern markets of South Australia and Victoria. That is the strategy we have for improving infrastructure provision.

In closing the job void, I mentioned the school leavers earlier—creating the pathways from school to work. We are working with various groups to improve that with this transitional work program. We are also encouraging a work culture amongst the unemployed. We were fairly fundamental at the start of the work for the dole program and the SEAL program, which I think most people have heard of now. I do have some results of that.

So far in the Shoalhaven SEAL program, which is the work for the dole program, 220 people have been placed and 20 places will commence in a couple of weeks time, taking it up to our full commitment. Of the 220 that have commenced, 114 are still on the program, 15 have gained full-time work, 15 have gained part-time work, four have moved on to further education, 25 have completed work site placement—in other words, they have been passed on for work experience to industry—Centrelink have discontinued the benefit of 31 for poor attendance or non-cooperation to attend, seven have been allowed off for medical reasons and nine have moved on further to avoid the net of working for the dole.

I think this community is doing things to try and improve its lot. It is a bottom-up approach in a lot of ways. What we want to do, with the cooperation of both the state and federal governments, is to work with councils and other community groups, maintain the momentum and continue to try and bridge this gap of unemployment.

**CHAIR**—May I ask both of you whether the notes that you spoke from or the slides you addressed would be available to the committee?

**Councillor Watson**—I didn't have any notes. I spoke from memory.

**CHAIR**—Thank you very much, Councillor Watson. We have got your words in Hansard, of course. Is there anything else you would like to offer the committee?

**Councillor Watson**—No.

**CHAIR**—And may we have your contribution, Mr Pullen?

**Mr Pullen**—I can leave the overheads and my dot points.

**CHAIR**—I would like to suggest we receive them as a submission. There being no objection, it is so ordered.

**Senator TIERNEY**—Councillor Watson, you referred to the Whitlam government cuts to tariffs in the early 1970s. From recollection it was about 25 per cent in one hit.

**Councillor Watson**—That is right.

**Senator TIERNEY**—Could you explain a little further: in this area when that happened, what sorts of businesses folded because of that very sudden change?

**Councillor Watson**—Within three years we lost a number of industries. The first one had only been open for 18 months. It had been a joint project between this council and the state government to get Pelaco to open a factory aimed at providing employment for women, which at that time was a major problem here. They had been open 18 months and then closed as soon as the tariff cut was introduced. That then causes the problems now. It is now a car yard and dealership. Shortly following that we lost the John Bull Rubber Company, as a direct result of that.

The reason I mentioned that is that I think we really have to start addressing the underlying causes of unemployment, not only in regional areas but right across Australia. Regional areas are only a microcosm of a whole, and we are more severely impacted upon because we do not have the buffer of the large population as you do in the city.

**Senator TIERNEY**—How many was the Pelaco shirt company proposing to employ?

**Councillor Watson**—From memory they were employing about 75.

**Senator TIERNEY**—How many did the car yard employ?

**Councillor Watson**—I can't answer that, but I would say they would have about 20 to 30 employees. A car yard does not really produce new wealth. Manufacturing activity produces new wealth, new money.

**Senator TIERNEY**—And support businesses and spin-off businesses.

**Councillor Watson**—Yes. And the car yard would have opened elsewhere anyway.

**Senator TIERNEY**—You point to an interesting situation, that it was not just businesses collapsing but businesses actually not starting off and continuing. Were there any others that were proposed to start up in this area around that time that did not because of those changes?

**Councillor Watson**—I cannot answer that question. It is quite a few years ago, but I would say quite confidently that the demise of the industries that I have seen in Sydney—and with the business I am in we see first-hand those businesses stripped bare—has been an absolute tragedy, in my opinion.

**Senator TIERNEY**—And the John Bull Rubber Company was a major company in this town, so when that folded because of those Whitlam government tariff cuts, what was the—

**Councillor Watson**—It was not only the Whitlam government tariff cuts that reduced that one. It was a decision by the government to close up one of the car manufacturers in Australia. That was when the Leyland group went. That was the final straw.

**Senator TIERNEY**—How many did John Bull employ, can you recall?

**Councillor Watson**—About 150.

**Senator TIERNEY**—And the tariff cuts of course continued through the Keating years, 1983 to 1996. Over those 13 years, what was the effect on this area in terms of companies not being viable?

**Councillor Watson**—Once again, I cannot give you specific numbers because I think we lost most of the companies we were going to lose up front. I think the ones that were impacted upon most were the John Bull Rubber Company and the Pelaco company. But of course hovering in the wings is, if we are not very careful, the closure of the Shoalhaven Paper Mill. That could happen in a number of ways: just through non-support and non-maintenance—let the thing run down and then eventually close it—or by deliberate act of closure, to support excessive expenditure on a mill in Victoria, to make the figures look good.

**Senator TIERNEY**—So back at that time, in the 1970s, the state government also had a pretty active decentralisation policy. What is the current state government doing for decentralisation?

**Councillor Watson**—The current state government appears to have withdrawn totally from support of decentralisation and development. The main industrial estate we have in Shoalhaven was a joint development between the Department of Decentralisation and Development and Shoalhaven Council. About 10 years ago we bought the remaining interests of the state government out of that estate and Shoalhaven City Council now controls that totally. That does place a pretty significant burden on a small local government authority when this burden, we believe, should be being shared.

I do not want it to appear like I am having a go at Labor governments—I am not—because both political parties have a cross to bear, I believe, in respect of misreading what the community wants, misreading economic circumstances, and being manipulated by multinational corporations and the economists that are either going to work for big government or multinational corporations.

**Senator TIERNEY**—At the local government level, I believe you had a fairly activist approach in terms of industrial development. You obviously feel that it is difficult to carry that on without any partnership at other levels?

**Councillor Watson**—The answer is that it is difficult but we will still be carrying on regardless. I have always believed that unless you get out there and fight for a share of the cake, you do not get a share. What we are really doing now under the current circumstances is that we are not only competing in the Shoalhaven for jobs, we are really competing against the South-East Asian marketplace as well as the rest of Australia. We are not really only just competing any longer with our neighbour councils, we are actually competing with the rest of Australia and state governments and the Pacific region as a whole.

If I can give you an example: this council went out of its way to try to bring an international jet engine aircraft manufacturer into Australia to manufacture a new jet engine for the replacement of the commercial fleets, some of which are going to come up in the near future. We were competing as a council with South Australia, who were very actively out there trying to get this same manufacturer. Definitely, we do not believe that we are getting the sort of support we need from the state government in New South Wales any longer.

**Senator TIERNEY**—What role did the state government play in that jet engine push?

**Councillor Watson**—Bob Carr gave us a letter of support but there was not any real financial support and backing.

**Senator TIERNEY**—So there was not any special—

**Councillor Watson**—Greg could probably answer this.

**Mr Pullen**—Do you want me to answer this?

**Senator TIERNEY**—Yes, certainly.

**Mr Pullen**—I became frustrated with both the federal government and the state government in that they were more reactionary to the approaches by these international companies—and this is one but there are others—whereas I think a local area, who is probably hungrier for the jobs, is prepared to go in and be a lot more active and supportive to that company to entice them here. What this council is requiring is the state and federal government agencies to support and recognise that a local council can get in there, do the work and move industry into areas such as this. When I talk about Shoalhaven, I could be talking about Ballarat, I could be talking about provincial areas of Queensland.

**Senator TIERNEY**—What happened with South Australia? I assume they got more than a letter of support from the Premier, did they?

**Mr Pullen**—That company still has not made decisions. They are still out there and we are still negotiating. One of the frustrations of it is that it has mainly been driven by this council not, from where I see, the state and federal governments.

**Senator TIERNEY**—Do you know what the state government in South Australia did to attract the plant?

**Mr Pullen**—No.

**Senator TIERNEY**—We might follow that up if you do not have the—

**Mr Pullen**—The Victorians were involved in it but the Victorians did not seem to be as active in pursuit of that industry.

**Senator TIERNEY**—I think one of the solutions might be in cooperation between councils. Could you give us your perspective on cooperation between councils in a regional sense to attract things to this region?

**Councillor Watson**—We are really competing with our neighbour councils. We also like to cooperate where we can. If Wollongong had the opportunity to steal one of our industries, they would, and likewise we would steal one off Wollongong.

**Senator TIERNEY**—I assume that, with the jet engine one, you had an advantage in that you have a base here. I assume that was a big plus.

**Councillor Watson**—We were approached by a consultant who, obviously, had a financial interest in getting the company here. They recognised us as one of the potential locations. That is where that lead came from. The decentralisation policy of New South Wales in the past was predicated on the basis of the growth of Sydney and the need to try to get the population away from Sydney because of, once again, the ecological problems that that sheer volume of growth was causing in impacting on the waterways in Sydney and the sheer problems of servicing that population. For one reason or another, successive governments have declined to pursue decentralisation activities. It could be that the Albury-Wodonga and Bathurst-Orange growth areas were not as successful as they would have liked, but I put it to you that if you are going to have success in relocating people, they have got to be relocated to where people want to live.

**Senator TIERNEY**—Which is usually the case.

**Councillor Watson**—We are sort of saying, 'Here is an ice-cream, if you like, if you go to the inland.' Of course, people do not want to go to the inland.

**Senator TIERNEY**—They prefer staying on the coast. The 15 per cent unemployment that you have here, have you any measure on what proportion of that is imported unemployment in the sense that people are unemployed in Sydney and they come down here for a better lifestyle and it is perhaps cheaper to live? We have found this in other areas, for example, the far north coast.

**Mr Pullen**—We have some figures and I could provide them, but off the top of my head I cannot remember those. The increase on the unemployment list was I think, 150 to 180 per month—that sort of range—at its peak. Obviously, there are ups and downs. I think when it was at its peak something like 50 of those were coming from outside the area.

**Senator TIERNEY**—Thank you very much.

**CHAIR**—We are a little past time but I think that so much of what you have said is so useful. If we can have the tolerance of witnesses waiting behind? We will certainly come to you shortly. I am glad that you have had the grace to smile every now and again, Councillor Watson. I think that should be put on the Hansard record. Every now and then Councillor Watson smiles, particularly when he said, for example, that no-one really wanted to go to Albury-Wodonga. Really, councillor! As I say, I think that it is good to note that you do laugh.

One of the things that I would like to pursue is your answers to Senator Tierney. One of the problems that we have had presented to us is the very lively tension between how much competition is good and how much it is necessary to collaborate. You do have this farce, as you say, of, 'We will steal the jobs from the next shire and then they will be around in the night and steal something else back.' So we do get a lot of nonsense in terms of this. We even get to the point where there are significant inducements—it might be called in old fashioned language 'bribes'. If the state government is offering cheap electricity, and that is patently understood, then we do not call it a bribe because it is so up front. It is stupid in some ways to have state governments offering very significant inducements to industry which just means, of course, that somebody else, probably the taxpayer, has to pick up those kinds of costs. We know that that has happened with quite a lot of this competition between states and then within states and between regions. Do you have a view about whether or not we should move to something more collaborative? There are some costs that would be valid, but some of them are on-costs, really, are they not?

**Councillor Watson**—Yes. As the Commonwealth government is pursuing a national competition policy, I think that competition is good. I am in business and, certainly, if you saw all of your opponents go out of business, you might be tempted to say that is good. But I do not believe that it is good because if you have got someone who is fiercely competitive nearby, you have really sharpened your pencil and you have sharpened your business practice so that you become more efficient and you offer a better service to the community. So I do not think that we should worry too much about competition between states and competition between local government areas. I think that is going to be better and more productive rather than saying that we should just have a global regional approach. Speaking quite frankly, if we were totally honest when we are talking to manufacturers, you could not advise them to establish anywhere other than Sydney.

**CHAIR**—Why?

**Councillor Watson**—Because they have got everything they need there. You have got wharves and you have got transport without the problems we have got—you have got fantastic road transport links. All we can really sell them is a lifestyle.

**CHAIR**—It is interesting that some of your previous witnesses have told us more about Shoalhaven than you are telling us, Councillor. We were told that it was cheaper to live here. When I went to school, good businesses made plans about where land was flat, where the land was cheaper, where there was a ready work force and where there was, for instance, access to power and water. You have all of those. In Sydney it is hilly and expensive. You cannot drive your trucks around the narrow little streets. Although you have a bit of a market there, nobody in their right mind restricts their market to Sydney. They have to ship it all down here to Shoalhaven to sell it.

**Councillor Watson**—Do not get me wrong, we have had a lot of success with the industries we have here, and that is reflected in our employment figures. I may have mentioned earlier that our manufacturing industry is employing 11 per cent, which is far above the national average. That has really only been because of our activities. Having said that, it is very hard to sell against the economic magnet of Sydney.

**CHAIR**—We heard a wonderful expression yesterday. You mentioned something similar to this before. People in their right minds would make decisions about where to locate a manufacturing investment based on where the lifestyle was good, and that would classically be Sydney. We heard it described yesterday as the ‘manufacturer’s wife’ syndrome. I do not know where the world would be without women to blame. We are pleased that bad manufacturing investment decisions are now put down to where the wife wants the business to be located! Do you have this view? Is that what you meant?

**Councillor Watson**—Yes. One of the major companies that we have in the Shoalhaven located here because of a bedroom decision.

**CHAIR**—Because of a—?

**Councillor Watson**—A bedroom decision.

**CHAIR**—Tell us more, Mr Watson. Are you saying that the wife thought it would be better to live in Nowra?

**Councillor Watson**—Yes, because her parents were here. At the time, it was a fairly embryonic American company, the Keystone Valve company. The manager of that company in Australia recently married a girl who came from Nowra. She thought that if they were going to establish their headquarters Nowra would be a good spot, given that it was near her parents. She ruled the roost. With a lot of assistance, I might add, from the council, they started off with about three employees. The Pacific headquarters of Keystone International is now located in Nowra. I am not sure how many employees it has, but it is a manufacturer of a whole range of industrial valves, from valves that are nearly as high as this roof down to little valves about 20 millimetres across.

**CHAIR**—It does sound as though manufacturing investment decisions are based on a wide range of inputs. I am pleased to substitute ‘bedroom decision making’ for ‘manufacturer’s wife’. I look forward to the day when the husband persuades his wife to invest in a different region. We have not quite reached that day yet. Perhaps we could ask our last witness about that. She might have a view about that. Mr Pullen?

**Mr Pullen**—I wish to continue along those lines.

**CHAIR**—Please do.

**Mr Pullen**—Decisions were made mainly by state governments in response to retrenchments when we were working through all of the structural changes in the economy. Kodak gained notoriety at the time for retrenching large numbers of employees. Legislation was put in place to prevent the mass sacking of 50 to 150 people and the shifting of the operation offshore. Regional areas were caught up in the same rationale. At the time, I was dealing with companies in Botany and in the western suburbs of Sydney that wanted, for productivity reasons—space, flat land and other things that you were talking about—to move to a regional area like this. Along with Brisbane and various other places, we were on a shopping list. However, those companies made the decision not to move.

One company is still located in its antiquated premises at Botany, because most of its work force would not agree to relocate to Nowra. It would have cost about \$4 million to sever its employee relationship in order to move here to a more productive factory situation. Because it could not relocate, that company is still at Botany and is not at the leading edge of technology. Although some people laugh about this, the reasons that companies come here are lifestyle and previous connections. That is why they come here and that is also why they go to the north coast and Victoria. It is usually because of some connection like that. The instances are very few and far between when it comes down to pure economic decision making, and usually when it does come down to that politics gets involved and it throws the economics part of it out the window, anyhow.

**CHAIR**—That is a very useful contribution, because we need to hear the hard facts of this world. Decisions are rarely made in terms of saying, ‘I can buy this for \$6 here, but it is \$7 down the road so I will buy the cheaper package.’ It is much more complicated than that. Interestingly, I thought you were making the case that lifestyle was a very strong attraction here. You are sufficiently close to a major city to get a lot of those benefits, but you also have the so-called shorthand lifestyle benefits of doing your business and living down here. We have heard that there are pluses and minuses about living down here.

There are many questions that we wanted to ask you. I am still concerned about your view in relation to local council competition versus collaboration. If ever there is a time, Mr Pullen, that gives evidence of what you said it would be the way state governments, for example, seduce companies with cheaper electricity. I can name one very big aluminium company that located in Victoria under that guise, and every other electricity user in the state now subsidises that major investment, one part of which never actually eventuated. Perhaps we should set that aside. I would like to pursue it, but perhaps we will follow it up later. Do you both strongly support the SEAL program, or would you prefer to see people under the more direct traineeship/vocational school to work programs?

**Mr Pullen**—The SEAL program came about basically because three people were concerned after the change of government at the last election that the traineeship type programs were not going to continue. There seemed to be an increase in dissent and a lack of law and order amongst mainly the young people, and we could see that. We thought that the only way we could address it was to put those people into some sort of community work. We needed the community to own the program. We set about doing that by setting up the SEAL program. We took that program to various government departments. I am not saying that the work for the dole scheme came about as a direct result of that, but a lot of our initiatives that we took in that program were incorporated in the work for the dole scheme.

I was frustrated about two areas that were not incorporated in the work for the dole scheme. Firstly, we wanted to extend it beyond youth to all ages, and we also wanted to extend it to industry. You asked the previous witness whether she had had any SEAL applicants in her business and she said that she had not. That is because under the guidelines—basically, it is a work experience program—they cannot be supplied to industry because they are free labour. That was the premise on which we built the program. We wanted people with a work ethic who got out of bed in the morning, went to work and did something worthwhile that the community recognised. It has proceeded fairly well. The limitations of the program are such that we probably would have liked to have gone into

other areas. The types of activities that have been achieved have been more the council-type community work—

**CHAIR**—We were told this morning that SEAL was all about volunteers. Would you support the participation of volunteers ahead of coercing people into it?

**Mr Pullen**—Our initial proposal was to start with volunteers, because we wanted to make it work. Once we had exhausted the volunteer market, we proposed to start to involve everybody in this work for the dole program. After about five years, we were aiming at having about 3,000 people in the scheme who were contributing and playing a part in the social network. It is through those social networks that they will get jobs.

**Councillor Watson**—My council supports the work for the dole scheme. I am not that enthusiastic about it personally as it exists at the moment, because I believe that if you are going to have a work for the dole scheme and you are not exposing the individuals to where they might get employment in the future, then once again the whole thing is flawed. You really should be putting these people in—even if it is deemed free labour—so long as they do not have them for more than a set period. They would be far better off working in an accountant's office or a solicitor's office or the paper mill or somewhere else just for a period of time so that they can get physical experience of what it is like to work and what that activity involves so they can make better choices as to where they want to go on to in the future. The type of jobs that the work for the dole employees are being given at the moment, because of the constraints on the scheme, really need expanding if we are going to continue with it, I believe.

**CHAIR**—We are now well past time. Both of you have offered very interesting and, I think, different contributions. Councillor Watson, there are a few things that you said that made me smile, too. I am trying to work out about 25 years, and it is a good time to keep things in your memory. Maybe we should smile and shake hands and come into the next millennium. Both of you have actually said things that I think are a little different from evidence that we have had from other regions. I thank you both very much for that. Could I just ask, if you would not mind, if things cross our minds as we are reflecting on our final reporting, whether we could contact you for any further information?

**Councillor Watson**—Yes.

**CHAIR**—Thank you very much indeed. If we could move very quickly to our next witnesses who have waited patiently.

**Councillor Watson**—Senator, just on behalf of Mr Pullen and myself, I would like to thank you for coming to this area and thank you for giving us the opportunity of being witnesses before your committee.

**CHAIR**—I think that I put on the record this morning our appreciation of being able to use these very attractive chambers. So again, you have our appreciation for that.

[11.30 a.m.]

**BAIN, Mr Ian Forsyth, Executive Committee Member, Papermill Action Community Team, PO Box 50, Bomaderry, New South Wales 2541**

**DONOGHUE, Mr Merv, Executive Committee Member, Papermill Action Community Team, PO Box 50, Bomaderry, New South Wales 2541**

**CHAIR**—I just need to explain to you that the committee prefers all evidence to be given in public. Should you at any time wish to give your evidence, part of your evidence or answers to specific questions in camera, you may ask to do so and the committee will give consideration to such a request. I do point out, however, that evidence taken in camera may subsequently be ordered to be made public by the Senate, as has happened in recent years.

The committee has before it submission No. 66 from PACT, dated 27 May 1998. Are there any alterations or additions that you would like to make to that submission at this time?

**Mr Bain**—Senator, I think that we are here today to try to expand on that submission.

**CHAIR**—Great.

**Mr Bain**—In the short time that we had, we probably did not do justice to those issues that we raised.

**CHAIR**—That is fantastic. So if you would like to make a brief opening statement, either or both of you, and then the senators will put questions. Thank you.

**Mr Bain**—Just to say a little about PACT, because that is important, we are a concerned group of employees employed by the paper mill. Also, we have ex-employees—people who have still maintained an interest—who assist us with the issues of concern that we have. The group is made up of employees, union members and also some management. So it is unique in that sense. We have association with two other groups in the paper industry, TasPEAK in Tasmania and the A team in Victoria, where we combine our resources to look at issues and to act on issues dealing with the paper industry, the threats to our industry and employment in the industry. So our comments today are related to the industry as we know it.

I myself started my working life in 1962 in the paper industry in Tasmania, and I have seen it decline since the late 1960s. The sorts of threats that we see to our industry, and particularly our paper mill, are the impacts of dumping of paper products into the country. We acknowledge the legislation that has been put in place to strengthen dumping legislation. However, at the end of the day that paper that comes into the country is in our market. We do not see it go back offshore again, even though extra duties may be paid on it. So it does affect our market whether they pay duties or not. We also see that cheap imports are going to impact on our industry.

Many of the countries that we are competing with are subsidised in one way or another. In talking to our customer base, we find that many Australians wish to buy Australian

products, but in most cases country of origin labelling is nowhere near clear enough for them to make an informed decision on what they are buying. Within the Amcor group, we are also under threat. We produce most of the envelopes for the Australian market, which is still a commodity paper being produced on a small paper machine. With the advent of bigger machines in Victoria, we could lose that market to Victoria.

Over the years, there has been a significant lack of investment in this industry. I am sure that the pioneers of this industry would be turning in their graves to see what has happened. The innovation to pulp eucalypts was something that was done when the paper-making experts of the world said that it could not be done. That was pioneered in Australia, and in Tasmania in particular. Also, the growth of eucalypt forest: the Brazilians took over from us and now eucalypt is one of the main fibres for paper production in the world today, and we have not kept up there. In 1968 or thereabouts, there were nine paper machines operating in Burnie and one at Wesley Vale. Today, there are two at Burnie and one at Wesley Vale. There were four paper machines operating at Shoalhaven. There are now only three. We have not increased our capacity in 10 years.

So the vision of those early pioneers to have a global business has just not developed. The focus has been very much on a small domestic market. The technology has grown larger and larger with mass production. A typical paper machine on a global scale in 1962 was three metres wide and ran at 500 metres a minute. Today, a world-scale paper machine is 10 metres wide and runs at 1,500 to 1,800 metres a minute making copy papers, wood free coateds and those commodity-type grades. That is not the market Shoalhaven is in, thankfully. We have a lot of potential in specialty papers.

I do not have the time to really expand the argument, but the closure of the Burnie pulp mill recently is a good example of this lack of investment, and there are many, many reasons, I guess, for that. We can go back as far as Wesley Vale, the green agendas that have prevailed and too much focus on the precautionary principles for that development to be allowed to go ahead. It has now got to the stage that, without a world scale pulp mill, we cannot make pulp cheaply enough in this country, despite the fact that there is somewhere between a 200,000 and 300,000 tonne shortfall in fibre that we need.

The closure of the Burnie pulp mill is a good example of the threat that we see to our own employment here. The company has focused on rationalising its businesses to get a return on funds employed—a return to shareholders in the short term. The industry needs a much longer term vision in adding value to the resources that we have. The wood and forest products industry has developed a vision 2020 plan for plantations in that industry, which is talking about the creation of 40,000 jobs and turning a \$2 billion deficit in wood and timber products around to a \$2 billion surplus in trade. We need a similar industry plan for pulp and paper.

We should not underestimate what job losses do to a community. I know in my own case that, without the employment in the paper industry, we would have a lot fewer electricians, lawyers, doctors, engineers, chemists, genetic engineers and so on. The loss of jobs over a lifetime moves right through into the next generations. We should not underestimate those impacts. The flow-on from employment at Shoalhaven is a multiple of four to five. In 1987 we had, I believe, something like 620 employees. Today we have something like 320. The

myth of productivity where unions and employees have been asked to increase their productivity levels in this industry has simply amounted to a loss of jobs. We have not grown our markets; we have not exported very much. Again, a lack of resources to develop export markets where there is potential is a short-sighted strategy for our company.

That is probably all I want to say for the moment. The solutions to these things are not that easy except to say that we do need wealth creation. The paper industry is a renewable, sustainable industry. We can value add, but it needs major investment and it needs governments to support that investment to create a climate for that investment, to get involved early before the greens run away with the agenda.

**CHAIR**—Mr Donoghue, did you want to add anything at this stage?

**Mr Donoghue**—Yes, I would. I have some notes and I would like to read from them. So it is not in rudeness if I do not put my head up too often. It can be seen from the submission by PACT, which is before you, that the issues affecting the regional employment and unemployment—at least as they relate to heavy industry like pulp and paper manufacture—are not very different from those in the cities. Thank goodness the people before me did not send a paper mill there. Despite the provision of the subsidies for skills development, including current schemes to employ trainees and apprentices, the subsidies do not cover 100 per cent of the costs, so people are not employed. It seems that employers would prefer to import the skills to the region than develop them here.

Certainly a global pressure is being placed on businesses regardless of their geographic location, and these have been understood and have been occurring for some time. Despite this foreknowledge, it is quite clear that the first attack is always on jobs because cutting jobs is the quickest way to reduce costs and the easiest, and that is what we have experienced at the paper mill. We struggle for genuine improvements to company positions without cutting jobs and the companies seem to think that the first step to gaining or maintaining competitiveness is to cut the jobs.

Amcor—our company—has argued that, before you get capital investment that will make a mill truly competitive, jobs have to be cut. When the jobs have been cut, the company invariably refuses the capital anyway. Capital is on strike until labour gives it what it demands, but it is also on strike against the government, despite increased resource security and a slightly more settled environmental debate. If you join these factors together, there is no desire or intention to provide training or value to the community. Job shedding is the first rather than the last step to staying alive and the unavailability of capital. We are faced with companies that have no regard to the community in which they operate, having only concern for profits. This is not in the interests of the nation or the regional communities in which companies such as Amcor operate.

There is a clear role for government in this matter. Inducements have not worked, but there is every chance that the appropriate regulations will work. What are the appropriate regulations? This is how we see them. Amcor, for example, is a major user of primary resources in the form of timber from the national estate. Why not make the availability of that resource dependent in part upon the company's employment records? Why not legislate to force companies to show their financial records to government departments and others

when they are proposing to cut jobs and import replacements? After all, government, which is seen as responsible for the balance of trade, should be able to act to protect it and the factors that make it up.

On the other front, which Ian touched on, paper dumping must be addressed. A level playing field should mean that all factors affecting prices and social conditions are taken into account, but they are not. Why not legislate to ensure that the environmental standards in imported pulp and paper manufacture are at least as high as those in Australia?

**Senator TIERNEY**—Mr Bain, you mentioned that the green agenda has prevailed. Could you perhaps expand on the effect of that on jobs in Shoalhaven?

**Mr Bain**—From where I see it, we are part of a group of paper mills. We buy imported pulp ourselves. Today we only buy approximately 35 per cent to 45 per cent of our fibre needs from overseas. We have a recycling operation with a capacity of about 45,000 tonnes a year. The greens do not see that virtually any tree in Australia should be cut down for making paper. They believe that we do not pay enough for the resource, even though we are approaching sustainability and we are using recycling to enhance and extend the resource so that we can be sustainable probably within a decade.

To some extent, the regional forest agreements have addressed that issue, but we still need legislation to support each of those regional forest agreements. In our own case, even though we make 100 per cent recycled paper, the greens have a campaign to not buy it. They will not buy it because they believe that the only recycled paper is one that comes out of a rubbish bin and is recycled into paper. In our case, we tap into the recycled loop much earlier with our own customers and converters. We do use some post-consumer waste, but not to the extent they want. So they do not even buy our recycled product.

The market demands quality papers and, if a recycled paper is not fit for purpose, you cannot sell it. The best use of the resource is to blend recycled fibres to make products. This is where Shoalhaven started. We started using waste paper as a cheaper source of fibre and we competed with that fibre against new fibres. If we lose our envelopes to Victoria, we will lose virtually half of our paper mill production and our waste paper plant.

**Senator TIERNEY**—You gave the tonnage for the recycled paper. What is that as a percentage of the total import of paper into the mill?

**Mr Bain**—About 50 per cent.

**Senator TIERNEY**—About half and half. You mentioned that a lot of the fresh product you are using is being imported. What percentage of that comes from the south coast?

**Mr Bain**—From Victoria?

**Senator TIERNEY**—Do you get any of it from the forests south of here?

**Mr Bain**—No. Our short fibre supply comes from our mill in Victoria for the present. By the end of this year, with the start-up of the new machine in Victoria, we will be importing short fibre. Our long fibre mainly comes from British Columbia.

**Senator TIERNEY**—In the Hunter Valley, where I come from, the effect of the regional forest agreement has been a shortage of supply. That has actually shut down mills. Has that had a similar effect on the south coast?

**Mr Bain**—I am unable to comment. I do not know. We do not source and we do not have a pulp mill at Shoalhaven. Although we have studied the feasibility of a pulp mill over the years, it has never looked promising. The wood resource is not there within close enough proximity of the mill. We would not be able to build a big enough mill to compete.

**Senator TIERNEY**—How long since Amcor has made a major investment in the mill in terms of upgrading equipment here?

**Mr Bain**—They took over the Shoalhaven mill in November 1993. They have invested significantly in the environmental abatement with waste water treatment, reduction of air emissions and so on. That has been their major investment in the four years. That sets the scene for further investment. They are saying to us now that if we can manage to reach the hurdle rate of return on funds employed, they will think about investing in two or three years time.

Shoalhaven mill's history is that it was an English paper mill built here as a cash cow. They changed their strategy from specialty papers to make also commodity papers in the early sixties. In the late sixties, they wanted to expand with a further paper machine but came into competition with the Burnie mill owned by Associated Pulp and Paper mills. It was realised by the two companies that the market simply was not big enough to sustain two new machines. In the end, they merged.

That meant a lack of development at Shoalhaven because a management study more or less said you should exploit the resource in Tasmania. That is where the fibre is. At that time most of the fibre for Shoalhaven was imported. Obviously the costs were dependent on what the going pulp price was at the time. There was very little development through the seventies at Shoalhaven. North Broken Hill took over the company in the early eighties and, again, they never invested very much. We did manage to convince them to spend a small amount of money on a waste paper plant and a cotton linters plant. By the late eighties, they did give us some loose change that they had, which was well invested at the time. We struggled through to the early nineties when Amcor took us over. I guess the takeover by Amcor was designed to make a go of fine paper production in Australia by combining the two companies rather than having them both competing against imports; however, I think the industry is struggling.

They have a major investment going in Victoria, with a 160,000-tonne paper machine to make copy paper. If you were building a world-scale machine today to make copy paper, you would not build it for less than 450,000 tonnes capacity if you were to compete with the big boys. It is a middle-of-the-road investment and very shaky. The company will not tell

you that it is shaky, obviously, because they have to talk up the share price. We think it is shaky. Most of the pundits in the industry would think it is shaky.

The Indonesians are on our doorstep. In relation to the sort of investment that Australia needs, you have probably heard of Bob Husan in Indonesia. He has a project in Kalimantan in an area that was not developed. That project consists of an airfield of 2,500 metres, a port, a pulp mill to make—I think—about three-quarters of a million tonnes of fibre. Plantations are planned, but it will take until well beyond 2010 before that is sustainable. The initial estimate was 2007, but they have almost doubled the capacity of the pulp mill.

He recently borrowed US\$1.3 billion from Korean and Japanese banks. He employs 14,000 people. They built a village for 1,000 people, who are probably the people who will run the mill. The worth of that whole project is estimated between \$US3 billion and \$US4 billion. He subsidised his wood source through fuel subsidies and other arrangements. Obviously, with their devaluation of something in the order of 25 per cent or 30 per cent, their costs have come down even further. They do not manage their forests anywhere near to the standards that we do. They would not achieve certification.

The other difficulty that I can see for us is not just the fact that they can produce cheaper pulp. There was an ISO standards committee recently at which it was reported that, in developing a standard for forests, I think it was, the underdeveloped country representatives were saying that that standard represents a technical barrier to trade. If we are to comply with World Trade Organisation guidelines and, in addition, have thrown up to us technical barriers to trade, how can we ever survive playing the game? We are not in the game. The level playing field does not exist.

**CHAIR**—Mr Bain, I am going to have to stop you there. Every one of us wants to hear more, but we are out of time. It is fantastic information that you are providing.

**Senator TIERNEY**—We were down in Launceston and Burnie the day before yesterday. You did mention fibre source and the superiority of the situation in Tasmania, yet we saw a situation in which the Wesley Vale project had not gone ahead. The Burnie mill was shutting down. Do you have any comment on that and on the possible implications of that for the Shoalhaven?

**Mr Bain**—Obviously, if the company's overall resources and profits decline, there is less chance of investment in the Shoalhaven paper mill. We have the potential to grow slightly domestically, but, more importantly, in exports. The sorts of products that we make are not as price competitive as commodity grades of paper. The owners of our mill, even as far back as the original owners, have never realised the full potential of the mill. We have always been the poor country cousins. The money used to be poured into Tasmania. Now the money is being poured into Victoria. If we were a business in our own right, we could attract investment. We have to wait, because there is no capital available for the next two or three or so years. Whether we will still have the potential at that time remains to be seen. In doing away with so much research and development and putting everything on hold, the company's philosophy has become one of not doing up-front research and development but being so-called fast followers. How can we fast follow, if we are not going to get a chance for the next two or three years?

**Senator FERRIS**—Your case this morning has been quite compelling. In Burnie earlier this week it was a tragedy to hear colleagues of yours presenting the case which has resulted from the Wesley Vale decision. Your very interesting submission has a section called ‘Remedies, wealth creation in Australia’. I am very pleased to see that you have listed tax reform there. But in that large number of dot points there you have not listed anything to do with the green agenda. You have presented a case this morning on the difficulties that agenda has caused for your industry, but what is PACT actually doing as a group to try to influence that agenda to better understand the need for wealth creation in Australia?

**Mr Bain**—Last year on one of our visits to Canberra I spent two hours with Senator Bob Brown to discuss the whole issue of how we deal with the resource, how we can get support for recycling. Quite frankly, in those two hours we got nowhere. It is a philosophical issue. The science is there to support exploiting the resource that we have, but while the philosophy exists in the minds of the greens that trees are sacrosanct—are sacred—we will not get anywhere. The extreme greens are very difficult people to turn around.

The issue of bleaching of pulp with chlorine, for example, was won for the greens by the media. The science was not there to support the elimination of chlorine. The science at the time was not well developed. Wood and plants have their own pesticides. If they did not, they would get eaten alive. They have still not tracked down those toxic components that come out of wood from pulp mills, but they are not related now to chlorine compounds, and chlorine compounds can be reduced.

The industry worldwide has spent a fortune on that issue. It was won by the media and you could not win it back unless you could get the media on side. The science went out the window. These issues are nothing to do with science; they are to do with perceptions. Unless you can win the minds of those people, you cannot change them.

**Senator FERRIS**—The perception that came out of Tasmania earlier this week was one of great anger and disappointment by people such as yourself and also representatives of local government about the full impact the Wesley Vale decision is now having on that island state as a result of the Burnie decision.

**Mr Bain**—With the Burnie Wesley Vale project there were plenty of checks and balances that, if things had changed in the environment down the track, would have been addressed. A survey in August 1997, done by the National Association of Forest Industries, revealed very strong support for the development of the resource in Tasmania. Environmental issues are less of an issue. The most important issue in Tasmania today is unemployment, and that should be the case in every state.

**CHAIR**—Mr Bain, I am going to have to stop you there, even though there are a million more questions. Senator Campbell will ask a couple to close out.

**Senator GEORGE CAMPBELL**—How do you see the impact of the regional forest agreements in terms of balancing out this competition between the resource on the one hand and the environment on the other?

**Mr Bain**—I see them as a step forward, but it is most important that the socioeconomic factors are built into those agreements and that there is legislation to support that. Clearly, a number of the RFAs have shown the direct link between, as Senator Tierney said, locking up forests and loss of jobs. I have some additional information that I would be pleased to give the committee that expands on some of the points I have made.

**CHAIR**—Thank you.

**Senator GEORGE CAMPBELL**—If there were two or three things that the government could do to secure the long-term viability of Shoalhaven, what would they be? What would your priorities be?

**Mr Bain**—I really have to be fairly cynical in that I do not think government can assist us all that much. I really think the decisions being taken today in the fine paper industry in Australia are corporate decisions. Burnie pulp mill, in simple accounting terms, was not viable. That is clear. They are going to retire that asset, but they are going to retire the asset of the people that go with it, even though, from an Australian point of view, they were value adding—no doubt. If we are simply going to allow corporations to make these decisions, then adequate compensation has to be made. How you measure that I am not sure. Should the employees in Tasmania seek compensation for the loss of the Wesley Vale project? I do not know.

**Senator GEORGE CAMPBELL**—But there is a key issue, surely, isn't there, in terms of what is happening with your company and what is happening with a whole range of other companies at the present point in time? In part you referred to it in your remedy. That key issue is the drive that is on companies in manufacturing, and you are part of that manufacturing sector, by the financial markets for a short-term rate of return—and most of them are set around 15 per cent, which is very difficult for manufacturing operations to meet—as opposed to longer-term investments.

I know that you mentioned the question of capital gains tax, for example. Surely there is something the government can do in that area to skew the market back in favour of long-term or patient capital investment as opposed to the short-term rate of return in which most of it is institutional investors. Most of it is workers' superannuation money that is driving the demand for short-term returns. So there is a major issue that has to be addressed in that context if the pressure is to be taken off manufacturing and for the rate of return to be based over a longer period of time than what currently is acceptable in the market.

**Mr Bain**—I am not in the know enough to know what are the impediments to our company not investing in Shoalhaven mill. All I can say is: we as PACT members have a belief that investment in our mill could be a profitable investment to make if there were some capital concessions made for, say, recycling plant and equipment or if additional rebates for R&D were available to encourage companies to do more R&D. The rebate has dropped from 150 per cent to 125 per cent. It is in the wrong direction. I really think industry and government have to sit down and develop a plan for this industry, a plan that looks 20 or 25 years ahead.

**Senator GEORGE CAMPBELL**—Maybe that is a concept that ought to be applied to a whole range of industries.

**CHAIR**—We are going to have to stop it there, Mr Bain. This session, like most of our sessions, has been enormously fruitful and I think both of you have added considerably to our understanding, not only of the Shoalhaven mill problem but also, indeed, where it fits vis-a-vis Victoria and Burnie. I ask if you would provide that information for me. When you were telling us about the chlorine gas, you mentioned that, ‘If conservation groups have their way the issue on ECF and TCF is not whether it will happen but when.’ Could you tell me what ECF and TCF are?

**Mr Bain**—ECF bleaching is bleaching without chlorine gas. That has more or less become the world standard today.

**CHAIR**—And TCF?

**Mr Bain**—TCF is ‘totally chlorine free’.

**CHAIR**—Could you also provide for me, if not the whole committee, a piece of paper that tells me the difference between commodity paper and fine paper? I understand what fine paper is, but I am not sure what commodity paper is. I would not mind knowing, too, whether you make computer paper.

**Mr Bain**—We do not at Shoalhaven.

**CHAIR**—Is that commodity paper or fine paper?

**Mr Bain**—Your commodity papers are your big volume papers—your copy papers, your form papers, envelopes and so on. We make a lot of specialties such as high quality letterheads, security check papers, security papers, passports and so on. It is a different industry.

**CHAIR**—I begin to realise just how much I do not know about this industry, but I think we are enormously assisted by a group like PACT, which is actually sitting down between management and worker to look at these issues as fact—not polarised positions. The committee is enormously assisted by that kind of approach. Thank you very much indeed. If you could provide anything further to the committee, we would be very appreciative of receiving it from both of you.

**Mr Bain**—You are welcome. Thank you for the opportunity to speak here today.

[12.10 p.m.]

**McCARTHY, Mrs Sandra Kay, 5 Renfrew Road, Warri Beach, New South Wales 2534**

**CHAIR**—Welcome, Councillor McCarthy. For the *Hansard* record, could you give us your full name, your organisation's address and the capacity in which you appear today?

**Mrs McCarthy**—My name is Sandra Kay McCarthy. I am the Deputy Mayor of the Kiama Shire Council.

**CHAIR**—What is its address?

**Mrs McCarthy**—I am a resident—

**CHAIR**—No, the Kiama Shire Council.

**Mrs McCarthy**—Manning Street, Kiama.

**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 may ask to do so and the committee will consider your request. However, I point out that evidence taken in camera may be subsequently ordered to be made public by the Senate, as has happened in recent years. The committee has before it submission No. 105 received from you dated 1 May 1998. Are there any alterations or additions that you would like to make to that?

**Mrs McCarthy**—No, but in my opportunity to speak today I wish to expand on that submission.

**CHAIR**—If you wish to make an opening statement, could you limit it to three minutes so that we might be able to ask questions and still get going on time this afternoon? However, we do not wish to cut you off.

**Mrs McCarthy**—The main purpose of my speaking today and expanding on my submission is to make the point that my council, the Kiama Shire Council, and its capacity to employ people in our municipality—and also that of other agencies in our municipality—have suffered through direct cuts to government services by the coalition government to small and regional communities. The small rural communities that make up a lot of the townships of the Gilmore electorate rely on government support as their economic backbone. Often, if you do not have the strong stability or security of government investment and support, private investors fail to invest or to establish in an area. They take the attitude that if the government is not interested in the future of this township why should a private investor be interested. I wish to expand on the cuts to the financial assistance grants and the Jobskill programs. In conclusion, I wish to outline my solutions for the area.

**Senator FERRIS**—I am a little confused. Councillor McCarthy is saying that she is speaking on behalf of the Kiama Shire Council, but her submission does not have any Kiama Shire Council endorsement; in fact, it lists a private address at Gerringong. Is this submission

your submission, or has it come from the Kiama Shire Council, and, if so, why is it not on a Kiama Shire Council letterhead?

**Mrs McCarthy**—It is my submission as the Deputy Mayor of the Kiama Shire Council.

**Senator FERRIS**—But has it gone through as the official council submission?

**Mrs McCarthy**—It is my submission.

**Senator FERRIS**—And not the council's?

**Mrs McCarthy**—It is my individual private submission. I have papers from my council to clarify any concerns that you may have. I have spoken with my general manager and other councillors to seek advice in appearing before this committee today. I will table documents that are public documents from our council minutes to back up my private submission.

**Senator TIERNEY**—Madam Chair, I am even more confused now. On the basis of that last statement I cannot work out whether this is a private submission or a submission from the council.

**CHAIR**—Councillor McCarthy has made that very clear, and we thank her for that. If you have further documentation, the committee would be pleased to receive it.

**Senator TIERNEY**—Madam Chair, if you are totally clear about this, could you explain whether this is a private submission or a submission from the council? What are you suggesting?

**CHAIR**—Councillor McCarthy made it quite clear. This is a private submission from her. She is the deputy mayor and she has run this past her councillors and her general manager. There is no difficulty with her putting in a submission in a private capacity as deputy mayor, nor is it too different from what other people in the area think about this issue. That is what you have said, is it not?

**Mrs McCarthy**—Yes. The minutes that I will table are not confidential minutes from the council but public information available to any resident in the municipality of Kiama.

**CHAIR**—Proceed with your comments, Councillor.

**Mrs McCarthy**—In relation to my view about the impact of the financial assistance grants on our council—and this is the basis for this submission—a report was brought to council which clearly showed the erosion of the financial assistance grants over the last 10 years to our council. It indicated an actual shortfall of \$2.214 million overall through the general erosion of the financial assistance grants. The report also indicated that there was a cut of \$14.7 million to the financial assistance grants to local government in the 1997-98 year.

My point is that the Kiama Shire Council is the largest employer of people in the Kiama municipality. Often, we rely on financial assistance grants to deliver the many services that we have to provide, and therefore to employ people. This table lists figures from as far back as 1986 through to 1998. It indicates that the shortfall was then \$34,000. Last year, the 1997-98 financial year, the shortfall was \$329,687. Also, I wish to table our list of permanent staff numbers. It shows that in 10 years the number employed has increased by only seven permanent staff. That is a genuine concern. It is the result of council having to make economic decisions and cuts to bring about efficiency, and yet we provide more services and are expected to provide more services in our community.

I have information, which I had prepared yesterday by the assistant general manager and our staff personnel officer, about the very successful jobskills programs run from 1993 to 1996 which employed 265 people. People were employed on various projects, such as clerical jobs, the Northern Cottage and the Southern Cottage restoration in Hindmarsh Park, the bush regeneration scheme and parks and gardens maintenance. People were employed to undertake sand dune restoration work and were also employed at our leisure centre. Those are considerably major achievements for the Kiama municipality.

The point that I wish to make personally is that, through the success of those jobskills programs and the education and training provided, we were able to employ 265 people in our municipality. As well, our community was left with vital infrastructure at the completion of those projects, and that is very important for small rural and regional communities. It is a significant problem in rural and regional areas to keep young people in the town. People often flee for work and then may never re-establish in their home town. Through these employment programs we have kept people employed in the town. In addition, we had vital government funding and very important infrastructure established that enhanced the services offered to communities.

Some of the major achievements that we are very proud of include the restoration of Northern and Southern Cottages in Hindmarsh Park, the establishment of a local youth centre, the construction of numerous cycleways and footpath projects and environmental projects such as bush regeneration of Jerrara Dam and Spring Creek. A major injection in our parks and gardens maintenance actually culminated in Kiama council winning the New South Wales and national tidy towns award. Our council used those jobskills programs as well as volunteers in establishing these environmental projects and maintaining them. We won that award, and I am very proud to say that we have had a significant economic boost to our tourism in the area as a result of those two awards. That has created an economic benefit for the town.

Those projects represented \$2.8 million of economic projects in the area, and \$2 million was paid out in wages to keep people employed. We do not run any Jobskill programs now, and we do not run a work for the dole program. I just want to make the point that I feel that our area is suffering dramatically from not having these education and training programs available.

**CHAIR**—I am presuming you are saying that you will provide those two extra documents for us. One is council minutes. What is the other one?

**Mrs McCarthy**—It is a list of the—

**CHAIR**—The famous grants over 10 years?

**Mrs McCarthy**—Yes.

**CHAIR**—Those pages may indeed constitute part of your submission—not the minutes from the council; they are a public record document—but I believe that the other documents from which you have been speaking should contribute to your submission. So if there is no objection from the committee, we will order that to be received as part of your submission.

**Senator TIERNEY**—I am still a bit confused. Your opening letter has your personal address on it. It is signed as deputy mayor of Kiama council. Then in the opening sentence it says:

I am very concerned about the future of employment in my area, the Federal electorate of Gilmore . . .

**Mrs McCarthy**—Yes.

**Senator TIERNEY**—Could you reconcile all of that?

**Mrs McCarthy**—I live in Gerringong, which is in the federal electorate of Gilmore.

**Senator TIERNEY**—I realise you live in Gerringong; you have a Gerringong address. But I would have thought that, as the deputy mayor of Kiama council, you would have said, ‘My area is Kiama council’, which Gerringong is also in.

**Mrs McCarthy**—It is.

**Senator TIERNEY**—It would not be because you are the Labor candidate for Gilmore? You are saying, ‘My area is the electorate of Gilmore’, are you? You have not declared your hand on that.

**CHAIR**—Senator, are you trying to suggest that Councillor McCarthy is also the endorsed Labor candidate for the seat of Gilmore?

**Senator TIERNEY**—Yes, I am.

**CHAIR**—Why do we not just say that?

**Senator TIERNEY**—That is exactly right. I was wondering why Councillor McCarthy did not come out and say that and declare her hand.

**CHAIR**—Because she is not making her submission along those lines.

**Senator TIERNEY**—We know where she is coming from.

**CHAIR**—If you feel happy about that, Senator Tierney, ask your next question.

**Senator TIERNEY**—You mentioned the federal government program. I was wondering if you have any comments on the statement.

**Mrs McCarthy**—Excuse me. I did not have the opportunity to answer that question.

**Senator TIERNEY**—I thought you had.

**Mrs McCarthy**—I am not ashamed of being the endorsed Labor candidate for Gilmore.

**Senator TIERNEY**—I just wondered why you did not state it.

**Mrs McCarthy**—I was asked the question by Senator Crowley: in what form was my submission presented? When I did write this submission, I wrote it as deputy mayor of Kiama council. It was a private submission. I have actually signed by name, Sandra McCarthy, there privately. I am Sandra McCarthy, resident of Gerringong for 20 years. I am also the deputy mayor of Kiama council, and I am very proud to say that I am the endorsed Labor candidate for the federal electorate of Gilmore.

**Senator TIERNEY**—So when you were explaining about work for the dole programs, you said there were no work for the dole programs in your area. But if your area—as you indicate on line 2—is the federal electorate of Gilmore, there are, of course, a number of work for the dole programs in that area.

**Mrs McCarthy**—There are two.

**Senator TIERNEY**—That is why I am a little confused as to exactly where you are representing.

**Mrs McCarthy**—When I was saying that, I was speaking about Kiama council and the fact that we had successful Jobskill programs. I then enhanced that statement to say that at the moment—and I was referring to council then—we do not offer any work for the dole programs.

**Senator TIERNEY**—But you have established that they are in the electorate?

**Mrs McCarthy**—I am aware of them. There are two.

**Senator TIERNEY**—In resting your focus on federal programs, you have not mentioned state programs. When the Carr government came in in 1995, they cut the entire support programs—\$20m. The workplace program was cut. The get started program was cut. I notice that you have not mentioned those. Do you have any comment on the Carr government pulling \$20m out of those sorts of employment assistance programs?

**Mrs McCarthy**—No, I do not, because I was referring to the programs that our council offered, and those were the specific Jobskill programs.

**Senator TIERNEY**—So in relation to Kiama council's express concern about unemployment in your area, would you call the Kiama council pro-development or anti-development?

**Mrs McCarthy**—Our council has a very good record for sound, ecologically sustainable development.

**Senator TIERNEY**—So you are anti-development, basically?

**Mrs McCarthy**—No. We have a very proud record—

**Senator TIERNEY**—That is decoding what you just said.

**Mrs McCarthy**—No, that was your interpretation. We have an extremely proud record of ecologically sustainable development.

**CHAIR**—Excuse me. We have been doing very well in this committee by being part-way civil. Let us hear from the councillor. If you want to disagree with her, by all means do that. But let us not do it by interpreting her comments differently. She says that the Kiama council has an ecologically sustainable development commitment. If you want to tease that out further, please do, but do not presume to know what that means.

**Mrs McCarthy**—I would like to elaborate on that and say that, as a member of the community of Gerringong and as a councillor, we have just formulated a development plan for the township of Gerringong—a plan that will direct its future development for the next 25 years. That was developed with the community and the council through a charette process that ensured the future housing development and economic development of that township. It was done with reference to strict environmental criteria, because our community told us that they wanted to retain a town boundary. They did not want to see viable agricultural land just filled up with housing blocks, and they wanted the housing to be developed in tune with the economic development of the town.

**Senator TIERNEY**—Most of that pre-dates the charette process, does it not? Many years ago the Kiama council identified agricultural areas that should not be touched in the Kiama area. I think they allowed one piece to be hived off for additional housing. That has been the case for over 10 years.

**Mrs McCarthy**—No, I will have to say that you are incorrect, Senator Tierney. It does not pre-date the charette. Our town had pressure from the Department of Urban Affairs and Planning. They actually produced a state regional plan for the township of Gerringong, which was development between Gerringong and Gerroa, a housing estate. The community said no, they did not want that. Our council took that issue on board and, through that process, developed the charette plan.

**Senator TIERNEY**—Is it not correct that before the charette, the Kiama council—over 10 years ago—developed the region right out to Jamberoo and identified flood plain land and other land that should never be touched for any urban development. That was actually in place back then. I am sure it is all part of the charette now, but I am saying that it was in place then anyway.

**Mrs McCarthy**—No, I would have to disagree with you. We developed a local environment plan in 1994-95, and the charette was part of that process in 1995.

**Senator TIERNEY**—How long has the charette process been going on?

**Mrs McCarthy**—The charette process started in 1995.

**Senator TIERNEY**—So your pro-development council has taken three years to get this through. You call that pro-development?

**Mrs McCarthy**—I beg your pardon?

**Senator TIERNEY**—I said your pro-development council, as you claim, has taken three years to get a charette process through. So I am just wondering—

**Mrs McCarthy**—No, you are absolutely incorrect.

**Senator TIERNEY**—You said three years.

**Mrs McCarthy**—No, I was saying that you asked me when did the charette process begin—

**Senator TIERNEY**—You said 1995.

**Mrs McCarthy**—and that was in 1995.

**Senator TIERNEY**—Three years ago.

**Mrs McCarthy**—We have our plan and our plan is endorsed.

**Senator TIERNEY**—That is right, and the process has taken three years.

**Mrs McCarthy**—No it has not. It was launched in 1995.

**Senator TIERNEY**—Are you saying that from 1995 to 1998 is not three years?

**Mrs McCarthy**—It is a plan for 25 years.

**Senator TIERNEY**—I am talking about the process to get to this point.

**Mrs McCarthy**—It is proactive planning and it is the future plan for the next 25 years, so it would evolve over a 25-year period.

**Senator TIERNEY**—I am not disputing that.

**Mrs McCarthy**—It is now 1998 and we are in the third year of the charette plan.

**Senator TIERNEY**—I believe that the Kiama council did not apply for work for the dole; is that correct?

**Mrs McCarthy**—Yes.

**Senator TIERNEY**—So how can you criticise the work for the dole program not being in your area when you did not even apply for it?

**Mrs McCarthy**—I did not criticise; I merely stated the fact that at the moment we do not run a work for the dole program.

**Senator FERRIS**—Why did you decide not to apply?

**Mrs McCarthy**—The reason we decided not to apply? There were three reasons. The councillors philosophically were opposed to the program. A report was presented to us by the general manager and we decided at that stage that we would not apply for a work for the dole program.

**Senator FERRIS**—So the young people of Kiama were denied the opportunity for work experience because you and the councillors were philosophically opposed to that program?

**Mrs McCarthy**—The reason that we decided not to is that there was not the available information; there was still concern at that time about who would be—

**Senator FERRIS**—What about—

**Mrs McCarthy**—Can I finish my answer, Madam Chair?

**Senator TIERNEY**—Shoalhaven council seemed to have the information.

**CHAIR**—Colleagues! Councillor McCarthy.

**Mrs McCarthy**—I would like to answer my questions without interruption, please. There were concerns at the time as to who would be responsible for the workers compensation of people involved in the work for the dole program and we also had genuine concerns that it was not a job and did not have an education and training component.

**Senator TIERNEY**—That is an ideological reason for opposing it?

**Mrs McCarthy**—I said it was a philosophical view. There also was not sufficient information about who was responsible to cover any workers compensation if anyone involved in that project was injured.

**Senator TIERNEY**—So you have admitted now that it was philosophical. So what do you say to the youth of Gerringong, Kiama and Jamberoo about the fact that, because of your philosophical objections, they have missed that experience?

**CHAIR**—This committee is not helped by any interpretations to the councillor's words. It is clear for all what she said.

**Senator TIERNEY**—It was a reasonable question, I thought.

**CHAIR**—If you would like to put your question again without any imputations, thank you.

**Senator TIERNEY**—How do you explain to people in this area when there was a program available where youth could get work that you did not apply for it for philosophical reasons?

**Mrs McCarthy**—It was a decision made by the council. I am not going to retract from what I have put to you before.

**Senator TIERNEY**—It is a Labor-Green dominated council, is it?

**Mrs McCarthy**—No, it is not.

**Senator TIERNEY**—All right, tell me the composition.

**Mrs McCarthy**—Can I finish my answer, please? Then I will answer the next question. We had concerns that it was not a job program and we had a very proud record of offering traineeships and an education and training program. We were opposed to that because, as part of this package, that was not offered and also we had expressed concerns—and the information was not available—about who was responsible if anyone was injured in that program with the workers compensation. We had a tight budget and if someone was injured and if it was our council that was responsible, we could not run that risk.

**Senator TIERNEY**—Could you explain why the other councils in Australia, including the Shoalhaven council, felt that they could go ahead with it under the same conditions of workers compensation and you could not?

**CHAIR**—Senator Tierney, you know that that question is not a possible question for the witness to answer because she cannot know—

**Senator TIERNEY**—I do not need your interpretation; I just need the witness to answer the question.

**CHAIR**—Excuse me, I am chairing this committee, Senator Tierney, and I am ruling that that question is impossible for the witness to answer. She cannot tell you what is in the minds of other councils. If you want to make the point that many councils have found it perfectly okay to pick up work for the dole, then your point is very well made. The council in Kiama decided differently. Next question please.

**Senator FERRIS**—I just wanted to clarify one area about jobskills. What happens to the people who went through the jobskills program on your council? Have you got any information on where they went in terms of permanent jobs after they had completed their training program on your council?

**Mrs McCarthy**—Some of them were employed by our council.

**CHAIR**—If you have not got the full details, could you provide it to us on notice?

**Mrs McCarthy**—Yes, I will. It was something that I did not seek to get. The fact that 265 people were employed for that particular period of time was I think worthy of mention.

**Senator FERRIS**—I would just like to know about the follow-up; that is all.

**Mrs McCarthy**—I do know—but I do not have any written evidence to submit at the moment—that there was one particular group employed with boardwalk construction out at the Minnamurra rainforest. I did hear that they actually formed their own company, Boardwalk Constructions, and then moved on to Queensland and did some private work themselves.

**Senator FERRIS**—I am sure that the committee would find it very useful if you were able to give some indication about how that program actually resulted in real, paid jobs for people who went through that training program. Can I just raise one other question?

**Senator TIERNEY**—Just before you do, perhaps Councillor McCarthy could provide us with the job outcomes of those earlier programs which she was lauding in terms of the various categories. What percentage actually ended up with jobs at the end of the training?

**Mrs McCarthy**—I would be happy to provide that. But the point that I was making was the benefit. There were people employed in that time—there were the education and training that they had—but, most importantly, there was the significant infrastructure that was left as a result of it, which the Kiama municipality benefited from and is still benefiting from.

**Senator TIERNEY**—Are you aware of the Californian study that compared both approaches in two different counties and found that the ones where you just gave them work experience, such as work for the dole, had a more likely outcome of further work or further training?

**Mrs McCarthy**—One significant thing I would like to say is that we do now have two beautifully restored cottages in Hindmarsh Park as a result of this program. They are used seven days and our council youth service is run from them. I think that is an enormous benefit for youth in the area.

**Senator TIERNEY**—You probably could have done that under work for the dole, too.

**Senator FERRIS**—Could I just ask a final question related to page 7 of your submission where you state:

I believe that a strong successful relationship can be forged between Local Government, Community and Federal Government to develop positive projects that will provide local employment and are in the national interest.

Isn't work for the dole in that category?

**Mrs McCarthy**—In what way? Could you explain?

**Senator FERRIS**—I will read your words again:

I believe that a strong successful relationship can be forged between Local Government, Community and Federal Government to develop positive projects that will provide local employment and are in the national interest.

I just ask you again: isn't work for the dole trying to achieve that outcome in providing some local employment which, just as jobskills did, could lead to permanent employment, as we heard from a number of witnesses previously this morning?

**Mrs McCarthy**—I have a view and understanding—and I have heard it stated—that work for the dole does not provide a job.

**Senator FERRIS**—You were here when the previous witnesses said something different.

**Mrs McCarthy**—Well, that is my view.

**Senator GEORGE CAMPBELL**—All the witnesses this morning agreed that work for the dole is not an employment program.

**Senator FERRIS**—That was not my question.

**Senator GEORGE CAMPBELL**—But that is the inference that you are putting on it: it is not an employment program.

**CHAIR**—It is—

**Senator GEORGE CAMPBELL**—Evidence given here this morning said that specifically.

**Senator FERRIS**—Chair, what I was attempting to get as a response—and I think Councillor McCarthy responded—was her words, not Councillor McCarthy's answer interpreted by Senator Campbell.

**CHAIR**—Hansard may not have it quite clear that this is not the most friendly of discussions between this committee and the witness. That is also on the record now. Perhaps it would help you, Councillor McCarthy, to know that, according to the previous witnesses, evidence from the SEAL project, in which 220 people have been placed under the work for the dole scheme, indicates that 15 people have gone to full-time work and 15 people have gone on to part-time work. There are others who are still on the program—114. Four have gone to further education; 31 have lost their benefit. So there is an analysis that says that there is the prospect of work for the dole leading to jobs for 30 out of 220 people.

**Senator FERRIS**—Come on! I have the numbers as well.

**Senator TIERNEY**—That is a total misinterpretation, Chair.

**Senator FERRIS**—There is a great deal more in the breakdown of it.

**CHAIR**—Well, actually there is not. Never mind, we can argue about that. The councillor has also said that she will find what outcomes there are from the previous schemes that she discussed.

**Senator TIERNEY**—Tell us about the success of new work opportunities while you are at it?

**CHAIR**—It is time for Senator Campbell to ask a question or two. You need lunch, colleagues.

**Senator GEORGE CAMPBELL**—Councillor McCarthy, page 3 of your submission states:

The Budget cuts of 97 have had a terrible impact on towns like Nowra, Kiama and Ulladulla where essential services . . . will be lost . . .

Do you have any idea of the actual jobs that were lost as a result of the cutback in those services at those times?

**Mrs McCarthy**—Not an exact figure, no.

**Senator GEORGE CAMPBELL**—Has the council ever done a calculation in terms of the loss of jobs?

**Mrs McCarthy**—Yes, we have. I do not have those figures with me.

**Senator GEORGE CAMPBELL**—Could you provide them to the committee?

**Mrs McCarthy**—Yes, I would be happy to do that.

**Senator GEORGE CAMPBELL**—As to those services that were lost—were they relocated in Wollongong or were the services picked up by the existing service providers in Wollongong?

**Mrs McCarthy**—Yes, a lot of them were moved to Wollongong. One thing that we have lost in Kiama is our local CES office. We have a private Southern Skills Inc. That is a private employment tender that has won the contract. They are located at Shellharbour Square. They service the local area of Kiama, but we do not have a universal employment service now available at Kiama. The youth of Kiama find it very difficult to access Shellharbour Square, because it does not have a direct link by public transport.

**Senator GEORGE CAMPBELL**—What is a Tresillian centre?

**Mrs McCarthy**—I would like to have the opportunity to enhance on that. I think it is a positive opportunity for employment in the Kiama area. Kiama Hospital is due to be opened next Friday, 26 June. It is Stage 1 of a development there. I have been the chairperson of the local Kiama District Healthwatch Committee and have worked with the Illawarra Health Service in formulating a model of services for that hospital. I have spoken very strongly for

a stage 2 for that hospital development, because it is located on eight acres of land. I feel that, if a Tresillian centre were established there with perhaps state and federal funding, that would be a major economic boost for the Kiama area as well as providing a needed service.

**CHAIR**—What is it?

**Mrs McCarthy**—It is postnatal care for women who have problems with breastfeeding their babies and sleep problems. The only Tresillian service that we have is in the Sydney metropolitan area. It services the area from Bega on the south coast across to Goulbourn and Canberra and the southern suburbs of Sydney. In relation to establishing that centre at Kiama, we have strong evidence that there is a need for that particular service in southern regional New South Wales. It could be established there and be of major economic benefit to the township and employ a lot of people.

**Senator GEORGE CAMPBELL**—What is the aged care facility that you are talking about in the Shoalhaven council area?

**Mrs McCarthy**—That is a view that I have. Our council runs a public aged care facility, which is a retirement village, nursing home and hostel accommodation in the Kiama municipal area. I feel that that sort of facility would be vital for the Shoalhaven. My research has shown me that there are a lot of people who retire to this area for the lifestyle. I see it as an opportunity for employment in the aged care sector if this facility were provided by the public sector in the Shoalhaven. All the aged care facilities are privately run in the Shoalhaven.

**CHAIR**—Can you tell us what you thought you meant by ‘a strong, successful relationship between local government, community and federal government’?

**Mrs McCarthy**—I feel local councils can set the agenda for economic development of their area. We have seen good examples here today from the Shoalhaven City Council. I believe that our local council of Kiama knows what it is best for its area, but councils do need to get that support—and I mean money and funding—from the federal and state governments to drive that agenda.

**CHAIR**—What collaboration is there between Kiama and Shoalhaven councils?

**Mrs McCarthy**—It is a very good relationship. We are all members of IROC, the Illawarra Region of Councils, which is an extremely successful organisation. When councils work together and bid together as a region, I believe they have more success in getting larger projects or major benefits to their area.

**CHAIR**—I note that you have written in your submission about the importance of the Nowra pulp and paper mill. How many other people will be supporting that mill?

**Mrs McCarthy**—As the Labor candidate for Gilmore and also as deputy mayor of Kiama council, I know that a lot of people in the Kiama municipality are employed at the paper mill. I would have grave concerns were that mill to close, because not only would the

economic benefits to the Nowra urban area suffer but also the Kiama municipality through loss of income for the people employed at the mill.

**CHAIR**—The problem we have is that we are running out of time and we need to finish it there. The question that Senator Ferris asked is a very important one. We need to get some hard facts on the outcomes of the various programs. There is no doubt at all that, under some of those programs in the past—and many people will tell us this, including Labor Party people—a lot of people were trained, retrained and trained again, but there was no job at the end of it. Others would say, ‘No, the jobskills program was very good because it had a training component and it had a better outcome. It is a concern. There is a lively debate. If you could provide for the committee as much information as you could about the outcome of the jobskills program or other employment programs that have been in your area and their outcome, that would be very helpful in our deliberations when comparing programs that are in place now and programs that were in place then. There is no settled view on one or the other as far as I can tell. There seems to be good and bad about both. We would be helped if we could have your hard data.

I have one last question. You have mentioned how far it is from Kiama to Shellharbour Square for people who might be looking for assistance in the new Job Network arrangement. The CES office in Kiama has closed; is that right?

**Mrs McCarthy**—Yes.

**CHAIR**—What is the Job Network organisation called?

**Mrs McCarthy**—Southern Skills Incorporated.

**CHAIR**—And it actually has an office in Shellharbour?

**Mrs McCarthy**—Yes.

**CHAIR**—Is that a bus ride?

**Mrs McCarthy**—No. It would be 20, 25 minutes by car. We have no public bus service in Kiama. For young people to access that service they would have to travel by train to Oak Flats, then hitchhike to Shellharbour Square.

**CHAIR**—That is no easy way to get there. Is there no other facility at all in Kiama to help people who might be looking for work, apart from reading the papers and so on?

**Mrs McCarthy**—No.

**CHAIR**—Do you know what the facilities are in Nowra?

**Mrs McCarthy**—Yes. I understand that there are quite a few employment agencies established.

**CHAIR**—And how do people get from Kiama to Nowra?

**Mrs McCarthy**—By train to Bomaderry, and I believe there is a bus that sometimes meets the train, but I would say then walk across the bridge into the Nowra urban area.

**CHAIR**—If you had any further information about the establishment of the Job Network in this area, that might also be very useful. We have been getting very mixed messages about that. In some places it is working. It is established and it is going well. In other places it is dreadful because there is no access to information, it is long ways down the track, you have to ring a 13 number and talk to somebody who might be in another state.

**Mrs McCarthy**—I have heard the same.

**CHAIR**—If you have got any data on that, that would be very useful as well. The committee thanks you for your contribution and now stands adjourned for lunch.

**Proceedings suspended from 12.51 p.m. to 1.30 p.m.**

**BURNEY, Mrs Kerry Anne, Human Resource Manager, The Gates Rubber Company (NSW) Pty Ltd, PO Box 636, Nowra, New South Wales 2541**

**FARRELL, Ms Jane Louise, Operations Support Manager, Australian Paper Shoalhaven Mill, 340 Bolong Road, Bomaderry, New South Wales 2534**

**CHAIR**—We welcome Mrs Kerry Burney and Ms Jane Farrell to our Senate inquiry into regional unemployment. For the *Hansard* record, can you give us your full names, the capacity in which you appear today and the address of the organisations?

**Mrs Burney**—I appear as the human resource manager for the Gates Rubber Corporation, which is in south Nowra. It is lot 14, Norfolk Avenue, south Nowra.

**Ms Farrell**—I appear as operations support manager for Australian Paper Shoalhaven Mill, 340 Bolong Road, Bomaderry.

**CHAIR**—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 private, you may request 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.

I now ask you if you would like to make an opening statement. If you could confine that to five minutes, then we can have some time to ask you questions. Thank you.

**Mrs Burney**—We are both members of the local human resource managers network, which is a network that has been set up by local managers to try to ensure that we are actually not reinventing the wheel with a lot of our dealings. I am actually the human resource manager for Gates Rubber. We are a local automotive hose manufacturer. We supply domestic and international markets. We supply all of the Australian domestic manufacturers—Holden, Mitsubishi, Toyota and Ford—and we also export to four countries throughout the world. We are currently ISO 9000 to QS 9000 and ISO 25 qualified.

**CHAIR**—ISO? International—

**Mrs Burney**—Standards—

**CHAIR**—Organisation?

**Mrs Burney**—Yes.

**CHAIR**—Thank you.

**Mrs Burney**—We are actually part of the Gates Rubber Corporation, which is a worldwide company and which is the largest manufacturer of hydraulic hoses and belts. The company has been in the Nowra region since 1979, when it was originally known as Nationwide Rubber Enterprises. It was bought out by Gates in November 1996. As you can see on the overhead, we have 155 wages employees with support staff. Our major issue is

that we have a very high labour turnover, which affects our product satisfaction to our customers in that with most customers we guarantee a 10-day turnaround.

**Ms Farrell**—Australian Paper, as you have probably already heard, operates a specialty mill here in Bomaderry. We service predominantly the Australian market. It is the only specialty paper manufacturer in this country. It has a very long association with the area. The majority of our people are from the Nowra area, moving up into the Kiama area, as the previous speaker mentioned. We currently have 240 wages employees, 80 maintenance and 55 staff. We have just undergone a fairly large downsizing of our staff work force. We have reduced numbers by 30 per cent over the last 18 months and we have just reduced our wages work force by another 28 positions. That will take effect at the end of this month.

**CHAIR**—Was that 30 per cent at every level or was it mainly at the wage level?

**Ms Farrell**—No, 30 per cent of staff.

**CHAIR**—Of staff?

**Ms Farrell**—Staff numbers specifically have come down from 84 to 55 over the last 18 months.

**CHAIR**—Thank you.

**Ms Farrell**—That has been in an effort to ensure the viability and the long-term future of our mill and to reduce the cost of manufacturing. We have a quite large finishing operation—as we would call it—that is fairly labour intensive. For example, other paper manufacturers may send out just a large reel of paper; we actually cut and pack and sort and match specific customer requirements. So it is fairly labour intensive. Those orders create short-term peaks and troughs in our labour requirements. We have a very low labour turnover, around about two per cent. It is quite low.

**CHAIR**—Anything further?

**Ms Farrell**—We just have a few key issues. We thought we would mention to you how we go through our recruitment and screening processes. That might be something of interest to this committee. I will just run through the first one. With recruitment—and Kerry and I have discussed this—both companies recruit through local advertising, word of mouth or what we call unsolicited applications, that is, people who send in an application. We both recently advertised for unskilled labour. I had 60 applicants and I believe—

**Mrs Burney**—And I had 30.

**Ms Farrell**—And that was an unskilled labour requirement.

**Senator GEORGE CAMPBELL**—For how many positions?

**Ms Farrell**—We did not advertise the number of positions but, because it is a casual work pool, we want about 20 in our pool.

**Mrs Burney**—And ours was much the same number. We did not specify in the ad how many positions.

**Ms Farrell**—Just following on from that, we then do pre-employment testing to determine the basic literacy and numeracy skills of the applicants. We do pre-employment medicals to match people to specific jobs. Some of our jobs are fairly labour intensive and some people may not do as well in those as others. Then we follow through and do reference checking among other local manufacturers who may have employed that person.

**Mrs Burney**—Both companies do training, which starts off with a site induction and then job-specific inductions. Our main principle of training, though, is on the job, or the buddy system. All positions within both companies have a career path. So the person may start at the bottom but they are not going to stay there. AP—Australian Paper—actually has national competency standards.

An issue that we have also is with retention. We have a lot of casual employment. Gates has a policy with the on-site union that we will make up a casual after three months. AP will make a person permanent when a vacancy occurs as production requires. Both companies do regular appraisals with feedback whilst the person is casual, temporary or permanent. Our major issue with retention is filling short-term positions, particularly for production peaks.

Overall, the major, principal, issue is the top one, that being lack of work ethic. Our literacy and numeracy skills are low—not so important for Gates but for AP it is very, very critical with the amount of technology they have. At Gates we actually pay an over-award payment of approximately three per cent. However, being the award rate, it is not substantially higher than welfare. Our major issue is that people consider that welfare is more attractive. AP has a great requirement for casual labour. When a person is on casual labour, it is actually interfering with their benefits and their welfare payments are mucked around with their own finances. We have actually had situations in Gates where people have tried to be put off—deliberately tried to be put off—in order to obtain welfare payments without having to go through the waiting periods as per the law requires.

The other thing that both companies are facing is that shift work is not always desirable. We operate only on a two-shift arrangement. Gates are seven days a week; AP is 24 hours a day. They are our major issues.

**CHAIR**—How many of your staff would be women and how many men out of the people you employ?

**Ms Farrell**—We have 25 females, of which we now have nine in our wages. Nine out of our 240 wages employees are females. Out of the positions we just advertised recently, the 60 applicants, we had two female applicants.

**Mrs Burney**—We have approximately 60 females out of our overall numbers. We had no female applicants out of the 30 who recently applied.

**CHAIR**—Anything further to add?

**Mrs Burney**—No.

**CHAIR**—Okay. Perhaps we should take some questions.

**Senator GEORGE CAMPBELL**—These casual jobs—how many hours a week or a month are you offering?

**Ms Farrell**—Are we operating or working?

**Senator GEORGE CAMPBELL**—Are you offering?

**Ms Farrell**—At Australian Paper, we have a small labour pool of 15 people that fill in for training requirements or long-term absenteeism. Quite often we will need an additional 10 or 15 people to boost that up. We may have up to 30 temporary people on site at some time. We employ those on a week-by-week basis. The agreement with our union is that the minimum would be one week of employment. Generally we are looking at two to three weeks. However, that can be extended. We have had temporaries there for up to several years, still on a temporary basis. We have a 15-week cycle. The holiday leave is built in. People generally would get a maximum of 15 weeks work and then be put off for three weeks.

**Senator GEORGE CAMPBELL**—So they would work for 15 and then have three off?

**Ms Farrell**—We would confirm that on a week-by-week basis.

**Mrs Burney**—Our casuals work a normal 38-hour week. As I said earlier, after three months they are made permanent. If they are still there and their appraisals are fine, they are made permanent.

**Senator GEORGE CAMPBELL**—You talked about the future career path for your employees. I have visited your factory. The bulk of the work is fairly heavy, repetitive work, particularly at Gates. So the career path is really fairly limited. It is hard to have a factory without having a turnover of labour.

**Mrs Burney**—I do not feel that it is a great effect. The functions of the job may not change. However, the ability to earn more money does change with responsibility and accountability and the more into TQM the person gets in their own development. The functions of the job may not alter that much.

**Senator GEORGE CAMPBELL**—How significant is that in terms of real outcomes—10 per cent, 20 per cent?

**Mrs Burney**—About 10 per cent.

**Senator GEORGE CAMPBELL**—On a wage of about \$400 a week?

**Mrs Burney**—\$460 is our starting wage.

**Senator GEORGE CAMPBELL**—It is not a really significant inducement.

**Mrs Burney**—No, it is not, compared to the benefits. That is the problem we have. We have a very low commodity product where the margins are very small. We cannot afford to pay any more than basically award at this point in time. That is our major issue. We cannot retain the people because the benefits are so attractive.

**Senator GEORGE CAMPBELL**—What is your turnover?

**Mrs Burney**—In 1995 our turnover was 75 per cent. Since then it has slowed down. We are currently running at between 20 per cent and 25 per cent turnover.

**Senator FERRIS**—I would like to explore these work experience programs that we heard about this morning. Did you employ anybody on the Jobskill program?

**Mrs Burney**—I cannot remember the name of the program exactly—I was not there when it started—but we had two under a program where they had to work for 12 months. At the end of that we had four weeks to give them a full-time job. I cannot remember the name of the program. We retained both those employees.

**Senator FERRIS**—What about the SEAL program? Did either of your companies take on anybody under the SEAL program and, if so, can you give us any views on how you think that worked?

**Mrs Burney**—We did not participate in the SEAL program. At that point in time we were going through acquisitions with Gates and NRE, and it was a federally funded buy-out, so we were not looking at any programs at all at that point in time.

**Ms Farrell**—If I could comment on that from an Australian Paper point of view, all our vacancies are at the first level of the career path. We have four or so different career paths that people can move up to. It is quite well structured. We have national competency standards in place, and people are trained and move through that. When we are looking to fill vacancies or to bring people in, they come in and they start at the bottom of that career path. That is generally of a temporary nature. We are not able to offer someone a 12-month traineeship to come in and pick that person up for 12 months. We may need them for three weeks, and then they are off again. So we could not guarantee that type of employment. I think that is the biggest issue, especially for young people coming into our industry. Through no fault of their own, they may be there for three weeks and then they will be put off again, and then there will be no work for six weeks, and then we need to pick them up for another three weeks or so. We retain, I would think, around 20 per cent of our casuals. The ones who see a long-term future and apply themselves generally do quite well.

**Senator FERRIS**—I think one of your overheads talked about the second level of difficulty in terms of recruitment being literacy and numeracy. Having identified that, what have your companies done to go back perhaps into the education system to look at how that can be addressed?

**Ms Farrell**—I have been at Australian Paper for three years, so I can only speak of the last three years experience. We have not had any direct feedback or involvement with the education system per se. We have had a program where we had a special teacher come in and do some numeracy and literacy work with our employees. That was confidential. People could go and see her and go through that program. We also recently identified a number of people with some difficulties in that area. We are working with the local TAFE, and those people are having private tuition so that there is no stigma associated with that, and that is confidential for them.

**Mrs Burney**—As far as Gates is concerned, at this point in time we have not done anything with any of the institutions at all, purely because the basis of our work force is unskilled work. It is very manual and unskilled. So although we have a requirement for numeracy and literacy, it does not actually become apparent until a person gets further up in the career path. However, we are working on an individual basis and assisting with them going to TAFE.

**CHAIR**—This committee has taken evidence both in this inquiry and in a previous inquiry about the links between local high schools and a major regional employer. We took evidence about the link between Salisbury High School and British Aerospace and the opportunities that arose. The principle remains that what was happening there was that the major employer, who was having difficulty attracting people like you have just described to this committee, went to the schools, got some senior pupils interested in moving from the school into that work force, and was able to offer the opportunity for work experience while still at school as perhaps a pathway to work. I am just wondering whether either of your companies have ever considered doing something like that.

**Mrs Burney**—I cannot remember the exact position. Milton could probably clarify this, but we are currently talking with Fiona Phillips, who has just been appointed as the high schools coordinator to industry for the Shoalhaven region. We are currently looking at developing a program very similar to that with her, but it is very much in its fledgling stages. We have not put it into practice yet.

**Ms Farrell**—We have not done any work in that area of Australian Paper at our Shoalhaven mill. One of our other mills did have a traineeship program. Their Sydney mill worked with local high schools and brought people in. They had about a 50 per cent retention rate over the 12 months with that traineeship. The difficulty that we have is that our workload has peaks and troughs, so we could not commit to a 12-month contract with people. We have a continuous operation of 12-hour shift work. A lot of younger people do not tend to want to make the commitment to that as much as older people. That is a generalisation, but we find that. Also, we have crews involved in appraisals on people and our shift coordinators, and the feedback that we get is that, because it is a heavy industry and there is a lot of machinery and it is quite technical, they like someone with a few years' experience under their belt. So if we can get someone with previous industry experience or a trade background, then those people move ahead more quickly. Of course, that leads into the issue of how can you get a job if you have not had the experience, and how can you get the experience, and so on. Those have been our findings. Those people have moved through the levels quicker.

**Senator GEORGE CAMPBELL**—Thanks for that update on literacy and numeracy. In the PACT submission they talk about that literacy and numeracy skills training, and it refers to partial funding by the government. Do you know what program that funding was provided under?

**Ms Farrell**—No, but I could certainly supply you with that.

**CHAIR**—This work at Gates Rubber is not pretty work; is that right?

**Mrs Burney**—In certain areas the method of curing hose is a very manual, dirty area, yes. We now no longer use carbon black on the site for the mixing of rubber; therefore, we have eliminated that dirtiness out of the process. However, rubber by nature is not a clean product; it is not a pristine thing that you deal with. In certain areas it is definitely very unattractive. However, in other areas it is quite a clean environment; people come to work in white shirts and when they go home it is still a white shirt. That is mainly in our finishing area. However, the problems we are facing with our casuals and short-term employees is that we cannot retain them in any area. From analysis of all the data I have done, there is no trend that people leave our cured hose area more prevalently than they do our finishing area. It is just general.

**CHAIR**—On your evidence—either or both of you—what do you say is the principal reason as to why people do not stay?

**Mrs Burney**—I would have to say—and this is a generalisation—it is mainly that the work is not greatly skilled; it is very, very unskilled. You cannot go and do a TAFE course in it or anything like that. The other thing is the fact that we cannot be competitive in the wages that we are currently paying due to our market compared with welfare payments in this region.

**Ms Farrell**—Australian Paper's issues are slightly different from that. We generally have people leave for two reasons. The first one is that they find permanent employment elsewhere. So the casuals who are doing well will find a permanent job elsewhere and, if we cannot offer them a permanent job, that is fair enough. The other end of the scale is that people may have been there for six or 12 months, they have been on and off, they have been messed around, they have worked weekends, they have had interruptions, they have not known what shift they are on and so on, and they really just get fed up with it and say, 'I am sick of being messed around.' Stopping and starting their welfare is an issue to them, so they give up.

**CHAIR**—Have you raised at all the question of whether or not we could go to a credit arrangement? There was one in existence—it may not be big enough for the amount of money these people would earn—so that people did not have to come off benefits for a certain amount of earnings. They could actually get, if you like, an earnings credit, which meant that they were not so on and off all the time. This allowed people to have some flexibility in terms of the casual work. Have you had any experience of that or have you approached that?

**Ms Farrell**—Yes, we have recently approached that. Someone on my staff tried to get that in, but the payments that we are making on a weekly basis exceed that. It also would not work because of the fact that, if we offered someone three weeks work, we could not guarantee that we would not need them for weeks 4, 5 and 6. So we are unable to say, ‘Yes, it is only for three weeks and then you are back out on welfare.’ We may wish to retain them for longer, so it was very difficult administratively.

**Mrs Burney**—A lot of our new starters actually continue to lodge their forms. I know if they lodge their form for a period of 12 weeks they can still stay on the benefit program, and they continue to do that. As I said earlier, we actually have the on-site agreement that at the end of three months they are made permanent. The two coincide very well. However, we get to a point where they decide to just leave because of other reasons.

**CHAIR**—I gather from what you are saying that it is not possible to change the way this work is delivered to make it part time or full time?

**Mrs Burney**—They have worked full time for the whole three months that they are there; they are working a 38-hour week, so it is a full-time job in that sense. However, we do not make them permanent until it gets to three months, due to the nature of our business. We obviously want to keep our overheads as low as we can at the same time.

**Ms Farrell**—We have looked at that at Australian Paper. We have a core group of 10 employees who are in our on-call labour pool and they work pretty well full time. The difficulty with them covering peak workloads or absenteeism is that you can guarantee that the absenteeism will be in an area in which you do not have a trained person in that area. You actually need quite a large pool and you need half of them there half the time, so it is very difficult to manage. The way around it would be to carry a lot more wages numbers on your books and have them all full-time employees, but the cost of doing that is prohibitive.

**CHAIR**—Maybe you could correct me if I have misunderstood this, but it does sound as though the nature of the casualisation of this work—or at least the coming and going, the off and on, the no assurance about what you will be doing next week—contributes a whole lot to why people dislike coming into it.

**Ms Farrell**—Definitely.

**CHAIR**—Is that true for rubber too?

**Mrs Burney**—Not so much in the sense that we do not tend to put off as much as we end up putting on. I know that sounds ridiculous, but we do not have the cyclical nature that the paper mill has. We have a set demand. We have 12-month contracts, if not longer contracts, with all of the car manufacturers, so we know what our day-to-day demand is to keep the car manufacturers going. We just need to be able to service that demand. Unfortunately, it ends up being a ramping process, if you like, in that we actually know we need the people there; we just cannot retain them. That is more to the point.

**CHAIR**—Servicing the demand means that sometimes we do a disservice to the workers. It is very interesting to have asked you—and I do thank you for your comments—about all

the reasons, the evidence you have got about why people do not stay with you, because they are not entirely unreasonable, are they?

**Ms Farrell**—No.

**Mrs Burney**—No.

**CHAIR**—Unskilled work, low wages, off and on benefits—life becomes enough of a grind without all of that. Anyhow, when you get to work in some parts of the rubber factory, it is not pretty. It is good and hard, dirty, et cetera. I am very interested, Ms Farrell, that a lot of your people actually leave to go on to permanent jobs elsewhere. Are you able to tell the committee whether there is likely to be any change from your employers to move to a more permanent situation?

**Ms Farrell**—Probably the contrary, unfortunately. Because of the nature of our business, some weeks we can send a lot of paper out in reels, which is very minimal labour handling, and other weeks we are sending quite finished product out in packets and so on. No, it is more likely to go the other way. The people who do go on to permanent work—we have had quite a success in bringing people in on a casual basis and it does give us and them some time to look at it and say, ‘Am I suited for this kind of work? Is it suited to me?’, and so on. I think it is better for the people whom we do get on permanent and for us. For the people whom we retain, it is working quite well, but obviously it is not for the other people who have all this uncertainty in their life.

**CHAIR**—I am just interested in those responses. I have heard of a young person who got a job not too long ago. He said that the most fascinating question they asked him at the interview was would he be able to promise to stay longer than three months. He actually thought he was going for a permanent job or something like this and he was a bit amazed. He actually followed this up later and was told that these people who had been taking people on 12-month casual appointment have found that nobody wants them. Why should you invest in that when in 12 months you may not get a renewed contract? So this company has actually decided that it would go back to full time, or offer permanent jobs. You are saying that you can see the benefits of that, but you do not know of any intention of the company to move that way?

**Ms Farrell**—It is purely an economic decision at the moment.

**Mrs Burney**—I have not actually put anyone off in the last eight months due to shortage of work. That is not to say that we have not had discipline issues or anything like that. Our labour number has gone up, not down. Gates is planning on expanding; they want to put more processors and more systems in. Our big thing is retaining our current work force.

**CHAIR**—So both of you have got these perfectly fantastic jobs.

**Mrs Burney**—Yes.

**CHAIR**—Do you move freely in the area? Nobody throws epithets after you as you go shopping or anything like that?

**Mrs Burney**—I would not like to comment.

**CHAIR**—Are you saying they do?

**Mrs Burney**—It goes with the territory.

**CHAIR**—Thank you very much for your contribution and also for your agreement to provide some information that I think Senator Campbell asked for. If you could provide that at your leisure that would be very helpful for the committee. If there is anything further that you think we would benefit from knowing, please feel free to pass it on.

**Mrs Burney**—Thank you.

[2.00 p.m.]

**BACKHOUSE, Ms Helen, Coordinator, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527**

**BLACK, Ms Finnessa Realene, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527**

**DOOLEY, Ms Lynne, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527**

**ROBERTSON, Mr William Edward, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527**

**SOUTHALL, Mr Nicholas Christopher, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527**

**SOUTHALL, Mr Richard Brandon, Illawarra Forum Inc., PO Box 273, Albion Park, New South Wales 2527**

**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 may ask to do so and the committee will give consideration to that request. However, I point out that evidence taken in camera may subsequently be made public by order of the Senate, as has happened in recent years. The committee has before it submission No. 168 dated 15 May 1998. Are there any alterations or additions that you would like to make to that submission?

**Ms Backhouse**—No.

**CHAIR**—If you would like to make a brief opening statement, the committee will then proceed to questions. Unfortunately, we have very little time. Does everybody wish to make a statement?

**Ms Backhouse**—Yes.

**CHAIR**—Can you all do that in 2½ minutes?

**Ms Backhouse**—Yes.

**CHAIR**—Ms Backhouse, we will start with you.

**Ms Backhouse**—We are here to elaborate on our submission, which is a bit different from some of the other aspects that you have been hearing. Our submission was presented to you very much from the perspective of the very long-term unemployed. We are trying to look at how government policies and services have impacted on people's lives. We have with us four people who have been unemployed for between 17 and over 20 years. Each person is going to make a brief 2½- to three-minute statement.

**CHAIR**—Did you say ‘years’?

**Ms Backhouse**—Yes, they have been unemployed for between 17 and over 20 years. We are keen to look at how government policies have affected regional employment. We take the perspective of whether programs and policies that have tried to enhance regional employment have led to access to employment for long-term unemployed or whether they have imported labour or protected jobs. That is the perspective that we want to bring today. Everyone has rehearsed their contribution and they will speak for about 2½ minutes each, starting with Richard, who is going to talk a bit about his unemployment.

**Mr R. Southall**—I have been unemployed since leaving school. The only work I have had since then was voluntary work that I have been involved with through different organisations in the community. I left during the period of the BHP retrenchments in Wollongong. That is the area I live in. I had very poor grades at school. I had very little chance of getting jobs at every interview I had, and I did not end up getting them. My experience of being unemployed is probably very similar to that of lots of long-term unemployed.

I have been kicked off benefits many times for not responding to letters that I did not receive. I have had experiences like not receiving my cheque on Christmas Eve for that same reason and going through Christmas without any benefits. I have had bad experiences with workers at Centrelink offices. I was threatened with physical assault if I did not fulfil the activity requirements of my Newstart agreement. That was done even though I had an advocate with me at the time. My Newstart case manager gave information about my medical history to a friend of mine. Things like that and other intimidating things occurred over a period of time.

Being in unemployment groups, I hear lots of stories about other people. I wish to mention one of the more moving stories I have heard recently. I will make it very brief. A few days ago, I heard about a young woman who has been unemployed for five years in the Illawarra. She was given a labour market program in 1996. It was supposed to last six months. Unemployed people are usually given very little information about what the schemes are or what program they are on. She was led to believe that it was a work for the dole scheme. Obviously, it was not. She was told that she had to do it, otherwise her benefits would stop. She was told that it would last for six months.

After three months, halfway through the program, she was working in Kiama doing landscape gardening. She slipped on a rock and slipped two discs, which has given her a permanent disability. All of her training has been as a child minder and child-care worker. Her doctor said that she is now unable to do that work. She cannot pick up children or anything like that, and this disability will be permanent. She was given compensation. She was given the extra money that she would have got for those three months. However, that was all taken off her by Social Security at the time, because she was on sickness benefits. She was permanently disabled and can no longer do the job she is trained to do, all for a labour market program that, rather than increasing her chances of work, almost destroyed them.

**CHAIR**—Can I just ask how long you have been unemployed, Mr Southall?

**Mr R. Southall**—Seventeen years.

**Ms Backhouse**—The next speaker is Finnessa, who is going to talk about the impacts of closure of services on her life.

**Ms Black**—Excuse me, Senators: I will have to read this, if that is okay, so if my head does not go up to look at you as I go, bear with me. My name is Finnessa Black. I am a resident of Warrawong. I have been unemployed for 15 years and in this time have also been a sole parent. I am here today to talk about the closure of government departments and how it affects me.

Since the government has closed the Department of Social Security, which is Centrelink now, the CES offices and other government agencies such as Skillshare at Warrawong and other government employment agencies, it is hard for me to travel to Wollongong, Shellharbour or Dapto to put our forms in and look for work. It is also hard for me to find the money to do this.

In terms of food, it costs me three loaves of bread to travel to Wollongong and four loaves of bread to travel to Shellharbour, but the government expects us to buy papers each day to look for work, and papers cost \$1. By the time you add this all up, the cost is between \$7 and \$10 per week, which is 14 loaves of bread and four tubs of butter per fortnight that I will have to take out of my family's mouth, and I am battling now to feed them. I do not think the government realises how hard it is today to do this.

**Ms Backhouse**—That is an example of how it costs a lot of money to try to access services once services have been closed. That area of Warrawong is a very low income, high migrant population. It has lost a whole range of services, including the employment services, as well as Centrelink offices.

**CHAIR**—Where exactly is Warrawong?

**Ms Backhouse**—Warrawong is in the southern suburbs of Wollongong, not far from Port Kembla. William is going to talk about his perspective on access to services.

**Mr Robertson**—If you have not got time I will just read this one, and I will have to read it out because I have not got a very good memory. Here is a more recent experience I have had with the current system. The other day I went to Centrelink and found a welfare job—I have been doing welfare courses; I have been unemployed for seven years—located at Dapto, which is not that far from where I live, advertised on their touch screen computer. I rang the contact number, which I assumed to be the employer but which turned out to be the employment service provider.

This service provider was located in Sutherland, which is about 60 kilometres or more away. I had to send my resume and other details to them. I was then contacted by them by phone and told that the job had already been taken but that there were other positions of a similar nature that were available. At this time I was still under the impression that this was a head office or something of the welfare agency. It was an arm of the agency, but it was

separate because it was an accredited Centrelink employment provider and it was working in that capacity, as an employment provider.

The representative made an appointment for me for the next day. I was under the impression that there were definite employment opportunities available with the agency that were similar to the position I had applied for. I went to Centrelink to get assistance with train fares to Sutherland. The last time I went to Centrelink, a few months ago, I did get assistance with train fares, but this time I was told that this service was no longer available. So I went to Sutherland, having to pay my own travel expenses, to an interview that may very well have been a complete waste of time.

When I got there, I was given a form to fill out which was similar to the form I had to fill out for my intensive assistance employment provider. It was then that I realised that this was another service provider and the representative was merely drumming up business. I had a long wait, and when the representative finally got around to me she was very businesslike and pushy in her approach. She completely disregarded my concerns about what was going on, and went ahead. She then told me that there were no vacancies in the Sutherland area at the moment.

She eventually found a welfare position in a neighbouring suburb but, as it was only 10 to 15 hours a week, I said that it was probably not viable with my studies and the added cost of travelling, et cetera. She still persisted and so I went along for the ride. She contacted the agency and they said that they would send me the details of the job description, et cetera. That was all right, but I could have been given those details over the phone, without having to travel all that way. I am now on their books, which is fine, and being given job matching assistance by them as well.

From this account, it appears that now every time you want to apply for a job through Centrelink you have to go through a service provider and repeat the same process over and over again. Also, as this case study shows, there is no guarantee that even though the job you are applying for is locally based the service provider will be. This means that consumers may have the inconvenience of travelling long distances, as well as having to pay the fares, et cetera, even though the jobs themselves may be locally based.

It is also apparent that, because all these service providers are profit and/or outcome focused rather than client centred, they will be under pressure to drum up as much business as they can, extending their clientele to other areas and by not being completely up front with consumers. So much for the government's new and innovative approach to addressing unemployment.

**CHAIR**—Can we stop there? I don't want to cut you off at all, but we are very crowded for time and we do have to have the chance to talk to the Illawarra Consultative Council. There are two more people to speak?

**Ms Backhouse**—Nick was going to speak briefly, and then we will sum up for you.

**Mr N. Southall**—I have been a voluntary community worker assisting unemployed people for the past 20 years. During that time, which is since I left school, I have been

registered as looking for full-time work, so that is 20 years I have been unemployed. While I have had various short-term, casual and part-time jobs, they have not taken me off the unemployment figures because none of them has been of any type of permanent nature.

I was the unemployed representative on the south coast labour council for 10 years. I have been employed under the special youth employment training program, the community employment program and the priority one scheme, and I have completed a variety of TAFE courses, including photography, journalism and community welfare. I have had no paid work for two years.

For 20 years the Illawarra region has suffered mass unemployment and growing poverty. We have lost tens of thousands of jobs in our major industries. There has been a massive shift of wealth from the working class to the major corporations exploiting our region. Investment has been skewed towards modernisation, rationalisation and restructuring. This has led to massive job losses. Private investment, the entrepreneurial approach and economic growth have had little effect on unemployment rates.

While this committee is obviously looking at the issue of wealth creation, it should also be paying a lot of attention to wealth redistribution. Increasing the profits of BHP has made the rich richer but has left me, my family, many of my friends and my region with a future overshadowed by poverty and insecurity. Our region is racked by huge social problems, including crime, violence, suicide—and I could go on and on. We are in desperate need of help and we hope that this committee is going to be more productive than the committee I gave evidence to in 1987—the Senate inquiry into unemployment at the time—that visited this region, where I stated much the same thing. Since that time, unemployment has continued to grow in our region as has poverty. We have seen no answers from federal, state or local governments or from private industry and something must change.

**Ms Dooley**—The key messages that we want you to hear are that the stories that you have just heard are not unique. We held a seminar not so long ago in this region where we heard many very similar stories. I noticed your shock at the term of unemployment that some of the people here have experienced. That is not unique either in this region. It is incredibly entrenched. I suppose what we want you to hear is that living unemployment is incredibly uncomfortable and it is not getting any easier. Current responses have in some ways only made things harder. In many ways, government policy measures are increasingly punishing long-term employed people for the situation that they are in, and these things do not help. Labour market initiatives are very varied in their effectiveness.

What we are hearing from unemployed people is that those who are most effective are the ones that actually treat people as individuals and help them plan their future and establish meaningful goals and access meaningful training. Work opportunities are very limited here, and I am sure you have heard that time and time again. What is available is not necessarily offering a very positive future for many people. You heard submissions from the two people from the paper and rubber industry. We just want to echo that. We want you to hear that things are very dire and that you do need to listen to people who are actually living the problem.

**CHAIR**—I thank you all very much indeed. It is a very important and sobering reminder of the other side of the equation. Business, industry and the community are looking very much to create jobs, but not everybody gets picked up. It is important for us to know just the sorts of things you have been telling us. I wondered if you would not mind, because of the pressures of time, if we now turned to our other witnesses. You are very welcome to stay sitting where you are and maybe there will be an opportunity for a little bit of extra comment. I am not sure, but we will see.

**Senator GEORGE CAMPBELL**—Can I ask one question?

**CHAIR**—I would prefer not.

**Senator GEORGE CAMPBELL**—I think that it is important. These people have had actual experience of things. Over the years, there have been myriad different schemes introduced by governments of whatever ilk—it does not matter—to try to deal with the issue of unemployment. You have been out there having to deal with them. Which of those schemes was the most productive in terms of actually impacting upon the problem?

**Mr N. Southall**—I think I have probably done more of those schemes than the other people here. Obviously, I am unemployed, I have been unemployed for two years, I have got a family, I have got children, and we are living in poverty. The schemes have all been a failure. That is quite clear. The reason is that none of them has had a long-term perspective; they have been short term. Most of them, I would say, were based on political expediency. It is time that the political process provided some long-term planning for the economy rather than allowing it to be at the whim of political parties, the political process and the profits of major businesses.

**Mr R. Southall**—Education and work experience is fine, but the problem is that there are no jobs out there to get. They are not going to make any difference. They might make the difference in who gets the job but how many people are going to be unemployed and how many jobs there are out there stays the same. Training people and giving them work experience does not change the fact that, in this region, there are a lot more unemployed people than there are vacancies about, and that is not changing. I do not think that any programs that I am aware of have really addressed that issue at all.

**CHAIR**—I need to turn now to take onto the record—

**Senator TIERNEY**—I might ask some questions, too.

**CHAIR**—We cannot do it, Senator, because we have—

**Senator TIERNEY**—Senator, we have had one side ask questions. I think that it is only fair that I have a chance to ask a few as well.

**CHAIR**—I do not think that we are on sides in this place. You must also then explain to our subsequent witnesses why they cannot be taken on board.

**Senator TIERNEY**—You should explain why you keep favouring your side and not ours. Just in relation to some of those training programs that you are doing, you trained in a particular field and there was no work, then you trained again in another field and there was no work and that kept going on. Can you just give us some indication of the people who are in that position—going through training program after training program but there is no work at the end? The whole aim of that scheme under Working Nation was to make people job ready. So people became job ready but then nothing happened.

**Mr N. Southall**—It is the same story now. Earlier I heard people talking about work for the dole and how this would help people get a work ethic and would give them networks and give them work experience. This is the same rhetoric we have heard for 20 years. The fact is that there are no jobs—jobs—at the end of it. Training, work experience, contacts, work ethic—what is the point when there are no jobs? That is what is being disguised by all this rhetoric. Work for the dole is the latest one. It is a disguise for mass unemployment. There are masses, masses—hundreds of thousands—of Australians today without a job because the jobs are not there. Is this committee looking at creating work, because that is what we need. We do not need more schemes, we do not need more rhetoric; we need more jobs. I think the political process—the political parties—are starting to wake up. They are starting to hear this, because extreme forces are rallying people like ourselves because we are fed up. We are sick and tired of hearing rubbish about what we need to do to get jobs that are not there.

**Senator TIERNEY**—A number of you have been unemployed for so long and a number of you were critical of the current federal government's schemes. Could you just explain to us how helpful you found the approach that has replaced the CES, for example?

**Ms Backhouse**—Senator Tierney, could we decline to answer any more questions because we are aware that there is some friction about moving on to the next—

**Senator TIERNEY**—That is normal in this committee.

**Ms Backhouse**—We will choose to allow the next presenters to present and then, if there is time at the end, we will answer further questions.

**Senator TIERNEY**—It is a reasonable question and you answered Senator Campbell's reasonable questions.

**Ms Backhouse**—We have answered your reasonable questions, Senator, thank you.

**Senator TIERNEY**—Not on this one. I am asking—not just you; I am asking the people here if they would like to respond to that—in relation to how helpful you found the previous CES approach?

**Ms Black**—Can I just say something? By having this and us coming here today and saying our piece, I know that this is a big thing today, especially for myself and I think for the others, too. The next time you have something like this, senators, and people like us get invited, if we can have more time because by the sound of it here today there are a lot more questions to be asked. I think that we do need to be heard and the questions need to come to

us so we can answer them. Unfortunately, Senator, I am sorry, but you have run out of time. I believe myself that it is not fair that these other people here have not had a chance.

**Senator TIERNEY**—They will.

**Mr R. Southall**—I do not think all of the training programs Nick mentioned were initiated under this present government, were they?

**Senator TIERNEY**—No. We had a CES for 50 years before the change on 1 May. I was just asking for comment on that. In the time that has been taken up on what we have just done, I think we could have had the answer. Has anyone got some response on that?

**Mr R. Southall**—I think the answer was in what Nick said.

**Mr Robertson**—This does not mean anything, really, but I have got jobs through the CES when things were better than they are now. That was when Malcolm Fraser was Prime Minister at the time and also when Bob Hawke was the Prime Minister. Things were a bit better at that time. They were not good, but they were a bit better. The job market was a bit better. I did get a job through the CES, but I know a lot of people found it unsuccessful then.

**CHAIR**—I think what Ms Black said was absolutely spot-on. If we want to make the best of these things, we do need to give sufficient time for people from all sides of this equation to have the opportunity to answer questions as well as to make a brief comment. All your comments were very brief. I thank you very much for the kind of restraint you have practised. I guess you could have said a lot more. It is very difficult to try to work out how many people we fit in, let alone how many regions we go to. It is not because we do not want to hear from you. I appreciate that you appreciate our challenge. We have other witnesses waiting.

[2.30 p.m.]

**McLEAN, Mr Gerard Patrick, Program Manager, Illawarra Area Consultative Committee, Level 4, 200 Crown Street, Wollongong, New South Wales**

**QUIGLEY, Mr Christopher John, Executive Officer, Illawarra Area Consultative Committee, Level 4, 200 Crown Street, Wollongong, New South Wales**

**CHAIR**—Welcome, Mr Quigley and Mr McLean.

**Mr Mclean**—My involvement comes from my previous occupation in preparing the submission that came from the ACC. I was regional manager of the CES in the Illawarra.

**CHAIR**—The committee prefers that all evidence be given in public. Should you at any time request 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 some evidence taken in camera recently has been ordered to be made public by the Senate. The committee has before it your submission, No. 148, dated 8 May 1998. Are there any alterations or additions that you wish to make to that?

**Mr Quigley**—No.

**CHAIR**—Would either or both of you like to make a brief comment and then take questions?

**Mr Quigley**—The Illawarra ACC is a relatively new ACC. It had its first meeting in August of last year following the folding of the previous ACC. Only one member of this ACC was a member of the previous organisation. The area that we cover is from Helensburgh on Sydney's southern rim down to the south coast village of Gerroa. The total population is around 247,000 people. It covers three local government areas: Wollongong, Shellharbour and Kiama. The major population base is the Wollongong local government area with around 72 per cent of the population, with 21 per cent in Shellharbour and 7 per cent in Kiama. The industry bases of the three LGAs are significantly different. Wollongong is dominated by mining and manufacturing. Shellharbour has more of a retail and services base. Kiama relies primarily on tourism and dairy. Overall, manufacturing is the region's major employer, with Wollongong being the third largest manufacturing region in New South Wales. The latest figures on unemployment that I was able to get today show that the overall rate in the Wollongong area is 13 per cent. That compares with 7 per cent for New South Wales. The rate for 15 to 19-year-olds is 24 per cent, comparing with 18 per cent for New South Wales. The rate in our area for 20 to 24-year-olds is 23 per cent, comparing with 16 per cent in average New South Wales. You need to ask why the Illawarra is in that position. You need to look historically.

Like many other regions, the Illawarra has historically had a fairly narrow economic base built around the key industries of mining and manufacturing, in particular around BHP. Such a reliance on one industry and one company puts the region in a fairly vulnerable position should there be a downturn in that industry. That is very much the case, as has been explained by our previous speakers, with the loss of some 20,000 direct jobs between 1981

and 1996. The losses in these industries are still ongoing. For example, there were 70 jobs lost in the local mine in the last month. There are continual forecasts of ongoing staff reductions at BHP. Coupled with the decline in the major industry base of the region, there has been a downturn and rationalisation of government agencies. That has happened throughout Australia. Many of those organisations have recentralised their activities to the capital cities. For example, Sydney Water had major reductions in its work force locally in Illawarra. I believe that is something like 800 jobs over the last six to eight years. That figure is unconfirmed. More recently, restructuring of DEETYA, the CES, the closure of local post offices and a number of other things have resulted in significant job losses in the region.

The flow-on effect of those job losses is obviously fairly dramatic. There has obviously been an increase in welfare dependence. There is reduced disposable income in the economy. These always defer to business closures. In our submission, we applied an average income of \$30,000 to those job losses in the mining, manufacturing and public sector industries. On that basis, we estimated that some \$605 million in income and salaries is needed to be replaced in the local economy. To further highlight the extent of the problem, I point out that it was not until the release of the 1996 census data that the number of employed residents residing in the region was shown to exceed the level in 1981, despite the increase in the population. It took all that time to get back from that massive slog.

As to measures to address the situation—we spoke to a lot of people when putting together the submission. We believe that there are two things that need to be done. Firstly, we need to recognise and support the existing manufacturing base by seeking new technologies, products and markets. Secondly, we need to develop internally and attract from outside new industries and organisations to broaden the economic base of the region. As a result of our consultations, we believe that government support is critical to both of those aims through a range of incentives and support mechanisms in areas such as research and development, export, small business and education and training. In particular, the region currently needs infrastructure development, such as the adequate supply of serviced industrial land, the classifying of the Princess Highway as a road of national importance, improved rail links to Sydney and further electrification of the rail between Wollongong and Bomaderry. There are a number of other initiatives that could be quoted. Support for the very fast train project is one that is topical in our region at the moment. All spheres of government are involved in that. From our committee's perspective, I think there needs to be a recognition that that very fast train is not just a link between Sydney and Canberra; it is an opportunity to revitalise a region that has gone through enormous structural change in the process. We will put that to the committee.

We also believe that there needs to be greater consideration of the region in the location and relocation of organisations coming from overseas, interstate or intrastate and a greater consideration of the region for major government contracts, especially those with a manufacturing bent, such as defence contracts. The IACC is currently preparing a three-year regional strategic plan at the instigation of the federal government. The stage we are up to is that over the next three to four weeks we will be embarking on wide-ranging consultations with community and industry sectors to gain input not only into the strategy but also to identify specific projects or ideas that may be turned into projects under the regional assistance plan.

**CHAIR**—Do you want to add anything at this stage, Mr McLean?

**Mr Mclean**—I want to confine myself to some of the discussions we had with some unemployed groups in preparing the submission, particularly as it related to some of the labour market program areas. Whilst we spoke to quite diverse groups and individuals who were going through different experiences, there were a couple of key themes that came through from those groups. On the whole, long-term unemployed people generally were quite positive about participating in make-work programs. I talk about new work opportunities, LEAP and work for the dole, particularly where there was a linkage onto jobs but also as an end in themselves. In a lot of cases, they saw it as quite worthwhile. We never always got 100 per cent support for that perception, but that was probably the overall perception of the groups. As I said, that is an end in itself. There were some downsides. They saw increasingly that it was regarded as work and that they would receive training wages as opposed to a situation where they had to dig into their pockets to participate in a work type arrangement with no additional dollars. Again, people were generally upbeat about participating in labour market programs generally where they could see the linkage into some actual jobs. It was that that led us to look at that particular thing a bit further and look at the arrangements that exist at the moment. There was some concern that there was a loss of what might be called opportunity driven labour market programs to the benefit of unemployed people.

I will give you an example of what I mean by that. In the construction phase for the BHP/Esso oil rig platforms in the Illawarra some three or four years ago, there was an opportunity to put in place a range of programs to assist people to develop skills in things like concreting, scaffolding, rigging and specialist welding type areas and to link them directly into those projects as they came on stream. The outcome rate for those types of training programs was significantly higher than the program average. I recall 70 per cent to 80 per cent of those people getting jobs with that employer as a result of that training, compared with perhaps—and according to DEETYA's source—a 33 per cent outcome for the overall program. The funds that were channelled into those types of programs are now being channelled into the Job Network arrangements. I think it was considered that there had been a loss of, if you like, those opportunity driven labour market interventions.

**Senator TIERNEY**—The majority of job losses occurred between 1986 and 1996. Could you outline some of the policy reasons or factors that caused the large job losses at that time in this area?

**Mr Quigley**—Gerard may be able to back me up on this, but the major reason, as I understand it, was restructuring due to competitive pressures in the heavy manufacturing and mining industries. Obviously, other factors were world prices and new technologies coming in to steel production. From 1983 through till now the number employed at the BHP steelworks has gone from 24,000 to 5,000. In the coal area you now have roughly half the work force that existed in the early eighties.

**Senator TIERNEY**—You might not know the specific detail, but a lot of federal money went into the No. 6 blast furnace at Wollongong. I think it had the capacity of all of the other old blast furnaces in Wollongong combined. What was the net job creation in running that No. 6 blast furnace with the new technology?

**Mr McLean**—Jobs were created in the construction phase, but in the production phase I think there was a decrease in jobs.

**Senator TIERNEY**—Did they shut down some of the old blast furnaces?

**Mr McLean**—No, they became more efficient.

**Senator TIERNEY**—When No. 6 started there was obviously a work force. Were all of the other blast furnaces kept running?

**Mr McLean**—I cannot speak for BHP.

**Senator TIERNEY**—No, I just thought you might know.

**Mr McLean**—They closed some of the older stuff, but they also fixed some of it.

**Senator TIERNEY**—But the net effect of all of that investment was a further drop in the work force because they were using newer technology?

**Mr McLean**—They have certainly increased their production per man. I have seen figures on that. But the actual numbers in the work force have dropped and continue to drop.

**Senator TIERNEY**—I get the impression from your submission that you believe the region has the potential to demonstrate net job growth and to lower its unemployment. Is that right? Could you expand on that?

**Mr Quigley**—Yes, we believe that. Over time we have been able to broaden that economic base. Telecommunications is an area that has been expanded through the research at the university. Call centres are now in Wollongong. Wollongong has been nominated as a call centre for New South Wales. There are opportunities in tourism revolving around the natural assets of the region. Some of the other areas around there that have grown have included the service industries. I will leave with the committee a document that the ACC commissioned, which is a labour market conditions report—

**CHAIR**—Thank you, Mr Quigley.

**Mr Quigley**—The growth in jobs has very much gone to females as opposed to males. The downturn in manufacturing and mining impacted far more on males than females, because at the time the area was heavy industry based. There has been a dramatic increase in jobs for females and also in part-time work. That reflects the nature of the service type industries. Retail remains a strong employer. Education is a strong employer in the region, with the university, TAFE and school systems. There are also other service industries relating to tourism.

**Senator TIERNEY**—The shift to higher female employment redresses to some extent an historic imbalance in the Illawarra, does it not?

**Mr Quigley**—Definitely. That was not put forward as a negative but as an indication of the structural change that has taken place. We also pointed out in our submission that the employment breakup of the Illawarra now closely reflects that of New South Wales as a whole. We have moved away from being wholly dependent upon one industry and one company.

**Senator TIERNEY**—We have done a similar thing in the Hunter Valley, through necessity, as you would well understand. With respect to the call centres, can you give me an indication of which companies or government departments are putting in call centres in the Illawarra?

**Mr Quigley**—I do not have that information at hand.

**Senator TIERNEY**—Is there any way of getting hold of that information?

**Mr Quigley**—Yes.

**Senator TIERNEY**—Could you provide that to the committee? Earlier today I asked a question about the work for the dole scheme in the Highlands. The ACC from this area said that it was not involved in that scheme. However, I think it indicated that one of you might have been involved. Is that right?

**Mr Quigley**—I was here when Milton replied to that. The Highlands are not under our ACC, either.

**Senator TIERNEY**—It is not in your area, either?

**Mr Quigley**—As far as I know, it is administered out of Liverpool through the Sydney area consultative committee.

**Senator TIERNEY**—They said that someone else with a different hat on might have the answer. We will continue our search.

**CHAIR**—We heard that the other ACCs have three main tasks. Do you have a list of your three main tasks? They mentioned tasks such as supervising or working closely with the Job Network arrangements as they are being introduced, looking at establishing their own projects for employment, working with local business, local council and so on. Is that a description more or less of what you intend to do?

**Mr Quigley**—Basically, broad outlines were given by Minister Kemp in Canberra recently covering things like an increasing role in regional economic development, providing feedback on and monitoring the Job Network, promoting apprenticeships, traineeships and school to work links, taking a higher role in the regional coordination of projects and activities and, of course, the regional assistance plan. But how we go about those in the regions will differ, and that will come out in the consultations.

**CHAIR**—You have had the benefit of listening to the people who have given evidence about the challenges of being unemployed in this region. Although not barracking for one

system more than another, if there is good news about one system we welcome it. I think the contribution of some training courses is better than others. Looking at the hard facts, we understand that CES offices have shut and people now have further to go to access job assistance. Is that what you understand is happening in this region?

**Mr McLean**—Obviously, the CESs have shut. Our observations and discussions with Job Network members lead us to believe that, instead of having one agency to which they can go and have their issues dealt with, they probably have to go to five different locations for the purpose of job matching. They are finding that each of those operations wants to offer a screening service to employers and so they are going to each of those agencies as a basis for getting a screening interview. The number of different organisations they have to deal with has multiplied by five. That represents a cost to them in terms of fares and the like. That issue is certainly coming through from Job Network members as a concern.

**CHAIR**—Have other people said similar things to the evidence that some of the unemployed people gave today? For example, there might be a job in their local region, but they are told to go to Sutherland to get the assistance that is required and cannot even just make a phone call. Is it that you have not heard this before but this evidence might be very useful for you to follow up?

**Mr McLean**—I think it is probably nothing new, to be honest. There have been intermediaries working in the marketplace for years through the CES and through other agencies. The reality of trying to offer a service to an employer on the one hand means that you are offering a screening service to that employer, which means that the CES, as it formerly did, and new Job Network providers, as they currently do, put that screening process in place. That certainly does add to the frustration of unemployed people who will see a job opportunity and hit the wall that says, 'I have to go and get through a screening process before I get to the actual job.' I do not think that is anything new.

**Senator GEORGE CAMPBELL**—Are you suggesting you had this situation before this started on 1 May where, for example, people in Broken Hill have to go to an organisation in Bendigo to access the jobs market?

**Mr McLean**—I do not see that likely to happen. I can see a situation—

**Senator GEORGE CAMPBELL**—It is happening.

**Mr McLean**—I am not familiar with the Bendigo-Broken Hill arrangements. As far as the Illawarra is concerned, in terms of the providers of the service there are more providers in the Illawarra than there were CES offices previously in that end of the market. In providing those additional options for unemployed people, it has also created a situation where they do have to move around.

**CHAIR**—Mr McLean, as one of your roles is to supervise the Job Network arrangements, I am sure it would be very useful for you to take on board the evidence provided here today to see whether that is something that could be dealt with or advised on further, perhaps to the minister's office.

Usually witnesses before this committee get a copy of their own evidence so that they can check that all the words that are said are what was meant to be said and that Hansard has not made any mistakes, et cetera. I suggest that perhaps both groups be offered a copy of each other's evidence so that you get your own plus that of the Illawarra region and, likewise, the ACC also gets a copy of the forum's contribution. It might be useful for you to follow that up in terms of your review of Job Network and anything further you might want to pass on.

What are you doing or what do you plan to do by way of the most important message that the forum has given us, that is, every scheme under the sun is nothing unless there is a job there? I note your bid for the fast train. It is very cheeky, but I smile at it. This committee is not here to put its tag on bids, but your message is very clear and certainly what you suggest is that that would be a very good job creation scheme, certainly for some time into the future. What other things are you doing, regardless of whether that gets up? I presume that is not going to be your only emphasis.

**Mr Quigley**—Specifically we will be looking at some regional assistance program funding and projects to do that. As I said, the committee formed last year advertised for expressions of interest for RAP projects. We are a little disappointed in the replies that came in. We have not got all the projects up that we would like for this financial year. We look like spending in the order of \$100,000 of the \$120,000 allocated in this financial year.

The process has started now for the next financial year. We have a range of consultations across key industry sectors and one for the community and health services area. I think an invitation went to Helen yesterday, if I am correct. What we will be doing from that is basically saying, 'You are from manufacturing, you are key people from retail, you are key people from tourism. What needs to be done? Give us your ideas.' What we will try to do is prioritise those against our regional plan that has been put together, use that information to construct the strategies under the regional plan and then hopefully go back to those people and say, 'That has been through all the filters. It is a great idea. Would you like to develop it and put it in as a formal submission?' In that way we are looking to involve people, industry specialists in their own areas, to come up with some solutions to address the problem in their area.

As an individual I am fairly limited in my ideas, but I think we can tap into the community and also work closely with other government agencies so we can pool the buckets of resources that come through state and regional development, through federal aid that is administered through state and regional development, AusIndustry things, export type things—some of which are available, some of which have changed—and share in projects, if need be, to the greater benefit of the region.

**Mr McLean**—In terms of transport corridors, 14 per cent of our work force currently works in Sydney, one of the most vibrant work forces in Australia, if you like. Certainly, better access to that market would have a very positive impact on job seekers from the Illawarra.

**Mr Quigley**—That 14 per cent was a 1991 figure and we are expecting that that will increase significantly in the 1996 journey to work. A very fast train would open it up as well.

**CHAIR**—We also heard requests from Kiama and particularly Nowra-Shoalhaven this morning that transport is a very important issue down the coast, too—probably both road and rail, to say nothing of bus.

We have to conclude our hearings here today. I thank you all very much indeed for your contribution. I am rather pleased that in fact we have finished with both the optimism and the history that says we do not have much reason for being optimistic. This committee would like to let you know that we intend to stay optimistic. One of the things that you have also said to us is that if there was a job you would take it.

I think the most important thing that comes out of our inquiry is that you cannot get jobs without investment. If you have got public sector and private sector retreating from areas, that is not going to help job creation. So what we need to do is, I guess, put all those ideas together and see if we can get the best outcomes. Thank you very much indeed for coming before the committee here today.

**Committee adjourned at 2.56 p.m.**