



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

EMPLOYMENT, EDUCATION AND TRAINING
REFERENCES COMMITTEE

Reference: Regional employment and unemployment

WEDNESDAY, 22 JULY 1998

MAITLAND

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SENATE

EMPLOYMENT, EDUCATION AND TRAINING REFERENCES COMMITTEE

Wednesday, 22 July 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 and Senator Allison for Senator Stott Despoja

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

Senators in attendance: Senators George Campbell, Crowley 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

**JACKSON, Mr Denis John Roy, JPET Coordinator, Samaritans Foundation, 32
Brunker Road, Broadmeadow, New South Wales 2292 965**

**MOORE, Mr Rodney Douglas, Operations Manager, Upper Hunter Business
Enterprise Centre, 116 John Street, Singleton, New South Wales 2330 981**

**MURRAY, Mr Michael John, Executive Officer, Hunter Regional Development
Organisation, PO Box 189, Hunter Region Mail Centre, New South Wales 2310 . . 992**

**SEDMAN, Mr Warren Lindsay, Chief Executive Officer, Upper Hunter Business
Enterprise Centre, 116 John Street, Singleton, New South Wales 2330 981**

**WILLIAMS, Ms Shelley Louise, Lower Hunter Program Manager, Samaritans
Foundation, 32 Brunner Road, Broadmeadow, New South Wales 2292 965**

Committee met at 1.31 p.m.

JACKSON, Mr Denis John Roy, JPET Coordinator, Samaritans Foundation, 32 Brunker Road, Broadmeadow, New South Wales 2292

WILLIAMS, Ms Shelley Louise, Lower Hunter Program Manager, Samaritans Foundation, 32 Brunker Road, Broadmeadow, New South Wales 2292

CHAIR—I call the committee to order and declare open this public hearing of the Senate Employment, Education and Training References Committee. This afternoon's hearing in the Maitland Town Hall is part of the committee's inquiry into regional employment and unemployment.

I welcome our first witnesses. The committee prefers all evidence to be given in public, but you may at any time request that your evidence, part of your evidence or answers to specific questions be given in camera, and the committee will consider any such request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate, as has happened in recent years.

The committee has before it your submission, which we have numbered 103, dated 13 April 1998. Are there any alterations or additions you wish to make at this time?

Ms Williams—Not to the written submission.

CHAIR—That is fine. I will now invite you to make an opening statement, and then we will have some questions from the Senators. Thank you very much.

Ms Williams—First of all, I would like to welcome you to the Hunter Valley and to introduce Mr Denis Jackson and myself. We have been asked to represent Mr Cec Shevels and the Samaritans agency. The Samaritans is the welfare arm of the local diocese of the Anglican Church. Samaritans provides a range of funded services and emergency relief centres throughout the Hunter region.

Denis and I work and live within Cessnock LGA. Cessnock is approximately 25 minutes drive west of where we are today. Cessnock is a medium-sized regional centre of approximately 45,000 people, and has a traditional base of coal mining. The Cessnock area once boasted up to 30 working mines but, due to a number of factors, these working mines have now shrunk to zero, although one mine is in the process of restarting in the near future. Today, the area is more famous for its vineyards and wine industry. Hospitality and tourism have developed on the strength of the wine industry, and considerable investment is being injected into these sectors.

Denis and I wish to draw your focus to the human face of regional unemployment: the sense of hopelessness and the lack of self-worth experienced by unemployed members of

regional centres. As the gap between the haves and have-nots continues to widen, Cessnock's current unemployment rate is approximately 13 per cent, and the provision of benefits received is inadequate for individuals and families to survive on.

Samaritans emergency relief is experiencing a substantial increase in individuals and families seeking assistance with the basic need for food. The centre at Cessnock is providing for over 60 individuals and families per week. As a society, we have reduced members of our community to utilising institutionalised begging, and at times this amounts to receiving only a loaf of bread, a tin of baked beans and a carton of long-life milk. The emotional stress placed on families is enormous, especially for males who have been brought up with the traditional values of being providers for their families.

It is beyond many Australians' comprehension to perceive that a number of people are left to beg for their next meal. We conveniently hide this behind closed doors for charitable agencies to take care of. My experience is that the little we have to offer these disempowered members of our community is gratefully received. Apart from the desperate emotional needs of the unemployed, the nutritional and health status of these individuals is of major concern, as many are unable to provide a roof over their heads and purchase fresh meat and produce. Samaritans as an agency and workers within human services are reduced to offering bandaids.

In Cessnock, the employment horizon is bleak for a group that is often referred to as our future, the youth of our regional centres. These young people are not our future; they are now. We need governments, corporations and companies to develop systems and structures that will address the problems of now. Dennis will expand on the issues of regional unemployment.

Mr Jackson—Thank you for the opportunity to address the Senate inquiry. I hope that the comments I offer can be of some use to the Senate in its investigations into regional unemployment. I wish to focus my short presentation on the effects of unemployment on young people in regional centres. I am employed by the Samaritans Foundation as coordinator of the DEETYA funded JPET program, JPET standing for jobs, placement, employment and training. I am based in Cessnock. I have over eighteen years experience in social welfare and employment programs, principally working with young people.

I am sure that this inquiry has available an extensive battery of statistics which will assist it in developing an appreciation of the effects of unemployment on regional centres. I will seek to add to this knowledge by offering a human perspective on the issue. The social implications of youth unemployment are devastating for the individual, a source of great concern to the young person's family and highly undesirable for the broader community. From our earliest years, our society encourages us as young children to consider what we will do when we grow up. As young children, we will respond with answers which reflect perhaps what our fathers and mothers did for employment. Young people may even respond with a range of professions from astronaut to zoo keeper.

Unfortunately, the stark reality for one in four of these children is that they will not leave school to enter into their chosen vocation, nor their second, third or fourth choice—they will leave school to enter into unemployment. Official figures put youth unemployment at around 25 per cent. Within regional centres such as Cessnock, our experience indicates that this figure may be closer to 50 per cent, if not higher. We cannot be optimistic that the situation will improve in the short to medium term.

What are the effects of unemployment on young people? Without wishing to be too simplistic, many of these effects can be attributed to a deep sense of loss. This loss is evidenced in loss of potential, loss of opportunity, loss of purpose, loss of self-esteem, loss of self-respect and respect for others, loss of income and wealth, loss of pride and loss of motivation. As any of us would grieve for the loss of a loved one, many of our young people are now grieving for the lack of a chance to make a worthwhile contribution, to be independent and to be accepted as valuable members of our community.

I will focus on one of these areas of loss, the loss of purpose that unemployment inevitably builds within the young person the longer they are without work. When each of us rises from bed in the morning, we approach the day with a sense that we have something to do, some goal to achieve or a purpose to which we must put ourselves. Our work has meaning and we derive meaning from our work. When young people are unable to have a sense of purpose in their lives, when they are unable to contribute in a meaningful way and when they are denied the reassurance and security that independence and acceptance by the community offer, self-esteem plummets and worthlessness replaces the natural vigour of youth. I firmly believe that the 12-fold increase in suicides amongst young men in rural Australia is directly linked to the loss of identity, purpose and value these young men experience by being unemployed.

If we are not to accept that between one in four and one in two of our young people are to be consigned to an indeterminate period of unemployment, what can we as a community, and government as representative of the community, do to remedy the situation? It is not enough to trust that market forces will create an environment which will encourage the employment of young people. It is not enough to train and retrain our young people for a decreasing pool of often casualised jobs. It is not enough to provide incentives and disincentives to keep young people at school. In order to correct our current unacceptably high rate of youth unemployment, there must be a planned, positive intervention by government to promote the employment of young people within all sectors of the economy. In dealing with the issue of youth unemployment, government must lead.

CHAIR—Thank you very much. Senator Tierney will begin the questions.

Senator TIERNEY—Mr Jackson, JPET as a program has been held in pretty high esteem. It has had a fairly chequered history of stop-starting. Could you perhaps run us through that sequence, and particularly address how it has had an impact up here.

Mr Jackson—From what I understand of it, the trial run of JPET—I may be a little wrong here—was originally through 1994-95 and 1995-96. It was run for a two-year period and then evaluated at the end of that particular trial. I am led to believe that the evaluation of the project was quite positive, in that it was able to make a very real impact on some of the most marginalised young people within our community. JPET targets young people who are homeless or at risk of homelessness, those who are migrants, those who are ex-offenders, and those who are wards of the state or are exiting wardship. We are dealing with kids who, very often, are at the fringes of our community.

The evaluation came back quite strongly positive—from the information I received from DEETYA, when I first was appointed to this program—and it was also fairly cost-effective in terms of our delivering services fairly efficiently and fairly cheaply. That was why it was resurrected after the trial and put out to tender to community organisations approximately 18 months ago. We were successful in gaining one of those tenders.

Senator TIERNEY—Yes; but there was a period, wasn't there, after the trial was successful, when it actually was not taken up nationwide for some time, and then after that it was taken up?

Mr Jackson—There certainly was a lag between the trial period and the reinstatement of it. What I am led to believe now—although your information may be very much better than my own—is that it certainly has been applied nationwide now, and they have actually increased the numbers of organisations which are actually providing the services through the program.

Senator TIERNEY—That is right. I remember that we were quite curious at the time. It was under the last Labor government that the trial was brought in and the program was shown to be successful, but it was then not taken up. We were very critical of it at that time, because we saw it as perhaps one of the most effective programs. Under this government, it has been taken up.

Ms Williams, in terms of Cessnock and youth unemployment out there, as you pointed out, the number of mines has gone from 30 to zero and now back to one. But, of course, right next door is the booming vineyard area. I had the opportunity two weeks ago to go down a road that I had never been down before out there, and I was amazed at the number of resorts, restaurants, vineyards and wineries that actually existed in that part of the valley.

The sorts of work done in vineyards, in resorts and in restaurants are labour intensive and tend to employ young people—but you are saying that Cessnock, right next door, has high youth unemployment. Could you explain why that is happening? Obviously, there are opportunities for young people to be employed nearby in much more pleasant work than that down the mines of 20 or 30 years ago. What is happening there?

Ms Williams—Part of it is that the necessary structures have not been put in place for the employment base and the educational institutions to actually talk together to facilitate the

development in young people of a lot of skills that would take them the further step into, perhaps, looking into the vineyard work. A fair amount of that work is actually seasonal, and so we tend to find that young people are employed there, but it is on a seasonal and very much a casual basis.

Senator TIERNEY—Including the resorts and golf courses?

Ms Williams—Yes.

Senator TIERNEY—That is seasonal as well?

Ms Williams—It is not so much seasonal, but they offer more casual employment in a lot of cases. We have tended to find, too, that a lot of the people setting up the vineyards and running them are coming from elsewhere around the nation, and that they tend to bring a fairly strong following with them as well. People are moving into the town and following people that are setting up new workplaces, and so they are actually employing people from out of town.

Senator TIERNEY—I suppose that has a secondary job generating affect, in the sense that the area grows and other jobs are provided. Have you got any sort of breakdown in terms of direct employment for locals out in the Cessnock area, the Hunter and then wider than that? Is there any picture of that?

Mr Jackson—It is very difficult to get some very firm information on this. We would have loved to have had a little more accurate information to be brought along in terms of the statistics broken down to an area that defines Cessnock fairly neatly, but we have not been able to get that, unfortunately.

Certainly, anecdotally—I have been involved in employment programs on and off for about nine years within Cessnock so I have been riding some of that wave of development out there—there is a certain snobbishness, for want of a better term, from some of the vigneron, from some of the resort owners, and certainly managers, in regard to the local population. There is a perception that the locals do not have the correct idiom in terms of their speech in regard to how they address guests. One of the classics I have heard is ‘Don’t ever say “youse”—“What do youse want”’, which is the way the locals talk very often, but that is not acceptable out there.

Senator TIERNEY—A great Hunter Valley tradition!

Mr Jackson—Indeed. But it is very much image conscious and—as you would have experienced—very high class accommodation, quite a lot of it, and unfortunately lots of locals just are not competitive for some of the front office, and certainly some of the floor jobs, that are available within these resorts.

I was involved with the Cessnock Skillshare for quite some time. We did a lot of training there to be able to meet the demands of the industry, particularly within hospitality. We were quite successful in being able to provide a lot of labour for up there, but there were a couple of problems. Only some of our trainees were ever suitable, simply because of matters that were outside of their control, such as appearance, height. Certainly, if you had tattoos on your arm, for example, it did not lend you to be an a la carte waiter. There were a number of restrictions in terms of the person as much as the skills that these particular employers wanted.

Secondly, lots of the jobs are casualised. Perhaps this is the way the economy is going, but, in terms of them being mortgage paying jobs, which certainly I see as ones that are valuable for those that have families, you cannot rely upon these positions to be able to ensure continuity of employment and continuity of income to support what a family would require.

Within the actual vineyards themselves there are better opportunities for the locals, particularly as vineyard hands, pickers, pruners, and there is lots of grape tying and various other duties there. Some people have been able to secure between about eight and nine months work by being able to follow through the seasons with the vineyards and being able to maintain some level of real income through that. Unfortunately, it is not continuous, and certainly at the moment, now that pruning is finished, there is a complete lapse until you go through into bud burst. So lots of these folk go back onto the dole, in effect.

Senator TIERNEY—Lots of the skills that are needed in those sorts of jobs are TAFE-based skills. There is quite a well developed TAFE at Cessnock, and indeed at Maitland as well, so are they addressing this particular problem at all to help local young people come through and get those local jobs?

Mr Jackson—I believe TAFE have been quite encouraging of young people to be involved in the viticulture industry, and certainly one of the high schools that I deal with as well—Mountview High School—has viticulture as one of the electives going through to HSC. There are opportunities there, and the TAFE has recognised the opportunities.

The training that is provided does take you some of the way towards being able to compete for positions up there, but most of it, to be perfectly honest, are word of mouth positions. There are lots of family companies involved in the wine industry up there as well, so employment is actually passed down as you go through, through various families and through the connections that you have.

Senator TIERNEY—That is certainly the case in the coal industry, isn't it?

Mr Jackson—It can be. I believe there is a more even playing field these days in the coal industry.

Senator TIERNEY—Yes. I know it is changing.

Mr Jackson—With regard to TAFE's training, Kurri TAFE is the principal trainer for the viticulture industry. They provide a very good service for that, and they certainly are providing training that is of industry standard. However, it is more the ability to then be able to take your training that further step and convert it to a job, and convert it to a real job that will actually help you to support your family. And I think that is where it comes down to the crucial part in regard to our particular town and the need for there to be some other industry base besides vineyards and hospitality.

Senator TIERNEY—Of course, you have the aluminium smelter nearby. Is there any sign of anything else coming into the area that might take up this problem?

Ms Williams—No. The aluminium smelter, over a period of the last two years, has actually downsized slightly, so quite a number of people have lost employment through capital downsizing and restructuring. It is almost impossible to get on in there. I think they only offered about five apprenticeships this year, or something like that.

Mr Jackson—I think, actually, their apprentice intake went up to about nine for the year. I guess in times gone by there were many more apprenticeships offered when business was booming a little better than that.

Senator TIERNEY—I know aluminium is a very much up and down industry, but compared with Tomago it is not quite up to the mark in terms of world best practice because of the age of the plant. Is there anything else on the horizon?

Ms Williams—Nothing really, except the garbage, if you want to quote that.

Senator GEORGE CAMPBELL—On the comparison by Mr Shevels with the 18th and 19th centuries in your submission, I think something has changed: we now have wage slavery instead of slavery—but the others remain constant. There is a comment at the bottom of page 3 about the New Zealand experience. It says that benefit levels will also fail to keep up people's incentives to work. You are talking there about the experience in New Zealand where they actually cut welfare benefits. Wages fell and then they cut welfare in order to provide the incentive for people to move into the work force because of the poverty trap situation.

One of the things that concerned me when I was in New Zealand two or three years ago—I put a report together for my organisation at that time—was that in talking to the various welfare groups they said that the fastest growing industry in New Zealand was food banks. They had grown to such a proportion that in the year I was there they were at the stage of organising a national conference of food banks, which was quite an amazing indictment on that society. To what extent, coming from the area you come from, has there been a growth in dependency on welfare type organisations by the community? Are you able to measure that growth?

Ms Williams—Just looking at a comparison of even 12 months ago, we were probably seeing about half the number of people. So we were averaging about 30 people per week, which has now increased to 60 families and individuals who are relying on food parcels, assistance through EAPA vouchers to pay for utilities and assistance with bus fares—everything—because they just do not have the resources to stretch. I would say that it has actually doubled in the reliance—

Senator GEORGE CAMPBELL—For that period.

Ms Williams—You have some people who tend to use you as the backstop constantly but a lot of those are new referrals of people—even young people and a lot of older people who have not utilised welfare systems before.

Senator GEORGE CAMPBELL—Would that be a similar experience to other welfare groups that you have knowledge of?

Ms Williams—Yes, we are actually setting up some networks to meet regularly and try to address the problems that we are all experiencing with the overstretching of our resources. We just cannot meet the needs of the individuals coming to us.

Senator GEORGE CAMPBELL—That is the other part of what workers in New Zealand said. They said that they found themselves in a position where they were actually having to means test families in terms of making a determination as to who got access to provision of welfare services. Means tested in the reverse as opposed to—

Ms Williams—We actually have had to introduce referral mechanisms such as that as well, so all people attending our emergency relief centres now have to go to Centrelink and get a referral which actually states what benefits they get and the last date that they received a payment and such as part of the means of our being able to stretch our resources.

CHAIR—You said they come to you for EAPA, assistance with utilities. What does it stand for?

Ms Williams—It is the Energy Australia Payment Assistance, which is vouchers—

CHAIR—Assistance with the gas, electricity—

Ms Williams—It is only electricity actually.

CHAIR—So it used to be state government assistance, now it has become EAPA.

Senator GEORGE CAMPBELL—Mr Jackson, what has been your experience in this region with the new Job Network in terms of its impact on young people?

Mr Jackson—It has not been enormously positive, to be honest, Senator Campbell. I am not sure how well you know the Hunter Valley, but Maitland and Cessnock are two towns of fairly comparable proportions in terms of population, geographic coverage and a number of other different factors. They are fairly similar towns.

We did not do very well at all in the allocation of services through Job Network. When the tenders were allocated, we received one FLEX 3 outlet, the Employment National service had FLEX 1 and 3 and we had Hospitality Horizons come through and that was it. That was all the assistance we had. We were led to believe there might also be some outreach services, possibly coming from Maitland, but there were only the two. Hospitality Horizons very early went to the wall, in effect, and never opened its doors as an employment assistance provider, so that left us with one.

We looked across the border at our neighbouring town, Maitland—where I believe there are five or six employment providers—and it left us scratching our heads, to be perfectly honest, as to why—with two towns of very comparable size and situation—one had received between five and six agencies providing employment assistance and Cessnock, with a higher rate of unemployment, had been left with one.

Since then I have been involved in a small subcommittee, through the local council, of a number of interested parties in employment matters. We attempted to attract interest from the employment providers in Maitland to come over to service our people.

CHAIR—To Cessnock?

Mr Jackson—Yes, to Cessnock. We were successful in attracting Mission Employment to come out. They are actually in our building one day a week providing an outreach service and the gentleman involved is quite busy while he is there. The Hospitality Horizons contract has since gone to a fairly large organisation which has now provided services in FLEX 1 as well. So there are two FLEX 1 providers, plus Employment National is providing FLEX 3.

CHAIR—Did Hospitality Horizons subcontract them to do it or was the tender withdrawn and a new person started?

Mr Jackson—I believe it was the latter.

CHAIR—A new person started?

Mr Jackson—That is correct. I think it was Job Futures.

CHAIR—Thank you very much.

Mr Jackson—Even though we have increased it slightly, we still have 4,000 registered unemployed people in Cessnock. We have jobs that are there in terms of the vineyard industry, as we have mentioned to Senator Tierney, and certainly there are some casual positions available in hospitality but I just believe that the locals are disadvantaged again in not being able to have adequate advocates, adequate people out there canvassing employers and being able to market these folks under the new Job Network system to give them the best opportunity to actually go in there and try and secure those positions.

One of the concerns we had—we have no evidence at the moment to back this up one way or the other but, I must admit, it was a fairly genuine concern—was that, if you are an employment provider based in Maitland, in terms of how you are rewarded under the Job Network system it does not matter whether a person comes from Cessnock or Maitland to fill the job, so you might have hospitality jobs in the Cessnock area going to Maitland folks. If they are the best persons for the jobs, good luck to them. But I certainly think that our own people are doing it tough enough without train services and adequate access to Newcastle, which is our major source of employment as well outside our area, without all of a sudden opening up what limited opportunities we often have to further competition and to difficulties.

Senator GEORGE CAMPBELL—So that I clearly understand this, you are saying you have two FLEX 1 providers and that they are available one day a week in Cessnock?

Mr Jackson—Employment National is there five days a week.

Senator GEORGE CAMPBELL—Are they providing FLEX 1, 2 and 3?

Mr Jackson—FLEX 1 and 3. We have no FLEX 2 provider at all. We have one day a week from Mission Employment and then we have the new player on the scene, although they have not officially started, to the best of my knowledge at the moment. That is, there has been no publicity and they have not been seeking referrals. That is another organisation—Northumberland Network—which, I believe, took up the Hospitality Horizons contract through Job Futures.

Ms Williams—One of the biggest issues that we are faced with—as for people needing to come to Maitland—is that we only have a private bus company. That means that, if you are on unemployment benefits and on FLEX 3 you are required to attend your provider 15 days straight, in effect, it will cost you almost \$7 per day to get to and from Maitland.

Senator GEORGE CAMPBELL—How regular is the service?

Ms Williams—It is an hourly service to and from Cessnock and Maitland. It is just the cost factor that is the problem, and for people to utilise the bus to Newcastle costs almost \$7 one way.

Mr Jackson—You are talking about \$14. If you were a young person on unemployment benefits, you would chew up your benefits travelling to and from your employment service provider. That was why it was so important for us to have a range of services available within Cessnock, and we seem to have got the short end of the stick, to be perfectly honest, when you compare the two towns, two very comparable towns.

CHAIR—You just said ‘Cessnock’. Did you mean Maitland?

Mr Jackson—No, Cessnock dipped out. Maitland did quite well.

Senator GEORGE CAMPBELL—Mr Jackson was saying that they are similar towns in size and population.

CHAIR—I have misunderstood you. Cessnock did badly and Maitland did well?

Mr Jackson—Yes.

CHAIR—I beg your pardon.

Senator GEORGE CAMPBELL—Mr Jackson, I think you said that you do a fair bit of work with young people. What has been the reaction amongst young people to the common youth allowance?

Mr Jackson—Confusion would be the simplest way to explain it. A number of my clients have lost benefits through it because they did not understand the system. Often they are transient, unfortunately, and their change of address does not keep pace with where they are actually staying.

Our local Centrelink office in Cessnock have been very good. I have no criticism of them. They have been patient, and they have developed a youth team of about five or six volunteer officers from within Centrelink who specifically want to try to assist young through what can sometimes be quite a confusing maze to travel. I have no criticism of Centrelink on a local level.

On the larger level, though, I think there has been inadequate publicity with regard to the youth allowance and its explanation in terms that young people can understand. That means to be able to give the information so that young people could convert what they were doing before the common youth allowance to what was occurring after the youth allowance was present and be able to see the nexus between those two and understand how to travel along that path from one to the other. The kids have been genuinely confused.

I must admit that I have spent a considerable amount of time with my clients in actually taking them to Centrelink and going through the process with a staff member. Once that has

occurred it has not been too bad; we have been okay. But young people who are unsupported have found it fairly difficult.

The other problem we have faced—and this is not so much with my client base, because I deal with homeless and at risk of homeless young people—is that a lot of young people with parents, even in Cessnock where our incomes are not that high, are not qualifying for any assistance at all because of parental income.

The youth allowance drops off at \$41,000—you do not get another cent. Some of our families, particularly those who have been fortunate enough to actually work in the mines, have incomes that exceed that. They have mortgages and cars and various other commitments, and all of a sudden they are finding that if their children are going through to their HSC level, and hopefully on to university or to further education and training from there, they are supporting them for quite a number of years. That is an additional burden on families who are, certainly in our neck of the woods, in the privileged state of actually having a job.

To be honest, I think the consequences of the youth allowance have only just begun to be felt. I think it will have considerable impact upon young people and their families that we have not fully realised yet because the dust has not settled on this. For example, we have only just begun to get letters out to potential recipients of youth allowance who have not changed over yet, and they are being cut off and left without any source of income at all.

Senator GEORGE CAMPBELL—Can I just come back to Job Network. Have you attempted to try to get any explanation as to why there was such an imbalance between the services provided in Maitland and those provided in Cessnock?

Mr Jackson—We certainly have. We have spent some time doing this because we were not at all happy about it. We have worked it through the office of our local member, the member for Hunter, Joel Fitzgibbon, who has not been at all pleased about the disparity between the two towns. We have also had representatives at the local level of DEETYA come out from Newcastle. To be honest, the best explanation we have had offered to us was, ‘We have appointed the service providers on a regional level.’ Where they base and where they service is determined in some ways by the providers themselves, but you could be serviced from Maitland. We did not find that to be a satisfactory solution.

We found there was a considerable amount of information withheld from us because of the commercial-in-confidence label that was attached to any investigations we started or inquiries we may have made that seemed to be either difficult or potentially subject to some criticism. There appeared to be this commercial-in-confidence cloak which immediately came down in front of everything and therefore your access to information was cut off.

Senator GEORGE CAMPBELL—I suppose you cannot do so but we on this side of the table could probably suggest there may be some political influence on the decision also, given that Cessnock is in a Labor seat and Maitland is in a Liberal seat.

Ms Williams—A lot of the agencies based here in Maitland did place within their tenders that they would service Cessnock. There was no consideration given to all the factors that prevented people from actually getting to Maitland.

CHAIR—Do you know whether there is a piece of paper in which they said they would service Cessnock?

Mr Jackson—No, we do not.

CHAIR—It is an interesting point. We should take that up for estimates, because if they have been successful because of that promise, it may be that we should ask how they are doing that and why it is that, if they are at all, they are doing it by requiring unemployed people to pay for the bus ride. A common understanding of ‘We will service Cessnock’ would be that they might go down there to provide the services.

Ms Williams—I think it is very much a lesson learned for the next round of tendering. The questions that need to be asked of providers when they put in their tenders should include, ‘Could you please give us a work plan or some sort of action plan as to how you are actually going to deliver the service.’

Another great issue that we have faced is that, because of the youth allowance and the extra strain that puts on families, there is a great perception now that young people should be driven out of town and plonked in a place where there are more beneficial employment opportunities for them, or the sense that they will be able to get jobs if they move towns. There is a bit of a local perception now that our young people should just move out of Cessnock to find jobs, wherever they might be, whether they are in Sydney or anywhere else. The great problem that we have in Samaritans is the breakdown of their sustainable natural support systems. Some 17- and 18- year-olds would relish the opportunity to go to the big smoke and set up their life there, but for some it is really difficult. We are seeing young people being encouraged to move away to larger population areas like Sydney, only to see them break down, fail and have to come back.

Senator GEORGE CAMPBELL—We have already heard evidence in Lismore to the effect that young people are being advised by a representative from Centrelink to move out of the town, to change their living environment and then they will qualify for the payments.

Ms Williams—I am not too sure whether they are being informed to move out so they could get the payments, but I do know there was a case management service provider who said to us that they would be encouraging young people to leave the town.

Mr Jackson—The long-term implications for a town like Cessnock of losing young people are not at all good. The young people are your future. They are the ones who become the solid base as the rest of us age. Given the nature of this inquiry into regional unemployment, it seems a pity that the regions are not valued for what they are. They are very strong,

solid places. The bush faces adversity. It deals with fire, flood, drought and pestilence. It really does it tough and there is strength in the people.

I was born in Sydney but honestly could not wait to get out after I finished university. I have chosen Cessnock as a place to live, as have my children and my wife. We want to be there. There is a lot of strength. There is a lot of solidity in the area. It is good, honest country. The coal mining industry has provided good, ready workers and people who, for generation after generation, have been prepared to do hard, dangerous work that no-one else wanted to do. It is a bit of an emotional statement, but it feels very much as if the town has been abandoned. It has served its purpose—‘You dug the coal out when we wanted it; but we have got machines that replace men.’ It does not matter. It just becomes a casualty.

CHAIR—A message we are getting in a lot of places is that regional Australia feels abandoned. There are qualifications to that. There is that same message from lots of places. Another thing we have learnt is the importance of the local character and you have just given us a very neat description of that.

Senator GEORGE CAMPBELL—I have to say, to be honest with you, in some of the places we have been to that it is obvious that it has been abandoned. People do not need to tell us.

Ms Williams—I have been working in Cessnock now for 4½ years and I have noticed a great erosion of the pride of the town and of the tolerance of a lot of people because of the great division that we have now with some people who are able to still secure work in the mines having larger incomes and those who do not have any. There is a real lack of tolerance starting to form between those who have and those who have not.

CHAIR—We are having to be on time this afternoon, so if I can urge you to be brief in your answers. Senator Campbell can put his questions.

Senator GEORGE CAMPBELL—I have two issues I want to raise for more clarification in respect of what you say can be done. On page 11 of your submission, you say:

. encourage employers to establish flexible working conditions, job share etc;

What do you mean by that? The argument about job sharing is all you are doing is sharing the poverty. Maybe you have a different concept and I would be interested to hear what your concept is when you talk about job sharing.

Mr Jackson—Mr Cec Shevels wrote the paper and we are responding to Cec’s presentation there. I cannot, unfortunately, have him with me at the moment. I would anticipate that Cec was referring to, if you are looking at the limited number of jobs we have, being able to provide the basis that people have meaning in what they are doing. There are some people—and again this is a bit of a generalisation—for example, some women returning to the work

force, who would prefer not to necessarily take on full-time work, but would perhaps like part-time work. There are young people who would like to gain experience and they would gain that experience through part-time work to then make them competitive for the full-time positions when they come. If we had a more flexible labour market in terms of incentives or assistance to be able to look at things like job sharing, you may find that that young person coming through may job share with a married woman who is returning to the work force and that meets both their sets of needs.

Senator GEORGE CAMPBELL—But that also raises the connotation that, if you look at it from that context, you then also have to look at terms of the younger person being provided with an adequate income. You are not going to get high wages for short hours, so it means you then have to have multiple jobs available to people. So you have to have an employment system that can facilitate a person being employed with, say, two or three employers during the period of a working week which then raises the other issues about the necessity of having multiple skills available because you may not be able to get three different employers in a town like Cessnock providing the same work tasks that require the same skills. So people are going to have to be multi-skilled—perhaps work as a waiter or a barman one day, as a computer data entry person the next, or at the local coal mine the day after.

So that raises a whole series of questions about the infrastructure that you need to put in place to facilitate that type of labour market flexibility. I do not think we are anywhere near the point yet in our thinking in this country to be able to accommodate that sort of flexibility. But, if it is that concept of job sharing that you are looking at, then it has got some validity. If it is about also looking at limiting the number of working hours people work a week and through that process sharing the available work around, then that has got some possibility. But, if it is about sharing the poverty—in other words, having two people getting half a week's wages, as opposed to one person getting a full week's wages—then I think you would have real problems with that concept.

Mr Jackson—Certainly the casualisation that I referred to earlier with employment is very much evident in our area. We find that we do have people who are working for two, three or four employers trying to pick up casual work. If you are, for example, a waiter and you do not earn a high hourly rate, then you may find yourself working for a number of employers to try to pick up an average of, say, five shifts per week.

One of the structural problems with the tax system is that you can claim your tax free threshold with only one employer. There is an immediate financial disincentive to people who are prepared to get out there and work hard through that system already. There may need to be some adjustment considered there in terms of being able to look at a gross amount, as opposed to the numbers of employers, in terms of determining how we doing it.

Senator GEORGE CAMPBELL—There are ways of doing it such as labour hire companies and labour cooperatives. There is a labour co-op in Newcastle that employs labour and they become the employer. But there is another issue too, at the end of the day, that has not really been put to the test here in terms of labour-type hire arrangements. That is, who

actually is the employer? In the United States for example, it is very clear—because it has been determined—that the employer is the company that contracts the labour hire company in. It is not the labour hire company as such. But that employee-employer relationship has never been tested here and there are issues there that are a prohibition on some of these other things occurring.

CHAIR—Can you wind this point up now?

Senator GEORGE CAMPBELL—Yes.

CHAIR—I want to ask you how much money did your organisation get?

Ms Williams—As a whole organisation?

CHAIR—In this region. If you do not know, that is fine. Can you provide that for us on notice?

Ms Williams—Most certainly.

CHAIR—Can you tell me whether it has gone up or down in the last little while?

Ms Williams—Over the last couple of years it has increased due to an influx of disability services that we now auspice.

CHAIR—Is that a direct negotiation with the federal government?

Ms Williams—Yes. That is through the tendering process.

CHAIR—Okay. So have you got any increased funding to deal with the increased social demands that you have been talking about, apart from disability?

Ms Williams—No. We have not. Cessnock is one of the only emergency relief centres for Samaritans that is actually funded through a federal grant. All the others are actually run by donations through the Anglican Church.

CHAIR—Does your organisation get to be invited onto to those various regional organisations that have got business, local council, community organisations on them? Do you actually get guernseys on some of those organisations?

Ms Williams—As in organisations for—?

CHAIR—As in a regional planning development or economic development—

Ms Williams—Yes, we do.

CHAIR—The other thing is child care. Have any child-care centres had to close in Cessnock?

Ms Williams—They have not closed as such. They have definitely been experiencing reduced numbers of people. We actually have family day care centres under our auspices and we have noticed there has been a dramatic drop in people who are registered for having their children cared for, who are choosing to go and make other arrangements.

CHAIR—We have to finish there—because of the time, not because of lack of questions to ask. I appreciate Senator Campbell not asking all of his questions. If we needed to contact you for further information, is that acceptable?

Ms Williams—Yes.

CHAIR—Thank you very much indeed and thank you for coming to give us that information. It has been very useful indeed. We do need to hear about the human side of unemployment, as you put it, Mr Jackson. Thank you both very much.

[2.20 p.m.]

MOORE, Mr Rodney Douglas, Operations Manager, Upper Hunter Business Enterprise Centre, 116 John Street, Singleton, New South Wales 2330

SEDMAN, Mr Warren Lindsay, Chief Executive Officer, Upper Hunter Business Enterprise Centre, 116 John Street, Singleton, New South Wales 2330

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 that request. I do have to 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 invite you to make an opening statement and then we will have questions from the senators.

Mr Sedman—We have a brief presentation. The Upper Hunter Business Enterprise Centre is a regional not for profit company limited by a guarantee that services the Upper Hunter communities in business, economic and regional development services. We have been operating for the past eight years and we have offices at Singleton, Muswellbrook and Scone.

Quite regularly, regional councils and community leaders seek our advice on business and economic matters and direction and focus. We are a member of the federal government Job Network, Job Matching and NIES services. We speak on behalf of the Upper Hunter region and we want to share with you this afternoon some views on the employment challenges currently facing the Upper Hunter.

Senator GEORGE CAMPBELL—What area do you service in terms of Job Network?

Mr Sedman—The Upper Hunter is Singleton, Muswellbrook, Scone, Merriwa and Murrurundi and we have the FLEX 1 Job Matching. With respect to the NIES—New Enterprise Incentive Scheme—we are the only provider for the entire Hunter Valley. There used to be four but now there is only us. Maybe we are doing something right.

For today's presentation we have looked at emerging opportunities for the economic development and employment in the midst of an economic change happening in the Upper Hunter, which Rod will talk about, and at the role of government in rural and regional communities. We will certainly be able to answer a lot of your questions on Job Network and what is happening currently.

The Upper Hunter is a subregion of the Hunter. As I said, there are the five local government areas and we do work very cooperatively and cohesively. The shires range from having 21,000 people down to two shires that have 2,500 people. So we have the large and

the small. There are 50,000 residents, which is approximately 10 per cent of the Hunter's population, and they reside in 18,000 square kilometres, which is a rather large area.

The subregion, unfortunately, is usually consumed by being involved with the Hunter. When you talk Hunter, you talk Newcastle. We recently had Minister Ronaldson return a letter to us saying that he has already contributed some money for the Hunter, but it was Newcastle. So the Upper Hunter is consumed. We are certainly a specific subregion. When you look at statistics, mining for the Hunter, employment is five per cent and yet we are 18 per cent—so we do get lost in there. It is probably typical of any subregion of a larger region in rural regional Australia.

Our unemployment rate is seven per cent, which sounds wonderful but, if you are unemployed in the Upper Hunter and you have not been there for 100 years, you cannot afford to live there because the economies are based on mining and energy salaries which are about \$80,000 per year.

We are quite proud of the status of the regional economy. Fifty thousand people contribute in excess of \$7 billion to the national economy. In some of those areas, 52 per cent of New South Wales export coal and in excess of \$600 million in agricultural products. We produce 70 per cent of the Hunter's grapes, which is an unknown fact. At the last yearling sales in Sydney, 70 per cent of the horseflesh sold was from the Upper Hunter. We are also quite proud of that.

CHAIR—They are from the yearling sales; I love it.

Mr Sedman—About \$47 million came back to our area.

Senator GEORGE CAMPBELL—And more importantly, many of them can run.

Mr Sedman—Exactly. We are exporting over 2,000 yearlings in horseflesh to South Africa. We also produce 46 to 52 per cent of New South Wales power. Over the past few years, up until last year, we have had steady economic growth. The mining and power industries represent 18 per cent employment in the Upper Hunter, but actually 50 to 55 per cent total income and salaries. We are heavily reliant, unfortunately, on that area, but we have great potential to develop and have a diverse sustainable economy. There is certainly a lot of vision and leadership.

CHAIR—Before you go, there is 40 per cent of the power.

Mr Sedman—It is 46 to 52 per cent.

CHAIR—I am sorry. Is that produced in your region?

Mr Sedman—Yes, at Bayswater and Liddell power stations on the border of Muswellbrook and Singleton.

CHAIR—Are they coal-fired power stations?

Mr Sedman—Yes.

CHAIR—With an oil fall-back position if the coal fails?

Mr Sedman—No.

CHAIR—Coal never runs out in the Hunter.

Mr Sedman—We have national parks. We just heard recently that we could go under. There are 19 coal mines in the Upper Hunter now.

CHAIR—How old are those power stations?

Mr Moore—Liddell was built in the late 1960s and Bayswater in 1984.

CHAIR—As new as that?

Senator TIERNEY—It is state-of-the-art.

CHAIR—I hope you will allow us to have a copy of these overheads. They would be very useful to put in our record.

Mr Sedman—That is fine. We have approximately 2,000 businesses, which include agricultural in the Upper Hunter. Unfortunately, the majority of those lack sophistication. When they talk about IT and electronic commerce, we believe that Newcastle is approximately three to five years behind. I think you would find that in any rural and regional area. The further you move away from a capital city type of town, the less sophistication there is. We also do not have the telecommunications infrastructure. Merriwa only got mobile phone usage in about September last year. If they have 30 mobile phones going at once, no-one else can come onto the network.

CHAIR—It is very good of you to have the honesty to say that top line. We hear it in dribs and drabs a bit; we appreciate that very much.

Mr Sedman—We live there, we work there, we do this, and this is our situation. We are going to come to the role of government in a minute. Government needs to understand how rural and regional Australia operates and the deficiencies. Government needs to understand

that they had to get up to speed very quickly. With electronic commerce, we do not have the infrastructure, and that is a problem for us.

Minimal support exists for micro- and small businesses. In fact, the only support available for those is our Business Enterprise Centre. If you look at the gateway, Singleton is the first gateway from Newcastle, which is 80 kilometres from Newcastle. The extremities are Willow Tree and Merriwa, which are approximately 240 kilometres from Newcastle. So we do suffer from that. It is very difficult for organisations which call themselves Hunter organisations to get out of Hunter Street, Newcastle.

CHAIR—This is very useful.

Mr Sedman—There is a lot of opportunity up there. However, with the displacement or readjustment in the mining and power industries and with the job losses, which Rodney is going to talk about, we have had an increase of something like 45 per cent of people looking at starting up a business, but we cannot afford to put on any extra resources. The opportunities are there but we cannot maximise them because we do not have the current resources.

There are new employment opportunities as the mines downsize. The work still needs to be done and they are creating outsourced opportunities. This means that our main role should now be to take some of these displaced workers, educate and train them in business management, and put them back with the mines to win tenders.

Coming to the government's role, governments from both parties, whether historically or currently, do aim at the top end of the market. They do aim big and put the dollars there, and we understand why. However, in rural and regional Australia we cannot attract large ones. There is no way you will get bigger businesses coming to us, so what we have to do is grow internally. All research suggests that in rural and regional Australia 70 per cent of growth is indigenous, so we have to grow the businesses. Rural and regional areas are very self-reliant. However, they lack the dollars, the resources and sometimes the expertise which we feel governments should be allocating short term.

Rural and regional Australia, particularly our area, is very self-reliant, but they usually need kick-start support. The best example we can give you is that BHP has given Newcastle two years notice that they are downsizing 2,500 people. There is about \$20 million to \$25 million in the Hunter advantage fund, which is state and federal money. We have been losing jobs since May last year. We will lose over 1,200 by the end of this month, and we have not got one red cent to do anything with.

CHAIR—From where?

Mr Sedman—Mining and power. That is possibly the best example of governments' lack of understanding of what rural and regional areas need. It also exemplifies that they aim at the top end of the market. I will hand over to Rod, who will talk more about the readjustment in the changing economy.

Mr Moore—Building on what Warren was saying, the Upper Hunter economy is reacting to global and national competitive pressures just like the rest of the world. The energy generation industry is adjusting to compete within the national deregulated grid and the coal mining industry is facing inexorable change due to long-term imbalance in the supply-demand equation, the Asian economic meltdown, global trends away from the burning of fossil fuels, which is an interesting issue in itself, and continuing price reductions.

One of the impacts of economic adjustment is downward pressure on employment. Employment in the power generation industry, for example, within the Upper Hunter was in excess of 1,800 persons at the commencement of this decade; it is currently below 750 and dropping. The regional coalmining industry employed in excess of 6,000 in 1990. When I say regional, I mean Upper Hunter. It is now a little over 4,000 and dropping rapidly. It is forecast to be less than 2,500 by the end of the decade. Those figures come direct from industry players. In excess of 800 persons have been advised of retrenchment in the past six months, and it is likely that a further 600 will face redundancy this fiscal year. That is in a population of 52,000. Compare that with the BHP circumstance at Newcastle.

The changes that are occurring create a wonderful platform for significant diversification towards sustainable outcomes. We are saying that the adjustments that are occurring actually create a platform for the Upper Hunter to leap forward. Despite the negative impact of the loss of traditional jobs, a new wave of regional economic growth from within is sweeping the region. The notion of the enterprising individual and indigenous growth is agreed as the way forward. We are pleased to say that we are very much part of that. That is what we preach and that is what we practise: growth from within.

Jobs are being lost—and this is happening, of course, all around Australia and the world—but there remains a need for the completion of work. That is a very important statement, I think. Traditional jobs in big companies are being lost but the work still needs to be done, though the structure of work is changing. Support mechanisms are required for individuals and groups to make the adjustments. That is one of the frustrations that regional Australia has.

Senator GEORGE CAMPBELL—Can I bring you back to the first dot point there. You say that a new wave of economic growth from within is sweeping the region. Can you give us some examples of what that growth is and where it is occurring?

Mr Moore—As many individuals and groups are displaced from the large energy industries and other industries, as individuals and groups they then say, ‘Well, what happens now?’ We are seeing in many cases those individuals and those groups, with our assistance very often, being restructured and reinvented into small businesses, maybe micro-businesses, one- or two-person businesses, or into companies. We might have four, five or six people that have synergistic skills and we can reinvent them as a company. They can go and do the work as individuals and as outsourced companies rather than having traditional jobs within those big industries.

Senator GEORGE CAMPBELL—Can you give us any specific examples of what they are actually doing—what types of activities, what sorts of companies?

Mr Moore—There is one organisation—as Warren said—a new company, where the individuals have a range of skills in the analysis of coal. They were displaced from companies that were a combination of the power generation industry and coal mining companies. They came together with our assistance and we formed them into a coal services organisation. They then tendered for and won some coal analysis tenders for both Macquarie Generation and for two coal mining companies. That is one example.

Senator GEORGE CAMPBELL—Are they basically now providing services to those companies that they were previously directly employed by?

Mr Moore—That is right, in some ways.

Senator GEORGE CAMPBELL—It is a form of outsourcing.

Mr Moore—That is right. However, what used to be an \$80,000 job is now a \$35,000 outsourced service.

Senator GEORGE CAMPBELL—You would have an argument about whether or not that equates to economic growth in the region.

Mr Moore—I accept that.

Mr Sedman—Possibly what has also happened is that a lot of people are now creating their own jobs because they are choosing to be self-employed rather than unemployed or re-employed, because there are not a lot of job vacancies up that way with the skills that are coming out of the mines, and a lot of the mining skills are not transferable to any other industry.

Senator GEORGE CAMPBELL—I understand that. What I was trying to get out was whether or not this was new growth.

Mr Moore—There is an opportunity for new growth. Some of these exist in a range of industry sectors. Food and beverages, for example—traditional agribusiness—were a key economic driver pre-1970s and were pushed aside as this new coal mining and this new energy industry arrived. People were attracted away from the traditional agribusinesses to the nice big wages of the coal mining business.

What we are seeing now is a number of opportunities for those people to revisit agribusinesses—however, agribusiness is not what it used to be. So we have this ongoing need to reinvent these people, to retrain them. They now understand logistics, marketing and

all the issues of business acumen that they need to get a handle on to be successful in agribusiness, particularly the export agribusiness. The Upper Hunter is so well positioned: it has lots of land, ample supplies of water, lots of sun, and we are in the Southern Hemisphere. What a fantastic opportunity.

Mr Sedman—No much sun at the moment.

Mr Moore—Not much sun at the moment. However, we are the only resource in the Upper Hunter to do it and we are stretched. We simply cannot meet the demand. There is another opportunity in the significant energy intelligence which resides within the region as a result of people like Macquarie Generation and the big coal mining outfits. There are lots of people in the Upper Hunter and the Hunter per se that have got lots of knowledge about energy between their ears. Those people can work on energy projects all around the world and can take that intelligence to other parts of the world. That is also being a success. Some of the companies that we have just mentioned are actually providing services outside, into Indonesia and other countries.

The clustering of mining sector groups and the powerful business entities add value to the mining sector—that is, specialist services that provide service to the mining sector add real value as a cluster. I am sure Michael Murray will also talk about clusters later on.

Visitor products—for instance, tourism—feed comfortably off those key industries. So there are lots of opportunities within the Upper Hunter, but bringing them to reality is very difficult and frustrating. As Warren said, we are only one organisation. We need resources. The Upper Hunter needs resources.

As Warren said, indigenous economic growth is the key to employment generation. I believe that applies to all of regional Australia. Business facilitation services provide support, but they are currently limited and underresourced. Clustering and networking are key drivers. Clustering and networking activities require drivers and a secretariat service to be successful and assistance is required to seed fund the cluster drivers. That is a key to taking the clustering process forward.

Bringing these matters to some conclusion: the changes brought to the Upper Hunter as an outcome of pressure on what are non-sustainable industries create an opportunity for significant economic redirection to a new diverse and sustainable economy. That is almost a given for the Upper Hunter.

We believe one of the key things is the role of government in recognising the changes and supporting the regional thrust through initial funding and support. That is a key role of government; the issue of recognition being very important. We argue that employment in regional Australia is dependent upon building on what we already do well. Growth from within is the only sustainable way forward in our view.

As for recommendations, we say to government that it should recognise and evaluate the contribution made by regional Australia. We have just identified that the Upper Hunter alone provides a \$7 billion contribution to GDP. It needs to provide support mechanisms targeted at helping the regions to help themselves to create jobs and drive economic development.

Of course, we also flag that a governments should not try to pick urban winners at the expense of regional endeavour. That really drives regional Australia nuts, when we see dollars being blown away on attempts to pick urban winners.

CHAIR—It is really very useful information. Thank you very much indeed. We have 10 minutes to field questions and answers. Please keep your answers short and my colleagues will make their questions brief.

Senator GEORGE CAMPBELL—You talked about it being a subregion and you raised the question of communications. How effective are communications internally within your subregion? That goes to the question of the ability of data transfer, et cetera. Secondly, and more importantly, there is the question of the access of the region to effective communications to link in to the international marketplace. You talked about some of the agribusiness and so forth. That is one question.

I will ask you three questions and you can answer them in any way that you want. Do you have a handle or a figure on the loss of Commonwealth and state government jobs out of the region over the past two- to three-year period? When you talked about the need for government resources, what type of resources were you referring to?

Mr Moore—I will come back to the first question with regard to communication, there is a strong desire within the Upper Hunter to communicate, and that happens well. Councils, community and business leaders, politicians, and organisations such as ours have a strong desire to communicate well and do. With regard to the infrastructure for communications that is limited, as Warren said. Mobile phones in the Merriwa district are new technology. Of course, the telecommunications infrastructure within the Upper Hunter is limited, and you would expect it to be in some ways.

However, the desire to communicate is very strong and that happens through traditional land lines, mobile phones and electronic means when we can. That is good. It has only been the recent months—perhaps the last half year or a bit more—where communications through the whole of the Hunter and some recognition of the Upper Hunter has really emerged, and we are very thankful for that. However, we think we made it happen through organisations such as the Hunter Beyond 2000 Committee.

As a result of that, thankfully, Warren has been appointed to the Hunter Economic Development Corporation which is wonderful. So we have someone from the Upper Hunter down working with these ‘Hunter organisations’ or Newcastle organisations. That is improving, and that is great. We love to see that. That is the issue of communications. Within the subregion it is really good and improving to the lower areas of the Hunter.

Mr Sedman—It had to. We were desperately trying to get the Lower Hunter to be more aware of us, which is starting to happen, so we can cooperate as a full region. But we have to acknowledge there are subcultures within that. For us also, with communication, the BEC directors and staff sit on up to 22 committees, up to national level. So we have actually become the conduit between Upper and Lower in the sense of information and communications.

Senator GEORGE CAMPBELL—On the other side of that, what I was really thinking about was telecommunications, whether there is limited access to the latest technology and the information market.

Mr Sedman—Yes, it is limited. With DEETYA, we are waiting for a result of an incubator without walls which is 30 computers. We are doubting now whether we have sufficient infrastructure available to actually put 30 computers there. On the loss of government jobs—there have probably not been a lot, in essence. There have been some health areas we are a bit worried about. I think the biggest problem for rural areas and up our way is this threat of taking post offices out of regional towns.

Senator TIERNEY—There is no threat of taking post offices. We announced the policy last week—4,000 post offices in Australia will stay.

Mr Sedman—Wonderful.

Senator TIERNEY—Including 2½ thousand in regional and rural Australia.

Mr Sedman—Because that is what you can build on in a rural town. The banks are going, and other things are going, and the post office, particularly at Merriwa—

Senator TIERNEY—Post offices won't.

Mr Sedman—Great. Because the post office, now, is the focal point of everything. I think for rural areas, it is something that has to remain—not just remain, but provide more services to people.

Mr Moore—Perspective is interesting when you talk about job losses in a rural community. You look at Murrurundi—2½ thousand people in the shire—where seven rail jobs were lost. That impacts on families, schools, the local store and on it goes. In a small rural town, a loss of seven jobs is very significant.

Senator GEORGE CAMPBELL—Yes, it is relative. And the question of resources that you raised?

Mr Sedman—The resources we need are dollars, human resources and an understanding by government of what is happening in our area. We are looking at setting up a structure for managing economic change. Our biggest problem is that no-one seems to know what the Upper Hunter economy is, so we are getting that measured at the moment. If we do not know it, we cannot manage it. We are possibly typical of what is happening in a lot of regional areas. So it is initial dollars we need and, like any other rural and regional area, once we get that kick-start we really do not need a lot of ongoing government support.

Senator TIERNEY—Yes, we certainly wish 50,000 people could produce \$7 billion in other parts of Australia. It is a terrific outcome.

Still on telecommunications—I can understand your frustration with mobiles, but a solution is coming soon with the low orbiting satellites so we won't have to rely totally on towers. What about optic fibre? I assume there is an optic fibre backbone going up through the Hunter Valley, up through Tamworth, the second route—I am sure I have seen it on a map.

Mr Moore—I am not sure.

Senator TIERNEY—I am sure there is a backbone that goes up through your area, which is the key, actually.

Mr Sedman—One of the things we are looking at now is piggybacking. Newcastle is probably well positioned to have a call centre established there, which means they will have to have some infrastructure put in. We are aiming, through the regional telecommunications infrastructure fund, to piggyback that so that that optic fibre, wherever needed, continues up to the Upper Hunter.

Senator TIERNEY—Yes. I think you have got the fibre there; it is just a matter of linking the services in. What about youth in the area? I do not know if you were here earlier when we were talking about Cessnock and the difficulties for youth in getting access to the jobs in the vineyards. I take it that in places like Scone, which has six per cent unemployment and six per cent youth unemployment, there is a lot of work around for them with the new horse studs and possibly vineyards as well. Can you give us a clearer picture of the Upper Hunter with youth and those sorts of jobs?

Mr Moore—Within the Scone area in particular, as you rightly point out, there is the emerging equine industry and a nice cluster developing which we are working with as well. However, we are concerned that new school leavers—within the whole of the Upper Hunter and, I guess, all of regional Australia is very similar—are not going to have, and do not have, the opportunities for jobs that they have had in previous years, because many of those young people found their way into those big industries through apprenticeships and traineeships and other opportunities.

They are decreasing and, therefore, many of those opportunities are not recognised. One of the other problems with that of course is that the school system and school organisations are not adequately across the changes that are occurring. We are encouraging them to be able to talk to their young people about this notion of indigenous growth and the enterprising individual because, when those young people go out to find jobs, they are simply not there. That applies more in Singleton and Muswellbrook than perhaps it does in Scone.

Mr Sedman—We also have the problem, too, in any rural areas of brain drain. So if people are career mobile, and want to go, we lose them and we do not have the jobs to bring them back. Also, we suffer from problems with tertiary education. If you live in Scone and you want to do a certain trade you have to go to Kurri TAFE. There is no public transport and it is a 250 kilometre return journey each day. Therefore, they tend either to move out of the area to do training and take jobs elsewhere or not to be trained.

Senator TIERNEY—It is a real problem in regional areas, is it not?

Mr Sedman—Everywhere, yes.

Senator TIERNEY—Which hopefully, things such as Open Learning will increasingly solve, particularly if we get the connections which you were talking about earlier. Finally, in terms of business growth in the area, we have heard in other areas of regional Australia this figure that you can actually do most of the growth by growing businesses that exist. Where someone employs three, if they then employ five rather than employing three or employing none and going out of business, it is a way to put a major underpinning under regional Australia with strategies that encourage business. With your work at Hunter Business, can you explain how you underpin those sorts of organisations and what strategies you use to work with businesses that exist, as opposed to starting up new businesses?

Mr Sedman—Current businesses probably represent about 55 per cent of our clientele; that increases all the time. Upper Hunter businesses are probably unlike any other rural area. They are usually unsophisticated, probably 80 per cent do not have a business plan and 90 per cent have done no formal business training. We concentrate on the new and consolidate what is existing. Our biggest problem is that chambers of commerce and councils prefer to look at the new rather than consolidating.

We try to get our hands dirty; we are knocking on doors. We are out there with the current, providing people with access to information they have not had before. We evolve and deliver a lot of training courses which are not available anywhere and we provide them—in Singleton, Muswellbrook, Scone, Merriwa and Murrurundi—with customer service, et cetera.

We are continually trying to create attitudinal change. We have a membership base in which they get involved and we deliver services. Possibly the initial thing is by additional education and attitudinal change. A lot of people do not want to employ additional people because of previous industrial relations laws: 'If I bring someone on, how can I get them

off?’ And the larger firms have got problems with payroll tax. So business growth is two ways: consolidate and expand what you have, but also bring in the new. We also have to look at towns of 2½ thousand in this shire and how many businesses they can realistically sustain.

ACTING CHAIR (Senator Tierney)—Thank you very much for appearing today.

[2.53 p.m.]

MURRAY, Mr Michael John, Executive Officer, Hunter Regional Development Organisation, PO Box 189, Hunter Region Mail Centre, New South Wales 2310

ACTING CHAIR—Welcome. The committee prefers evidence to be given in public but, if at any time you wish to give any evidence, part of evidence, or answers to any specific questions in camera, you may make the request and the committee will consider that request. Such information may subsequently be made public by order of the Senate. We ask you to make a brief address and then we will go to questions.

Mr Murray—Certainly. Our role over the last three years as an organisation has been working in collaboration with all of the key organisations within the region that have an interest in economic development and, through that collaborative effort, we have updated and maintained a regional economic strategy.

We will be doing the next update of that strategy at the end of this year. It is published in paper based and electronic format to assist business and community in the region to better plan for the future. One key element of that process, which I would like to speak to and field questions on today, is this notion of industry clustering, which I know has been presented to senators today by other speakers.

I have tabled a report which we have commissioned on this concept of clustering. We believe that, with the research we have conducted and the efforts that have been under way in the region over the last eight months, with the support of BHP, Energy Australia, the Newcastle Port Corporation and a number of other players, this process of engaging local industry, finding quality leaders within each of those industry sectors and assisting them to develop a collaborative plan to take their products and services into this rapidly globalising economy, is a very sensible, a very efficient and a very effective way of enabling regions to link their capabilities to the global economy.

That is the thrust of our work at the moment in working with approximately 17 different sectors, from agribusiness through to tourism, wine and transport, in identifying the leaders, mapping the capability and getting the strategic planning under way. The background international experience is documented for you in the report I have tabled. That is the basic thrust of our work and, as I said, I am happy, in the short time we have got, to answer any questions you may have about that process and our work.

ACTING CHAIR—Could you describe for us the Hunter Regional Development Organisation? What does it consist of in terms of personnel and facilities?

Mr Murray—Certainly. There is a board which is comprised of nine members. I am the executive officer. I have two research staff and an executive assistant. We also now have, on secondment from BHP, a full-time person from their senior marketing staff.

ACTING CHAIR—Have they provided you with that gratis?

Mr Murray—Yes.

ACTING CHAIR—It is a bonus from BHP.

Mr Murray—It is a wonderful bonus.

ACTING CHAIR—How is all of this funded, apart from the free BHP one?

Mr Murray—The funding is comprised of a number of elements. There are some funds remaining from the initial contract with the federal government and the rest of the funds to support that operation have been provided by Hunter-based organisations such as BHP, Energy Australia and the Newcastle Port Corporation.

ACTING CHAIR—Apart from the original funding, how much do you get from those other sources you have just mentioned?

Mr Murray—The amounts vary. We are part-way through a two-year contract with BHP, the total of which was \$370,000. That was targeted on this cluster development work and updating the strategy.

ACTING CHAIR—That figure was \$370,000?

Mr Murray—Yes.

ACTING CHAIR—That is the total outside budget?

Mr Murray—No, that is the BHP contract. Energy Australia was \$30,000 per annum over a three-year period and the Port Corporation is an ongoing program which is based on particular work in the transport industry.

ACTING CHAIR—You started as a business incubator originally.

Mr Murray—The Industry Development Centre did, yes. We are only tenants of the Industry Development Centre. We are not connected, other than through collaborative work, with the IDC.

ACTING CHAIR—You have got the title of Hunter Regional Development Organisation. You were not there this morning but we did hear from the Common Purpose Group. We went through the process and identified six peak regional organisations. At the federal level, we have an area consultative committee and the HRDO as well.

Dr Roy Green has just come back from Ireland and is a bit of a convert to this idea of having one front Hunter organisation that anyone can deal with for promotion. Given your set-up under one government, and now the ACC has a changed role under this government, do you see any need for rationalisation or the creation of one peak body, so that anyone who approaches the Hunter, whether it be business, the federal government or whoever, can deal sensibly with one central group?

Mr Murray—From a basic philosophical and I guess commonsense point of view, it would seem reasonable that that outcome should be pursued. The only thing I would say counter to that is, working at the grassroots level, as I do every day, there is strong concern that that one body would become one that was directly controlled by either state or federal government, that is, its board members were appointed directly by government. There is a very strong view at the grassroots level that, if there were to be such an organisation, it would have to be run by people selected by the community, not by government. That is the key barrier at the moment, for example, to that organisation becoming the HEDC, which is appointed by state government.

People are pretty passionate about local decision making autonomy. That, I think, is a very important issue to listen to when looking at that issue. I am certainly in favour of a move towards, at least as the next stage, a very strong community driven body to sit next to the state government one and then allow the process to evolve from there. At the moment, both board members and executive officers such as myself have worked very hard at rationalising the workload and ensuring the different sets of resources are coordinated effectively. We have done that in recognition that there is a perception that there are too many organisations and that they are overlapping. We would all like to see a move towards probably at least the existing state government board, which does a very good job—

Senator TIERNEY—Yes, it does.

Mr Murray—And a community one.

Senator GEORGE CAMPBELL—To be fair to you, when Senator Tierney was out of the room, in response to some questions from myself, there was also a view expressed by a number of people that a one-suit-fit-all approach is not necessarily the best approach. It was not a unanimous view by all there that we should have one single organisation which would be the front for the Hunter.

Mr Murray—No.

Senator TIERNEY—I did hear part of that. Going back to what you saw as the major block, say you worked off the HEDC and reconstituted it—it would need a change to the act, probably—and you had broad community representation and key stakeholders on that sort of board. Under the constitution regional development is predominantly a state responsibility. Obviously, you need federal input and you need local government input, but that is

part of the stakeholding process. You do not see any problem with perhaps moving in that direction?

Mr Murray—Personally, no. I acknowledge the desire of the people in the region for commonsense coordination and I fully support any sensible efforts to bring that about which still delivers access and equity for the whole region in terms of that decision making process.

Senator TIERNEY—Dr Gordon said it was a process of history, and that is true—different governments set up different things.

Mr Murray—Indeed.

Senator TIERNEY—But we are not victims of history. We can actually redo it, we can restructure it. I think last year's BHP crisis actually showed the need. It would have been a lot easier for us as a federal government to just deal with one body. I think the outcomes would have been a lot better.

Senator GEORGE CAMPBELL—What is your working relationship like with the area consultative committee?

Mr Murray—I met with them this morning; it is very good. I had their executive officer and their regional DEETYA manager this morning talking about a particular development project that we have submitted to them. It is a very good practical working relationship. I know each of the members personally and we communicate on a very regular basis.

Senator GEORGE CAMPBELL—Is that the same with the Hunter Economic Development Corporation?

Mr Murray—Yes, indeed.

Senator GEORGE CAMPBELL—So there is a fairly good working relationship between various bodies in the region.

Mr Murray—The working relationship is excellent. As I said, philosophically I agree with the desire for that central point of communication. I think that would be a good thing for the region but the reality today is that the people who are working in the field do work very hard to coordinate and collaborate on projects within the region. I have no difficulty in moving an idea or a concept forward because of any artificial patch protection or people wanting to own a particular piece of the territory. That just does not occur, which is great.

Senator GEORGE CAMPBELL—I would assume that you would support the view, expressed by those other groups—that the answer for these regional areas is a bottom-up

solution that is developed out of the region with support being provided by federal and state governments to allow them to be implemented?

Mr Murray—Yes, most definitely. The sorts of things that I see every day in meeting with the leaders of these industries are so exciting. The difficulty, as these people keep saying, is that no-one has ever given us the mechanisms, the encouragement and the support to understand the natural relationship between competition and collaboration, and that the secret to—

Senator GEORGE CAMPBELL—Or the conflict at times between competition and collaboration.

Mr Murray—The successful regions that we have researched have understood that extremely well. They understand that it is appropriate to compete in markets where their offerings are very similar, and that the very competition will drive the quality of their own goods and services, but that there is a much bigger global market that is available to them through working together. So, through the combined capacity, for example, of our transport operators, we believe that we can take on some of the business that is going through Sydney and move product through the port of Newcastle. We now have a transport team together working on that very process.

The sustainable industries group now has over 60 companies that are developing their own business and marketing plan, and the ideas that are being generated by those businesses within our region are truly capable of transforming the nature of this economy in 10 years time. All they need is the assistance to understand those processes that drive the global economy, and how the strong companies within each of our industry sectors can work strategically to access those opportunities.

It is a very exciting time, and it is full of tremendous opportunity, but there are some resources required, as the previous speaker said, in starting to change that culture from a very competitively focused culture to one that really understands that it is the global opportunity and the process of collaborating to access it that is the main game and to develop the systems and the collaborative marketing tools. Sending the whole region to trade shows in China—showcasing the whole capability of that particular sector, instead of just Energy Australia or BHP going or one-offs—would enable these people to have all of their capabilities documented. It is all integrated. In the Hunter Area Health Service, we are talking at the moment about a number of projects, that have been implemented within the health service here, that we can help them commercialise and take to health services all around the country and then outside the country. It is about that grassroots collaborative effort which is focused on much bigger markets than what we have tended to focus on initially just in our own backyard.

CHAIR—I do beg your pardon. Unfortunately, I have had to be on a phone call, so I apologise for what I have missed. Thank you to my colleagues for coping. Can I ask you about Aboriginal people? The Newcastle medical school, along with Flinders in my own

state, are the two imaginative ones in the country. I think last year or the year before Newcastle graduated eight Aboriginal doctors, which is an absolutely wonderful achievement. What else in particular is being done in this region for and/or with, preferably, Aboriginal people?

Senator TIERNEY—Before you go on, I think the graduation rate at the university is eight out of 100, so it is a very high rate. There are eight Aboriginal doctors graduating out of 100 total graduations from that medical school.

CHAIR—I do not know how many other Aboriginal doctors have ever graduated, but what you do know is that they would not be graduating doctors from Newcastle if they were not competent. They had to be at pass standard. Newcastle would ruin its reputation if it did not, but it took steps to make sure that these people were given the assistance and could be provided with the backup support and so on. We have been hearing about Aboriginal people as little peaks that have come up and down. Can you tell us a little about what you know of the Aboriginal community, and how it is fitting into your Hunter regional development?

Mr Murray—I can speak to that question more from a structural perspective. What I have observed from working at that planning and structural level is that there certainly is now a concerted effort, both from the development organisations and task forces that are now trying to work on various aspects of the local economy, and from the Aboriginal community, to connect much more strongly and across a much broader scope within the region.

One of the clusters I am working on at the moment is the arts and entertainment area. We are looking with a strong focus there to the new company that has been established, the Aboriginal Theatre Company. It is becoming a key element of that new cluster and assisting them to take that product as it develops outside the region.

I think that is typical now of other sectors. There is much better communication between the Aboriginal community and organisations such as ours to highlight those specific opportunities and the leaders that are capable of driving those forward. I am very optimistic from that structural level, but I do not have a lot of detailed knowledge of specific projects.

CHAIR—That is very interesting. The last two witnesses—and I regret I was unable to stay and hear their answers—were really very energetic and bold in their honesty. If this question has been asked, please do not go over it again. I was very interested when they said that a lot of the Upper Hunter regional business people were unsophisticated or lacked sophistication—a very elegant euphemism. One of the challenges we have been told again and again is that management in Australia is actually only beginning to realise it has to catch up.

Mr Murray—That is correct.

CHAIR—From what you were just saying, you seem to have a real understanding of that and the need to be working towards better business courses and a better understanding of capital flow, is that right?

Mr Murray—It is not just that. If I look at the industry groups as we start to gather them together to talk about these concepts of clustering and collaboration, there are issues that keep coming up as needs that they identify. Because one of the functions of the cluster is certainly growing their markets, but the other is fostering the development of businesses within the group.

You have to identify the need. Some of issues that keep coming up are access to finance. They do not have the skills to be able to communicate with the finance sector to finance the next stage in the development of their business.

CHAIR—What do you mean, they do not have the skills? Presumably they can talk, so what skills are you saying they lack?

Mr Murray—It is the documentation of what they are doing, the ability to analyse it effectively and to articulate it in formats that the finance sector can connect with.

CHAIR—To draw up a business plan, et cetera?

Mr Murray—Yes, and I think there is another important side to that. If you look again at the clustering process overseas, there has been a very strong evolution of the finance sector. For example, in the cut flower industry in Holland, if you are a participant in that industry, you can use your bulb stock as collateral for finance, because the finance sector understands that business intimately. There are experts that understand all of the cash flows, market trends and the way the industry works. For them, bulbs are fine, but if you walk into the Commonwealth Bank with a sack of bulbs over your shoulder in Australia, you have some problems. That is a two-sided issue.

CHAIR—That is actually talking about educating the finance sector.

Mr Murray—It is, indeed, and we have attempted to involve certainly local regional managers from the banks, and the Commonwealth in this case has been very positive. It is trying to come to understand these issues and to at least initially establish a process of communicating to businesses as to how they are trying to adapt their products and how the businesses can better communicate with them.

Again, I am optimistic that there is a way to go. To go back to the original question, the other issue that comes out is this process of collaborative business. We have never worked with anyone before. We do not trust them. How would we pick someone that we could work with? How do we establish all the legal structures of that situation? We have very little

experience of that in Australia and it is a whole new set of training, mentoring and help for businesses to move into that phase.

Another is, how do I move from being a technician—someone who has written the computer software or build the houses, whoever my particular skill is—to now running the company that produces those things through my employees? Most of the more honest operators will say that they really do not know. It is stumble, bumble, graze their knees and find everything out the hard way.

One of the issues for them is access to training. They are working 16 or 18-hour days. Senator Tierney mentioned earlier the open learning concept, and we desperately need training that is deliverable in a very flexible manner, virtually 24 hours a day and, hopefully, through the use of technology. As the previous speaker said, we do not have the infrastructure within the region to enable that training to be delivered throughout the region.

CHAIR—We absolutely have to finish. It has been a very fruitful visit to Maitland—brief, perhaps, but more than well worth it.

Committee adjourned at 3.15 p.m.