



COMMONWEALTH OF AUSTRALIA

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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON INFRASTRUCTURE, TRANSPORT,
REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT

Reference: Impact of the global financial crisis on regional Australia

TUESDAY, 4 AUGUST 2009

BEENLEIGH QLD

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**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
INFRASTRUCTURE, TRANSPORT, REGIONAL DEVELOPMENT AND LOCAL GOVERNMENT**

Tuesday, 4 August 2009

Members: Ms King (*Chair*), Mr Neville (*Deputy Chair*), Ms Campbell, Mr Cheeseman, Mr Clare, Mrs Gash, Mr Raguse, Mr Randall, Mr Robb and Mr Sullivan

Members in attendance: Ms King, Mr Neville, Mr Raguse

Terms of reference for the inquiry:

To inquire into and report on:

The impact of the current global financial crisis on regional Australia and the role of the Commonwealth Government in ensuring that regional Australia is equipped to respond, with particular focus on:

- the encouragement of economic development and employment; and
- the development of sustainable essential services and social infrastructure designed to enhance the liveability of regional Australia.

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Committee met at 9.08 am

CHAIR (Ms King)—I declare open this public hearing of the House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government for its inquiry into the impact of the global financial crisis on regional Australia. This is the committee's 10th public hearing on this issue. We have certainly heard from across the country that the global financial crisis has been affecting all Australians, but in undertaking this inquiry we were particularly concerned to ensure that regional concerns are heard as government formulates and continues with its responses to the crisis.

The committee is in Beenleigh because it is aware that this region is particularly susceptible to economic downturns because it is reliant on property development, tourism and the financial service industries. Today we will hear from a range of Gold Coast business leaders and local councils, who I am sure will give the committee some insight into what has been happening in the region over the past year. The submission we have from the Gold Coast City Council has some suggestions as to how we may be of assistance. I acknowledge that we have a journalist here today from the *Courier-Mail* and representatives from the Department of Education, Employment and Workplace Relations. I thank you for your interest and attendance today.

[9.09 am]

NORTON-KNIGHT, Ms Anne Shirley, Advocacy Officer, Gold Coast City Council

PERRY, Mr Grayson, Manager, Economic Development, Gold Coast City Council

WITHERIFF, Mr John, Chairman, Business GC, Regional Economic Development Board

CHAIR—Welcome, and I thank you for your hospitality yesterday. Whilst the committee does not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the House of Representatives and consequently they warrant the same respect as you would give proceedings of the parliament. It is customary for me to remind witnesses that giving false or misleading evidence is considered a serious matter and could be regarded as a contempt of parliament. That being said, you are most welcome. I thank you very much for the submission you have provided us with. I assume you would like to make some introductory comments in relation to the submission and add further material.

Mr Perry—I will provide an overview of the Gold Coast City Council and its response to the global financial crisis and then I will pass to John, who will provide a business and industry perspective to that. We thank you for your time this morning.

You would have heard some of this information yesterday. We are Australia's second largest local authority. We have a budget in excess of \$1.3 billion. We are responsible for managing Australia's sixth largest city. We have a population of nearly half a million people. A rapid growing population brings a whole range of issues related to infrastructure and development. We have had a population growth rate three times the national average for the last 25 years. Our unemployment rate has traditionally been above national and state averages. We were able to bring that down over the last three to four years to below those averages, but the onset of the global financial crisis has taken us back to the traditional high rates.

We have an economy of nearly \$18 billion; however, construction, tourism and retail account for a large proportion of that, which makes us heavily weighted in a number of key sectors. For example, construction accounts for around \$4.4 billion worth of our gross regional product. We do have a quarter of our local economy weighted in construction. Tourism is worth around \$4.3 billion a year to the city as well. Just in two sectors is half of the economy of the city.

I have mentioned our fast-growing population. We have added around 180,000 people to the city over the last 20 years. There has been significant population growth which brings with it significant infrastructure demands. It feels as though we are almost in catch-up mode all the time. By 2031 we expect to have 900,000 people living in the city. Once again, we need to continually provide infrastructure for the growing resident population.

The onset of the global financial crisis did impact on the city heavily. I will leave it to John Witheriff to speak more about that from a business perspective. In response to the global financial crisis, council acted quickly and early in approving a stimulus package for the city. As far as I am aware, it is the only local government stimulus package across the country. I might be

wrong there, but I imagine it is at least the only one of this size. Council has approved a stimulus package of around \$90 million for local initiatives. That was off the back of the confidence that council saw the Australian government providing in terms of the national stimulus package. However, the council felt that it needed to put in place some of its own local stimulus measures.

Our \$90 million package was a mix of new initiatives and projects that were brought forward that would normally have been constructed in future years. Council took the view that the best way to pump prime the local economy was to put in place some infrastructure works now rather than later. Examples of that include our Surfers Paradise foreshore redevelopment for \$25 million, park lands stormwater construction, roads projects, civic community space projects and bikeway projects.

We have also put in place an industry attraction program where the council provides almost \$3 million over the next two years to attract new business to the city. That will be a national and international program to attract business and industry to the Gold Coast. Also there is close to \$300,000 towards an export development program. We see as being critical to be able to weather future GFCs is the ability to diversify our economy and that involves taking our companies into the global environment—getting companies globally competitive and globally ready and able to export and compete in the international environment. We are putting a lot of time, resources and effort into getting those local firms export ready. We are trying to get them to be not just one-off exporters but continuous exporters.

In addition to that, we have taken a whole-of-government approach to this. Council recognises it cannot meet these challenges on its own and it wants to work with the state and federal governments. Examples of that are joint projects such as the Gold Coast light rail project, where the federal government put in \$365 million, as you would be aware. The state government has contributed over \$400 million and council has contributed in excess of \$150 million towards the project. We see those collaborative projects as critical to taking this city forward and meeting the challenges of the future.

That also involves regional and local community infrastructure where we believe we can bundle things together rather than council wearing that load on its own and also putting in place initiatives which traditionally might have been federal and state government projects in the past, including education projects and educational initiatives—soft infrastructure, which is so important to our city for it to grow and find jobs for our future residents and our children of today. Examples of that include trying to right-size our university funding. For example, the Gold Coast ranks behind cities such as Wollongong and Newcastle in terms of university places and university funding. However, the research that we have undertaken has identified that by 2040 we will need to create an additional 240,000 jobs in the city just to maintain the momentum of the city at the moment. Around a third of those jobs need to be in export knowledge based industries, so over 70,000 of those jobs need to be in that sector. As a result of that, the economic development branch has put in place a range of initiatives heavily focused on education, export development, technology et cetera.

Where we see the Gold Coast working together in the future with the Australian government and state government is in the Australian government providing macropolicy direction for a range of services and programs that support the growth of regional Australia, with council working at a local business level or on the ground level to implement and provide those services

and opportunities to business and industry in the city. We see that as a good fit, where we are on the ground delivering those services and state and federal government sit over the top of that in terms of national and state policy and projects and programs.

In closing, some of the recommendations that we have put forward in our submission include strengthening those key institutional frameworks between the Commonwealth and local government, working directly with the Commonwealth government in a range of initiatives and programs, basing proposed actions on strongly demonstrated and clear strategies that align with our programs across government, recognising that old solutions will not address new circumstances as we go forward and building on the resources and capacity of the private sector and the community sector.

Mr Witheriff—I would like to go into some background to provide some focus, but before I do that I would like to make one observation about Mr Perry's comments. That is, it seems critical for this city to have a better capacity to communicate with the federal government. I have been with the city representatives on a number of occasions when we have had a dog and pony show into Canberra. In terms of effectiveness you would have to mark us probably around about a three out of 10. That is not to say there was not a lot of effort. That is not to say there was not a lot of commitment by a lot of people to become involved. But at the end of the day you have to judge it on results. I think that the more recent strategy of direct discussion involving council officers, certain councillors and representatives of the government appear, at least on the outside, to have been more successful. So if there is a recommendation from the Gold Coast business community it is that we need to explore better ways to make that linkage.

Without doubt, the representatives of this area, particularly Brett, have had an enormous impact in creating that positive linkage. To me, that is a very important part of where we need to go to. Why is that? Because there are certain components of the city that make it quite a curiosity on the national stage. It is not a capital city but it is a growing and fairly dynamic economy. Ten years ago our gross regional product was in the order of \$2 billion. It is now nearly nine times that number.

That is being driven dominantly by two things: tourism demand and population shift. What we saw in 2007 was an economy that was performing quite well and had been for the last three years. Then at the beginning of 2007 we saw two things happen. Firstly, the secondary financial market that had built on the Gold Coast collapsed. That was funding early stage development projects which were underpinning the construction sector. At the same time in early 2007 we had a very high Australian dollar and that had the effect of encouraging tourists offshore and adversely impacting on our tourism demand significantly.

What we saw in January, February and March 2007 was no money in the city because the financial sector, the providers of funds to developers and the construction sector, dried up, no tourism dollars and a significant cash shortage around March, April, May. This created an immediate outflow of employment. When we have the opportunity to put before you certain graphed information, you will see very clearly what transpired over that period. The rest of Australia started to move into it around September, October, but we were there nearly nine months earlier. The effect of that was to create significant strain in a business and social context.

In a business context what happened was that in tough times businesses have a certain level of resilience. They have cash reserves and other things. They evaporated a lot faster than in other places in Australia. It took the traditional banks a long time to take over the development projects so that did not correct itself until August, September and the result of that was that then we hit the broader crash in October and we have really struggled since then.

The effect of all of that has been quite stark. Just to give you a sense of it, and the sources of these statistics are set out in the presentation, pre the financial crisis just in our financial sector Gold Coast listed companies had a market valuation of \$10.1 billion and they have dropped by 74.3 per cent to \$2.6 billion. Most of the major companies have simply been wiped out. In the marine sector, which was one of stars in terms of our diversification strategy, we have seen jobs leaving that sector dropping from 4,300 workers down to 2,800 workers and that is in 2008. We do know that the number is significantly down on that presently. We think that the marine sector has shed in the order of 50 to 60 per cent of its workforce.

In terms of the construction sector between May 2007 and May 2009 dwellings approved have dropped by 40.1 per cent from 6,534 down to 3,912. The dwelling sector is probably the most robust because there is still a demand for that type of housing generated in part by incentives for first home buyers. If you then look around the broader sectors of our economy, construction, with the exception of government injected capital—and I will talk about that in a second—has virtually stopped. There are very few new projects, the ones that were going on are simply being wound up and run into a finalisation stage. Of course, in the tourism industry we have seen a significant drop-off in visitor numbers, but most importantly we have seen a massive change in the way people spend money. The effect of that has been a significant reduction in cash in this regional economy.

The impact of those statistics only becomes real when you see the people, the families, the children affected by the loss of their houses. The postcode 4212—I will not identify the suburb—has been identified as the worst performing mortgage area in Australia. In other words, that area of the Gold Coast contains the greatest number of defaults anywhere in Australia, and it is no surprise that that postcode contains working Australians who are linked to the tourism and construction industries. It is something, frankly, that we are not very proud of.

I will get onto the part of the reason and the social distress in the city in a minute, but there are a couple of highlights. Following learnings that occurred at the beginning of the nineties, there was a very strong campaign to broaden the regional economy. It started with an initial push by a group of business organisations, supported by both councils, that led to the establishment of an economic development board, but it was significantly enhanced when the councils were amalgamated. The effect of it was to focus on the dominant sectors—education, health, the creative sector and the sports industry. In the education sector we have seen some significant growth. From 2007 to 2008 there was an increase of 2,100 workers or 18 per cent of the workforce, representing 4.4 per cent of the Gold Coast economy. The health sector employs 10 per cent of the Gold Coast workforce and contributed \$1.1 billion to our regional economy. These are areas that are supported by capital from the public sector with some level of private sector support.

Our creative sector has been doing well. There are approximately 4,500 full-time equivalent jobs in that area, with 21 feature films and 24 television series being recorded on the Gold Coast.

The risk is that the film studios produce a very low return on investment for their owners and that at some point the private sector will start asking the question whether or not it is an appropriate return for that level of investment, Without those studios we will end up with a very small or no creative sector, so there are some big challenges to be worked through with the owners of those studios.

The high spot on the calendar at the moment is the sports industry and the creation of national teams. There are four, with possibly a fifth, to be located on the Gold Coast and also the attraction of elite sporting teams from all around the world. There is more detail of that in the presentation, so I will not go into that detail now. That was a strategy focusing on a natural attribute, namely our leisure industry, and the fact that we now have such a large permanent population and an ongoing number of visitors that gives us the benefit of a population to support that type of development. All of this impact has a significant problem, and there are two significant issues that bubble up. We are concerned dominantly about the impact on employment and the impact that then has on social issues associated with the creation of a lifestyle city.

I refer you to a slide headed 'Social issues driven by economic structure of Gold Coast households'. It graphically shows a couple of interesting characteristics of the city. The first is that the Gold Coast median household income is well below that of the rest of Queensland and significantly below that of Australia, yet at the same time our median monthly mortgage is significantly greater than the rest of Queensland and Australia. So a lower household income and a significantly greater monthly mortgage create all the tension that drives the sorts of social concerns that we have. If you put that together with the education level of our workforce which, at bachelor degree or higher, is well below the rest of Queensland and Australia, you see an impact on our unemployment rate which was previously below state and national level but which is now well above that number.

CHAIR—I would be interested to know—not now but later—the percentage of the population that has a trade qualification, and with post-secondary education whether there is certificate III or above.

Mr Witheriff—We will get that for you.

Mr Perry—I would like to add that the TAFE sector, for example, has worked heavily in the last couple of years to generate additional trade qualifications for school students.

Ms Norton-Knight—With a particular focus on the marine sector as well.

Mr Witheriff—In summary, we have a situation where the Gold Coast was providing opportunity for people through to 2006 and 2007. In January 2008 we were hit by a proverbial truck in the form of a high dollar and the collapse of the secondary market. Then the global financial crisis hit and the effect of that has been a monumental turnaround in the fortunes of the city. It is true to say that the turnaround is probably unparalleled anywhere else in Australia and is driving a range of social difficulties which need to be addressed as quickly as possible.

You have already heard evidence that two dominant areas, the construction sector and the tourism sector, by themselves provide over half the regional product of the city and generate most of the employment opportunities. Government has made a significant contribution through

rescue packages by way of direct input into the construction sector to prominent projects like the Carrara stadium and the hospital but there are others, with commitments for light rail and road infrastructure which are very important.

The tourism industry requires some additional assistance. There is a greater need for a focus around promotion of this region. We have been lucky in that the private sector, particularly Queensland Airports Ltd, has invested heavily in its airport infrastructure. Its program of joint promotions with carriers has produced significant results but it needs support in the program of joint promotion. In short, we need to stimulate the construction industry and tourism demand as best we can. They will give us the greatest short-term impacts.

We also need to ensure that we produce additional housing because when demand returns, as it will, there is no new product being built and that will manifest itself in additional pricing in the already overpriced and overstressed housing market on the Gold Coast. So if you go to these statistics, what you end up seeing is that—with a household income below the national and Queensland average and a median monthly mortgage well higher than the national and Australian average—increased housing created by demand and not managed by new supply will further exacerbate a difficult social problem. So there needs to be additional housing brought on to ensure that there is sufficient supply to meet the demand. In addition, the diversification of our economic based strategy needs to be maintained and the council's economic development focus to create export jobs needs to be supported. The prospect, in my view, of these outcomes being achieved will be significantly enhanced by a more robust and direct relationship between the Commonwealth government and local government.

I started there and I suspect that is where I should end in this presentation. There are many, many challenges and we are now of a size where a couple of entrepreneurs are not really going to do it for the Gold Coast like they may have done in the 70s and 80s. So we need a more organised, better planned approach to ensure that we recover in a way that does not, of itself, exacerbate already difficult social issues.

CHAIR—Thank you very much for that. That is a very comprehensive picture of what is actually happening here and I think that, combined with some of the informal discussions yesterday, has certainly helped provide a much clearer picture than the images we see as we drive into the area about what is actually happening here. This is not the first downturn Australia has experienced and it is certainly not the first downturn that the Gold Coast has experienced. In your submission you talk about the 1970s, 1980s, 1990s—lots of challenging times. What have you learned from that? We will eventually recover; in some areas we are slowly seeing some positive signs, in others it is very, very early days yet. What is to say that in 10 or 20 years time we are not going to be having the same conversation about the Gold Coast, given how heavily dependent your economy is on property development?

Mr Witheriff—I think we will have in 10 or 20 years time—whenever the next cycles occur, as they will—similar discussions. The reality though is that the challenge for all of us is to ensure that the severity of these downturns, particularly on those least able to cope, is managed. I think the fundamental difference between the Gold Coast now and the 60s, 70s and 80s is the sheer volume of people who will find themselves in difficult and stressful circumstances. We are moving into an environment where, from Helensvale to Brisbane, there will almost be complete population infill, with the exception of some lands that are being preserved. The difficulty is that

we are going to see that population infill without all of the necessary infrastructure to make those communities functional, and we are going to see that because we are simply going to be responding to demand and playing catch up. If we do not respond to demand, we are going to see housing prices push up—and if they push up that is going to create further levels of stress. If we do respond to demand, then there is no way that the infrastructure—unless something changes this time around—can keep up with it. And so we run the risk of creating, in 10 years time, a significantly greater problem than this time around.

I think the greatest challenge for us now is to ensure we move out as quickly as we can, but do it in a way that when we do run into difficulties next time we do not create for the population a significantly greater social problem than exists now. The one learning that has occurred through each of these cycles, from the perspective of a lifetime resident, is that every time we go through them we scale up the personal suffering because we simply do not learn from the previous downturn.

CHAIR—I guess the centrepiece of that question is that often, when things are going really well, and the economy is booming and things are happening, it is to actually have the foresight to think, well, things can potentially go badly. The investment that you need—when things are going well—into those things, such as social infrastructure, is actually a matter of having the will to do that. Often, whether it is national, state or local government, it is quite a challenge. I think there are probably some lessons in your comments for all of us at government there.

I wanted just to go briefly to the remarks you made at the start about engagement between local government and the federal level. Obviously there has been a concentration of effort on that relationship, certainly under the current government—we have changed the way we do business with local government. I am interested to see what you thought you had been doing wrong in the past and what lessons you might like to draw out for other council areas.

Mr Witheriff—I think it starts by the fact that we had no impact. So we travelled down—

CHAIR—What were you doing differently? I remember getting pamphlets about the whole Gold Coast road show and we would all as members of parliament get invited to things, but I do not know what else you were doing.

Mr Witheriff—Before that we would have a process whereby we would try to organise some meetings and have some communication. We would do it at various multi levels and there seemed to be a disconnect between those people whom we spoke to and the decision makers. What we thought we would do is change that. So we went to the ramped-up model. We had dinners, road shows, and, you know, dog and pony shows essentially. I think that got us noticed. We would do something around the Indy event or some of those events. But I think what it did do was create a mindset that you had a very prosperous community who were very good at theatre and therefore everything was probably okay. I do not think we were successful in actually sharing with the decision makers the fact that this is a city which has a strip running along the beach which is, by any measure, prosperous and a little glittery but it is a very thin, very narrow strip and certainly does not represent what this city now is with its permanent population.

So, we recognised then there was a need for a much more strategic approach to communicate the reality of what is going on. The work undertaken by the council, through its special advocacy

unit, is taking a far more direct approach. Have we got it right? Well, I think we improved, but I think we are a long way short of getting it right. I think that there needs to be a commitment on both sides to communicate. If you want to communicate it requires two people to actually want to talk. At the moment, we get the impression there is one party that wants to talk—the Gold Coast—and, probably, Canberra is not that fussed. I have to say our representative has done an incredible job of trying to bridge that gap for us and his reputation is well earned. But I do not think we have got it right and I am not sure I know the solution. There are smarter people than I, particularly those in the council who are going to try and work out how we get a two-way dialogue and how we create some desire within people in Canberra to listen.

Mr Perry—Our advocacy efforts in the last couple of years have been focused on working individually with departmental representatives in Canberra. I think that our direct advocacy efforts in terms of that departmental contact have brought about some significant opportunities—and it is about having a strong local representative who can advocate on your behalf while they are in Canberra. I think that has been very, very effective over the last year and half or two years. You cannot take away strong local representation to support your advocacy efforts at departmental level.

Ms Norton-Knight—As our local member, Brett has certainly built those relationships for us and given us avenues and entrees into ministers, which has been really advantageous to our cause. I think that we have realised that we are one of many going to Canberra with an issue with things that are happening in the community. Another thing that we have recognised is that we do not want to go down to waste time; we want to go down with a specific issue and with specific solutions. I guess that is really the thrust of what we are trying to look at at the moment, rather than going down and, as John was saying, having the lunches and dinners—which is all very nice to do but it does present a bit of a show, a song and dance routine. What we are trying to do is take a far more professional approach: identify what the issues are for the city, come up with solutions and then look at partners—and certainly we see the federal government as being one of those key partners. Brett has been very, very helpful in opening those doors for us.

CHAIR—The government is moving down the pathway of establishing Regional Development Australia. Have you got any thoughts about whether RDA has a role to play or any experience with how that might pan out here in this area?

Mr Perry—I think that for smaller regional communities and towns an RDA organisation can work very well because they are often the only organisation in a town that can pull together a range of linkages and opportunities. Perhaps for larger regional centres, such as the Gold Coast or even capital cities, an RDA can get lost because a range of services that are very similar to an RDA are already being provided. Our view would be that an RDA for the Gold Coast would work most effectively if it was, for example, within Economic Development at council, so that an RDA representative working with our department could present a uniform single face to the city. The problem that we have perhaps had with RDA over the last couple of years is that it is one of a range of people running around on the ground and it can get lost in the chatter.

CHAIR—It occurred to me that, with you wanting to establish a direct relationship, potentially you would feel that it would be just another barrier. I do note that, because of the way in which you have operated, which I am very interested in, you have really heavily engaged with the business community in your economic development strategy. It appears, just on the surface

of what you have presented to us, that the business community and council are speaking with one voice on economic development, and that is unusual, I would have to say, in many of the areas that we have visited. We would be interested to hear about it from the next witnesses. Often we hear two different stories from council and from the business community in terms of the priorities. I note, though, that you have recommended that that might be a model that the government does want to look at more broadly, and I understand that that is something that we are trying to do through RDA. Have you any comments about that or how you might make that relationship work?

Mr Witheriff—It would be misleading for you to walk away from here thinking that there is a completely harmonious relationship between business and council. If you pick up the local newspaper, hardly a day would go by where there is not some criticism being offered by some representative of the business community as to how the elected representatives could be doing their job better. But I think that occurs at a healthy level. I think that type of debate is very constructive in a political forum.

What is unique about the Gold Coast is that there is a Business Gold Coast group, or a regional development advisory group, that comprises the chairs of each of the industry associations that operate in the city, with a broader group of invitees. So at least three times a year we would have a gathering of in the order of 40 or 50 of the city's business representative groups, industry leaders and the vice-chancellors of the universities.

It is equally true to say that is probably the gathering of all of the opinion makers that exist in the city. They settle by way of a recommendation the city's economic development strategy predominantly and provide advice to the council. Essentially, what you have is the core planning document being owned by the business sector and owned by council officers, because it is pulled together by council officers, and then when the elected representatives come to sign that off they have a plan that has essentially been developed by those who need to implement it, being all the industry groups. The elected representatives then apply significant resources to its implementation and provide assistance to the industry groups to implement it. The leaders of those industry groups are held accountable in front of their peers at these meetings whereby they report on the implementation of these strategies. As to what you essentially see, I often talk about it by referring to a cartoon where you see a coyote and a sheepdog, the coyote is trying to steal the sheep and the sheepdog comes and is trying to protect them but then they clock off at five o'clock and go away as good friends. It is a bit like that.

The business community knows that it is in their absolute interests to work hand in glove with council to ensure that we get the best economic outcomes for the city. When they all leave that meeting, they will have worked hand in glove and in a very constructive way. On the next day they might revert to offering some criticism on some other issue. But in that forum, because there is a combined and collective interest, you have the whole of the city's intelligentsia working together for the collective good of the city. I think that is the unique and refreshing way in which things are done. I think that has been what has driven the significantly positive results that we have had. It has given council the will to go out and spend \$100 million of its own money on an economic stimulus package which would not be traditionally regarded as being found in a rates and rubbish type forum. That is my observation of what has gone on.

CHAIR—Thank you.

Mr NEVILLE—That stimulus package is quite unique as I see it. It certainly must give you an edge over other cities. I want to explore the housing business. You are saying that you have got to be careful that you do not create a situation where housing continues to increase in cost and the stress levels as a result of that become even worse. You have not really offered us a solution as to how that occurs. Sure, the economic circumstances at the time will have some marginal effect on that. But when you look at the international migration figures that appeared about three or four weeks ago in, I think, the *Courier-Mail*, you see you are going to get a lot more people here regardless of whether we are in good times or bad. So what is your recommendation to us? I suppose governments take it for granted. I suppose they say that because it is the Gold Coast you would not want any welfare housing there. Is that the sort of thing that you are suggesting to us in that you have got to get another level of housing here to break that nexus between very high priced and almost palatial type accommodation, on one hand, and housing for people living on the western side of the Gold Coast with very few opportunities?

Mr Witheriff—In my judgment there are two things that are needed. There is certainly a need for additional social housing, and I think there has been some substantive work done around how you produce low-cost housing in a way that does not create ghettos. The Gold Coast is certainly in need of that product. But I guess what I am advocating is a different approach to the provision of infrastructure. Traditionally, development infrastructure has come from contributions by developers, which are ultimately passed through to the ultimate owner of the property, and that is overviewed by a state government. If that system continues the reality will be that when other people—not ourselves—are sitting here in 10 years trying to work out what went wrong, we will see a lack of infrastructure, an increased level of housing and an increased level of cost associated with the fact that we were not able to bring sufficient housing on fast enough and, when we were, there were additional costs attached to it. People will reach up and grab that housing but then they will end up in additional strife. So there is, in my view, a need for some fresh thinking around how infrastructure for the purpose of bringing forward development is paid for. Given that the bulk of the public money is raised by the federal government, my challenge to the federal government is to come up with a way to ensure that what has traditionally been a local government/council requirement—namely, the provision of core housing infrastructure—is in some way funded out of the broader public pool of funding.

Mr Perry—I can add to that, John. A longer term approach which also supports that goes to the question: if you have lower median weekly incomes but higher mortgages, how do you fix that? You fix that by giving people better-paying jobs. That is working over the long term to 2040 to try and raise education attainment levels and expand business so they are more profitable and can then employ people and afford to pay them higher wages.

Mr NEVILLE—There were going to be two other questions that flowed from that. We are obviously thinking along the same lines. I take your view that you do not want anything that resembles a ghetto, but the one provincial city in Australia that has a lot of high rises is the Gold Coast. If you had welfare housing here—and I am not talking about cheapjack stuff; I am talking about reasonable quality stuff—surely that would integrate fairly easily; whereas if you put high-rise welfare housing up in Toowoomba or Townsville, people would be horrified. They would say, ‘Oh, that’s that ghetto down there; that’s the big high-rise joint where all the dropouts live’, or something like that. Whereas, if you had a judicious number of high-rise buildings on the

Gold Coast you would think they would be very much in character with the rest of the place, that they would not stick out like a sore thumb.

Mr Witheriff—I think there are two issues. There is the visual appearance and then there are social issues that come with putting in the one place a large number of people who are suffering that type of stress. I do not purport to be an expert, by any means, but the strategy appears to be to try and secure a lesser number of people in stress and integrate them more broadly across the community. It appears, at least from my uninformed observer position, that that seems to be working quite well in terms of ensuring those people are integrated into communities. I think the idea of building a high rise, plonking it in with a whole lot of other high rises and then putting in people who are suffering the by-product of economic stress would create a whole range of other knock-on impacts which would be difficult to manage. So I am not advocating that as an approach.

Mr Neville—How selective can we be when there are over 200,000 Australians who are virtually homeless. You have got to get a starting point. You say that the other side of this agenda is somehow to stimulate over time the educational level in order to bring a higher standard of salary and, with that, a higher standard of living to the area. You have got two core universities and campuses of other universities here. Is the problem one of not having enough places or are you suffering from this malaise, which has hit a lot of the regional campuses, that not all the places are being taken up?

Mr Witheriff—I will let Grayson deal with that, but it is certainly not the latter here.

Mr Perry—No, and I think the federal government's move to relax the cap is going to alleviate some of those issues. It is more about providing not only education places but the right types of places at university. You have almost got to work right back to primary school. For example, we have put in place an initiative called TechGC, which is about raising the level of science, technology, engineering and maths disciplines at university—so getting more kids wanting to do those types of disciplines. It is also about being able to provide those jobs once they come out of the university or TAFE pipeline, so you need to work at the other end as well, producing enough industry development activity, which then grows business and provides them with a job.

Mr Neville—Are you suggesting there that the government should be involved in the seed funding of those industries?

Mr Perry—I think government can play a very effective role in seed funding industries, but it is also about working across a whole range of those stem disciplines as well—science, technology, engineering and maths. It does have a big science agenda, which is great—that is a tick. We also need to look at what types of industry and export development projects we can do collaboratively. We are not asking the federal government to fund these solely; I think we have a capacity to do these jointly. What those are, we could develop.

Mr Neville—But are all your places in universities being taken up?

Mr Perry—They are not all being taken up. Firstly, that is because the types of places the kids want to take up when they leave school are not always offered on the Gold Coast. Secondly,

there is a natural desire to go to Brisbane for universities with a better name, such as the University of Queensland or QUT, or that might have the recognition factor. We are working very hard with universities such as Griffith to raise the recognition level of Griffith University so that kids want to go to Griffith. There is a whole range of factors. It is not as simple as saying that they do not want to go to those places or that we are not offering them.

Mr Neville—I see. Thanks.

CHAIR—This is a hard question for councillors, but I have been asking it. Have you had any impact on your own revenue base as a result of the global financial crisis in relation to council's own investment strategies?

Mr Perry—Yes, that would be fair to say, because a range of developments are now not proceeding. We are not getting the same level of income. Certainly, our planning area has been significantly affected by that because we are getting less income from the development sector.

CHAIR—What about in terms of your own investment strategies? You may not be the right people to ask about that, but some councils had some exposure, for example, to Lehman Brothers and those sorts of things and have lost a significant amount of their expected revenue.

Mr Perry—We were lucky in that we were not affected by that process. Our investment profile was not of that type, so we were very lucky there.

CHAIR—I note from your submission that you were making the suggestion that the federal government guarantee local government borrowings in the same way that we have provided a guarantee for state governments. What would local council be prepared to give in return for the federal government absorbing that sort of risk?

Ms Norton-Knight—That's a tricky one.

Mr Perry—It is.

Ms Norton-Knight—I might be incorrect here, but I think the circumstances have changed since that submission was put in. I think that there is a flow-on guarantee through the state government, so we end up paying something like an extra 0.5 per cent through Queensland Treasury. The reason is that the Queensland government credit rating has dropped. At the time of writing those things were not particularly clear and they have become clearer.

Mr Perry—I think our view was that it was not an open chequebook or guarantee. It was based around particular projects where we could provide a significant economic outcome and where the federal government could see a value. So it was not just a blanket guarantee.

CHAIR—I understood that was in relation particularly to the investment and the stimulus packages. You obviously have to borrow money in order to fund some of those. Certainly that was from your submission at that stage. I do not know whether your circumstances have changed in relation to that.

Ms Norton-Knight—I think the focus was, as you say, just on that leverage—the potential, then, to leverage and get a greater impact for the dollar invested.

CHAIR—Since the time of writing the submission—obviously that was very early on—have there been any green shoots? Everyone is talking about them. Has the availability of private capital changed at all, or in this area are you not seeing any change at all?

Mr Witheriff—No, in this area it is actually continuing to get worse, and significantly so. For projects that were ongoing, as they got down the time line, funds dried up because of the collapse of secondary lenders. Traditional banks stepped in and refunded. They are now completed. There is nothing new in the pipeline. So we are now seeing the first signs of the deep social difficulties, where people are losing houses and cannot pay school fees—all of those issues. There is nothing foreseeable to change that in a significant way.

CHAIR—The difficulty, to some extent, is the sheer volume, the way your economy is dependent on it. Government has invested pretty significantly in infrastructure across the regions, obviously, not just in terms of the two or three large projects you have got but in primary schools as well. But the sheer volume of your economy's dependence on that versus others is, I think—

Mr Witheriff—I think there is that, but there is also the fact that there is a time lag. For example, construction of the stadium will not really start until the beginning of next year. The light rail is still probably at least 12 or more months away. The new hospital is underway at the moment, which is a godsend. But the major components of the stimulus package are still some time away, and projects are winding up. So we really are seeing now the vacation of private investment and not a significant amount of the stimulus packages until probably March or so next year. So we are in a very difficult nine months.

CHAIR—In terms of any of the education precinct work, I do not know the number of primary schools you have here. Compared to what you have been doing it is quite small. Is any of that supplementing, or is there any indication that construction companies are finding that work or getting that work locally?

Mr Witheriff—I am not in a position to make an informed comment about that.

CHAIR—Thanks very much for your evidence today. I am sorry that we are just running a little bit behind time. If there are any additional questions the committee has, the secretariat will write to you. I think there are a couple of pieces of information we have sought during the hearing this morning. Please feel free to write to us if there is any supplementary information you would like to provide. Again, I want like to thank you for your presentation here this morning.

[10.09 am]

JONES, Mr Donald, General Manager, Marine Queensland

TATE, Mr Tom, Regional Chairman, Gold Coast and Hinterland, Chamber of Commerce and Industry Queensland

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Jones—I am also the industry representative on the regional development board for the marine industry.

CHAIR—Thank you. Whilst the committee does not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and should be treated with the same respect as proceedings of the parliament. It is customary for me to remind witnesses that giving false or misleading evidence is considered a serious matter and could be regarded as a contempt of parliament. That nasty bit has been said—I always have to provide that caveat before we start.

We have not received a submission from the board. We have had your input via the Gold Coast City Council submission, but there may be some other perspectives that you would like to provide. Do you have some introductory comments you would like to make?

Mr Tate—Basically, the chambers of commerce and industry in this region represents various chambers, such as Surfers Paradise, Mudgeeraba and Nerang. We all meet once a month to get good input. From there we act as a conduit to the council for what the business community is thinking, and, with consensus, we take this to the chamber of commerce at the state level. Though this, we lobby the state government and then we get to the federal government through ACCI. We conduct a poll survey of business members and I was trying to get the survey incorporating the June quarter so that the figures are not from too far in the distance, not historical. I can leave some copies of this—

CHAIR—Yes, please.

Mr Tate—as there are some key issues and findings in there. That is really the introduction, but I can come back to that.

CHAIR—Thank you. I think Mr Jones wants to give some introductory comments, but then if you want to come back and tell us what the survey is telling you that would be very helpful.

Mr Jones—Marine Queensland is an industry association, and we represent a fairly diverse group of land and water based businesses in the state of Queensland. We are affiliated to the national body, the Australian Marine Industries Federation. To give you a better understanding of the scope of the people that we represent, typically it includes manufacturers of pleasure craft and other marine based things, brokers, dealers, boat syndicates, charter operators, marina

developers and operators, infrastructure providers, and education and training providers. So it is quite a broad spectrum. We are very much water focused in that context.

In terms of the structure of the industry, in Queensland it is very much skewed geographically to South-East Queensland, although, not surprisingly, there are clusters up the Queensland coast based pretty much around the provincial cities. The Gold Coast certainly has a critical mass in terms of the industry, typically as a manufacturing base. One key statistic is that approximately 85 per cent of vessels manufactured in Australia come from Queensland. In that context, from a manufacturing perspective, it is not only of regional and state significance but, we argue, of national significance because of that heavy concentration here.

In terms of the make-up of the industry, unlike for example the motor vehicle industry, which is dominated by four or five large manufacturers, the typical business size within the sector is very much an SME. There are a few large and fairly high-profile manufacturers, but the vast majority are small businesses and fall very much within the small business profile that you see nationally.

Comparing the size of the industry with other industries, it is about the same size as the telecommunications industry and the air transport industry, both passenger and freight, so in that context it is not insignificant. A lot of people do not realise that, because when you think about leisure boating your mind is usually elsewhere!

In terms of the community's response, recreational boating and marine based tourism have a very high level of appeal and a strong following within the Australian community, very much so on the Gold Coast and through regional communities in Queensland as well. When you look at the nature of our assets—we have pristine waterways by international standards, we have fantastic and unique natural attractions and the ability to go fishing or leisure cruising or to participate in water based sports and so on—it has a significant appeal and is very much a part of that healthy outdoor lifestyle. So in that context there is quite a strong following.

In this particular region, the industry has been a significant contributor economically. It has experienced strong growth over a number of years, typically around a five per cent year-on-year growth, which has manifested itself in new vessel registrations and growth in the industry. In 2006 industry expenditures were valued at \$4.7 billion in this state, predominantly skewed to South-East Queensland. From an employment perspective, for the whole of the state in 2006 there were about 12,000 employees employed directly in the industry. In 2008 we assessed that that had been reduced to around 7,000 employees. In the Gold Coast region the numbers were about 4,300 workers in 2006, and that has reduced to about 2,800 workers.

CHAIR—What has happened with them? Have they stayed in the region?

Mr Jones—That is a really good question and one that we have turned our minds to. We have a joint venture partner that the association have teamed up with—a company called Watercrew, who have an online water based recruitment technology. As employers have had to restructure their businesses and lose employees, we have encouraged them to get their employees to register on that Watercrew website. What we are seeing, rather alarmingly unfortunately, is two key trends. One is that displaced employees are leaving the region. Early in the piece they were going to the mines but clearly that has also dried up. We have seen a number of displaced

employees take up opportunities in southern states, in other industry sectors—the motor industry in South Australia in particular was interested at one stage. But also we have seen people leaving the industry. They are just going and doing other things. So if I am a tradesperson who may have been involved in aluminium boat welding, for example, then I am just doing other things now. That is the real, key challenge and concern for the industry, because our indicators are that as demand comes back, with the improvement in economic circumstances and people's household budgets allowing for the expenditures which they previously enjoyed, that demand will be picked up by imports rather than by domestic product. It is a key issue that we have identified and we have some suggestions about how we might try and address it to put more depth into the industry in that context.

Some other key challenges in that vein for the industry include support from a regional perspective. The Gold Coast is quite well established. If you look at other regional centres where there are manufacturers, like Bundaberg, Mackay, the Whitsunday area and Far North Queensland, the industry in many respects in those sectors is still quite in its infancy and we find if we look at the Gold Coast experience that what has stimulated those sectors most effectively has been the placement of infrastructure.

Here on the Gold Coast we have quite an extensive marine precinct at Coomera, just down the road, which also includes facilities like the Marine TAFE college and other elements. If you look at centres up the coast, typically what would be a stimulus for water edge businesses and water based businesses like charter operators will be marina developments and those types of initiatives. Depending on the regional centres, some of them will be skewed towards tourism and others will be skewed towards more of an industrial nature.

The third element for the marine industry, and something that is more typically a work in progress on an ongoing basis, is the harmonisation of national standards—at the moment that is being facilitated through the review of Australian Standard 1799 through the NMSC—and regulatory harmonisation between the states. Unfortunately, it is one of those industries which is impacted by 'we do things differently here and down there and over there'.

In terms of the skill retention issue, we believe that one possible solution is loosely based on a model that operates very effectively in New Zealand—and I use the term the loosely. It is based on what operates in the building industry, like a group training scheme operation. Basically, the concept that we are looking at developing is to place trainees and apprentices into, typically, SMEs and to retain and develop those skills across the broad spectrum of manufacturing, retailing or other sectors. We have had some preliminary discussions with Senator Carr on those concepts, and more recently with the parliamentary secretary, Anthony Byrne, who visited the Gold Coast. I spent some time with him at the Coomera Marine Precinct looking at some of those concepts.

CHAIR—Do you want to provide us—unless you have brought some papers with you—with just a couple of paragraphs on that concept?

Mr Jones—Yes, I am happy to do that.

CHAIR—That would be helpful for the committee. Mr Tate, do you want to tell us what your survey has found? We would be interested to hear.

Mr Tate—In a nutshell, as at the end of June, the first green shoots have begun to appear on the Gold Coast, with business confidence starting to build momentum. Forty two per cent of the Gold Coast businesses surveyed are now expecting that the national economy will improve over the next 12 months, so that is the very first sign that that has happened. Then we dig a bit deeper to what sort of recovery some economists see it will be. I am not an economist, but they talked about the u-shape or the v-shape rebound, and the feeling on the Gold Coast is that we are more fitted towards the v-shape.

The unique part of the Gold Coast is that we are quite dependent on consumer discretionary spending, and that is what our city has been built upon over decades of tourism. The feeling is that it is time to diversify, and we have tried to do that for the past decade with the marine industry, the film industry, education—which I think is now coming in at number 3—and property development, which is the number two industry; so that is a broader base.

One of the inputs that we wanted to put forward is that we should also look towards information technology and investigate whether or not it is viable in the way that the electricity grid is utilised. If we can have the technology available for the wiring, and utilise that instead of just optic fibre or, if the technology does not exist we can spend some R&D on that and harness that, we can take it to the world. Our attitude there is on our timeline for the computer workers because we are in the Southern Hemisphere, and can continue on with programming while the Silicon Valley people sleep, and so it can go back and forth.

The other phenomenon that has come to light in our business circle is that there are people bidding on work on the internet from their home office, such as typing pools, for instance. There are a lot of documents to be typed up or work to be done. People bid online and literally do the work overnight and send it back, whatever the bid is. That is how people are working elsewhere. We should investigate that and encourage working from home. It is a two-pronged attack there. We will be able to reduce the traffic problem as some people can work from home or come to work at a non-peak hour. The second tier to that is affordable housing. They do not have to live right in town where the rent is a lot dearer. They can be on the western side of the highway, so to speak, and work from home. That is really the direction for our city.

The other thing that is unique to our city is that it is a linear city. The transport is very much a challenge. When we look at that, we absolutely congratulate all three tiers of government because the rapid transit system is the only project being funded by federal, state and local government. It is the first in Australia. I think that model will work. It is really sharing the funding burden. Being Gold Coast-centric, we would have liked it to connect all the way to Helensvale. That is the part that we will be lobbying for and encouraging the government to look at—that the light rail or rapid transit system is connected to the hard rail at Helensvale—so that people will have a chance to get on board, change there and go all the way to Brisbane. They can connect to Brisbane and then decide whether or not to continue to Brisbane airport. That is in the short term. Perhaps there is a magic wand or the government can underwrite the PPP. The sector that they are not building is the sector that fewer people use and it does not really pay. But, if the short-term income does not match that, if the government underwrites it then private enterprise can go ahead to operate it. We plan that, with the population growth, it will pay in time. If it is delayed, we fear that the cost of the construction and future development there will escalate. We may never get the connection.

We believe the rapid transit system is really the spine for our city, for the infrastructure. If we can get that right, the council at the local level can work on the east-west connection so that the people who live out on the west side can park and ride and then connect to the rapid transit system. There is available land that is not being used for parking, such as the land area that is underneath the highway. This is not really usable for anything else, so we should analyse that and use it for parking.

Mr NEVILLE—What do you think is the greatest single issue in business that the Commonwealth can attend to in relationship with the Gold Coast? Does industry here need a stimulus package or is it at a more subtle level? As a previous witness said, is it about the stimulating of education to get a higher profile of businessmen that will take on other projects that will lift the economic status of the city? As a witness here today, what would your recommendation be to us in relation to business?

Mr Tate—In business, we would look at the stimulus package more as a heart stimulus, meaning that the money spent, less than return on investment, whether it be short term or long term—that is, where you issue the stimulus and people just spend the money there is no return on it. We really do not see the folly in that; it is too short term. But if we can identify hardcore projects—‘hardcore’ does not mean it has to be structured; it could be an education structure—they will be very welcome, with the realisation that it takes five or even 10 years to get the benefit. The city is here for a long-term scenario. If your plan is for the long-term, instead of a short-term reaction, we would rather favour that.

Mr NEVILLE—On the marine side, Mr Jones, you talked about a national standard, you talked about the harmonisation of regulations and standards, but outside that on the pure economics in the industry what can government do there? I am talking more about the manufacturing marine side of it rather than the developmental side.

Mr Jones—Our view is that this is the silver lining to the storm. It would be to try to use the learnings out of this process to add more depth to the industry. What I mean is, if you look at some other sectors—and I do not mean this in a critical sense—such as the motor vehicle sector, you see that there has been a lot of money injected into that industry over a longer period of time. Is the industry any more robust now than perhaps it was with the previous economic challenges? Our sense is that, if you could add more depth to the industry, you would make it more sustainable, if that is the right term, and also increase its diversity. From a manufacturer’s perspective we know there are some very strong and emerging markets with some of our nearby neighbours—for example, in Korea. We had a representative up there just three weeks ago. Korea has introduced a five-day working week. All of a sudden there is quite a large population up there who have discovered the concept of a weekend. When you look at their income profiles, you see that they are perfectly matched to the Australian tinny.

Mr NEVILLE—Small leisure craft, those sorts of things.

Mr Jones—Small leisure craft. There is always a lot of focus given to the high-end, luxury, shiny white boats, but if you look at where the demand is—

Mr NEVILLE—So you would like to see government programs, perhaps like the Export Market Development Scheme, but something more targeted.

Mr Jones—Market development but also, because we are dealing with SMEs, trying to add some more depth and muscle to those businesses so that they are better able to withstand the ups and downs that the cycle presents. Hence from the staffing perspective that is why we were attracted to that group training concept.

CHAIR—Interestingly, in the survey you have presented us with and also from Griffith University, some of the press clippings we were given reflect the comments you have made around increasing business confidence. You may not have been in the room when I asked the previous witness, ‘Are there any green shoots showing?’ He was a bit more pessimistic. Can you explain the contrast to me?

Mr Tate—The businesspeople who answered the survey are entrepreneurs, they are very optimistic in nature and they look for opportunities. With the green shoots coming through, you will see the recovery on the Gold Coast, in the long-term, very strongly. The people who survived—who did the cutbacks and trimmed the fat—are still very hungry and are looking at how to add value to the opportunity that may present. Personally, I predict that in the next five years we will see more entrepreneurs with bright ideas coming to the table. They just have to convince the bank to turn the tap back on. Sectors such as law or finance will need to be more cautious because they are trained to have the attitude of: ‘What if things go wrong? How do we cater to that?’ It is a different mindset. I can only present to you what businesspeople really think. We are in the rowboat together and we believe it is not leaking as much.

CHAIR—What are your members reporting in relation to availability of and access to credit?

Mr Tate—Credit is still very tight. The good side is that it makes us businesspeople analyse the deal more. Even though it means that you have to do more homework, I welcome it because it makes you look a bit deeper. Back in the eighties if you had a strong cash flow but your net assets were not that good you would still get the money. That means an increase in debt and yet your asset is reduced versus your liability, but your cash flow looks good. That is only temporary. People say, ‘Look, the cash flow is the blood.’ But, for me, your asset and your profitability are the pulse. If the pulse does not pump, it does not matter how much blood you have got; you are not going to make it.

CHAIR—Mr Jones, what is happening in relation to the workforce? I know that you have talked about how, as things pick up, you could potentially face a bit of a skills crisis because you may have people who have left the industry entirely and you will have a gap there. You have suggested that something like a group training scheme in the industry might be an answer to that. What is happening with the workers who have been in the industry? As you have said, some have moved to mining. Do you know if they have returned to the area? Have they only moved out temporarily? What is actually happening? Are they using or engaging in any training schemes that may mean that they pick up those jobs? We did a large inquiry into the coastal shipping industry, which, at that time, was experiencing significant shortages of people wanting to engage in that industry. Obviously that has subsequently changed quite a bit over the course of the last year. I also want to know if there are any links with the large coastal shipping industry and the training. I imagine, certainly in terms of the charter companies and those sorts of things, that there are a few linkages between the larger scale blue-water stuff.

Mr Jones—Dealing with the latter, there certainly is training around licence accreditation and that sort of thing. In the charter sector and the marine tourism sector, with the upsurge in things like whale watching and nature based tourism, there has been quite a strong demand. The types of vessels that are now appearing on the water are driven very much by the tourism industry. Tourists want experiential type operations. We are also seeing small vessels, so it could literally be tinnies taking people on interpretive guides up rivers and inland waterways and those sorts of thing. The thing that drives that is very much the fact that they are commercial vessels and there are certain requirements in terms of licensing and safety equipment. Even in national parks you need eco-accreditation and that sort of thing. There is quite a lot of training activity around that. Again, one of the challenges is the difference in regulation from state to state, particularly around safety requirements on vessels at the moment. That is a work in progress.

In terms of the trade based components, yes, we are seeing people come back into the industry out of the mines in some of those traditional trades. But in the fibre composites area, typically fibreglass and plastics and those sorts of areas, it is a very competitive sector and competes head-to-head with aerospace and other key industries. Even today, we still see shortages for some skill sets. With plate aluminium vessels, which are the largest type of manufactured vessel, the issue is more about the tap having been turned off and we really need to reinvigorate the training and entry-level apprenticeships and so on.

CHAIR—Thank you very much for appearing before the committee today. You will receive a proof transcript of the evidence that you have given for editorial changes only: if we have spelt your name incorrectly or we have spelt a word incorrectly; you cannot do anything else. If the secretariat has any further information that we would like from you they will contact you. Also, I think we have asked for a couple of paragraphs on your proposal about a group training scheme.

[10.44 am]

VAN DEN BRULE, Mr David, Manager, Economic Development, Logan City Council

CHAIR—I welcome our next witness. You are additionally welcomed because you are a Ballarat boy—and despite living here we still claim you as one of ours. I just need to say a couple of things. Although the committee does not require you to give evidence under oath I should advise you that this hearing is a formal proceeding of the parliament and should be treated with the same respect as proceedings of the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and could be considered a contempt of parliament.

That being said, we are absolutely delighted that you are here to present for us today. Thank you for hosting us in your city, and in one of the council's facilities too as I understand it. I would like to thank your staff very much for assisting us in organising that. You have provided a submission, which we actually have not had a chance to look at yet but I assume you will take us through that so we are in your hands.

Mr van den Brule—I might just go briefly go through the executive summary, which is a bit of a summary of what is the document, and then we can move forward from there. Just to give you a feel for Logan City as a city, it was actually part of the Queensland government's amalgamations in March 2008. It grew significantly at that time, from approximately 260 square kilometres to 960 square kilometres. So it really gained a significant area at that time. As I said, Logan covers an area of approximately 960 square kilometres. It comprises 63 suburbs. As at June 2008 the population was around 270,000. Under the new 2009 SUQ regional plan our forecast growth is about 164,000 people over the next 20-odd years. As at December 2008, which are our latest figures, we have in excess of 21,000 registered business entities employing about 65,800 people and generating almost \$17 billion in output into the economy. That translates to a gross regional product of about \$8.1 billion. So it really is a significant part of the economy in Queensland.

One of the key challenges that we have now is actually coping with growth that is occurring as a result of those forecast 164,000 people coming. We have three particular areas in the city that are forecast to grow substantially, and all of these areas are on the western and south-western side of the city—Park Ridge, Greater Flagstone and Yarrabilba. I suppose one of the challenges that council has at the moment is looking at: what are the things that we need to facilitate that growth? Clearly infrastructure is one of the key things for us. So I am talking about infrastructure particularly along the Pacific Motorway and the M1. There is some upgrading that is required there. There is also the Mount Lindesay Highway, which is our connecting road which runs north to south and out to the south-west. The Gateway Motorway extension is also one of the major road transit carriers. The other infrastructure priority is the passenger rail between Beaudesert and Brisbane. I suppose all of those are probably the four key priorities for the council in the future to help cope with the growth.

Logan has a very diverse economic base. Our top five sectors are manufacturing, construction, property and business services, retail trade and wholesale trade. They contribute about 73 per

cent of our economy. The interesting challenge for us is that those sectors are normally the ones that, in an economic downturn, feel the heat. This is a challenge for us and, similarly, these are the sectors that employ most of our workforce. About 64 per cent of our people are employed particularly in those areas.

Although we only have data available to December 2008, it does appear that our economy has generally withstood the effects of the GFC reasonably well compared to others. The five major sectors in our economy in terms of value and employment have all experienced some growth over the last 12 months. We have done a number of surveys, not formal ones but we chat to our business community very often as part of our role in economic development. Much of the anecdotal evidence reveals that they too feel that their businesses within the economy have performed reasonably well. There are some challenges in some of the sectors but, by all accounts, the economy is not too bad in the city.

One of the major issues that we have come across is access to capital. The whole capital market issue has been a major challenge. We have a number of the more localised property developers on which it has had a major impact in dealing with their banks, particularly if they have fairly large landholdings for future development. That is one of the challenges for Logan, in that our forecast growth is very real, and a lot of developers were purchasing assets to develop into the future. That is where they have really felt the pinch from the banks in their financial areas. The other feedback we have had is from the SME segment. Again, for them access to capital to fund growth opportunities has also been a challenge.

As far as council go, we are extremely proactive in how we deal with our business community. Economic development really is one of the major priorities for council. They see that we have a real role in encouraging business growth, and that is because encouraging business growth means jobs for our local people. Obviously our ultimate outcome is that every Logan person of working age has the opportunity to work in the city if they choose to. Our ultimate goal is to have enough jobs within the city so people can work if they choose to work.

We have a number of initiatives which we pursue, including investment attraction—going out there and looking for businesses to come to the city. We have a small business centre that mentors, provides business training and that sort of thing. We have a very strong small home based business clientele that we work with.

Workforce development was the major issue for our businesses. Some 18 months ago we did a major survey of the business community and workforce development was the major issue. It is interesting that the economic times have altered that to some extent in that access to labour has eased somewhat, to the point now where our businesses are telling us that in most areas there is good access to the skilled labour they require. I am not sure that that will stay the same as we move into the future and the economy does start to pick up.

I think one of the real challenges we have in the city, from a community perspective, is that we have a very low participation rate from the education point of view. We do not have strong participation rate from secondary school into tertiary qualifications. Consequently we have a lower qualified workforce, and that is one of our challenges. We also have probably four of the areas with the highest unemployment in Australia. This again is a major challenge and it is intergenerational. We have had unemployment rates up to as high as 17 per cent to 18 per cent in

some suburbs. The rates are currently down to about 13 per cent, so they have decreased significantly. However, the March quarter figures are not currently available.

Mr NEVILLE—I would like to raise a couple of points for explanation. In a lot of our road and rail studies, Bromleton comes up. Is Bromleton within your boundaries or is it just outside?

Mr van den Brule—It is in Scenic Rim, just outside our boundaries, but it is seen as a major employment generator for the region into the future. You will see on the map that Greater Flagstone through to Park Ridge is the corridor where we see a lot of employment.

Mr NEVILLE—Standard gauge rail corridor. Do you see that in terms of just freight or passenger rail as well?

Mr van den Brule—No, that really needs to be converted to cater for passenger rail into the future.

Mr NEVILLE—I saw on the map that it is semi-suburban.

Mr van den Brule—The forecasts is for Greater Flagstone—maybe in 50 years—to probably end up with up to 100,000 to 120,000 people. One of the big pushes for council and our view is that we want to try and encourage self-contained communities. We do not want to create another load of cars on roads to transport people, so we are very proactive in talking to our developers about how to establish those.

CHAIR—What sort of manufacturing industries do you have in Logan?

Mr van den Brule—We have a very strong focus on light metal manufacturing. We also have quite a presence of the food industry, which is one that is a very strong target market for us. It is something that we are now pursuing in a targeted way. It has been really interesting to talk to some of our manufacturers. In fact I am going to Melbourne tomorrow to meet with a company which is looking at establishing a presence here. One of the things that appears to be coming into the thought processes of businesses at the moment is looking at the future with peak oil, carbon trading schemes and everything else. Instead of looking to centralise manufacturing in one area and transporting output all around Australia, the feeling seems to be starting to change. We believe businesses are starting to look at how to decentralise facilities to service particular markets. That is one of the things that we have decided to target quite strongly. Food is one of the areas that, no matter what the economic conditions, appears to do reasonably well. We are currently talking to about five companies looking to invest in new manufacturing facilities right now.

CHAIR—Is it food processing?

Mr van den Brule—Yes, food processing.

CHAIR—Right the way across.

Mr van den Brule—Yes.

CHAIR—You certainly have a beautiful, rich soil for growing things.

Mr van den Brule—South-East Queensland heading up towards Bundaberg and Mackay is a real food bowl through that whole corridor. Obviously, that needs to go somewhere to be processed, so we have got good access to that. Logan is really well positioned. You will see on the maps that we are at the crossroads of all the major freeways, so it is an ideal location to actually do that.

CHAIR—You said before that across some of the sectors there has been some growth in employment—only small amounts—and that is obviously only on the data you currently have. Which ones in particular have seen growth?

Mr van den Brule—Manufacturing is a really interesting one for us. It has grown quite significantly in the last 12 months. I have had a number of conversations with some of our probably more well-established manufacturers over the past six or eight weeks and the data back from them is that they have all had record years. Access to labour is so much better. One business, a truck-trailer maker, that I was talking to just the other week could not get a boilermaker at all 12 months ago. He advertised seven positions and got 100 applications and said that he could have employed any one of them, whereas 12 months ago he could not get one.

CHAIR—I am intrigued as to what is happening because manufacturing is one of the areas that, certainly down south, is not doing well. There have been significant job losses across manufacturing, certainly in my district, including in exactly the same sorts of manufacturing fields that you have. So I am intrigued as to what has happened here that has been different. In terms of the labour market, with more people on the labour market with skills, obviously you are not experiencing a contraction in the availability of skills. What is the council doing to promulgate the fact that there is not a skills crisis again? What involvement do you have in terms of the training sectors in the area to try to improve the level of tertiary qualifications?

Mr van den Brule—About 12 months ago we employed a person to a full-time position we call a workforce development officer. From our survey we were told that that was a major issue for business. We decided to invest in a full-time person. We have done that in partnership with the state government. We have a project where we spend a lot of time looking at how we act as the conduit between the labour market, which is the supply side, and the business community, which is the demand side. Whether it is right or wrong, our view in relation to the people who operate in the sector for supplying labour, particularly through what is now called Job Services Australia—in fact we have a seminar going on right now with all the new members of Job Services Australia—was that there was a real mismatch in the market. They had access to the people who wanted jobs but they really did not know how to talk to the employers who needed people to fill jobs. I suppose we have been playing a fairly strong role in actually making those linkages and making sure that they have the right strategies in place to address what is required. We do not have a lot of influence at this point in time about what is going into training and education. We do have strong links with our local TAFE and with our university, but I think the issue is deeper than that in the sense of how the community addresses that in the future. How does the community interact with those young people who are currently at school and how do we generate the interest in them to actually go forward in a positive way with skills and training.

Mr NEVILLE—Arterial road and rail are certainly challenges as part of your infrastructure. You talked about the southern infrastructure corridor going on to Ipswich. It does not show on the map on page 10 where it goes once it gets to the Mt Lindsay Highway. Presumably it follows that up for a while.

Mr van den Brule—Yes, there is a link that goes through to Warwick and out that way as well, I think. In fact, Brett is probably a whole lot better versed than me on—

Mr NEVILLE—Out to Warwick—through Cunningham’s Gap?

Mr van den Brule—It would go up through Ipswich and then, I think, the long-term proposal is to actually link it out to Warwick as well. But that whole corridor from Ipswich, through Logan and down to Bromelton is what we see as the key corridor of growth in the future.

Mr NEVILLE—We have seen somewhere else today—I am not sure if it is in your submission or another one—talk about linking Beaudesert to the suburban system. Does that come through your city at any point?

Mr van den Brule—Yes, it would. It would actually come up through the Flagstone area.

Mr NEVILLE—The original plan was to join it on at Bethania—is that the name of the place?

Mr RAGUSE—To give you a bit of perspective here, the old branch line used to run out from Bethania to Beaudesert; it has been closed now for some 10 years. Do you know about the investigation that was done on the other project?

Mr NEVILLE—Yes.

Mr RAGUSE—That line or corridor is not an option. The corridor that you can see on the map is what is part of that interstate standard gauge. It is running down that corridor, and any passenger services would go through Greenbank, Park Ridge—

Mr van den Brule—Greenbank and Park Ridge through to Acacia Ridge.

Mr RAGUSE—Yes, so it is not that old branch line—

Mr NEVILLE—Would you do that as a standard gauge suburban line or would you make that dual gauge and stay within the existing suburban system?

Mr van den Brule—I am not an expert on what they would do.

Mr RAGUSE—Dual gauge, because Queensland freight still travels on the narrow gauge, so they would actually have a three-line set-up and open up a future corridor for a passenger line in its own right. That is the potential plan.

Mr NEVILLE—The other thing you talked about was education. We have had evidence this morning—from various people down at this end, the Gold Coast areas like Logan—saying that

lifting the academic level will bring a standard of business to the area and with that will come other job opportunities. You say 'our university'. Which one is that?

Mr van den Brule—We have a campus of Griffith University in Logan.

Mr NEVILLE—How many kids attend that?

Mr van den Brule—The numbers this year are about 3,000.

Mr NEVILLE—Three thousand?

Mr van den Brule—Yes. It has the capacity to grow to about 10,000. It is one of the few universities in South-East Queensland that has—

Mr NEVILLE—That is almost a university in its own right.

Mr van den Brule—It is one of Griffith's five campuses.

Mr NEVILLE—In terms of a bachelor's degree or a higher degree, how does 7.5 compare with the state and national averages?

Mr van den Brule—I think it is well down. I do not have the comparisons in here but I believe it is up towards 20 per cent.

Mr NEVILLE—I see. So there would be quite a struggle on to get tertiary education cranked up?

Mr van den Brule—It is a real challenge for us and a lot of that is probably a reflection of the socioeconomic background of Logan.

Mr NEVILLE—The chairman has just shown me that the Gold Coast figure is 11.3, the Queensland average is just over 13 and the Australian average is about 15½.

Mr van den Brule—So we are about half.

Mr NEVILLE—Yes, about half the Australian average. When you are sandwiched between the Gold Coast and Brisbane, what becomes your *raison d'être* for your city? Are you just a service city or are you seeking an organic identity of your own, if you know what I mean?

Mr van den Brule—We certainly do not see ourselves as just a service city. I think Logan is very parochial—it is a very passionate place. The community is very passionate, the local politicians are very passionate and the business community is very passionate, and they do really see themselves as having their own identity. I suppose we see it as a real bonus that we are located directly between Brisbane and the Gold Coast. We can stretch the marketing terms and say that we have Brisbane on one doorstep and the Gold Coast on the other, so we have beaches on one side and a very high-quality city on the other side of us.

But, certainly from a business perspective, what you see is a location that has great access to any market, and it is our big selling point. From a community perspective we view that the same way. From the M1 you can be in the city in 20 minutes and on the Gold Coast in 30 minutes. So we really do see the city as having its own identity. It certainly has no intention of being a dormitory suburb or a service centre for anyone else. We are really there to have a self-contained city but one that is globally and nationally connected.

CHAIR—That being said, does much of the population here commute to Brisbane or the Gold Coast for work?

Mr Van den Brule—We have a potential workforce, if you look at the figures, of about 144,000 people. Our figures show that we have about 66,000 jobs. With those 66,000 jobs, I think the figure is close to 50,000 local people at work in those jobs. So we have about 60,000 people who leave the city every day and about 15,000 who come in. That is not a bad thing in that all economies require cross-pollination from different areas and you are not always going to get a match of jobs to people, but obviously our target is to grow that substantially. With our forecast growth, the regional plan has forecast that we need to create somewhere around 64,000 jobs in the next 20 years to maintain that level of self-containment.

CHAIR—I would imagine that the area is having issues around housing affordability too, but not as strongly as the Gold Coast itself.

Mr Van den Brule—No. The housing affordability question is a challenge for every city, I think. Logan is still noted as one of the cheaper locations. We have a very widespread source of housing. You can go to some pockets of the city where it is certainly cheaper than what you would expect in other parts of South-East Queensland. You can go to other areas where there are multimillion-dollar homes. So it is very, very diverse in that way. We have quite a portion of government housing, particularly in the central parts of what we would call the old Logan city around Woodridge and those sorts of areas. Those areas were dominated by government housing, so the values are a little lower. But then you go to the other side of the Pacific Motorway and there are, as I said, some very expensive homes. Now, with our growth, we have moved out towards where we have a much more diverse living choice. So now you can have acreage properties and those sorts of things, whereas before we were relatively landlocked.

CHAIR—You have talked, as one of the key parts of your submission, about issues around access to credit. How are they manifesting themselves, and have you got any examples that you would like to share with us? You do not need to give the company names.

Mr Van den Brule—Yes, and again it is anecdotal. Obviously manufacturing is a very strong sector for us, and a number of our manufacturers have had those discussions with us. While we have some growth opportunities—we can see in the figures that our manufacturing sector is growing—it is probably more the smaller ones. I was talking to a guy the other day, and he has been there for about three years, so he does not have a long trading history. His company has grown from about 12 staff up to about 30. His business is plastic injection moulding. He had some good growth opportunities but had to let it go because he could not access the capital to do it. There may have been very valid reasons from a banking perspective—I am not sure; I am not a banker.

The ones who have been hardest hit are probably, as I said before, more of our local development community, who were probably asset rich in future asset opportunities but did not have shovel-ready-type projects. I think they are the ones that have really borne the brunt of the banks, particularly in Queensland, with Suncorp Metway changing the way they have financed development projects and in fact moving out of that market space completely. That put a lot of pressure on a number of people.

Mr RAGUSE—The chair previously mentioned manufacturing around the country and how, certainly, areas in Victoria are suffering quite heavily. I am not sure, David, if you can answer this. I see that David Kemp of BDS is presenting later today. He has a number of issues. He is a manufacturer who exports. I think there could be an issue about where the markets exist. Is there an understanding with manufacturing for this region generally that it is a domestic market? In other words—David may present a different view, which might certainly show—

Mr van den Brule—It is not always easy to get the figures, but our figures probably show that there is really only about three per cent of production that is exported on an international basis. There is lots of production from our local manufacturing companies that may go nationally but technically, to an Australian government, that is not classed as export. To those companies it is export because it is moving out of their region, but generally they tend to service the local national market. Certainly, like most economic development areas, we encourage export development. We have strong links with Austrade and the various departments that help encourage that. But you are right, Brett; I would say that a lot of it is more from a local trading perspective on a national basis.

Clearly, there are issues. One of our big issues for the future is that, while manufacturing is so strong, it will clearly be under threat in the future. We have other low-cost locations that are producing goods and services—I am sure David will bring that up this afternoon, having had many discussions with him about it. It is that thread of the ability to compete. How do we deal with that in the future, when (a) it contributes a lot of dollars to our economy and (b) it employs a lot of our local residents? So our challenge is how to broaden the view of our manufacturers to think a little bit differently into the future. Maybe they do not have to manufacture here forever. Maybe what we need to do is encourage them to have different levels of their business in different areas if they are going to survive into the future.

CHAIR—I am interested to hear what you think government—obviously, our concentration is on federal government—can do better. We have had a concentration on stimulus packages, and I am keen to hear how they are working on the ground, but I am also thinking about interaction. You obviously have interaction with Austrade and Job Services Australia, and I am assuming that you will have some interaction with the new Regional Development Australia. So we are keen to know if there are areas of government programs and policy that you think could be done better and what is working really well for you at the moment.

Mr van den Brule—I am a great believer that business will always find a way and that, if the environment is right, business will actually do something positive that will create wealth. I think the interaction needs to be on a couple of levels. Obviously, government has a role in providing an environment, and I think that that environment consists of the hard infrastructure on the ground, to make it possible to do business. The other areas in which we have really started to develop some strong agendas are those of innovation and sustainability—the future of

manufacturing and how to encourage companies to be more innovative. We talk to them and they say: 'But I sell to Charlie down the road,' or, 'My market is in New South Wales,' or Queensland, 'so I do not have to worry about global competition.' We say, 'Well, yes, you do, because someone else, globally, is going to take your market, whether you like it or not, if you cannot compete.'

So I think I would really like to see some strong industry policy focusing on innovation, sustainability and those sorts of areas. Clearly, employment is always an opportunity for the federal government to be involved, as with Job Services Australia, and we will work with them with interest to see how we can help get the right results. The other thing, which the government already does, is export development. To me, they are the three key agendas.

I suppose the challenge for people like David Kemp, whom you will hear from this afternoon, is the regulation on businesses which, in many ways, stifles their ability to compete. If we have imports coming into the marketplace that are a lower cost alternative to our local production, it is about looking at why they are at a lower cost. There are some things you cannot influence, such as wages et cetera, but, if they have the ability to do things that Australian business cannot because of our regulations here, the question is: how do we regulate those imports to ensure that we at least are on an equal footing to be competitive if we choose to?

CHAIR—Have you had much to do with Regional Development Australia?

Mr van den Brule—Yes, we have.

CHAIR—How do you see their relationship with the council? What value, or pitfalls, do you see in how it is progressing?

Mr van den Brule—It is a little bit hard to comment because we are not actually sure how Regional Development Australia is actually going to operate at this point in time. We have had a lot to do with the old area consultative committee. We had some funding through Regional Partnerships at one stage a few years ago. But we certainly see the role as being the conduit between governments and looking at how we can have a federal government expert group on the ground that knows where to go to provide linkages to different areas and to link between state, federal and local governments. I think it is really important that, as government agencies, we all work very closely together. We have a very strong policy of collaboration in our organisation. Many of the things that we do are already done in partnership with various state and federal government organisations. I suppose that, hopefully, Regional Development Australia will play a strong role in that and try to put a more regional and national perspective on things.

CHAIR—Thank you very much for taking the time to present to us today. Please say hello to your mother, as one of my local constituents, as well.

Mr NEVILLE—My compliments on all the statistics and maps; they are very helpful.

CHAIR—Is it the wish of the committee that this be accepted as a submission? There being no objection, it is so ordered, which means that it will be published; it is up on the website. I think we have received a hundred and something submissions.

Mr van den Brule—Yes, I was looking through some of them.

CHAIR—A hundred and eighty-six submissions, which is very high for inquiries, I would have to say. Thank you very much for appearing before us today.

Mr van den Brule—On behalf of the council, thank you for the opportunity.

CHAIR—Is it the wish of the committee that the overheads that we had from the Gold Coast City Council and the business survey from ACCI be accepted as exhibits? There being no objection, it is so ordered.

[11.17 am]

DONOVAN, Mr Paul, Chairman, Gold Coast Tourism

WINTER, Mr Martin Douglas, Chief Executive Officer, Gold Coast Tourism

CHAIR—Do you have anything to say about the capacity in which you appear before the committee today?

Mr Donovan—I am the Chief Operating Officer of the Gold Coast Airport, so I have a dual role.

CHAIR—Thank you very much for appearing before the committee today. Whilst the committee does not require you to give evidence under oath, I need to remind you that these are formal proceedings of the parliament. It is also customary for me to mention that giving false or misleading evidence before a parliamentary committee is a serious matter and could be regarded as contempt of parliament. Sorry that I have to do that nasty bit first, but it is just one of those things that are part of our processes. We have not received a submission from you but we are very keen to hear about what is happening in tourism. I understand that you are here particularly in that capacity but obviously also in relation to the airport. It has an integral role to play in relation to tourism in the region, so we are obviously keen to hear a little from that perspective as well. Have you got an introductory statement that you would like to make?

Mr Donovan—I have, thank you. I will cover the tourism aspect and then talk about the airports. Just before I start, I will say that we are fortunate that the Gold Coast has two airports that service it, one being Brisbane and one being the Gold Coast. I do not know too much about the intricacies of Brisbane Airport but I can enlighten you in relation to the Gold Coast.

On the Gold Coast, tourism contributes in excess of \$4.2 billion annually to the economy and generates more than 19,160 full-time jobs. By nature, the tourism industry is heavily affected by discretionary consumer spending. This has been reflected in the significant impact of the global financial crisis on the Gold Coast over the last 12 months. The latest figures indicate that international visitation is down 7.81 per cent or 65,000 visitors, and domestic overnight visitation is down 12.8 per cent or 470,000 visitors for the year ending March 2009. The primary positive over the past 12 months has been the daytrip visitation, which is up by 2.3 per cent or 130,000 visitors. The secondary positive has been the international expenditure and daytrip expenditure which has increased by 3.4 per cent and 10.2 per cent respectively. However, both of these were overshadowed by an 11.5 per cent decrease in the total domestic overnight expenditure, the key source of revenue for our region.

A lot of people do not understand where visitors to the Gold Coast come from. To highlight that to you: 66 per cent of all visitation is daytrippers or drive market from northern New South Wales and south-east Queensland. It is a very misunderstood number. There are certain factors that impact that and, obviously, financial is one with fuel prices, but there are a whole lot of other reasons as to why that has been affected. What this means in real terms is a significant overall downturn in tourism visitation expenditure on the Gold Coast which has resulted in

declining operator confidence, cuts to operator marketing and a virtual drying up of tourism investment and development, apart from a number of major infrastructure projects such as the redevelopment of the Gold Coast airport and the Hilton hotel project, which were both planned well before the crisis hit. This impact has led to a loss of an estimated 800 full-time tourism and hospitality jobs in the six months to March 2009.

The marketing initiatives of Gold Coast Tourism have responded to this volatile operating environment. In early 2008, we moved the focus towards the domestic market when we saw the potential impact of the global financial crisis on international travel. We moved from brand marketing to tactical marketing, to maximise immediate return on investment and retain market share. We increased investment in digital marketing channels to meet the expectations of the rapidly changing consumer information and booking habits and we engaged heavily with the key stakeholders, including Tourism Queensland, Tourism Australia and strategically placed airlines to leverage their funds and maximise the region's exposure.

Product and price, and value and variety are our key messages today, with refocused investment in our largest source market, particularly south-east Queensland. Our work is predominantly cooperative advertising with local tourism businesses or travel partners. This enables the local industry access to collaborative marketing activity and ensures that every advertising dollar we spend is doubled and every execution is conversion based. It is very clear to all of us that we need to be tactical rather than having pictures of people sitting under trees under the sun in terms of generating tourism. We believe the immediate response required by all levels of government is to invest in tactical cooperative marketing programs that allow for effective, price competitive, promotional messages to rapidly stimulate both domestic and international tourism. This model will gain the buy-in of industry, achieve a significant multiplier effect and, in a domestic sense, encourage Australian workers to utilise accumulated leave entitlements for holiday purposes. We strongly support Tourism Australia's 'No leave, No life' campaign, which aims to encourage Australian workers to use their unused leave, which is estimated to total more than 123 million days. Longer term barriers to recovery include the supply-side issues such as ageing infrastructure, a workforce that needs upskilling, the slow uptake of digital marketing by Tourism Australia and taxation and charges suffered by visiting tourists and the private sector such as the visa fees, passenger movement charges and even hotel refurbishment depreciation. These are all disincentives to travel and tourism investment.

We believe that the federal government is beginning to recognise the contribution made by the industry, which now accounts for approximately 3.7 per cent of national GDP. However until all levels of Australian government recognise—as do New Zealand, Singapore and all of Australia's major competitors—that tourism is a major employer, which sustains 490,000 direct jobs in Australia, a great deal of heavy lifting will continue to be borne by a struggling private sector.

We call on the federal government to elevate the importance that it places on this industry to the level that it was a decade ago, prior to the Sydney Olympics, and for the Minister for Tourism to invest as much effort in this portfolio as he has to in his tough resources and an energy portfolio. We believe that the last big shot tourism had was under the John Brown era, where there was a very high-profile minister appointed to tourism and there was a total focus. We feel for every minister, I suppose, who concurrently has a lot of very important portfolios. We would like to see tourism elevated to the head of the table, if you like—or at least equivalent seating on the table.

In general terms we believe that the recommendations of the Jackson report are a step in the right direction. However Tourism Australia must also be depoliticised, with the accompanying removal of bureaucratic practices and a revised outlook on the way that it promotes Australia and does business. Finally we believe that the Gold Coast must be recognised as a unique region within the Australian tourism landscape. Its contribution to the national economy and reliance on visitors for the creation of jobs is second to none and so deserves special attention through inclusion and positioning as the national tourism strategy evolves.

Mr Winter—I would like to add that Gold Coast Tourism was not formally requested to submit a document. I only found out about this through the chairman asking if I would accompany him today so I would just like to put that on the record. I do not know how that happened. I think Paul has summarised it pretty well. It is a very volatile existence that we are all in at the moment. We are not immune to the influence of the current crisis, and neither are other places in Australia. However it is absolutely critical that we react on the Gold Coast because it really is one of the two big industries. Construction and tourism are the two drivers of this economy and they are obviously very large employers of people so it is really critical that we get our voice out there. To a certain extent we are a litmus test for the rest of the country—even though it is fair to say that, probably because of the breadth of our offering, we are doing a little better than some other places which are very restricted.

Mr Donovan—So as not to misunderstand Martin's comments, there are certain areas which are really hurting—for example, Far North Queensland. Sometimes people look at the Gold Coast and say, 'No, they're going okay.' Well, we may be going okay relative to Far North Queensland but in terms of the investment and the numbers that we need—and there are a lot of people who have put a lot of money up—we need to keep that going. Martin touched on the issue of infrastructure and development. A key component, if you like, for the Gold Coast is return visitation. We need investment. The last 'product' that was put on the market was at Warner Brothers Movie World with the Australian outback spectacular.

So because we depend on return visitation, we need more incentives for investment for people in the new product that I mentioned. We have not had a new hotel for sometime but we now have a new Hilton. That is critical to the Gold Coast. We need to encourage that sort of investment. I suppose the area that has really hit us is the business events side of things. That is in line with everything elsewhere where the first cost line on any company's budget when there is a downturn or a tightening of the budget is travel, entertainment and accommodation. Martin, being a specialist in that area, could support my comments in saying that we have lost a lot of business events—which have just dried up. In a normal period, we would have to compete against a lot of other areas to get the small medical conferences and things like that, but a lot of the inquiries have dried up.

CHAIR—Yes, they are not happening anywhere.

Mr Winter—I think it is really important that we make it really clear that this is one of the key issues that the government needs to focus on. Over the past 10 years Tourism Australia has done a pretty poor job with this, and they have only just picked it up. We have steadily been losing market share. For the first time in 2007 we slipped from ninth to 13th in the international ratings in the number of international events we had. We now have only 2.9 per cent of the international market share where previously in 2007 we had four per cent of the international

market share. So it is going backwards at an absolute rate of knots. From a competitive angle, at the Olympics Australia enjoyed the No. 1 rating in the Asia-Pacific for a number of association meetings and now we are 14th. So it is a really serious decline.

It is because nobody has seriously addressed the importance of this very high-yielding sector to the country. They fill the front of aircraft, so they are very important for the viability of airlines. They fill the spaces in hotels, which all have purpose-built accommodation for meetings et cetera. There are also the other ancillary companies and the purpose-built convention centres around Australia which have contributed billions of dollars in investment over the last 10 years in infrastructure. These have dried up substantially. Obviously, we all know why. But the fact is that we also need to stimulate this very strongly as soon as possible. Otherwise, we are just going to wither on the vine.

CHAIR—Thank you for your overall introductory comments and for providing us some evidence in relation to the business and events market. I will ask you some questions about that in a minute. There are a couple of things I just want to follow up on first. The first is on the drop in employment in the sector. What has happened with that workforce? Have they stayed in the area? Are they engaged in training? Have they left the area? Where have they gone?

Mr Donovan—There are a couple of things when you look at employment. In our industry there is a lot of part-time employment. I think they have gone somewhere else. These people are quite transient. When we look at the bottom line, we look at where we can cut a few people here and there. If you took at the number of people employed on the Gold Coast, a lot of them might be part time. We have not got the quantitative information on that, but a lot of people move on. We have evidence from hotels and the theme parks where they are looking at cutting some of their employment that they were moving out of the area. I do not know where they have gone, but I think the drop is a combination of people moving out of the area and doing some other work that has come their way. I just mention the Gold Coast Airport for a minute too, as some of those people will be coming to the airport because we are enjoying some growth. We have something like 180 security people at the airport now. We have very prescriptive security that is mandated down, and rightfully so. There is a drop there again, but they are not employed in a full-time capacity but rather part time.

CHAIR—What has the industry been doing locally in terms of skills development? There have obviously been shortages at some points, although not at the moment. Are you using the downturn to increase—**Mr Donovan**—We are very fortunate to have three very good university campuses on the Gold Coast: Southern Cross, Bond and Griffith. Education is a great tourism driver as well because nearly 30 per cent of the students are international. The new campus that is being set up on the airport I understand to be for tourism and hospitality—and, boy, do we need it!

CHAIR—Can you tell us a bit about that. I do not know about that development. I would be interested to hear about it.

Mr Donovan—I will talk about that in a minute. But I think that, in times of growth, in most companies the training falls off because it is ‘all hands on deck’. That has been one of the issues on the coast, because we have not been able to deliver the right level of training to give people that good experience. To give an example, I was at a dinner at Coolangatta and we were waiting

for our meal and we were told, 'Don't you realise that we've got a restaurant to run?' This was by a waitress—even though we were there with the full board, including the Chancellor of Southern Cross University, John Dowd, who was actually told this by the young waitress. These are training issues that we need to get across to people. I think Martin would support that, right up and down the coast. It is something that I am passionate about. You do not mind paying a bit extra if you get good service. The sour taste comes from paying too much and getting no service.

Southern Cross University is setting up a campus on our airport, if you like. As I have explained to some of the federal members of late, as an airport we did not want to go down the path of setting up a shopping centre, which is traditional with airports these days. We were approached by Southern Cross University to put a campus at the airport and we formed a relationship there. That will be a school of hospitality and tourism, we hope, and that will be driven by a significant amount of international students, again.

Apart from the fact that we run a very successful regular passenger transport business and GA area, we are looking at the airport as a centre of excellence for things like training. We have a lot of pilot training facilities at the airport. There is a shortage of pilots throughout the world and there are a couple of operators there that have now gained great penetration into the Middle East and India. It is a very important contributor to the airport. We are delighted. I think it will end up being two or three buildings and ultimately 1,100 students.

Mr Winter—If I could just add a little bit more to that. I think the TAFE continues to do good work, but it is really restricted by the lack of funded places, for which our industry has to compete with other disciplines. For instance, there is only so much money that is available for a TAFE college for hospitality, embroidery, plumbing or whatever it is, and so there are only a certain number that are available. However, one very positive result recently has been the TQUAL grants, which I think you are aware of—

CHAIR—Yes.

Mr Winter—which will deliver us our share of the 600 fully-funded places to upskill people who are already in work. It is very blatant, I agree with Paul: the standard of service on the Gold Coast generally is not as good as you would normally find in other parts of the country.

CHAIR—I do not know about all other parts of the country! We have travelled fairly widely, I have to say. You made the comment that Tourism Australia has been slow on the uptake of the digital economy; could you expand on that point, please.

Mr Donovan—Well, can I just maybe go back one step. I think Tourism Australia needs a total overhaul.

CHAIR—Right. Okay.

Mr NEVILLE—In what areas?

Mr Donovan—I think from the top to the bottom.

Mr NEVILLE—Yes, but what sort—

CHAIR—If you were in charge of it, what would you do?

Mr Donovan—Let us talk about the structure first and then what they deliver. I go back probably four or five chief executives. There has been a rotation of people coming through who have had different aspirations, so they have not had any good leadership for a while. I think the last chap who was there, Geoff Buckley, did a good job. I think it is a very politicised organisation, to be quite honest. They spend a lot of time writing reports to people to justify what is happening rather than being out in the market.

As a marketer all my life—my history is working with airlines for 30 years—I know it is all about product, price and where to buy it. Overseas—if you talk to the people in Japan, for instance—they will tell you that, say, the Gold Coast is an iconic brand that even Honolulu or any of those areas would be proud to have. What we have to do is understand the change in those markets in terms of their call to action and deliver product accordingly. ‘Where the bloody hell are you?’ meant nothing. In fact, when you translate it into Chinese or Japanese people thought we were smoking some prohibited substance.

Essentially, this latest campaign, to be quite honest—and it will go down on record—is all about a movie that has been rated 350th in the most popular movies. We spent that sort of money when we could have done a call to action—that is, ‘Come to the Gold Coast, Cairns, Sydney, Perth,’ or anywhere else, ‘and have a great holiday for \$549.’ That is how you generate the numbers. If you look at, say, America now, where we are back on the boil again, and when you look at the currency exchange rates being better, we need to be out there with very strong call to action campaigns.

When we give a brief for advertising, it is 104 pages. By the time the advertising agency are finished getting through it, what do they come up with? It is very simple. Have a look at New Zealand’s ads on TV. I think Jeff Kennett summed it up when he said exactly that: ‘If you want to know how to market a country, have a look at New Zealand.’ When you finish their ads you feel, ‘I wouldn’t mind going there.’ I think that is what we need to get to.

I have retired and come back—I have a big opinion on life—but I think tourism is such an important sector that it needs to be recognised by having a minister, whether it is Martin or someone else, who focuses exactly and only on tourism, and by having a tourism body like Tourism Australia that really gets the blend of awareness and propensity to buy right.

Mr Winter—Paul talked about the direction at the top, and of course it does come from the minister, but it is absolutely critical that we have a strong leader. Right now Rick Allert is doing it, because he was previously the chairman. He is doing the right thing by standing in there until they can find someone. It is absolutely critical that we get people, or a person, who the industry can get behind and have full confidence in, because that is what is going to make industry invest. Tourism Australia, with its expenditure of \$120 million or \$150 million, is never going to make the impact that is required internationally, unless you get industry behind it, working with it day in, day out. That is the amount of money that Singapore spends on business events alone, so we are completely fooling ourselves if we believe we can promote Australia for leisure tourism effectively internationally with that sort of dough without having any strong leadership.

Mr Donovan—Woolworths do not promote the history of tomatoes or the sun in which they grow. They promote tomatoes, the kilo price and where you go and buy them. Essentially, you do not get a degree in sales, so people really do not understand it. If you have an economics degree, you can be recognised for what you deliver.

Tourism Australia, with the most important tourism function this country has, has not been able to get a leader. The last guy they got to do the job fell over at the last hurdle. If we source the best person, it might cost \$1 million a year. Who cares, providing we get the right person? But we have got to make sure that the focus is on getting the right person. Personally, I think Martin does an outstanding job in the time he has available to do the job. He is very keen, he is on the boil and he has been in the area, but look at all the other things he has to do. I go back to my statement about John Brown. Like him or dislike him, he was out there. I think that it flowed on, because we are down the food chain, if you like, as a body fully funded by local industry organisations, as distinct from Tourism Australia, Tourism Queensland and what we do as an organisation.

Mr Winter—I think we are also calling for less esoteric and aspirational marketing, getting down to things which people can relate to, where they can see value for money, see what the price is and see how they get there.

CHAIR—Thanks. Did you want to comment on the area of digital marketing?

Mr Donovan—I have trouble turning my computer on!

CHAIR—You don't have that problem, do you?

Mr NEVILLE—I do.

Mr Donovan—We can relate to each other. The Jackson report covered supply, product and digital marketing—I suppose 'digital marketing' meaning easier access to better product. I was talking to Martin this morning about a program we launched called 'Your Coast'. I went into some other site and I thought, 'I wonder if it is there,' and it was there. It leads people to making decisions. So everything needs to come back to the appetite to press a button to buy. Martin talked about esoteric marketing. It is more a call to action. Everything in the digital marketing area and all of these other areas needs to be like the New Zealand campaign—I am going to go to www.tourismnewzealand and see what that means.

But it is easy to criticise. We have got 30 minutes and I can tell you that all the guy in Tourism Australia are friends and good blokes and they need good leadership. They need a good strategy and direction to take the business forward. I mentioned that to the minister. If the government can do one thing for all of us, it would be to create a very strong, focussed, well-led Tourism Australia—and we would be very happy.

Mr NEVILLE—I really like your approach because I agree with you. I spent a lot of time in tourism myself; I managed one of the tourist regions. As far back as I can remember—Fraser, Hawke, Keating, Howard and now the current government—the industry has begged for a dedicated tourism minister. Both sides of politics do not seem to be able to grasp the importance of that focus on that role. I think Martin Ferguson has probably got a bit more latitude than

previous ministers have had. Nevertheless, it needs to be up there. We talk about being Australia's second or third industry and yet we do not put that same sort of operational political focus on it.

Do we have the structure tourism right all the way down? I know that the national body has to be out there promoting international tourism, and I agree with you that it has to be well led. But then you come down to the state tourist authorities. I remember when Frank Moore led QTIC. That was probably the golden age of Queensland tourism in terms of promotion. Have we got the state bodies strong enough? Do we do enough research at the state and federal levels to be able to position ourselves? It seems to me with our tourism that we are playing catch up all the time. Frank Moore's philosophy used to be, 'We'll have the research five years ahead of the rest, so we'll be planning our campaigns two or three years out while the others are still in this current mode.' How do you think we can get to that stage? What is your formula for getting to that stage?

Mr Donovan—I think we needs to look at this in terms of the CRC—which is the central body, if you like. That was a Sir Frank Moore initiative. The funding was rejected but they are going again. I think that needs to continue. The whole thing is in market. I think we all have a responsibility for research—and we are doing that. I have just come back from China. We have a strong TA, a strong TQ and then we as an organisation have an officer as well. So Paul Neville, who supplies all the people who go all over the world, one day have TA, the next day has TQ and the third day has Gold Coast Tourism. They are confused. What we have successfully doing is working with the TA people, who then feed into TQ and Gold Coast Tourism. So we are not spending money on having—

Mr NEVILLE—Duplicating.

Mr Donovan—bodies duplicating resources if the money that is saved from duplication of resource goes into marketing, which is the critical component. China is a difficult market because of air access—and most international tourism, I can tell you, is determined by air access. That is the big problem with Japan now. It is nothing else. There is just not the competition, apart from Jetstar flying into the Gold Coast now. There used to be four or five airlines flying from Japan into here, so there was that competitiveness. But I think, to go back, we need to ensure that at the three levels of tourism there is a communication process that does not have duplication in people on the ground or research or the people we are seeing in markets. We are an organisation that runs on about \$13 million in total. We have an allocation to research, but we depend very heavily on what comes out of CRC and what comes out of TA and TQ, and that is liberally supplied to all of us to make decisions on.

Mr NEVILLE—Should we have something at the operational level akin to the ministerial council? For example, all the portfolios have a federal minister and the appropriate state minister or territory minister and they meet periodically twice a year or whatever it is. Do we need to have something in tourism where perhaps the chairs and the directors of tourism meet and plan the operational strategy so that you do not have this overlap?

Mr Winter—In a federal system it is going to be very difficult, because it is very competitive. We even know that the ministers bitch and complain and it is war when they get into the room and talk about major events, for instance. They take the taxation from local states and they

compete to get the business from somewhere else. At the end of the day they are still looking after their own backyards. The issue is not so much the needing to have a committee. What we need to do is ensure that the structure is correct so that at the very top of the pyramid Tourism Australia is effective so that the states can feed in appropriately at that next level and capitalise on the investment that they are doing for us. Then below that there would be the regions. They might be like us, a region which attracts more international tourists. Four times the number of international tourists as for the whole of South Australia, for instance, comes to the Gold Coast. We can feed in appropriately too and invest our \$13 million so that we capitalise on all of that other money that is being spent.

Mr NEVILLE—So your answer is a structure?

Mr Winter—Yes, and also to get Tourism Australia right. I will be honest: I think that for the last 10 years it has been a basket case.

Mr NEVILLE—Just wandering?

Mr Donovan—Yes.

Mr Winter—There are some terrific people there. Do not get me wrong. They are very talented people; they are all good people trying their hardest. But it is a tough world out there. It is a seriously tough world.

Mr NEVILLE—You do not get a feeling of excitement that there is something happening with Australian tourism.

Mr Winter—No. Around the Olympics was great, but it died off. The fact that we have got good-humoured larrikins is not enough reason for people to want to come to Australia. I would just like to tell you something that really points this out. I read it this morning. This is a paper I wrote some time ago about business events, the sort of competition and the way that Australia takes this seriously. For instance, Qatar, a small Middle Eastern country, is entering the business events market with the vision of becoming a world leader in science, research and education. It has identified those three areas and it is promoting business events around them. Singapore, which is obviously one of the leaders, directly links its business events targets to the country's economic targets. So they are linked at that level; it is about whole of government. These include finance, biomed and banking. Shanghai's business events are closely aligned to the hosting of the 2010 Expo already.

These countries have the ability to put in place a structure whereby they capitalise on what they are good at rather than, as we mentioned before, allow it to find its own place, find its own water level and wander around. I think that this is the leadership that we are calling for. We need people to be able to identify what it is that we are very, very good at and really go hard at it, because otherwise we are just going to get less than one per cent of the international tourism visitation. That is where we are currently and where we were 15 years ago.

Mr Donovan—I might add that with the board changes to Tourism Australia we believe there is a big chance we will get it right. You have got the junkyard dog going in—Geoff Dixon—who is as good a marketer, as passionate and as good an operator as you will get, and there is Sandra

McPhee, who is a great marketer from Qantas days. We need to make sure that whoever goes in as the leader of that organisation has the ability to develop a strategy, get it through whoever it has to go through and, we would like to say, depoliticise the organisation, because it is a business. They then need to be able to clearly articulate the strategy and motivate those people who are in there so that their shoulders are square and not rounded—and so they are not getting the crap kicked out of them every day by every state and territory and every person in tourism. There are signs that are encouraging. The other thing that is happening is the minister is having a day in September when everyone is going in to talk about the performance of Tourism Australia, looking at it in a very productive way rather than knocking what has been going on. There are some encouraging signs going forward.

Mr NEVILLE—Thank you.

Mr RAGUSE—Very quickly following on from that, there is no doubt that the issues of the structure of TA, the leadership and all those things, have to be and will be resolved in time, I am sure. Getting back to the very local level and talking about business events, and with respect to the Gold Coast, as part of the stimulus or something in the immediate or the short term, what is something that government can do? Given that the structure and all those other things are clearly part of the problem, what do you think that government can do at the local level to enhance the exposure of business events?

Mr Winter—I think that one thing would help the whole of Australia. It is a very competitive market, where every destination competes domestically against each other. So it is not as if the federal government can do something specific for one area, and they never would. The most important thing is that the government encourage people to keep meeting. This is one of the issues. It is one of the first parts of discretionary spend to go. Materialisation is down; we are 10 to 15 per cent down in actual numbers of events. Right now we really need the economy to turn around. Fortunately, the Australian economy is not doing as badly as some of the others, so that is a sign that it is going to be okay. The federal government's decision not to meet was really like a stab in the heart of the business events industry. It was taken very poorly by the industry. Things like that just do not help at all.

From an international perspective, Brett—if I could quickly go back—the visa charge is something that really needs to be focused upon. You are not going to get people to come to Australia when they have got to spend hundreds of dollars just to be allowed in.

Mr Donovan—I have one last point to make. I do not think that everything comes back to the global financial crisis. There are some management practices in some businesses that you may be able to hide behind the global financial crisis. The swine flu is a huge impediment. For the Japan market alone—because we now have double daily services from Japan into the Gold Coast—the bookings held for April, May and June were 50 per cent up on the same period last year. For July, August and September they were 100 per cent up on the same period last year. And when the swine flu hit, they went to 50 per cent of the total of last year. The biggest single issue we have got at the moment is the fact that everyone who has got a doctor, whether they are a political doctor or a medical doctor, is talking about the pandemic. We need to come up with a strategy so that people understand that the common cold or sniffles does not mean there is a pandemic happening.

That it is creating huge issues for all of us from an inbound tourism perspective, particularly from Japan, where the prefectures have just stopped schools travelling. That has led to some 80 flights being cancelled in the last couple of months from Japan into the Gold Coast. I am not talking about Gold Coast airport but from the Japanese inbound tourism perspective. We need to be calming people down who were suggesting we were going to football fields to get our tamiflu injections because of what is going on. I liken it to fire people who are trained and never see a fire. As soon as there is one they start to hyperventilate about what they are going to do. We need to somehow calm all that down. That is again starting to gain momentum and there is a direct result in terms of seeing people travel. I do not know how many people, unfortunately, die of the normal flu each year, but it is far more than those suffering with this swine flu. So I would encourage the government to try to do something about that.

CHAIR—Thank you. Can I ask you about the infrastructure investment. Obviously it is linked to the availability of capital. Do you have any evidence that your members want to use the downturn to perhaps look at reinvigorating some of the tourism stock that they have got? If they are not doing that, what other barriers in the way of that? I am assuming credit is certainly one of those.

Mr Winter—There is a really simple fundamental here. It is not happening. It is because when there is a downturn, which we have got now, the way that most businesses have maintained their cash flow is to drop their prices to try to keep the dollars coming through the door. When you have owners who are often—

Mr Donovan—Bankers.

Mr Winter—bankers or overseas people or they property developers, they will not invest any money in renovations or upgrades in this particular time. People are hanging on tight to what they have got, keeping the wolf from the door and waiting for the time to recover.

CHAIR—None of the investment allowances are stimulating anything in particular?

Mr Donovan—No. It is publicly on record but, most infrastructure businesses are going through refinances at the moment. It is very hard, because most of the portfolios are full up within the banks and they are being very cautious about what they do. Our airport—and Brisbane airport, for that matter—have invested a huge amount of private shareholders' funds to develop that infrastructure. It is difficult, to be quite honest. These people deserve a return on their investment. Airports, unlike hotel developments, cannot sell off the plan; it is a long-term investment. To put a runway extension of 450 metres costs \$25 million. You are talking significant dollars when it comes to that. I made the statement before about some people who may not run their businesses as effectively, that use the global financial crisis as a crutch for whatever. But, as Martin says, to look at Seaworld or Dreamworld, they are out there at 30 per cent of their normal price just to keep the money turning over.

Mr Winter—One very important thing, obviously, is that access to credit is just incredibly difficult now. If you can get it at all, you have to pay a lot of money. To put it in perspective, the last significant hotel that was built on the Gold Coast was now eight years ago.

CHAIR—Thank you.

Mr NEVILLE—As the operating officer of the airport, just give us a quick two or three minutes on your passenger throughput—increasing or decreasing; international; domestic. Just give us a bit of a feel for Coolangatta. This is the sort of forgotten airport. You know it is there but I would not how well it operates—not that Brett does not give good speeches in the parliament, mind you.

Mr Donovan—Our member for this area—Forde, isn't it?—

Mr Winter—Yes.

Mr Donovan—had a personal tour yesterday to ensure that it is definitely not a forgotten airport. Firstly, we are the only airport in Australia that has a competitor in Brisbane—or Brisbane is the only airport that has a competitor, being the southern end of the Gold Coast. We have grown from 2001, when we had maybe 1½ to two million passengers to 4½ million now. Next year it will be five million.

There has been an huge growth of international flights. That was off the back of a runway extension—we went out to 2,500 metres, which is what is required to effectively operate internationally mid-haul. We now have direct linkages from Kuala Lumpur, with six services a week—we will go to seven—and double daily wide bodies into Osaka and Narita. We now have up to 54 services a day into the southern areas. We now operate to Melbourne, Sydney, Canberra and Adelaide and Townsville daily, and Cairns three times a week. And to New Zealand we have up to 22 services, depending. So it is great. That little airport has now become a real airport. We had constraints with the old terminal because half of it had a long-term lease with Qantas, so we had two terminals operating within one. We have renegotiated those leases and we have built what I call a big boys' airport—or a big girls' airport—these days.

It is very well received by the low-cost carriers. We have positioned ourselves to work with the low-cost carriers. That does not mean low service, low safety or low quality; it means that their pricing is right. Accordingly, we have developed the airport so that we have a good runway, and ease of taxiways to get the aircraft off. So we are four minutes from touchdown to chocks; most other large airports are 12 minutes. There is eight minutes of fuel burn. We have taken all these things into consideration. The secret to low cost is having front and rear doors operating. We do not have aerobridges for that reason. Our customers do not want them. And there are 320 days of sunshine on the Gold Coast, so the risk of rain is diminished.

We have hopes of one more international destination within the next 12 to 15 months, and that would give us coverage to, if you like, the greater Asian region and beyond. So we will have Japan and China covered. We can get one-stop to London, direct, out of the Gold Coast now. We are well serviced to New Zealand and to North America—one stop—over Auckland. And we have plenty of services to Melbourne and all the other capitals that I talked about. We are well supported with three domestic carriers now—Tiger, Jetstar and Virgin—and Air New Zealand, Pacific Blue and Jetstar flying into New Zealand—

Mr Winter—And AirAsia X.

Mr Donovan—and AirAsia X into Kuala Lumpur, which has been a huge success for us. So that little forgotten airport—

Mr Winter—Is now bigger than Adelaide.

Mr Donovan—is now the sixth busiest airport in Australia, and the fifth busiest international airport. So it has been a great success story. And we are very fortunate to have a very good board that is prepared to invest. We are undergoing a \$100 million renovation of the terminal currently, and that will bring it into this era, if you like.

CHAIR—Thank you very much. As someone who had not flown in here for 15 years, I think the change has been quite remarkable. You have done a fantastic job. It looks beautiful, as well, and it is very comfortable and has great service. Thank you very much for appearing before the committee today. If you want to make any further comments to us, you are most welcome to do so by writing to the secretariat. We have really appreciated your evidence today and your frankness as well.

Mr Winter—Do you want a copy of this statement—would that make it easier for you?

CHAIR—Yes. That would certainly be helpful. I will move that it be accepted as an exhibit at this stage, as I have not seen it, and we will convert it to a submission, if we need to do that, once we have had a look at it. But thank you very much for that. It will be publicly available, if it has been accepted by the committee—I just want you to be aware of that.

Mr Donovan—And can we say, Chair, and members of the committee, that we appreciate the opportunity, because we are all trying to achieve the one thing. So thank you.

CHAIR—It has been a pleasure. Thank you. We will now break for lunch.

Proceedings suspended from 12.09 pm to 12.36 pm

KEMP, Mr David Robert, Managing Director, BDS Group of Companies

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr Kemp—We are the largest shopfitting and shelving manufacturers in Australia—the last major one. We have branches and warehousing in all the states of Australia.

CHAIR—Thank you. Although the committee does not require you to give evidence under oath, I do need to remind you that these are formal proceedings of the parliament and as such should be treated with the same respect—

Mr Kemp—Anyone who knows me, knows that is what you get. I am a straight shooter and you will not get a fib from me.

CHAIR—as proceedings of the House of Representatives. It is customary for me to remind witnesses that giving false or misleading evidence is considered a serious matter and may be regarded as a contempt of parliament. I understand you have an opening address you would like to give and then we will go into questions.

Mr Kemp—You have a copy of this statement. As I go through it, I might sidetrack to a couple of major issues. Several years ago an industry survey was commissioned by Dexion—the biggest material handling group in Australia by far. They bought a shopfitting company of which I was general manager. They wanted to get into shopfitting in a big way and their survey showed that \$2 billion a year was spent on shopping centre fit-outs, shopfittings and those types of products that we make. There were seven major and half a dozen or so smaller manufacturers that had production plants here on Australian soil operating within the metal shelving segment of the market alone. Today, I am the last of the Australian manufacturers servicing that industry. My former competitors have either closed, collapsed or taken their manufacturing offshore. In their place, however, it is reported there are 25 companies importing shelving and fittings from overseas manufacturers. They employ very few Australian workers, contribute little to local economies and do not have to comply with the stringent regulations that are mandatory for an Australian manufacturer.

BDS manufacture and market a large range of shelving systems and shopfitting equipment that is used by retailers, shopfitters, store developers and the like. My group's turnover is in the vicinity of \$30 million a year. I employ 100-plus people throughout the organisation. It would be foolish to deny that the global financial crisis has not impacted on my business, for there is no doubt that it has affected both the turnover and the bottom line. Our order books began to deplete as projects were deferred and customers held back on many refits and expansion plans. The obvious result was that it became necessary to cut overtime and reduce staff levels in proportion to the amount of work available to us.

In my group's case, it amounted to the loss of some 30 jobs during the later part of 2008 and the cutting of overtime by 50 per cent. It has always been my policy to make available some

overtime for our employees in order to allow those supporting families to earn a little extra. Additionally, some overtime would become necessary to meet critical delivery deadlines.

The greatest impact on my business, however, has been the ongoing effects of two major factors which continue to grow at an alarming rate. These factors are competition from cheaper import products and the enormous cost of compliance with the excessive amount of government acts and regulations. We worked out that 18 per cent of my costs are complying with regulations. I have just had a fire audit in our factories at Logan, and the problem is that every year or so they change the regulations, continuously. It cost me \$25,000 extra, which I knew nothing about. I said to them, 'Hang on, no-one notified us.' They said: 'It is not up to us to notify you. You have got to employ people to look on the net at all these different things.' I am told I should have three or four full-time people doing this.

I have zinc and chrome powder-coating plants, with about \$15 million worth of equipment in our premises. Local councils now come out to do a full audit on that and, two days after the fire audit, two people turned up to do that. They were young people. With due respect, I said to them, 'Have you ever done manufacturing before?' One person had just come out of university and I do not think the other person, from what I found when they went around, had any experience at all.

Any day now I am going to have a workplace safety audit. They are the worst. Last year the fire brigade did their audit, then Workplace Safety came. In my factories I have different thinners and that sort of thing, which the fire brigade said, 'Yes, you've stored them in the right place, that is right.' I would have thought that they were the main ones who, if a fire comes, would know where it is and what to do. But when the workplace safety inspector came out, she overruled that. I said: 'I can't build all this so they cannot see. They can see what is inside now because it is meshed and covered.' She said, 'I don't care.' So what is happening is that there are conflicts between different government departments and they are overruling each other. Every two or three years I have to send our workplace safety guy to get re-examined. Last time he went there were 750 pages of new acts; there were complete changes from what had previously been there. Do they get it so wrong all the time that they have to virtually rewrite all these different act continuously?

If you read the thick document that I gave you, you will see that it says what my options are. It is getting to the stage where I have to look at going offshore or selling up or closing down. It is just getting so ridiculous with all these files. For example, for the fire audit they did, the files you get are this thick. And for every one of those files I have to keep a copy locked up somewhere else in case my buildings burn down, so they can come back and look at them. That is the amount of paperwork that is going on. Then for every bit of machinery in my place—and, as I said, I have \$15 million worth of machinery—I have to have manuals for all the breakdowns. I have got six forklifts in one factory and five in another. I have to have all the manuals for them. Even for the exits there, I have to have a safety manual to see when they were serviced. It has just become ridiculous. I can see why companies say it is fine to go offshore. It is cheaper. The labour is cheaper. I just came back from China last week, and they can employ 40 or 45 people to my one. I can see what is turning everyone off so that they go offshore. In addition, it is the cost of compliance to run businesses in Australia. It is an absolute nightmare.

It has got to the stage where I ask myself, 'Do I need all of these headaches and dramas with compliance to run a business in Australia?' For example, one of my distributors, which is a tin-pot show in Victoria with three or four people, visited a factory in China, out from Shanghai, last week and saw all of my shelving. That is about the fifth factory I have seen around that area where they make a lot of shelving and display equipment for Australia. Five different people in the last few months have sent my shelving, which is regarded as some of the best in the world and the most superior in Australia, over there. They bring it back and then sell it 25 per cent cheaper than me because they have no overheads or anything. They do not have to pay payroll tax and all the different things I have to pay. I probably collect \$4 or \$5 million a year in all sorts of taxes and things for the government. I think I pay about \$450,000 in payroll tax a year, and in Queensland only 10 per cent of us pay that. It is getting to the stage now where I wonder if I should join them. What do I say to my customers when they show me these things?

There is another frightening thing with all the material and shelving that comes into Australia. Eight years ago in Australia we were all made to use unleaded powdercoating and paint. Over there there are 300 or 400 manufacturers from small ones to big ones. The big ones are not too bad, but I suspect that 90 per cent of the shelving and shopfitting for places like Woolworths and Coles that comes into Australia is full of leaded paint. Leaded paint over there is about one-third of the price of unleaded paint in Australia. You can see with that example that it is not a level playing field. Everyone is screaming about the environment, yet we can bring what we want from overseas full of lead. Australian manufacturers, however, cannot produce anything with lead.

To help us get somewhere I think it is time we had some strict Australian codes. With shopping trolleys we used to go under the British controls. We made ours stronger. The Australian standards are very strict. I believe that with all the things coming into Australia—not only shopfitting and shelving—we should have strict Australian standards. Why? In my shelving systems the thinnest metal is about one millimetre thick and the posts are 2.5 millimetres thick. All the stuff coming out of China has posts that are 1.5 millimetres thick and shelves and back panels that are 0.7 millimetres thick. Sooner or later there will be a dramatic crash here in Australia and someone will get seriously injured.

We lost a supermarket the other day, so my Western Australian manager went out to have a look. He nearly fell over. All of it was 0.5 or 0.7 millimetres thick and it was all bowing. We need to bring in some strict Australian standards on the paint and the thickness of the materials. I have been one of the major manufacturers in Australia for 20 years. In the whole 20 years no-one has come to me and asked what I think about the standards for different things. I was one of the ones that forced shopping trolleys to meet Australian standards. I used to bring them from Cape Town in South Africa. They were a good trolley. I stopped doing it because we have a lot of other things like BDS shelving, BDS shopfittings and things like that.

If we do not do something about it, I will be gone. You have seen the whitegoods industry wiped out in Australia. I remember when I was at Wacol many years ago Dixon Shoes used to employ 1,000 people on Ipswich Road. The woollen mills around Bendigo and Ballarat are all gone. BDS, the last major in Australia, will be gone. There will be no more shopfitting and shelving. We will bring in billions of dollars worth and have warehousing. They will not pay payroll tax and all the different taxes I have to pay. I have to pay environment fees, for licences and all sorts of things.

It has got to the stage now where someone has to listen to us. With due respect to the committee, over the years there have been a lot of other committees and, to be quite honest, they get nowhere. Are you listening to us? I am not being disrespectful, but I have got to the stage where I have just had enough. I am a pretty proud Australian manufacturer. I am pretty proud of Logan. I won the Smart State award here in Queensland the year before last for small and medium businesses in mining and manufacturing. Last week BDS won the Logan Chamber of Commerce Business of the Year, so I am pretty proud. I do put a lot of money back into sport and different things around South-East Queensland. If I go, a lot of that is going to go. As Brett knows, I put a lot into charities. I will give you one example to show what I do. I put three-quarters of a million dollars into the BDS Logan Thunder, the women's national basketball team. It is the first national team Logan has ever had. We are representing South-East Queensland. If I am not here, they will fold. They have already admitted that if I had not come they would not even have got the franchise. They are the benefits that communities are going to miss out on if companies like mine are not around. This is getting very worrying.

It does not only affect BDS. A good friend of mine who runs Laser Dynamics sells to BlueScope. They do a lot of Army supplies, the big trucks and all sorts of things Army—stainless steel and all that. He went to a show recently in Melbourne. He found that there is a Singapore company that could supply him with stainless steel. To fly out flanges from Singapore would be cheaper than he could buy them here in Australia. I had a talk to Wayne Swan the other morning about the economic stimulus they did. I said, 'Regarding the 30 per cent and 50 per cent for small businesses, it would have been nice if they had had Australian content in there.' He said, 'We can't do that. We have to have a level playing field.' That is fine, but I am sick of hearing about the level playing field. To get around the level playing field we could bring in Australian standards on all sorts of things.

I cannot believe that the shelving in Coles, Woolies and chemist shops all comes in under the guise of industrial shelving. After a while parts of it fall off and kids come around and put their mouths on it and all sorts of things, and yet we do not police it whatsoever. We do not police the thickness of shelving that comes in. They even tried to bring in shelving that was half a millimetre thick—0.5. After a couple of collapses, they decided to go back to 0.7. It is cheating all the time. We are getting so much rubbish from overseas. There are good manufacturers like me with world's best practice and we are going nowhere.

CHAIR—Thanks very much for the exhibit that you have provided to us. I will briefly ask a member to accept both exhibits that we have from you.

Mr NEVILLE—So moved.

CHAIR—Thank you. I need to do that before I can formally talk about them, so that they are on our public record. The purpose of this inquiry is not so much to look at business regulation.

Mr Kemp—I understand that.

CHAIR—A number of other inquiries have been doing that, and the government has certainly been undertaking some work in that area, has have previous governments. I want to ask you some questions about what has happened in the business sector here. I will go back to the regulatory stuff in a minute. Obviously your major market is shopping centres and shopping

precincts. Have you seen any evidence of a lift in development in those areas? For you to have a 50 per cent cutting of your overtime is fairly significant for a business of your size. Have you seen any change over time?

Mr Kemp—Yes. Since the 30 per cent arrangement we have had \$8 million worth of orders.

CHAIR—So people are using that as an opportunity to completely refit.

Mr Kemp—Yes. We do a lot of major chains—for example, the Reject Shop, a chain of variety discount shops. They have 200-odd stores. I have done the 200 stores in Australia. For Foot Locker we do all of South-East Asia, New Zealand and Australia. We do 90 per cent of the Mitre 10 stores in Australia. So there are a number of companies. It is all right to say I have the world's best thickness in shelving, but all the time now people are saying, 'Why are you so dear?'

Going to another thing, I have distributors all around the country—in Townsville, Cairns, Mackay and Toowoomba, Ballarat and Bendigo and so on—and they are all suffering. For example, the guy at Townsville Shelving and Storage Systems had quite a well-known business, but he is struggling to pay his bills to me. I have known the guy for 30 years so I am being very lenient with him. I am not that lenient with too many people, but I am doing that right around Australia with a lot of the regional people. You mentioned regional unemployment; they are really struggling.

CHAIR—But that is despite what you said about the investment allowance coming in, that you have seen a little bit of a—

Mr Kemp—This is mainly from all the big companies.

CHAIR—But it is the smaller retailers that some of those regional ones would be marketing to that are not—

Mr Kemp—Yes.

CHAIR—Obviously, you get out and about and talk to lots of small and large businesses frequently. Do you think some of that is about the availability of credit? I am actually from Ballarat—Ballarat is my home town—and I know some of the comments we get in relation to small retailers are that a lot of them are not aware of some of the things they might be able to access and take advantage of, but another is about the availability of credit. Are you hearing anything about that?

Mr Kemp—Yes. It is a major problem, credit. The problem there is with the banks. If you are a developer—it does not matter if you are in a country town—you can forget about it. The banks do not want to know developers at all. I am on a committee with Dan Gorman and Wayne Myers and that on the other side, so I know a fair bit about it, and I believe there could be 30,000 to 50,000 extra jobs here in Queensland alone, right throughout, if the banks went back to the days where they gave to developers, but they will not. What they are doing is coming along and saying, 'You valued that bit of land there at \$5 million and we lent you some money, but unfortunately it's only worth \$3 million now; now you haven't got the equity in it.' They say, 'If

you want to borrow more money, you can borrow it'—but not at eight or nine per cent; they want 14 or 15 per cent, making it unreasonable.

As for small businesses, one of my best friends does the same thing; he is in the scrap metal business here in Brisbane. I was down there the other day, and he said: 'I just had the Commonwealth Bank here; they've just come in. They valued my place as being worth \$4 million six months ago; now they have downgraded the value,' and they seem to be dropping values by 30 per cent everywhere. He said, 'If my father wasn't going to lend me a few million, I'd have to get rid of it.'

So many companies at the moment are going into receivership. I have a silent partner who is a chartered accountant. He rang me yesterday. Now, there is a big racking company here in Queensland—I will not mention the name—that were going to go into receivership today. He said to me yesterday, 'That's the third company I've heard about today that's going into receivership.' I was at BlueScope yesterday and they said they had a big fabricator that went into receivership only last week. For most of these people getting drawn into receivership, it is mainly because of the banks, which are trying to get more equity and being greedy.

With BDS I am very lucky. I have got no debt whatsoever; I do not even use a bank overdraft. But that is because over 20 years—we are 20 years old now—I have put all the resources and profits back in.

CHAIR—They would be chasing you, I would imagine.

Mr Kemp—So I am one of the lucky ones, but a lot of people out there are really hurting. I brought that up at a breakfast with Wayne Swan the other morning, and they said they are watching it, but they should step in. Something has got to be done.

CHAIR—Yes. Certainly, I know the minister for small business is feeding it in also to the Treasurer and the Assistant Treasurer's office if there are particular cases where we believe banks have been behaving unreasonably. We are very keen to hear about those stories. So I would certainly encourage you, if you have got specific examples of people who would like those things followed up, to provide that information.

Mr Kemp—We have also got one of the largest industrial estates in Queensland—

CHAIR—Yes, we flew over it yesterday.

Mr Kemp—I am also the chairman of that estate, and I come into contact with a lot of businesspeople there.

CHAIR—What are they telling you about what is happening at the moment?

Mr Kemp—We believe a thousand people have been put off from that estate. We had approximately 4½ thousand people there last year; we believe at the moment there are around 3½ thousand.

CHAIR—Do you know what has happened to that thousand? Where have they gone to?

Mr Kemp—I do not know, to be honest with you. A crying shame is that around those areas—and I know that it is in or near Brett's area—they have large unemployment, yet last year we could not get even a labourer. Around 300 yards from the back of one of my factories there are houses and there is 12 to 14 per cent unemployment there. No-one comes knocking on the door looking for a job.

CHAIR—What are you doing in terms of the training of your workforce?

Mr Kemp—Because we are a specialised industry, we train everyone ourselves. My biggest success is that I have put on 40 Sudanese refugees. If I had not put them on I would not have been able to compete last year, because last year we were working virtually seven days a week and 12 or 14 hours a day. They have been excellent. Now we just say to two or three of the head Sudanese guys: 'We would like another person. You know what the wages are—'

CHAIR—And they recruit for you?

Mr Kemp—Yes. They will recruit for us. They have been one of the successes, I am very pleased to say. Now when people come to my factory they say to me, 'You have a lot of Sudanese here.' I say, 'Yes, and they are great.' Then they make inquiries. They are starting to employ some, but I keep telling them to not employ just one. You have to employ two because they are coming into an environment that is completely different. If there are two then at least they can talk to each other at lunch.

Mr NEVILLE—You say you manufacture shelving, but is that just pressed metal shelving or do you do other sorts?

Mr Kemp—We have many. We have something like 800 to 900 different products.

Mr NEVILLE—I see. What is your primary product? Is it pressed metal shelving?

Mr Kemp—Yes. There is all sorts of shelving. There is gondola shelving, outrigger shelving, round shapes and all sorts of other shapes.

Mr NEVILLE—And you say that the products used, like lead paint, and the basic strength of these products have not been assessed by Australian inspectors?

Mr Kemp—No, they never have.

Mr NEVILLE—I sympathise with you. I had a constituent come in recently who bought some red paint from China or Taiwan or somewhere. We call it colorbond out here. He put it on his roof and all the water in his water tank went pink. So obviously they are not using proper paints. I sympathise with you. We should point out in the report—and we will, I am sure—that these sorts of things are an impediment. We have heard the story before as we have gone around about what you said about excessive regulation. I would like that list that you have in that compliance paper with all the things you have to comply with. I suspect that would not be the total list either.

Mr Kemp—No. I have not mentioned noise at all. I have a lot of presses and one day someone is going to come in and put some noise detector out on the road at the front of my place and do all of that. I have had to go and spend \$5,000 on getting all the welders tested. Another thing that happens is that the workplace safety officers come out because I have zinc and chrome. I have had them come out about five times with industrial chemists in the last 15 or 16 years. Every time they come out they have to bring the industrial chemists. I have not changed my usage of zinc and chrome or my powder coating lines or wash lines or any of that, so it is always the same product. But they do not want to hear it. They just bring them out again.

Mr NEVILLE—So you first go to this product compliance with Australian standards. What do you reckon the answer is? Is it more inspectors or a response system?

Mr Kemp—I think there should be some sort of a watchdog or some sort of checking going on—and not only there; I would hate to see what is coming into Australia. I am only talking about my industry, but there are all sorts of industries. This is just an estimate, but I believe that approximately 70 per cent to 80 per cent of all types of stuff would be full of lead paint. I have another importing company out of Sydney called Miniatures Australia. I bought it only last year.

CHAIR—What do they do?

Mr Kemp—It used to be called Mainly Mannequins. It used to have mannequins, dress racks and all of that. I stopped doing some of those things because they were not economical. My locations in all my branches interstate are on major roads. Last year, out of his \$10 million turnover, I bought \$6 million off him. All that was to add to our branches as extra online. I will not bring powder or anything painted into Australia through Miniatures Australia, because I have been over there and I have seen it. I was in factories last week and I saw them painting half over rusty products, and I was not interested in going any further.

I have another example of what happens. Three or four years ago in the Bathurst at the big Mitre 10 store there—and I do most of their fit-outs but I did not do this one—after a week there was all this rust coming through their shelving and it had to be totally replaced. That would have gone somewhere. In Sydney they would have got a powder coat and just painted over the top, and some poor bugger would have had to deal with it later. But let us get this level playing field in standards, thicknesses and all of that. We are now happy doing shopping trolleys.

Mr NEVILLE—Do you have a shopping trolley of your own?

Mr Kemp—There are no shopping trolleys manufactured in Australia; they are all fully imported.

Mr NEVILLE—Do you distribute any?

Mr Kemp—I have, yes. I bought them from Cape Town. I used to do Bunnings and Mitre 10. But only a few weeks ago I had a solicitor ring me up wanting to know what standards there were. I said, ‘Well, there is an Australian standard.’ Because half the shopping trolleys coming into Australia do not comply with that. I know one company that about a year or 18 months ago bought 400 or 500 shopping trolleys into Australia and they ended up at the rubbish tip because

there were just too light and they would have had all sorts of dramas. The same thing should happen with a lot of our other products.

CHAIR—Excuse my ignorance in this area, but is there currently a standard in relation to what requirements there are for shelving in shopping centres?

Mr Kemp—No.

CHAIR—So there are no standards?

Mr Kemp—None whatsoever.

CHAIR—And do you know if anyone—obviously you are the last manufacturer—is driving or pushing for that to occur?

Mr Kemp—No, I am just starting after a long time.

CHAIR—Because there are some processes around how you can start to get a standard done, and obviously your local member could assist you with that.

Mr Kemp—I spat the dummy about a month ago when the fire brigade came out and told me all of these things and had all of these crosses everywhere. I said, ‘Two years ago I complied with everything.’ They said, ‘This has all changed.’ One of the biggest problems with all of this compliance is the changes. I am told—I do not know if it is true; I suspect that it is—that over three years they changed 750 pages. In workplace and safety they have 40 or 50 people rewriting virtually every day and upgrading the whole thing all the time. The fire brigade are upgrading too. One of the regulations we had to find out about said, ‘Sorry, we are upgrading now.’

CHAIR—Yes, I saw that in your submission.

Mr Kemp—I have not talked about WorkCover. That is another thing with paperwork like that.

CHAIR—The difficulty in any of these fields, and there are a few things, is that, for a start, you are subject to levels of regulation and levels of legislation from different levels of government. But also the knowledge about some of these areas changes over time as there are court cases, in essence. So both the common law and then the statutory law try to keep up with that as well. So I doubt there will ever be a circumstance where there are no changes occurring, because we keep learning new things.

Mr Kemp—I understand that.

CHAIR—One of the issues that you have raised is: how does business keep up with all of those changes; how does it actually find out about those to make sure that it continues to comply. At the moment, the onus is on you to do that, and legally that is certainly the case, because if something goes wrong you are liable for that, in essence. But what you want to communicate is two things, from what I gather from your submission. Firstly, there are sometimes conflicts in the sorts of information you are getting about how you can comply with those regulations—so

one area is telling you one thing and another is telling you something else, so it would be helpful for you to know which it is that you actually need to follow. Secondly, is there an easy portal for business to actually find out what sorts of things are important in your sector. That is something that I do not think government has pursued—particularly some of the industry associations have attempted to do that as well, but we will certainly take that on board, if I have read your submission correctly.

Mr Kemp—One of the bigger problems that might be able to be fixed up is that workplace and safety and the fire brigade are always trying to overrule each other. My point is that instead of having four or five different audits a year, perhaps one group can go and do the whole lot, because it is very time consuming. They come around and tell you all the things, and they come back with what you have got to do, and you are very busy trying to comply to keep the workplace safety people happy. Three years ago it was fine, but now it is not fine. That would be another thing. I am not against compliance, but I reckon that now we have one of the heaviest compliance systems in the world, to be honest with you. Do they get it so wrong all the time, after rewriting it and rewriting it? That is what we are saying. Two or three years ago—not very long ago—we met every requirement; now we do not meet half the requirements. With BDS, virtually all our competition comes from China. They are already 25 per cent cheaper than I am. Believe me, they do not know anything about compliance.

My extra 18 per cent costs go on top of that. That is why I am trying to say: if you want to keep employment in Australia and you want to keep employment in regional areas, we have to do something about this to stop them. That is the reason why I am either going to close or sell if I cannot get any laws changed, because of the compliances. I can put up with the competition.

Mr RAGUSE—I might quickly put some context to some of David's remarks. I do know well some of the issues that David is presenting in talking about his particular problems. I know that in business for many years he has dealt with the compliance as he has had to deal with it. There is another thing—and the Gold Coast did not talk about it today—and that is the marine industry, where \$400,000 or \$500,000 boats are coming in from the US and China, and there is a \$50,000 refit on the wiring because it does not meet a certain level of standard. The issue for us as a government is how we deal with this, because it is multi platform in terms of where the issue sits. To give a context to what David is saying, as a businessman I have seen him operate. He is certainly not a person who wants to get around compliance, but certainly there is an issue with that level playing field and how we deal with it. Councils are the delegated officers to make compliance occur. Just to give some context: David is a person whom I know is not a person who is trying to get around compliance.

Mr NEVILLE—Can we bring the important stuff under Australian safety standards?

CHAIR—They are supposed to meet Australian standards, but what I think David is saying is that there is not a standard for his particular product in the first place.

Mr Kemp—I would suggest that, except for cars and different things like that—like you heard about boats coming in—

Mr RAGUSE—They have no compliance either.

Mr Kemp—I have just brought in a Four Winns boat. That was built in America, but luckily I have got Australian wiring here, because of the heartache you can have now. If you buy a boat over there, you have got to buy a big sort of special thing to run electricity and all sorts of things. But getting around this level playing field, you talk to businessman after businessman, manufacturer after manufacturer, and they will tell you that it is not a level playing field. To get a level playing field, just bring Australian standards out and somehow, through quarantine, customs and so on, and you only have to do selected ones, you get the message across. If you are going overseas and importing from all the different people who are involved in that, you must meet Australian standards. You must use unleaded paints. Eight or nine years ago, lead went completely. I pay on average about \$11 a kilo for reds and yellows. Over there they would be paying about \$4 a kilo—that is just an example—and bringing it all back into Australia.

CHAIR—Thank you for presenting before us today and taking the time out of your business to do so. You will get a copy of the *Hansard* record and, if there is anything there that you do not believe are covered in your two exhibits in the evidence that you have given today, please feel free to write to us about those as well.

[1.15 pm]

MAGNER, Mr Anthony Michael, Director, Development Services, Scenic Rim Regional Council

CHAIR—Welcome, Mr Magner. We do not require you to give evidence under oath, but I do need to remind you that these are formal proceedings of the parliament and should be treated with respect. It is customary for me to remind witnesses that giving false or misleading evidence is regarded as a serious matter and may be regarded as a contempt of parliament. That being said, you are most welcome. Here today with me are the member for Forde, Mr Raguse, and the member for Hinkler, Mr Neville. We are looking forward to hearing a little about the Scenic Rim Regional Council. The purpose of the inquiry is to look at the impacts of the global financial crisis on regions. Obviously, different regions are experiencing the impact differently and have come up with unique solutions for their own area. We are keen to hear about that and what your council is doing—what the good things and the bad things have been. If you have an introductory statement to make, please do so.

Mr Magner—I am not really sure how well people know Scenic Rim Council. We are a new entity, amalgamated and created some 15 or 16 months ago now. We were a little bit unique in the development of Scenic Rim region in the fact that we were not just an amalgamation of existing organisations. We are a carve-up of the previous Beaudesert organisation and a bit of Ipswich combined with the Boonah council region. It makes it a little bit difficult in some ways to see trends in how things have gone in the past because we have not been able to gauge that. To give you a little bit of background on Scenic Rim, it is an area of some 4,200 square kilometres. We have something like 35,000 residents at this point in time. The council itself has an operating budget of some \$60 million and some 400-odd employees. That is a gauge of our operation. We have a vast number of smaller communities. The largest community would be Mount Tamborine, which has 7,000 people. Beaudesert has about 6,000 people.

CHAIR—So there are lots of small settlements.

Mr Magner—There are lots of small settlements right across the region. We go all the way up to Harrisville, Peak Crossing towards Ipswich, down to the New South Wales border and west to the bottom of the Dividing Range before you get to Warwick. We have a unique situation in that predictions are that we will probably double that population in the next 20-odd years. We are anticipated to be the second fastest growing council in Queensland, percentage wise, at something like 3½ or four per cent, when the world does turn around a little bit. Percentage wise, that is quite significant for us. Our ability to handle that without a large revenue base is going to be challenging for us.

On a demographic basis, we are reflective, though, of a rural community. The number of children we have is probably a little bit above state averages, but, once we get to 20- to 40-year olds, we are significantly below state averages, so we lose our resonance on a percentage basis. In the 20- to 25-year range, we are under the state average by some 2½ per cent, which is quite a lot.

CHAIR—So there are lots of people leaving the area?

Mr Magner—That is right. They have the children there, the children then go away, become professionals—or whatever they do—and then at some stage, gradually start to return. What we have is a much higher percentage of people above 40, leaning towards retirement age or moving towards that rural lifestyle.

That is quite reflective. That change, with the last census, is also increasing. So the number of young people is decreasing on a percentage basis compared to the state; whereas, in the older group, in the over-40s or over-45s, it is increasing. Hence we have similar income distributions. We are probably a lower income earning bracket than state average. That is reflected in higher home loan repayments. They are lower probably because of land values—some of those general things.

One interesting statistic is that we are similar to the state average with regard to persons employed but we have quite a large percentage above state average with regard to the dependency ratio, and that is those younger than, say, 15 or 16 and those older than, say, 65. The state average is something like 49 per cent. We have a percentage of 57 per cent. So it is quite an interesting statistic. We have only just recently, in the last couple of weeks, got a complete demographic of the new region, and it makes some interesting reading.

On an employee basis, we have close to 15,000 people employed within the region. The main employers would probably be retail, at about 10 per cent—manufacturing is fairly similar, construction is similar and agriculture is at about 9½ per cent. You probably think agriculture has been the major employer in that part of the world, but ag costs are still very strong and it is probably still our major industry within the region. But on an employment basis there are other facets that are happening.

On a more internal basis, and probably because of the financial crisis, it has been a little bit difficult trying to determine or to show through applications and those sorts of more internal things where there has been a sizeable effect. We have graphed some of those. But probably about April-May was the lowest point. But it has been difficult on a numbers basis to determine it. A review of the graphs would show that, with the majority of our applications, we are dealing with a property of a smaller nature; we are not getting the larger development applications that we might have expected. We are getting more one- to two-lot configurations and tidying up other things. We are not getting a lot of major developers walking in the door at this stage lodging applications. One other side-effect we have had is a significant increase in our outstanding rates. Before this levy our rates had got to a point of nearly 10 per cent outstanding. We would like to get that to two to three per cent, as difficult as it is—we are just winding up a legal process on that at the moment.

One of our other major industries in that part of the world is tourism. It is quite interesting—and again this is only anecdotal information—that on the eastern side of the region, around Mount Tamborine, from what we hear, they are not really feeling any effect at this point in time. On the western side of the region, they are feeling the effect. There are a lot more people moving towards the camping scenario than previously—towards the low-cost options. But in some ways some of that has been negated by some one-off events. Currently, for example, in Boonah, there

is a film being made—a French film. They have booked everything out in the whole region for three months—lock, stock and barrel, for seven days a week.

CHAIR—Fantastic.

Mr Magner—So that covers some of those things. We have the Wyaralong Dam happening there now. That is some \$350 million worth of expenditure in roadworks and dam construction. That certainly is injecting indirectly into the residential and other support industries. There is probably not a lot of money in that for a lot of people, but some people have probably done quite well out of it for the last six to 12 months, and probably will for the next year or two. Those are a couple of the major things that are happening.

In the employment area—just to give a sort of a heads-up—we recently advertised an IT manager position. I think the package is about \$150,000, but that included a vehicle and super and all those sorts of things. We have 75 applications.

CHAIR—What would you normally get?

Mr Magner—If we had got a dozen 12 months ago, we probably would have been happy, I would suggest. They are interesting trends that we are finding, and that is just one position. We are probably finding that around most positions we advertise now—a lot more competition and a lot more people seeking that. There are probably a few more internal effects that we have had. We have adopted a conservative investment policy, for example, so that has probably cost us one to 1½ per cent of an investment portfolio of \$20 million. The moment the crash started to happen, we pulled all our money out of anything and went very conservative with our investments.

CHAIR—Did you have any experience where you lost any money?

Mr Magner—No, we are not as fortunate as the New South Wales councils, where that did some damage. No, that scenario was not undertaken in Queensland. I have some experience with the New South Wales one—I used to work down there—so I understand what happened in those circumstances. One of the other major things that are affecting us, I suppose, is the cost shifting that is happening from the state government. We are getting hit with that, and even this latest financial crisis has led to another round of that—the shelving of the state fuel levy, for example. I was trying to find out this morning, but I think we probably spend about \$1 million on fuel, so that is potentially something like \$75,000 that all of a sudden you have to find due to the wipe-out of that. The state government drew back their grant programs at their budget; it cost us \$375,000 at the blink of an eye. They removed the 40 per cent subsidy on water and sewerage. We have a \$10 million capital program this year in water and sewerage before we hand in to the distribution entity, so that is significant, let alone the amalgamation costs that we are still struggling with.

That cost shifting one cannot be underestimated. We are at the bottom of the pecking order there. Things come down and you are then expected to pick up the tabs. We are dealing with massive amounts of new legislation. There is a new local government act coming. We have a new planning act coming. We have a regional plan announced last week. So there are significant amounts of that. As far as I am concerned, it is just straight cost shifting, because six months ago

we did not budget for those things, so all of a sudden they have to be picked up at a local level. That is a bit of a brief on us. I was not really sure where you wanted to go with this.

CHAIR—No, that is very helpful.

Mr Magner—They are broad-brush things. I am happy to answer anything else that you might have any queries about.

CHAIR—Thanks very much for providing that. That was a really good and helpful overview from an economic perspective as well. Has there been any downturn in employment itself, or have all of those sectors—retail, manufacturing, construction and agriculture—held pretty steady?

Mr Magner—At this stage it is a bit hard to gauge that. We do not get a lot of direct feedback. Some of the councillors may get more feedback.

CHAIR—What are you hearing?

Mr Magner—We are not hearing that those things are dried up. I know the mayor was saying last week—Brett knows our mayor very well; he is a vegetable producer and manufacturer—that a month or two ago they had their biggest month. So some of that stuff is still working and going round. What hurts those sorts of players is that increase in the fuel price. Water was taken from us recently, and the water price has gone up some 20, 30 or 40 per cent. He said that in his case that is \$30,000 a year that the price to buy water adds straight to his manufacturing bill. Those sorts of hits, which are really outside our control, are very difficult to pass on. We have had to try and pass on a seven per cent rate increase this year, but as I said that investment policy, for example, is probably equivalent to one per cent of our rate income, so all of a sudden you have to make compensation for those things. You either do less or try and raise more money. We actively pursue external works to try and raise more money; we probably do \$5 million worth of works for other councils and the state government to try and generate some additional revenues for ourselves.

CHAIR—I would imagine that with such a large number of smaller settlements there are some particular challenges for your council. Are there any things that you think the federal government can do to help councils of your size and with such a dispersed population and that we could be doing a bit better? Obviously one answer is: give us more money.

Mr Magner—Yes, swag loads more money. We are doing some positive things with the federal grants that are available now, such as the Tamborine sports complex. I am sure you have got a list of those projects. They are enormously popular and successful and well received in all the communities where we are doing any of those things. Council, as I said, is in probably its early stages; we are currently working on a definitive strategy and list of those communities facilities. The list is never ending; it is just a question of how you prioritise them. We have significant issues, for example, with timber bridges in the region. If you go to any rural council in Australia they will have the same thing. I think we have well over 100 timber bridges. They have all got a dated life and are enormously expensive to replace. So there is any amount of money we could spend on some of those programs that are basic fundamental access issues for some people.

We struggle with public transport, for example, because we have none. We have communities spread all around the region and there really is no public transport to get them to the major centres—Beaudesert, Boonah, Mount Tamborine. Everyone has to drive to a central point. If they want to get the train they have to drive so far to get that. It is the same if they want to get a bus. There are significant regional facilities not too far away, but there is no easy way to get there, a lot of the time, if you do not have their own transport.

Mr NEVILLE—I am the rail freak here. I was interested in the idea put in evidence this morning of using the standard gauge line from Brisbane to Sydney, but part thereof, as a suburban line into Brisbane. Does that have good support when you get down as far as Boonah and Beaudesert? Beaudesert is not on the line, is it?

Mr Magner—It is a little bit west of Beaudesert; it runs through Bromelton, the industrial area there, which I wanted to touch on at some stage. I think you flew over it yesterday. That is there. But, again, you have to be able to service that from those communities, so you still have to get to that point. I know there is a state government study looking for future corridors to gain access back to Beaudesert at some stage in the future. The state has that in their infrastructure program—I think the study is under way now.

Mr NEVILLE—What view does your council take? Do you favour utilisation of the standard corridor or the old Beaudesert to Bethania link?

Mr Magner—I think the standard corridor would probably struggle unless there was some sort of duplication there. I have not done a lot of research on it.

Mr NEVILLE—Is there someone doing that?

Mr Magner—At this point in time it is not a focus of council to try to get that there, if that is where you are heading with it. We are trying to get the development up in the first place in preference to the residential—

Mr NEVILLE—With great respect, you talked about having no public transport.

Mr Magner—That is right.

Mr NEVILLE—If you had a railway line that linked most of the major towns along the corridor into Flagstone and virtually into Brisbane, surely that would improve the social capital of your region.

Mr Magner—It certainly would improve it. I do not think the numbers are there to justify it in terms of the efficiency or the cost of providing that at this point.

Mr NEVILLE—Towns of 6,000—

Mr Magner—I do not think it would support that, and that is probably why it has been dragged out in the first place. Their projections are to be able to do something back into Beaudesert. Beaudesert is projected to grow to some 30,000 people in the next 20 to 25 years. I think that is the sort of number, down through Flagstone then across through Beaudesert. We

would prefer that it was through Bromelton, because that is potentially where the employment hub is going to be, but the state at this stage are doing their investigation based on Beaudesert. There are probably different trains of thought there. In terms of previous council planning, Beaudesert Shire had done an outline structure plan for the Bromelton area and at that point of time they were trying to outline within that a rail corridor down through Flagstone to Bromelton, as the employment hub.

In answer to your question, yes, the council would support it. At this point in time the reality is that I do not think the numbers would support it.

Mr NEVILLE—But there are other options, aren't there. For example, one of the witnesses this morning said that the idea was to dual-gauge the line so that it could use the Brisbane suburban rolling stock.

Mr Magner—Yes.

Mr NEVILLE—On the other hand, if the population is such that you did not want a half-hourly service you could probably buy some sort of temporary equipment from the New South Wales suburban system and run two trains a day up to Brisbane and two back, or something of that nature, just using the standard-gauge line. There would be no capital involved in that, assuming, as you hinted at yourself, that there were sufficient passing loops and such things so as not to interfere with the interstate haulage.

Mr Magner—That is right, and as Bromelton develops it will really be a load management issue. There are some projections of 15,000 employees out there in the next 20 to 25 years. If there is that level of employment and, hence, that amount of rail traffic, there will have to be duplications of lines at some stage for that to all function properly because the traffic will be significant just with the freight, let alone the worker traffic.

Mr NEVILLE—Where does your council stand on the Melbourne to Brisbane inland route? Which route do you favour? Do you have a view on it?

Mr Magner—I do not really have a view on it. The council would of course like to see it come in through the Bromelton thing to give another bow to that—

Mr NEVILLE—Coming where? Via Warwick?

Mr Magner—Yes.

Mr NEVILLE—Legume and—

Mr Magner—As I said, the council does not particularly have a position as to whether it was from the Toowoomba end or the other end, but we would like to see that happen. The council can still see benefits in the upgrade of that coastal line and the benefits that can be gained by doing that in the shorter term. We have not determined a position that favours either the southern or the northern access to it. Both would work for us. It would get us into that loop. But in the shorter term we do not necessarily see that as an essential component for the development of Bromelton.

In the interim we would be happy to see an upgrade of the coastal line to make it as efficient as it can be.

Mr NEVILLE—Is the general strategic view that Bromelton would replace Acacia Ridge as the major distribution hub?

Mr Magner—The council would like to think that it would develop in conjunction with that. It is seen as an alternative to Acacia Ridge and it is seen as a large area that may facilitate industry. We are certainly not looking for nasty industries there but we would certainly be able to facilitate industries that cannot locate at Acacia Ridge, as well as it being an alternative to Acacia Ridge.

CHAIR—Thank you for your evidence. Yours is the last of the local council areas that we have presenting at this public hearing. You have provided a good rounding off of the region and your particular issues. You will receive a *Hansard* transcript for the hearing. If there is any additional information you feel you were not able to cover in your evidence today please feel free to write to us, and the secretariat will write to you if we have any further questions.

[1.41 pm]

COOKE, Mr David John, Nation Building Australia Pty Ltd

SALMON, Mr Mark Peter, Director, Nation Building Australia Pty Ltd

CHAIR—I welcome the representatives of Nation Building Australia. Do you have any comments about the capacity in which you appear?

Mr Cooke—We are here to present a project we call TRAIN, in the great south-west, which stretches from Logan down to Coffs Harbour in the south, to Warwick in the west and to Lismore in the east.

Mr Salmon—I will be doing some of the talking today. I have been given a very strict schedule so I will be firing off points relatively rapidly to enable the committee to ask as many questions as possible.

CHAIR—Thank you—and thank you very much also, Mr Cooke, for accompanying us yesterday and giving us a very good overview of the area you are going to talk to us about in more detail today.

Mr Cooke—You are welcome.

CHAIR—Although I am not requiring you to give evidence under oath, I need to just advise you that this hearing is a formal proceeding of the parliament and as such should be treated with the same respect as proceedings of the House. It is customary for me to remind witnesses that giving false or misleading evidence is a serious matter and may be considered a contempt of parliament. That being said, you are most welcome. Here with me are Mr Raguse, the member for Forde, whom many of you know, and also Mr Neville, who is our deputy chair, the member for Hinkler and also a longstanding member of this committee. He has a very longstanding interest in rail and freight, and I suspect he will be most interested in the acronym that makes up the name of the project that you are putting before us but also the linkages between each of those areas. Do you have an opening statement that you want to make before we get into questions?

Mr Cooke—Yes. Mark will be doing that.

Mr Salmon—Thank you. The acronym stands for Trans-Regional Amalgamated Infrastructure Network, so a train is a part of a that concept. TRAIN is a regional recovery project with cross-border commitment, shovel-ready projects and real jobs, and it supports regional economic growth. TRAIN covers the northern New South Wales and southern Queensland areas, which of course are recognised as two of Australia's great regional locations. Both regions face the pressure of having the fastest projected population growth in the nation over the coming decades.

Yesterday, at Legume, Janelle Saffin represented the stakeholders from northern New South Wales and southern Queensland. I understand that representation is of around 10 LGAs through

New South Wales and Queensland, and they have each aligned their objectives to pursue a cohesive and agreed regional plan for both northern New South Wales and the South-East Queensland regions. We see those two regions as being immensely interlinked for regional economic development.

TRAIN is effectively a part of that plan that Janelle discussed yesterday. It is a long-term regional infrastructure project. It identifies transport infrastructure needs both for now and for the next half century. Our position now is that we need to test the feasibility of projects and prioritise them in the context of national priorities, so we are not asking for everything to be delivered next week. TRAIN will create immediate employment in construction and project support. It will unlock the existing productive potential of northern New South Wales and southern Queensland and create new industries and jobs. It will capitalise on existing regional planning and infrastructure programs. It will build a new border crossing between Queensland and New South Wales. It will open, importantly, the Bromelton State Development Area, which of course is a 16,000-hectare employment-generating location which has the capacity to support 31,000 jobs by 2051. It will reduce our freight-driven carbon footprint with better routing of freight. It has the potential to relieve urban congestion in the densely populated communities of Brisbane, the Gold Coast and Ipswich. It can boost international trade by developing a national multimodal precinct at Bromelton with links to the ports of Brisbane, Sydney and Melbourne and inland regions.

On these boards in front of us—I cannot really tell the order—we have located TRAIN. It covers about 198,000 hectares of land in regional Australia. It crosses many borders—13 LGAs and two states—and brings together a population of about half a million people. It stretches south for 377 kilometres from Logan to Coffs Harbour and west for 189 kilometres from Lismore to Warwick. We want to build TRAIN to generate new regional jobs and new regional growth, and we want to improve the freight network for the nation.

Some of the compelling facts are that roads like the Summerland Way, which some of the committee flew over yesterday, are clearly underutilised because B-double trucks cannot cross the 77-year-old Clarence River Bridge in Grafton, so they have to divert up the Pacific Highway or use that as the main route. Three thousand head of livestock are transported each week from the Darling Downs to the Northern Cooperative Meat Company in Casino and then on to the port of Brisbane. This livestock suffers excessive damage due to poor road conditions. The median weekly income for many families living in the TRAIN communities is lower than that of their urban and coastal counterparts and certainly less than the \$1,171 which represents the median weekly family income for all Australian families. By 2016, Kyogle and Casino will be producing about \$1.5 million tonnes of plantation timber annually for national and international markets. Inadequate road and rail will restrict access to the port of Brisbane. Wickham Freight Lines in Warwick, as an example, will be forced to travel nearly 300,000 extra kilometres each year if the Summerland Way is not available for their B-double truck movements. The New South Wales RTA does not permit B-doubles to travel north of Kyogle, thus cutting off the most direct route to the Queensland border. Sixty per cent of product exported from the port of Brisbane comes from the Darling Downs; most of this product is currently transported by road because there is no direct rail link to the port. A 1,500-metre-long train can replace 100 semitrailers on our roads.

So how do we build TRAIN? We have set out three action items. The first action item is to progressively upgrade the 200-kilometre Summerland Way from Coffs Harbour through to

Beaudesert, and in fact Coffs Harbour is the southern extremity; the major works, bypasses and so forth, would happen from about Grafton heading north. The outcome of that would be a road freight network that runs parallel to the existing Pacific Highway. We are not building new roads; we are capitalising on existing road infrastructure and making the existing road infrastructure work for this freight movement. All we need for that is a bypass at Kyogle, a bypass at Casino and a bridge or a bypass at Grafton.

Stage 2, the construction of the 120-kilometre Cunningham rail link, is a direct road and rail connection from the national standard rail gauge to the inland narrow gauge rail network—and we have too many rail gauges in Australia. That is approximately 120 kilometres of new standard gauge rail track.

The third item that we have put in here is recognising that Bromelton is going to be the key productivity transfer area within Queensland, and probably one of the major locations in Australia. We say that we should be looking to the future and looking to create water reuse reservoirs and so forth within the Bromelton area, which will also enable us to be able to draw from those reservoirs and irrigate some of the food-producing landholdings.

In the last board that we had here we talk about the cost and where we are at. What we have now is local and regional support. We have strong support across the various train communities with councils and businesses—and again, we are representing 10 LGAs. We are seeking government funding to initially undertake a full feasibility analysis to deliver TRAIN. We have suggested that \$25 million would be required to fully complete that work. We see that there is a capacity to get underway today with shovel-ready projects. We see that there is the capacity to get underway now effectively with expenditure of \$500,000, as Janelle is suggesting, with what will be part of the \$25 million study. We know that there are shovel-ready projects that can be commenced now, shovel-ready projects that are needed anyway, for example, the Grafton Bridge crossing, the Summerland Way upgrades, and the east of Mount Lindesay deviation road. And that is my introduction.

CHAIR—Terrific. Did you want to add anything at all, Mr Cooke?

Mr Cooke—No, not yet.

CHAIR—Twenty-five million dollars is very high for a feasibility study. On what basis have you come up with that as a figure?

Mr Salmon—We are not suggesting that that is an accurate number. We do not see that it is our role to suggest that, but we need to get a figure into the discussion. We understand that TRAIN is a major project. It is one of the biggest infrastructure projects, I am sure, that would be considered in Australia at the moment and possibly for some time into the future. Now whether it is \$25 million or whether it is \$2.5 million to conduct the study to determine what the study for the TRAIN project should be, really does not matter in that context.

CHAIR—I guess what I am asking is: what bits are you missing and how would you fill those? With \$25 million would you be undertaking something that you had agreed you were going to do? Then would you be undertaking another plan possibly for land acquisition, maybe, or that sort of thing? But \$25 million seems high for what I think you are wanting to do, which is

to get some cost benefits done. I am assuming that that is what you are wanting to do, because you do not have that at this stage.

Mr Salmon—Yes.

CHAIR—Who would drive this? You have established the company Nation Building Australia. TRAIN itself has got sign-off from a number of local council areas. But who would be the body that would actually drive this? Who would the federal government fund for a feasibility study?

Mr Cooke—The feasibility study would actually be driven by us, by Nation Building Australia. The councils have already done some feasibility work because these studies had been going on for 25 years. What we need to be able to do is say to these councils: ‘How much do you need to finalise your study in your area?’ We are not going to go down and tell individual councils what areas they should be putting a study into or spending money on, but it has got to connect back into the TRAIN concept. We are not going to talk about a bridge at the back of Woop Woop somewhere that they want to build because somebody reckons it floods. What we are talking about here is an infrastructure component of it. It is like the backbone of a building block. We will build the backbone, and what feeds off that in the future is really up to them.

CHAIR—But who are you asking the federal government to give the \$25 million to?

Mr Cooke—It will go to individual councils or bodies.

CHAIR—Yes, but who would we have a contract with? I am just thinking of the practicalities. If the Commonwealth decided they were going to put \$25 million into doing this, is Nation Building Australia, as a company, asking for that?

Mr Cooke—Nation Building Australia would be looking at implementing the whole project, using all the different local government bodies and also committees like those you met yesterday. There are three committees that have a big stake in this as well.

CHAIR—Is there any other regional development organisation in the area that would play a role in relation to that or have you formed your own?

Mr Cooke—What I have done is formed a group because, as I said, there are three different committees that have been involved in this and they were all doing their own little thing. It does not work like that. You do not go in and say, ‘I want that bit upgraded here,’ because then the question would be: ‘What’s the point in doing that when you cannot get through over here?’ We have put it all together and we have done that through Nation Building Australia but using people like Urbis, who are town planners—and they are a big, Australia-wide. So we have used a lot of big consultants to put all this together. You can see on some of the original documents that it was put together by Urbis. This document here is just one we have put together for today.

It is not just an idea. There has been a lot of planning and thought go into it, and we picked up a lot of studies that have been done over the last 25 years. We have compiled it all and come up with a plan and a vision for the future for the whole region.

CHAIR—Thank you. I am just trying to get my head around some of the organisational structure as opposed to the actual detail of the projects. I have an opportunity to think about those and I might come back to you. Mr Neville might want to ask you about the project itself.

Mr NEVILLE—My first question is similar to the chair's. The two projects that bring this inland rail from Melbourne, as far as Inglewood anyhow—that is the Compton plan, which is called ATEC, and one called GATR—both have high-profile boards that have actually attracted government funding. They got between \$18 million and \$20 million to prove up the feasibility as far as Toowoomba, when that was the initial destination. In the meantime, Warwick has come into it. In fact, Warwick presented to this committee in Toowoomba that they had this idea of going around the Rim, through Legume and Woodenbong and down to Rathdowney, which you have also got in this submission on page 10. We had a lot to say about that route in *The great freight task*, which was the last report of the committee in the last parliament. Have you seen that?

Mr Cooke—No, I have not, I am sorry.

Mr NEVILLE—I would personally be very sympathetic about this, but I think the structure is going to be important. I know Warwick City Council, prior to its amalgamation with the Southern Downs council, did a lot of work on proving the rail line, even down to engineering drawings, as I understand.

Mr Cooke—That is right. That is part of the study.

Mr NEVILLE—That is my first comment. You prefer the Warwick route rather than the Toowoomba one. Is that it?

Mr Cooke—We prefer that. The Toowoomba one is going to happen too. There is no way in the world that it is not going to happen because the population boom in Toowoomba. So they need to be able to get passenger trains up to Toowoomba in the future. The reason we looked at this—and it is all based on economics—is that when you go from Warwick to Killarney down through Legume to Woodenbong and then back into Rathdowney, you pick up all the timber, meat and gravel industries. We are going to build three cities in South-East Queensland. There is Yarrabilba, Greater Flagstone and Ripley. We have three cities to build in the next 30 years and we are going to need to get raw material like sand and gravel. In the area around Warwick there are millions and millions metres of it, but we have to be able to get it in here.

Mr NEVILLE—It would be seem to me, too, that coming from Inglewood to Warwick and then straight down to Rathdowney and up to Bromelton would be a lot shorter than going from Inglewood to Millmerran, across to Toowoomba, down to Ipswich and then down to Bromelton. It would be a lot shorter.

Mr Cooke—Yes.

Mr NEVILLE—That inland rail is all premised on turning the train around in 24 hours.

Mr Cooke—Yes.

Mr NEVILLE—So you virtually have to have a travelling time from Melbourne to Bromelton of not more than about 22 hours to allow the train to turn around.

Mr Cooke—To turn it around and get it back again.

Mr NEVILLE—I noticed, too, that on all your maps you have shown the proposed inland standard gauge rail line—and I am sure that this will make Mr Windsor, who is a member of our committee, absolutely delighted—as the old New England line. Did you notice that?

Mr Cooke—Yes. I did, actually. That was a bit of slip, but it will work.

Mr NEVILLE—Tony Windsor will be right onto it, I can tell you. He will say, ‘I always said it had to come through Armidale and Tamworth,’ although that would be a much slower route. Why did you choose Coffs Harbour—not that I have got anything against Coffs Harbour; I think it is a beautiful place. I would have thought you would have stopped in the Lismore-Grafton area.

Mr Cooke—No. We had to because Grafton is where the Summerland Way starts. Once you go through Grafton, you go back onto the Pacific Highway and go through to Coffs Harbour. But we needed to include that because, at Grafton, they needed a bypass to get the trucks past Grafton. That is why we included it.

Mr NEVILLE—To get across the bridge.

Mr Cooke—They needed some work done there to be able to get the trucks through. If we turned around and said, ‘We’re going to bring all the trucks up this road,’ they are going to say, ‘Mate, we have got enough problems now; we don’t want more trucks.’

Mr NEVILLE—The Lindsay brothers are based in Coffs Harbour.

Mr Cooke—Yes. The Lindsay brothers and also the Mills boys were talking about it. They were saying, ‘If we bring all these extra trucks up here, we get better road and better access into Bromelton.’ A lot of them go inland now. If we can develop this corridor, which runs parallel with the Pacific Highway, it will put more trucks on it and that will put more strain Grafton and Coffs Harbour. So we had to include Coffs Harbour into our scheme to protect that.

Mr NEVILLE—I suppose I should declare my interest. I have often thought that was the way to go and then, at a later date, do a standard gauge line or a dual gauge line from Warwick to Toowoomba. I can remember talking about this to Corrigan from Patrick’s at the time. He made the comment and I think Lindsay Fox or Paul Little might also made a similar comment that terminating the line somewhere inland is not going to work. The line has to go from Melbourne at least to the outskirts of Brisbane, and from there it goes to a port.

This is a very good submission. I compliment you on it. I think you need to build yourself a profile along the lines the Gator project or the ATEC project, because you are going to have to integrate with one or other of those projects to make this work.

Mr Cooke—When I put this together—and as you will see on the back of my card, I have got all the local governments there—I did not do it for myself; I put it together for the project. I wanted to engage all of the councils that had been a part of the board to facilitate this. But they will not give it a tick until I get a tick from you guys, or someone. They are sitting back and saying, ‘We love this and we want to be a part of it, but we cannot spend any money on it until we know something is going to happen.’

Mr NEVILLE—I think it is fair to say that the general view I have got over the last five or six years is that Bromelton needs to be the focus in the long-term for freight distribution. When we had our last inquiry we expected that pressure would come for hubs at places like Shepparton, Parkes, Gunnedah, Moree and Toowoomba. But when we really got down to pressing the big freight carriers in the last inquiry in the last parliament, they nominated places in the Sydney basin, the Melbourne basin and, particularly, Bromelton, in the Brisbane basin. So it looks as if industry is looking to this particular area as being the definitive hub for south-eastern Queensland.

Mr Cooke—That is the other reason you asked the question before to the person from the Scenic Rim about whether he preferred the line to come in from Toowoomba or Warwick. If it comes in from Toowoomba it comes in at the north end of Bromelton. Trains cannot come into Bromelton. They go right down to the south and then turn around and come back out again. If they come in from the south they can unload and then reload and go on to the port or turn around and go straight back. But if they come in from Toowoomba they have got to go 17 kilometres down through Bromelton to the southern end, where all the heavy industry is going to be, and then come back again to go back to Toowoomba. But, as I said, it cuts it short there. Again, you are talking about the need for big industry to get in there and that is why we need that. We too looked at that.

We actually had support from people like Toll. We have done a drive-time map out of Warwick and Toll approached us when they heard about it. They said: ‘This is great. We want to have a look at this. A new mining city is going to be built out at Wandoan and we want to be able to service that in a day, out and back.’ They cannot do it out of Brisbane because of congestion so they need to relocate to Warwick.

A fortnight ago we had a meeting with the Queensland Minister for Main Roads. We talked about Warwick as being a big distribution centre, because Big W is out there already. He said, ‘We’—he did not say ‘I’—‘have been looking at that. We reckon that Acacia Ridge should be at Warwick.’

Mr NEVILLE—Wickhams and—

Mr Cooke—Wickhams, Fraser and Big W are there. There are a couple of other big operators but they have small hubs there. But the more distribution centres we can get the more of those big operators we are going to get. And they can bring road trains into there. Getting back to what I said yesterday, when you load a container to go on a ship it carries 27 tonnes. You can only carry 22 tonnes on a truck. So, if they are loading containers in Toowoomba or somewhere and bringing them down, which they are doing now, when they get them to the port they have to have all of this facility area taken up at the port to stockpile produce to fill up all the containers before they put them on the ships. But you can bring road trains right into Warwick. They can

bring the road trains in with the grain and whatever they are exporting, fill the containers there and then put them on a train and then send them straight to the port—gone. You free up all the facilities in the port. I was speaking to a guy from Shipping Australia—because I go to all the summits around the place—and he said: ‘That is a great idea. That is what we need. We need to free up some of our facilities on the port because we are using a lot of it now just for storage.’ You cannot say that to the guy who is running the port of course because he is getting money for it. But that is what Shipping Australia is saying.

This is how all of this grew from nothing. It grew from studies that were done by these three committees. All the councils have done their studies in the area and we have put it all together and come up with this.

CHAIR—What is the state government’s view of this and what have you done to get them onside?

Mr Cooke—We have had meetings with quite a few of the state government representatives and also all of the bodies. When we first started to present this to the state government, which was probably two years ago, they already had the South-East Queensland regional plan underway. When we presented this they said, ‘Mate, we wish you had given us this two years ago.’ They are all on board.

Mr Salmon—We met with Minister Wallace 1½ weeks ago and Minister Wallace gave us strong support for TRAIN. He also indicated that he would be talking to Minister Albanese when he was next in Canberra about it and also providing state government support for it.

Madam Chair, there was a question that you asked earlier and I just want to clarify my answer. Yes, we do recognise that structure is very important and, as you could imagine, pulling together a structure with a diverse range of local authorities is a little bit like herding cats. However at the last working group meeting of TRAIN, which was held at Scenic Rim council two weeks ago, with the presence and at the direction of the Scenic Rim deputy mayor, we agreed that we will be compiling a memorandum of understanding to help facilitate the sign-up by each of those councils to an MOU. We will then through the MOU have an agreement to formalise a committee. But of course they all would like to see that it is worthwhile.

CHAIR—Sure, and I guess that there is nothing to stop the simultaneous process of getting support through the meetings that you are having with state government, and I am assuming that Brett is attempting to get you to see Minister Albanese at some point.

Mr RAGUSE—In fact there have been some discussions with the minister about it and he has been very positively disposed. It is interesting about your structure and certainly Paul’s interest in the history of all of this. In terms of the funding for a plan and then the body that is going to either manage that or auspice that, is Infrastructure Australia a structure that should be undertaking the responsibility and say, ‘This has got merit and there are X dollars,’ and then it would be up to an organisation like theirs to give it a tick-off, to propose a consultant and your group, TRAIN, to interact with them? In other words, ‘herding the cats’ is the thing that worries me a little bit in terms of ongoing structure. But if you get a tick-off that this is a project that has merit and should be investigated, would it not be better that a government agency like Infrastructure Australia or a subset of that take it on? Is that something you have thought of?

Mr Cooke—Well, yes. I think that that is what is going to have to happen.

Mr Salmon—I think so too.

Mr Cooke—To me, it started off as a vision, and I have done a lot of things to get all these people on board. I have no intention of walking away now, because we have got people like Brett Raguse, Janelle Saffin and Justine Elliot, and the Gold Coast City Council and all of these sorts of people pushing for the same thing, so we have really got to do whatever we have to do to make this thing work. I have done that in the past. I have done it all myself so far. I have just rounded up all the people, got all their studies—which they were quite willing to give me—and then we have put it all together. We have linked it all together because there were all those gaps. We have talked to all the industries and, as Brett was saying yesterday, we have got a public-private partnership that can be involved in this, but, again, they need a bit of certainty. They will not be involved until there is some certainty that something is going to happen—because it has been happening for 25 years.

But now the time is right—I really believe it is right. We really need to build for the future and to create jobs. It is an area that is going to facilitate a lot of jobs, different types of jobs, to accommodate different walks of life. You are going to create apprenticeships for all these people. It is not like a mine where you have got one thing that you operate on and you spend millions of dollars putting a rail link out there because it is going to create a wealth for the country. Yes, it is, sure, but it is not going to create a lot of jobs for the future. It is going to create a job for one industry.

CHAIR—We are always pretty hard-nosed about some of these things, I would have to say, in terms of wanting to know really basic things about how much it is going to cost, what the benefits will be and the return for investment and all those sorts of things, as well as the structural things. Obviously you are looking at a feasibility study, and that certainly assists with those. I did ask you yesterday and I will ask you again today: the whole plan as it stands today, did TRAIN put that in as a submission to Infrastructure Australia?

Mr Cooke—TRAIN put that in, yes, on 13 October 2008.

CHAIR—Did each of the councils put in a submission to Infrastructure Australia separately?

Mr Cooke—No, they did not. They all relied on me to do it for them.

CHAIR—This was the infrastructure project for the region. Infrastructure Australia's response has been that it was not part of the first tranche of priorities, but they are asking you some more questions about that?

Mr Cooke—I got a letter back on Friday from Gary Gray. We did a presentation when I was in Canberra last time. In his letter he said, 'Pending further information, we will put this in the pipeline for a public-private partnership.' Hopefully, by 'further information' he meant what we are doing today.

CHAIR—That is obviously something that Mr Raguse will follow up. I think Mr Raguse is quite right: in terms of some of the broader development work, Infrastructure Australia is probably the best place to start and to meet with fairly soon.

Mr Cooke—There is one more thing before we go. When we get information back from state government, do you want us to keep you in the loop?

CHAIR—It is helpful for us, because obviously we do not want to hand down a report that is out of date. The difficulty we have is that, as I think I said to you yesterday, we are not able to go to every single region in the country. I wish we could. I suspect there are projects at varying levels of development right the way across. It is unlikely that in our report we will be recommending particular individual projects. That would not be fair because we have not been to every region or heard about those projects. We are trying to give good examples of where there has been cooperation at a regional level and to show how that has worked. So we would certainly look at including something like this as an example of cooperation around the regions, but also then saying, in terms of how the federal government may assist in that, that these are some of the things that the federal government might do in order to assist communities to develop strategies like this or to work together to get good dialogue with the federal government about where they might progress with those sorts of things, and this is the sort of economic benefit of these sorts of projects. Obviously, if you move on or you decide you want to do something different or it all falls apart—

Mr Cooke—That will not happen.

CHAIR—or, conversely, you suddenly get money for it and it becomes an even better example of how great it is that you have all worked together, we would certainly like to hear about that. In terms of the detail of the project, you should continue to work really closely with your federal members of parliament, certainly the ones that you are talking with as a conduit to government to progress it. Some of these things move fairly quickly. We are doing that through Brett, who now has quite a bit of experience.

Mr NEVILLE—There is one thing I failed to ask. You talk about going into Queensland near Mt Lindesay. Last time I went across that road I think it was called Lions Way.

Mr Cooke—No, it is different road.

Mr NEVILLE—That is a pretty ordinary road.

Mr Cooke—I will give you a bit of history on Mt Lindesay, if you have got time.

Mr NEVILLE—No—

CHAIR—You can do that with him after.

Mr NEVILLE—I have to catch a plane soon. There is a new road, did you say to the east of Mt Lindesay?

Mr Cooke—Yes. I will give you a quick update on that.

Mr Salmon—It is east of Mt Lindesay and west of Lions Road; it comes out at the Palen Creek Prison.

Mr Cooke—It was the Mt Lindesay road back in 1931. In the Depression, to create jobs, they actually built a new road, which they call the Mt Lindesay Highway. It went around the west of Mt Lindesay. The one they closed, believe it or not, runs straight up a ridge and down a valley and comes out at Palen Creek and it is only nine kilometres long—that is all we need—and it links straight through.

CHAIR—Thank you for presenting to us today and for your assistance yesterday.

Mr Cooke—Thank you for having us.

CHAIR—You will receive a transcript of the *Hansard*. If we have any further queries the secretariat will write to you. Please feel free to write to the secretariat if there is additional information you wish to give us.

I thank all witnesses for attending today. I also thank Hansard and the secretariat for travelling with us and supporting us today. I thank the officers from the Department of Education, Employment and Workplace Relations for attending throughout the hearing.

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

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 2.20 pm