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Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON INDUSTRY, SCIENCE  
AND RESOURCES

**Reference: Increasing value-adding to Australian raw materials**

THURSDAY, 30 SEPTEMBER 1999

CANBERRA

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**HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON INDUSTRY, SCIENCE AND RESOURCES**

**Thursday, 30 September 1999**

**Members:** Mr Lloyd (*Chair*), Mr Brough, Mr Hatton, Mr Lawler, Mr Allan Morris, Mr Nairn, Mr Prosser, Ms Roxon, Dr Washer and Mr Zahra

**Members in attendance:** Mr Hatton, Mr Lawler, Mr Lloyd, Mr Nairn, Ms Roxon, Dr Washer and Mr Zahra

**Terms of reference for the inquiry:**

To inquire into and report on the prospects of increasing value-adding to Australian raw materials. The Committee will start with an evaluation of the current state of value adding in Australia, and how that compares internationally. This will provide a base from which to evaluate the following topics:

- incentives and impediments to investment;
- intellectual property rights;
- national/international marketing factors which may encourage or hinder Australian value-adding;
- government intervention, both nationally and internationally;
- the location of value-adding industries and projects in regional Australia;
- resource licensing/permit arrangements;
- the impact of vertical integration within particular industries; and
- the Australian skills base and any associated impediments.

**WITNESSES**

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**TOUSSAINT, Ms Elizabeth Lee, Economic Consultant, Process Engineers and**



**Committee met at 11.34 a.m.**

**RODWELL, Mr Christopher, Executive Officer, Process Engineers and Constructors Association**

**TOUSSAINT, Ms Elizabeth Lee, Economic Consultant, Process Engineers and Constructors Association**

**CHAIR**—I will now declare open the second public hearing of the inquiry into increasing value adding to Australian raw materials and welcome both representatives of the Process Engineers and Constructors Association. I remind you that the proceedings here today are legal proceedings of the parliament and warrant the same respect as proceedings in the House. The deliberate misleading of the committee may be regarded as a contempt of the parliament. The committee prefers that all evidence be given in public, but should you wish at any stage to give evidence in private, please ask to do so and the committee will consider your request. Do you have an opening statement that you would like to make before we proceed to questions?

**Ms Toussaint**—Is everyone familiar with the document?

**CHAIR**—Everyone has been provided with the submission, yes. Hopefully members have had time to read it, but some may not have. So if you wish to make an opening statement, that is fine. If not, we can go straight into questions.

**Mr Rodwell**—We could give a short background.

**CHAIR**—I think that would be useful to members.

**Mr Rodwell**—The Process Engineers and Constructors Association, as the name, implies consists of engineering and construction industries involved in the design, supply and construction of plants for the process industries. We are currently chaired by John Taylor, the Managing Director of Lurgi (Australia) Pty Ltd. I believe the association began in 1991, is that right?

**Ms Toussaint**—No, it has been going for about 20 years.

**Mr Rodwell**—As for the context of the submission, Liz Toussaint is the former executive officer of PECA. I have only recently taken over that role, so I will pass to Liz as to the actual submission.

**Ms Toussaint**—I am happy to answer any questions on the submission.

**CHAIR**—That is fine. Thank you for making your time available today, because it is very useful for members to be able to ask direct questions. I will defer to Mr Hatton because he has to go the Main Committee.

**Mr HATTON**—A point to start off with: on page 1 I am sure you mean ‘undergirding wealth creation’ rather than ‘undermining’.

**Ms Toussaint**—Yes, I must apologise for that typo. It is ‘underpinning’.

**Mr HATTON**—Going on from that, I note your position on industrial relations. Then under tax reform, you make this common statement:

... our current direct taxation system is high by international standards, and therefore remains an impediment to global investment in the country.

We might have relatively high marginal rates of tax, but the real rates of tax in Australia are about 23½ per cent to 24 per cent, which compared with the OECD is not half—a lot of them have much higher rates of real taxation. I am just guessing that this may be putting the normal sort of argument that is put forward. What do you see as the direct effect of that statement on your projects?

**Ms Toussaint**—I guess from our members’ perspective, they feel we are in competition with the region for these major process engineering projects and, to the extent that our tax system is higher, that will discourage major projects being done here as opposed to elsewhere.

**Mr HATTON**—But this is direct taxation so that is really based on individuals. I do not think you are referring here to the broader questions of R&D concessions which you talk about later. So is there any other direct impact? That would mainly be that workers are being paid at top marginal rates and the common problem that there is where people think that if they are doing overtime then most of it is going in tax.

**Ms Toussaint**—It also relates to the rate at which companies and businesses are taxed, and to that extent it may impact on the profitability of businesses.

**Mr HATTON**—So you are making that a broader thing than just—

**Ms Toussaint**—It is beyond individuals, yes.

**Mr HATTON**—If I could go to page 6 where you have given a comparison table of investment incentives with other countries. We know there are major investment incentives in the region. In the paragraph third from the bottom you state: ... these large projects create not only direct output and employment, but a whole chain of secondary effects in support industry development, the generation of export earnings and taxation revenue.

I would take it that that is a bit of a mistake because, if we are looking at the countries in the region and projects in those countries having those kinds of effects, there is no taxation revenue from most of those places because they are operating 10- or 12-year tax holidays. So is that a point in relation to those countries in the region or to Australia?

**Ms Toussaint**—Both, and also the fact that you have people employed which generates personal income tax and the other range of taxes apart from business taxation.

**Mr HATTON**—They would be marginal in effect?

**Ms Toussaint**—Yes, but I am not sure of the numbers.

**Mr HATTON**—You talk about incentives being provided on the top of that page and over on page 5 you give the figures for R&D in Australia compared with the OECD and then the relatively low business expenditure. You then go on to argue that the Australian government needs to do more in terms of subsidy. However, do you not think those two graphs point out, one, that compared with most of the OECD they are not into mining projects anyway, with comparable ones being the United States and Canada, and, two, that businesses in those countries actually do most of the work themselves? They put in most of the investment themselves and there are high rates of business investment; whereas in Australia there is a much greater dependence on the government doing the investment, providing the subsidies and providing the R&D. Is that not the key point arising out of those two graphs rather than an argument that, because business investment is low here, the government should step in and do more?

**Ms Toussaint**—I am sorry, can you clarify that?

**Mr HATTON**—You have put up an argument in the graphs to show the comparison between Australia and overseas countries. Figure 1 demonstrates that, compared with the other countries, Australia has relatively high support from the government to industry, and Figure 2 demonstrates that Australia is low when it comes to direct business investment—the private companies put a great deal more in. Based on that data, you then say the government needs to do a great deal more here. I would suggest that the industries need to be doing a great deal more, if you take that comparison as the basis for what you are putting.

**Ms Toussaint**—I believe that the industries do need to do more investment but, in order to achieve that investment, greater incentives need to be in place. Because our incentives are low and our expenditure is low, then lifting the incentives would result in greater expenditure on R&D.

**Mr HATTON**—Given this submission was written in June before the government's response to the Ralph review came down—in it you are concerned that accelerated depreciation might go and you are concerned about the direct impacts on the mining industry—what is your view of those measures that have been recently announced by the government relative to the mining industry?

**Ms Toussaint**—Unfortunately I left just before that happened.

**Mr Rodwell**—I can give you a quick run-down. In the way that the government has responded at the moment, when they have effectively done to R&D is dilute it. By bringing down the company tax rate to 30 per cent, that 125 per cent is essentially diluted because they will obviously be looking for other ways to minimise costs. So in that sense we still see R&D as a major issue. The Ralph review contained some other things such as accelerated depreciation where there is a \$1 million threshold. But, for our members, that \$1 million threshold is really not applicable, so it does very little for PECA members.

**Mr HATTON**—Is that because you are doing the design and conceptual work and the value of that is generally lower than the threshold? Is that because the actual work the PECA members do is below the threshold?

**Mr Rodwell**—No, it is above the threshold. The threshold does not apply to our members at all, so it has no impact.

**Mr HATTON**—Is your view that we still need to look at the R&D question after the government's pronouncement with the company level coming down to 30 per cent?

**Mr Rodwell**—Definitely.

**Mr HATTON**—With the 125 per cent that is there, it has been argued before this committee in a recent report that the government may have to look at an increased level going to something like 185 per cent. What is the view of your organisation with regard to that?

**Mr Rodwell**—We would definitely support an increase purely because, as I said, that 30 per cent basically dilutes the current subsidies. It is yet another step away from the decrease from 150 per cent.

**Mr HATTON**—If I could then go towards the end of your submission to the section on education and skills base. The industry obviously has a problem with plant and piping design. You have attempted to correct that by using one of the government programs that was discontinued, the National Skills Shortages Program, and you are asking for a reintroduction of that. But you also indicate in the argument that because the work is effectively seasonal running from one project to another, because there are crests and troughs in this industry, you end up with even those people who are skilled being put out of work altogether or going into jobs where they are not utilising their skills. You have argued that the government needs to do a lot more within this. How much has the industry association itself done, apart from trying to do a work base course, in pushing for the accreditation of that design course with our TAFE and tertiary education facilities?

**Ms Toussaint**—We are in the process of introducing the course or attempting to get it under way. We are having discussions with TAFE. We would like the course to be fully accredited with both the TAFE institutions and the universities and integrated into the current degree courses that they offer.

**Mr HATTON**—How much demand is there when times are good for people with those specific design skills?

**Ms Toussaint**—It has been an ongoing problem that is constantly being raised. At the moment it has become less of an issue because the resource sector itself is a lot slower. In terms of figures, I could not tell you what the demand is, but there is a lot of qualitative evidence that in good times the shortage is quite significant.

**Mr HATTON**—It is not only significant but you argue that you have a lot of intra industry competition, and that pushes the price up of those—

**Ms Toussaint**—A lot of people with those skills are imported for a short period of time.



**Mr HATTON**—You are driving towards trying to get an accredited course. It has been a problem in the past, so you are now trying to do that, and you would like the reintroduction of that National Skills Shortages Program to fix it.

**Ms Toussaint**—It seems to us that, without that program, there is a real gap. The program allowed to identify shortages and do something about them. Without that program it is difficult to get these things on the way.

**Mr HATTON**—How much support within your member organisations is there for that industry based training?

**Ms Toussaint**—There is about 70 per cent support amongst our members who are willing to put money into the program. There is 100 per cent support if money is not required.

**Mr HATTON**—On a broader scale this is a problem that all industry demands in terms of training: you have one argument that a lot more needs to be done at secondary school in order to bring people out the other end where they are capable of doing this. In general secondary schools are open to a number of things, but within Australia a broad education is generally provided—a comprehensive one. The specific skills you need are better integration between TAFE and secondary schools, and between TAFE and further education. But what I think you also need to look at in the design of your course is much greater industry participation and possibly industry funds pushed in behind that. You are not even sure of how much demand you have for this at particular times and you need to drive that.

**Ms Toussaint**—Given that the National Skills Shortages Program was discontinued, we are in the process of examining joint venture options which would include our putting in half the funding. We have enough funding to do that. Our members are willing to support that financially. So that is something that we are looking at at the moment.

**Mr HATTON**—And to continue that on an ongoing basis?

**Ms Toussaint**—Yes. The plan is that, once the course is up and running the costs are much smaller than the start-up costs, they will support it on an ongoing basis. It is mainly the start-up costs of the course that are the highest.

**Mr HATTON**—I have just one last question: turning to page 4 of your submission, I do not fully understand the second last paragraph. I get the general gist of the argument in terms of social rates of return, the spillover benefits and so on, but it reads a bit like Marxist stuff. Your central argument is, I think, there is an economic benefit in regard to this but the economic benefit to the industry is only so much and we cannot get all of the results of that back to us. It actually helps the rest of the society and the ratio is five to one. Therefore, the government should cough up and put some money into this; is that what you are trying to say?

**Ms Toussaint**—Yes. It is the economic argument where there are social returns and private returns. All of the social returns cannot be captured, so there is an argument for government intervention on those grounds.

**Mr HATTON**—Can you explain to me then practically what the social returns are in regard to the activities that your group undertakings in the mining and resources sector, because it is a very specific, very focused kind of activity. What are they?

**Ms Toussaint**—For example, Century Zinc has undertaken development and their technology—I am not familiar with all the details; I am not a technician—world class and leading edge. What they have been able to do has led to world-class innovation and a new approach to mining. Where you can have R&D that leads to technological advances such as that, there are spin-off benefits in that there will be spillover improvements in process engineering capability.

**Mr HATTON**—But outside that specific realm?

**Ms Toussaint**—Yes, broadly—where there is innovation.

**Mr HATTON**—So that other projects that are entirely different in nature can pick up from that?

**Ms Toussaint**—Obviously it will depend on where the synergies are, but there will be projects of different kinds that can benefit from technological advances in one project.

**Mr HATTON**—Thank you. I thank the rest of the committee for their indulgence.

**CHAIR**—That is all right. I have one question before I turn over to other members. I would like to follow on the previous question about the 125 per cent R&D tax concession. I do not know if you are aware but this committee has just tabled a report on the effects of certain public policies on R&D. It is quite a good report, so I recommend it to you.

**Mr Rodwell**—Okay.

**CHAIR**—That was one of the issues that was canvassed quite strongly in that report. Do you have any direct examples of where the reduction of that concession from 150 per cent to 125 per cent affected clients' willingness to develop new value adding projects?

**Ms Toussaint**—No direct examples, although we could take it on notice and canvass our members for that information, if that would be useful.

**CHAIR**—That would be great. It is the type of thing that is raised a lot by industry saying, 'The reduction has caused problems,' but in our own inquiry we never really got specifics. It was always thrown out there as a problem but, when you came down to tintacks and asked them to give us specifics on where that really showed a problem, there were very few that were able to do that.

**Ms Toussaint**—We will take that on notice and ask our members for examples.

**CHAIR**—Thank you. You mention that how changes in the Ralph report have devalued the effectiveness of that tax concession. But, at the same time, do you think the government has found a balance because there is the tax concession, there is targeted grants for the R&D

start program and also I would imagine that the changes to venture capital would be a huge boost because they are very significant. I think we will see a lot of money flowing in to this country for venture capital. Do you have any comments on the relationship of those?

**Mr Rodwell**—I think on the broadest industry level generally the government's reforms are positive. I suppose we are looking at specifics of it. You can also have your wish list, so to speak, and R&D would be one of the things we would want to look at in further discussions. It is I suppose a relative weakness in the government's response.

**CHAIR**—A lot of our recommendations in that report made reference to the national innovations summit which is to be held next February. Will your organisation be represented at that summit?

**Ms Toussaint**—Yes.

**CHAIR**—That will be very important. I certainly recommend that you read our last report because a number of the recommendations relate to that innovations summit. We have asked for working parties at the summit to have a look at certain aspects of it.

**Mr Rodwell**—I might add for your benefit that PECA is a managed association within the Australian Industry Group. That might give you a bit of context on other work we do.

**CHAIR**—I have other questions but I would be quite happy to turn over to other members.

**Mr NAIRN**—You state that your members employ about 19,500 in various projects around Australia and also overseas. What has been happening over the last couple of years in that mix, are your members doing more offshore work than domestically.

**Ms Toussaint**—Particularly in the last year there has been a shift offshore of major projects. At every meeting, which is held quarterly, we do have a run-down of the industry. There is a noticeable decline in domestic work. The opportunities are really shifting offshore.

**Mr NAIRN**—As a total industry, domestically and export wise, have the employment levels grown within your member companies?

**Ms Toussaint**—Domestically?

**Mr NAIRN**—No, totally in the 19,500—how has that shifted?

**Ms Toussaint**—I believe they may have declined recently. We have had a massive change in membership.

**Mr NAIRN**—So it is probably hard to even compare.

**Ms Toussaint**—It is. I have done some statistical work but even that is not perfect. From the sentiment expressed at the meetings, there is definitely a feeling that they are hitting on hard times currently and things are not as good as they were a year ago. A lot of them are

now finishing up projects; they are at the tail end of major projects. They do not have a lot of new projects coming through. They are very much concerned about the short and medium term outlook.

**Mr NAIRN**—That would be related fairly closely to what has happened in the minerals area with the drop in exploration a few years ago?

**Ms Toussaint**—And the commodity prices. A lot of projects have now become marginal and are on hold. The clients are just waiting until they see signs of prices picking up.

**Mr NAIRN**—In relation to that exploration area you mention native title. You have not put much in there other than to say that it has had an effect. All of those things would be related, wouldn't they—the exploration, mining activity and difficulties with access to land with native title would all ultimately affect the end project?

**Ms Toussaint**—It seems to have been an issue that has declined in importance in recent times. I am not exactly sure why that is. It is an issue but it is not one of the stronger issues that our members feel strongly about.

**Mr NAIRN**—The other questions I wanted to ask are in relation to industrial relations: you say that although we have made some progress we are still behind many other countries. You mention specifically the unfair dismissal legislation where, even with the changes, employers still see risks. Under what sort of awards would most of the employees be covered—state or federal awards?

**Ms Toussaint**—I am not sure. I will have to take that on notice as well and get that information to you. On the issue of industrial disputes, there was a feeling that industrial disputes are still a problem for Australia's work force relative to other countries.

**Mr NAIRN**—If you are going to get an extra information on things such as unfair dismissal and whether they are covered by state or federal awards, you might also have a look at how many of your member companies have introduced AWAs—how many have been able to use the new legislation in that area in recent years.

**Ms ROXON**—Without wanting to go into the brief and, I guess from my point of view, somewhat predictable comments you have made about the industrial relations changes, which we could debate for hours—I am not inviting that; we will just that as being your view—but I wanted to ask about the comments you made in your submission about the importance of having an emphasis on skill development, encouraging maths and science and a whole range of things that you were also talking with Mr Hatton about. On the specific aspect of industrial relations, does your association have any view on the impact that the industrial relations changes will have just on this one aspect of skills classifications actually being removed from awards? I would have thought that a number of your engineering employees, rather than the corporate organisations that you might represent, would be affected by that because they are often employed under the technical and engineering structures that exist in metal industry awards and construction awards. I wonder if you had any view of whether that would have an impact or not.

**Ms Toussaint**—I would have to take that question on notice, too.

**Ms ROXON**—It may be that most of your members are on contracts—

**Ms Toussaint**—They use a fair amount of contract labour but I think most are on salaries or wages.

**Ms ROXON**—That would be useful, particularly at the lower levels where it is obviously in your association's interest to encourage people to get extra skills and to be trained in the sorts of courses you were talking about. I wondered if you could come back to us with a view of the impact that that might have.

**Ms Toussaint**—Yes, sure.

**Mr NAIRN**—If I can just add something to that—I am sorry to interrupt—which just occurred to me: looking at the list of members, they are the sorts of companies that rely very heavily on subcontractors. I have just noted that I have worked for 11 of those companies in that in my former life.

**Ms ROXON**—Can't you stick at anything?

**Mr NAIRN**—One firm but as a consultant to each of them. What I am saying is that, rather than employing their own people in various areas, they use a lot of consulting firms and other subcontractors. In those employment figures and other things that Ms Roxon just asked about, it would probably be interesting to get some idea of the percentage of work on projects that are done totally in-house by employees as opposed to consultants. It does not have to be absolute specific numbers but just some percentages to get a better feel of the activities of those sorts of companies.

**Ms Toussaint**—We run a quarterly employment survey. The next one is due to go out—

**Mr Rodwell**—Pretty much now.

**Ms Toussaint**—We can include a question on that. You would like to know what proportion of the work force is subcontractors?

**Mr NAIRN**—Yes.

**Mr LAWLER**—You talk about the role of government in ensuring adequate investment in infrastructure. In your area, specifically what type of infrastructure would you see as the most useful? You talk about either direct funding or incentives for private sector participation; does your industry have a view on the best way in which the private sector participation is encouraged—whether it is build, own, operate, transfer or whatever?

**Ms Toussaint**—A lot of the major projects are in regional areas and I think the concern is mainly access to those areas. So it is not just people, it is also goods, equipment and finished product that need to be transported to the major ports and whatever. I am not sure which infrastructure is better.

**Mr LAWLER**—It is transport generally.

**Ms Toussaint**—It is just that in general those rural areas are a bit starved for infrastructure—Of course, Australia is so huge it is not surprising—and it is an area that affects our members quite a lot. Sorry, what was the second question?

**Mr LAWLER**—You may not have a view on this, it is just that I am on another inquiry—

**Ms Toussaint**—Infrastructure incentives—I have worked with the Australian Constructors Association in my capacity as economist for the Australian Industry Group. We have done a lot of work on what infrastructure incentives ACA members and construction companies in general see as being more likely to produce a good outcome. Do you have the information from the ACA because they have put together quite a few good submissions in that area?

**Mr NAIRN**—I think we have a submission from them.

**Mr LAWLER**—Thanks.

**Dr WASHER**—I notice you have a small section on native title in your submission, and you did mention it a moment ago as not probably being as important as it was initially thought to be. If you asked the Premier in the west why there is very little in the way of exploration occurring, the two reasons he will give is that the commodity prices have dropped and the second reason he is being told by industry is that native title is still a major impediment in WA. As that is now becoming a greater problem because of confusion, where we cannot get a settlement in the state because of the difference in the two Houses and, if they do reach a settlement, it now comes back to the Senate—as you know under the new rulings—to be ratified or looked at, do you have any comments from your industry on the concern about this total confusion in native title and with the length of delays in settlements that is going to take place because of this?

**Ms Toussaint**—I do not have any views. It is something that has not been discussed recently at our meetings; it has not come up as a pressing issue so I cannot add any information to that. We could endeavour to get some information.

**Dr WASHER**—That would be good if you could. How much active new exploration is the group doing at the moment?

**Ms Toussaint**—In Western Australia?

**Dr WASHER**—Yes.

**Ms Toussaint**—The problem is that members are quite cagey about exactly what is on the books and what is coming up. They are all competitors so they do not give out a lot of information. But the feeling is that a lot of the major projects seem to be on hold. I am not sure exactly what the scoping studies are doing, but there is a feeling that activity is dropping off over there in WA.

**Dr WASHER**—So to your knowledge in WA's case certainly there has been a downturn in exploration which has considerable impact—what about overseas?

**Ms Toussaint**—Our members are doing more work overseas. I am not sure whether that is because there is more work overseas or there is more opportunity relative to Australia overseas.

**Dr WASHER**—Well, the commodity prices are all the same, so there must be other factors. And that is pretty significant. We hear that the major companies are currently going offshore or out of Australia to look for mineral and fuel resources. From what you tell me, you would probably agree to that?

**Ms Toussaint**—Yes, I do agree.

**Dr WASHER**—So we have a major problem in Australia that we have to address?

**Ms Toussaint**—Yes.

**Mr ZAHRA**—I was interested to hear your comment about how the regions are starved for infrastructure. I wonder if you could elaborate on specifically what infrastructure your organisation thinks regional Australia is in need of and what types of incentives we might be able to put in place for the private sector to be more directly involved in the provision of that infrastructure.

**Ms Toussaint**—I guess what infrastructure our members need is quite different from what regional Australia needs in general, because a lot of our sites are very remote and putting in permanent infrastructure may not be economically feasible. So, in a way, it is a different problem from the problem of infrastructure in the regions in general. I do not know what the best forms of infrastructure are, but it is an issue where you are transporting goods and people to such remote areas. In terms of the incentives, PECA do not have a view on what incentives are appropriate. They are often working for clients who are more concerned with that, such as the members of the Australian Constructors Association or whatever.

**Mr ZAHRA**—I did not get a chance to hear any dialogue which might have taken place in this committee about industrial relations—I just picked up the tail end of it—if I can ask you what your view is in terms of regions: is it a disincentive if regions are identified as industrial relations hot spots for whatever reason? Is that something which you see as a hindrance towards development?

**Ms Toussaint**—I guess I am not quite sure why there would be hot spots.

**Mr ZAHRA**—My electorate in the Latrobe Valley has been targeted unfairly—for decades—as a militant industrial area. Newcastle has also been unfairly targeted over many years for the same reason. When considering a project in a specific region, I wonder whether there is a wide perception amongst members of your organisation in terms of saying, 'No, we wouldn't develop there, because it is too much of a risk for that reason.'

**Ms Toussaint**—I am not sure what impact those perceptions have on regional location. When you are putting together a submission like this, it is always aggregate views. Often there is only a few companies that may express a problem with industrial relations, for example. In this case, some members expressed a concern that industrial disputes happened frequently here which made Australia less attractive than other countries. That is the extent of the information that I had in putting together this submission.

**Mr ZAHRA**—Thank you.

**Dr WASHER**—Just to follow with a question on top of that: my impression was, according to the stats, that we currently have the lowest rate of industrial disputation that we have had for 20 years or something like that. It has been very low.

**Ms Toussaint**—I was a bit surprised about that response and I wonder whether it is a mixture of perception and reality. Quite a few of these companies are foreign owned and have subsidiaries in Australia. As long as you have the foreign owned perception that Australia is rife with industrial disputes, that is difficult to change and that will still cause problems. Maybe there is a role for government in improving information about industrial disputes.

**Dr WASHER**—I think that is probably more a perception than reality at this time. Would you agree with that? Is that other people's impression?

**Mr ZAHRA**—I think that is right. To digress just for a moment: in the Latrobe valley we have had some of the most innovative enterprise agreements which have been negotiated successfully between workers and employers not just within Australia but within our region. We are still, however, seen as a militant area where we do not get along with employers and we have an antagonistic relationship. That is not true and never has been true, but that perception is there. I think the point that Dr Washer raised is important: what can we do to turn around the perception that is inaccurate—not just generally as it relates to Australia but more specifically as it relates to some of the regions? We talked a bit yesterday in question time about what has been done for Newcastle. Perhaps tackling some of those misconceptions about Newcastle is one way to try to stimulate some development there.

**Ms Toussaint**—I guess it is also a problem for our members because they have massive projects in a remote area and they often have a lot of workers under a similar award. When there is a industrial relations problem, it can be really disastrous for them.

**CHAIR**—Do you see the problem of promoting the fact that we do have a better industrial relations environment as being an industry responsibility or a government responsibility?

**Ms Toussaint**—Probably a bit of both. If a company has better information than another about industrial disputes and chooses Australia because of it and benefits from it, then they will obviously get an advantage from that. So there is a private incentive to get good information. But, at the same time, while you have a perception that there is a problem then you lose a lot of business as well.



**CHAIR**—I was just interested because I think that is a fairly key point that will be taken note of by the committee. I have one more question: you mentioned in the submission about major projects facilitation and Invest Australia. Do you want to make any comment on how successful or otherwise these initiatives are? Has there been a view expressed by any of your members?

**Ms Toussaint**—I do not have any concrete examples for that but I could endeavour to get some more information on the effectiveness of Invest Australia.

**CHAIR**—That would be good.

**Mr NAIRN**—The comment that you have made about the design construction interface is an interesting one. I think you are right that the old ways were: put a tender out to get somebody who design something and put another tender out to build in, which is often a very inefficient way to complete a project. Is what you are getting at that, from a government point of view where government has some sort of control over these things, we should be looking more at design construction contracts rather than the break-up? Often one of the frustrations of government is in that budgetary area where you have enough money to get a design done this year and then maybe in a couple of years time you will have enough money to put something out for construction. Is that the sort of difficulty that you are talking about?

**Ms Toussaint**—That is true, it is a problem with doing it that way. When you look at government contracts there can be benefits to put thing the two together. That is not really an issue for our members as such because their clients are not normally government. But they still have the same problem in that their clients are designing first and then tendering out afterwards. I think a lot of that comes from possibly the fact that multinationals are the clients who come in knowing what they want and then tendering out and, in a way, Australia loses out because it is not involved in the design phase. I am not sure what the solution would be.

**Mr NAIRN**—The government can take a lead at least where it is involved. I think in some respects it is happening more and more in design, construct and maintain or in some of the BOOT schemes and things like that which many of your members would be involved in as well.

**Ms Toussaint**—Yes. There was one more issue that was not covered in this submission because it came up subsequently. I do not have a lot of information on it, but the concern is that Australia is losing skills in general because a lot of imported product is coming in. The example I was given was fabricated materials where clients will price a job based on imported product of fabricated materials. The product that comes in can often be lower quality. There does not seem to be the same standard for the imports. There have been concrete examples where the goods have come in and have had to be reworked. So there is a double loss for Australia, if you like, where not only do we miss the sale because the goods are sourced from offshore but we lose the skills in Australia, and then the project ends up costing more anyway because the product needs to be reworked. It seemed to be quite a concern for our members that this is happening. I am not sure whether it is just in fabricated materials or it is a broader problem.

**CHAIR**—Do your members have any comments on how that can be changed?

**Ms Toussaint**—Maybe it is a standards problem, I am not sure.

**CHAIR**—Rather than the whole industry policy area. It comes down to competition and exactly what is happening as far as tariffs are concerned. It really opens up the whole issue of importation. You are saying that certain components—I guess you talking about in mining or manufacturing industries—are being imported because they can be sourced overseas cheaper, but they are of inferior quality and are causing problems?

**Ms Toussaint**—Yes. The problem is that Australia loses the skills base and then we lose the capacity to even provide these things. Design was another example: a lot of the design work is now moving offshore and Australia is missing out on contracts because of it.

**CHAIR**—That will certainly be noted by the committee. We have done quite well today. I thank both of you very much for your attendance today. It has been a very good and informative discussion. I thank *Hansard* as well for their efforts. You will get a copy of the transcript of today's hearing provided to you.

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

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

**Committee adjourned at 12.34 p.m.**

