

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Melbourne — 18 August 2009

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Mr P. Dowling, Executive Officer, South East Melbourne Manufacturers Alliance Inc.

The CHAIR — I welcome Mr Paul Dowling to our parliamentary committee hearing evidence today on the Inquiry into Manufacturing in Victoria. All evidence taken at this hearing is protected by parliamentary privilege but anything you say outside the evidence gathering area will not be protected by parliamentary privilege. Could you please state your full name, your position, the organisation and the business address.

Mr DOWLING — My name is Paul Dowling. My position is Executive Officer. The organisation is SEMMA, South East Melbourne Manufacturers Alliance Inc. Our business address is 329 Thomas Street, Dandenong.

The CHAIR — The evidence will be taken by Hansard and a copy of it will be given to you in about a fortnight. Over to you for your presentation, and we look forward to asking questions and hearing your answers after that.

Mr DOWLING — If I may, our submission was based on the terms of reference, but these are just general comments as to manufacturing in Victoria. May I start off by thanking you for inviting us to participate. SEMMA is all about manufacturing in the south-east, and manufacturing is our passion, so to have input is greatly appreciated. Would you like to start to go through this or are there particular questions you would like to ask?

The CHAIR — Looking at the dot points, if you wish, these can be taken as read and be incorporated into Hansard as evidence, and you can just highlight whatever point you want to make out of this single A4 sheet. Your evidence that has already been provided in terms of the written submission will be going on internet.

Mr DOWLING — I think a lot of the points speak for themselves, but basically manufacturing is the true contributor, firstly to our community, as we have put there, but also in the fact that it is the largest employer in our region: 34 per cent of people are employed in manufacturing and the current latest statistics show that the multiplier is just over 2 for indirect jobs. If you come to Dandenong and go down Robinson Street, you will see business after business involved in accounting, engineering and legal, all reliant on manufacturing. I think we cannot lose sight of that. It is just a massive employer.

I think one thing we cannot lose sight of and that we emphasise to government is that there is a perception that manufacturing is on the wane and dying. In two census periods manufacturing employment in the City of Greater Dandenong area actually increased 7 per cent. Output was up significantly as well, and you have to ask yourself why if that is the case. It simply comes to the model in which business and manufacturing is done in the region. The model is simply local government working with independent organisations, working with what we call alliance partners, and those alliance partners can be any organisation that has got an interest in manufacturing and has got the ethics and passion that we have. They range from universities through to TAFEs, through to chambers of commerce, through to government departments; we work for them all. So it is that triangle that creates the strength, and that is what our region is all about. That model is transferable anywhere.

To give you an example of my disappointment, I have a friend in Bendigo and he recently advised me that one of the greatest contributors to manufacturing in Bendigo now is this unique activity where they go and visit each other's premises and learn from each other and what a fantastic exercise that is. I sadly had to advise him that that was implemented in Dandenong 11 years ago. As a state we do not talk to each other, and I think that is critical.

One of the aspects of the community is the soft skills. They obviously increase our community's ability to engage in employment, but it really relies on soft skills. It creates that sense of purpose. Whether or not we understand it, we are all built with an inbuilt desire to create. That can be in a physical sense, and it can be in a creative sense, if you like, but if we did not get that, it is my personal opinion that that is where disharmony starts. You only have to come down and we will

take you through plant after plant where we have got young engineers of 25 to 27 years of age and the biggest problem the employers have is getting them to go home. They have got ownership, they are creating, they are using their skills. This is what manufacturing does.

One of the other reasons we believe manufacturing is a great contributor to our community is the ability to assimilate migrants and refugees. We are currently as an organisation involved with AMES under a DIAC project, and it is to our model. Unfortunately we have seen too many of these integration schemes that just do not work. We have created our own model, and so far it has been an overwhelming success. The simple reason is that unlike a lot of other disciplines, manufacturing does not require any real previous skills. We have all got skills; it is just that aptitude. In the Auditor-General's report in 2007 he made comment on training that it is now an accepted fact: employers will train, that is not an issue with them, so it is that soft skill. As long as the person wants to work, they will adopt them, they will take them under their wing.

In regard to the economics, I will not go through that because I am sure you are aware of that. As I mentioned, the multiplier needs to be taken into consideration, and it is, as per this document which the Premier signed back in 2001.

The CHAIR — Would you like to mention the name of the document for the Hansard reporter.

Mr DOWLING — It is the *Australian Industry Participation National Framework*. It was signed in 2001 after a meeting of industry ministers in February 2000, and it states that manufacturing is a contributor to wealth, skills, increased living standards, new technologies, innovation and global supply chains. This is the heart of manufacturing.

We go on to the manufacturing policy. It is unfortunate that really the question is: does government want to retain the capability and capacity to manufacture? That is the heart of the question. If you look at any developing economy, it is based on manufacturing. China is not based on services, it is based on manufacturing. Taiwan, the same; Korea, the same. They all understand you need a healthy manufacturing industry to create wealth and to create an economy.

Basically, the Victorian Government policy is price. It actually defies the principle here that says:

When considering sources of supply for an investment project, project proponents are encouraged to consider Australian industry in terms of the value for money it offers over the life cycle of the project.

That is a very simple, basic statement, but it is fundamental to where this state should be going. It should be embracing that, but I can tell you from our past experience it does not happen. It is, 'What is your price: you are too dear.'

And one example, if I may, of that: we have got certain members at the moment who are absolutely booming; they make hospital beds. They have not had orders for years, and the reason for that is that the standard hospital bed from China costs around \$700 and will last about three years. The standard hospital bed made in Australia will cost about \$1600 to \$1800 and it will last 8 to 12 years. Hospitals cannot afford \$1600 or \$1800 immediately, so they continuously buy the cheap beds.

The CHAIR — \$700 for three years versus \$1800, was it?

Mr DOWLING — \$1600 to \$1800 for 8 to 12 years. To us, this document is what the government has signed and agreed to. That should be the override, and the value for money is in the Australian one. Right now they are buying Australian beds and we have got members who are that busy because for the first time in many years they are starting to sell the beds, only due, we believe, to the stimulus package. What I am leading to is that we have this mentality that the investment up-front is what we put to taxpayers as what they are spending. It is not. We must have a huge state maintenance bill that is swept under the carpet because we do not buy best value.

Underlying all that, is that the simple fact of the matter is, and unfortunately we are facing it again, when you lose skilled jobs you do not ever get them back. One of the things where we are at the crossroads is really that manufacturing now in our regions is advanced manufacturing. We need the bright young kids coming through. We do not just necessarily need shop floor, we need engineers, chemists, accountants, designers, marketers — we need the lot.

Manufacturing is not seen that way. If you are an engineer you are going to go to work for one of the big companies somewhere. It is not in the psyche of the Australian that manufacturing has a need for you. It is the same with all other disciplines, and this starts back in the school where the career teachers really need to get an understanding. What we have been doing for a number of years now is schools to industry with principals and career teachers. I can tell you, without exception, they are blown away when they go out there and they immediately recognise where there are applications for their students.

However, the tradition is the non-academic students will go to manufacturing. They will get them through VCE and then they will go and work on a machine. This is not the future of manufacturing. The future of manufacturing is getting these people out there, because they will drive where we are coming from and where we are heading to. Simply, the fact is that China and those economies are the controllers of volume consumer goods, but the world demand for unique items is always going to remain, and that is Australia's strength.

If you look at our history of what we have invented and what we manufacture, we should be able to continue that, but again, the emphasis has got to be on soft skills. Unless kids have been trained in soft skills, employment becomes difficult for them. And, yes, manufacturing has got to be seen as a career of choice. We can give you so many case studies of where kids almost got off the rails and now today they are just absolutely wonderful people.

In that light too, if I can put in a plug, the manufacturing hall of fame that the Victorian Government runs every year is the greatest promotion of manufacturing. I am not saying that because SEMMA is the sponsor or a lot of SEMMA companies get inducted, it is a great promotion of manufacturing and we support that to the hilt.

Lastly, or not really lastly, the consequences of losing manufacturing; I think we need to have that reality check constantly. When it comes down to decisions of a financial nature by government, I think we should look at that. By that I mean, you only have to look at the department: it has been cut, it has been moved, it has been shoved around. There is no strategy involved long term for Victorian or Australian manufacturing, and that is part of the problem. But on the other side, may I add, Australia, being what it is, is a very innovative country. We have now got, we believe, untapped opportunities in green.

The CHAIR — In?

Mr DOWLING — In green technology. We are on the verge now and government really needs to look at this, where they need a pre-investment investment — that is, to invest money to train our kids coming through on these technologies — or else we are going to be left with the traditional model that we want to purchase these technologies and they will be overseas, and the bottom line will be: you purchase the lot manufactured overseas, or you do not purchase anything.

The CHAIR — Can I interrupt you. Prior to commencing evidence you talked about two circles. Would you like to actually put that on the record? I thought it was very instructive.

Mr DOWLING — Yes. It is a situation that is part of what we do to help members grow and sustain. We had a session once and we had an Irish gentleman get up in front of the group. He drew a circle on a white board and he said, 'What is that?'. We all said, 'It is a circle', and he said, 'Take it as a product, any product you want.' Then he drew a circle on the outside that and he said, 'What is that?'. We said, 'Two circles.' He said, 'No, that is a total product', and in between the two circles he wrote words like presales service, design, technology, after-sales service, supply

chain, enhancement and he said, 'That is the product'. Then he looked at the audience and he said, 'You are all worried about China. When was the last time any of you have dealt with China, have ever received any of those services from that country?'. Not a hand was raised.

I was just saying, our experience in the last 12 to 18 months is that there has been somewhat of a reversal. Companies that were going overseas to source from China are now coming back because of this value proposition. When you weigh in the lead time, exchange rates, reject rates, the inability for Chinese companies to be part of your supply chain and therefore help you develop, my personal opinion is this is where the car companies in Australia are going to suffer in the next 10 years. Australian companies added greatly to their development and the manufacturers by knowing how to do it better. These are some of the things that we all forgot chasing the almighty dollar, and now companies are starting to realise that it is cost versus value, and in some cases it is not adding up.

The CHAIR — Thank you.

Mr ATKINSON — On a point of clarification, I was interested in your very modest figure for the multiplier effect in manufacturing, particularly given that this morning the Industry Capability Network suggested that every million dollars spent in manufacturing industry in Australia generates 17 full-time jobs — 4 direct and 13 indirect. Their ratio was a factor of three times the number. The ratio you gave was far more modest. Can you explain how you arrived at your ratio?

Mr DOWLING — I will be honest; I cannot recall the source. It was a very recent assignment carried out in our region, and it came up with 2.08, I think, direct manufacturing versus indirect manufacturing. The ICN might be looking at a total holistic — —

I am not too sure of the basis of theirs, but I can find that for you, if you like.

The CHAIR — Thank you very much, Mr Dowling. There are a number of items that you have mentioned here that could well go to addressing and improving our manufacturing industry, and I have jotted down some of them: the triangle of strength that you distributed that is now operating in Bendigo that was established 11 years ago in Dandenong; the value for money, we need to make sure that we continue their hall of fame as being a real asset; looking towards green pre-investment and training our young people in that area; and continuing to work on what I will call work experience schools to industry that currently is operating, but we need to make sure that that continues and is strengthened. Would that be a fair assessment of the key items?

Mr DOWLING — Yes, it certainly would.

The CHAIR — The one I want to pursue a bit more is whether you can give me some other examples of value for money, where you think either the community generally or the government procurement has really missed the mark? You talked about hospital beds, and that is quite helpful in writing up the report to give one example, but are there other examples that you would either care to give now or perhaps get back to us with?

Mr DOWLING — Rather than an example, if I may, I think it is the whole model. The analogy I could use is that if you and your partner built a home in the last 10 or 20 years, you would go through a process. You would get bidders, you would through a process of selecting them, you set the criteria and then as the project goes ahead, you oversee it. To me, representing the taxpayers, that is no different to the procedure the government should follow for infrastructure projects.

What we do is select a contractor and say, 'Go for it'. Inherently what happens is the rules are changed after the job is done, there is no requirement or culture here before letting the contract — and the previous people, ICN, are victims of this. They should be brought in before the contract is let so you as the contractor understand the government's culture that we want to maximise local

content because we have got smart manufacturing here and it will help you. We do not do that. Then the rules can change. It is all about the dollar and not the value for money.

I can give you example after example, where government and departments and authorities now are not — —

We had one with the CFA recently. A member had lost an order to India for a product that ultimately is going to cost the taxpayer more. Our member actually supplies it to site; it does not where a fire is in Victoria, they will supply the product out there. We have lost all that for a lousy 2 per cent. We now no longer supply our police departments and our emergency services with local products for a dollar a shirt.

The CHAIR — If you want to give us some of those examples, that would assist.

Mr ATKINSON — Also examples of some of the manufacturing brought back to Australia. You mentioned Victoria.

The CHAIR — That is going to be my next question, but I am sharing them around.

Mr ATKINSON — No, you pursue that.

The CHAIR — I have got a very strong interest in identifying examples of where manufacturing is being brought back to Victoria, and you alluded to it in your presentation. Could you give us some of those examples and explain the rationale for bringing it back? You headed it under the headings IP, quality, pre-sale service, supply chain. Have you got examples? We might even go and visit some of these sites and identify why.

Mr DOWLING — Yes. You are welcome; we would love to have you down to Dandenong to take you through. As a generalisation, most of them are components — metal components and those sort of things. Some examples I can think of were where a member was importing a metal component, and about 40 per cent of them were rejected constantly.

The CHAIR — Yes; we are hearing this.

Mr DOWLING — He imports them at a third of the price, but by the time you wait 12 to 16 weeks, one of our astute members has worked their organisation adds 12 per cent on the actual landed cost as a handling delay charge. They are having up to 40 per cent rejects. It is the labour then to sort that, then you have to over-order to allow for that, and at the end of the day it is just not worth it, because when you import components it obviously goes into a high-level component, and if you cannot produce that to your customer, it is your name that is tainted, not the supplier in China. They are now coming to the realisation that it is not happening.

Also, advance manufacturing now, which you would appreciate is all about quick changeover and quick delivery, you have not got that. Most importantly, as I say, I think one of the things that is coming out now is the value add that we take for granted from our local supply chain in helping to improve the product to help reduce the process time et cetera. It does not come; you have to drive that. As a general rule we are hearing that Chinese manufacturers are very inflexible. When the company here identifies change et cetera, it is very hard to get through.

Probably the other area, too, is — and the GFC has compounded this — quantities. Now so many people say, 'I will get it from China', but when we talk in hundreds they talk in hundreds of thousands. The do it as a burden, if you like, so it is now having repercussions, and manufacturing is now realising that.

The CHAIR — Are you finding that the financial sector is beginning to understand the importance of manufacturing and the value for money here in Australia, because we are hearing evidence that it has probably got too long a lead time to realise that it is not cheaper to go offshore

and it is in the financial sector's interest to have manufacturing, and they should be financing manufacturing here in Victoria, not automatically thinking you will get it cheaper offshore. I know you are an accountant, but there are a lot of people also in the accounting field who have not caught on to that.

Mr DOWLING — No; that is right. When you are talking about the finance sector, what is the definition?

The CHAIR — The banking industry, super funds, where you get finance.

Ms THOMSON — Venture capital.

The CHAIR — If I were a manufacturer and I said, 'I need — —

Ms THOMSON — It is accessing capital investment. That is what you are talking about, is it not?

The CHAIR — I want to do some manufacturing and they automatically 10 years ago would think you would do the manufacturing offshore — 'It would be a better investment for us to finance you offshore, not onshore'. Is there any sense that the financial industry is cottoning on now to the reality of what you have just outlined in your evidence?

Mr DOWLING — My personal opinion? No. In fact we have got a sad situation at the moment where the finance sector has actually caught the disengagement with manufacturing.

The CHAIR — That is what we are hearing.

Ms THOMSON — It is retracting in all sectors.

Mr DOWLING — We have gone to the feds on this. Most of our manufacturers, and these guys would be the same, have not experienced a rate reduction in their overdraft in the last 18 months. What the banks are doing is re-assessing you as a risk. And the rate they are paying over the margin now is absolutely criminal. Moreover, what we are getting right now is every time you go to roll your facility they are bringing up this risk management, and things that have been happening for 20 or 30 years between bank and customer are now being raised. You are now as the customer requested to go and employ a consultant to do a risk analysis on something that is not really a risk.

So it is turning manufacturers away from finance. What we do not understand, I think, is it is inhibiting their business. We have one member who is a small company. He has now worked with a multinational and two others to develop this product that is going to be a real hit around the world. They have been approached by Europe and America. He has moved premises to a larger premises, and he needs to move again, and he is under \$5 million. The banks will not even look at financing him.

The CHAIR — All he wants is less than \$5 million, did you say?

Mr DOWLING — Yes. His facility is nowhere near that. His turnover is only \$5 million. Now he just needs working capital. He can be guaranteed by anybody he likes, but the point is he should not have to. But the banks have absolutely refused to have anything to do with him. He is profitable, well-managed, a great business. And he is not on his own.

Ms THOMSON — What area of manufacturing is the product?

Mr DOWLING — He manufactures cardboard products. But what he has done is this multinational work with a large company in Sydney to develop this product, a new product. They could not do it. Somehow they got to him within three weeks. He had what they wanted.

But he is a brilliant man. Out of what he makes he has now come up with the packaging of that product, which is fully recyclable and a fraction of the weight of traditional packaging. This is typical. This is why I say manufacturing has only to move ahead — this is typical of the manufacturers: very innovative, smart people.

The CHAIR — If you want to give us and your members want to provide evidence without identifying their company or their product — —

Mr DOWLING — Yes.

Ms THOMSON — Or they can identify if they want to.

The CHAIR — If they wish to, yes. It would be useful to have a section in our report on this very topic.

Ms THOMSON — The issue for me is we have got a bit of a double whammy at the moment. You are seeing some fusses from the global financial crisis, and there are also some negatives, which is the credit squeeze that we are seeing on businesses across the board, so I guess it is a bit murky as to how much it is external economic forces versus the manufacturing industry per se and its status here in the state.

I read your submission where you talked about business skills levels of actual businesses and also, in manufacturing, the question of age and people coming into the industry. My question is around the various programs that have been run to try to help businesses develop the business skills that they need to be able to compete, the entrepreneurial component, to be able to innovate, I guess, and see where the next opportunities lie.

Do you see any of those actually reaping benefits? Where do you see the sector going now? Some of those manufacturers will be getting a little older and thinking about where the businesses go from here and how they develop and evolve without necessarily the owner's input. Are you seeing that there is a take-up of the kind of opportunities that are available to increase skill levels and trained at that management and innovation area?

Mr DOWLING — Very marginally. I think just digressing very slightly for a moment, the biggest challenge for government in its efforts to assist companies is that 92 per cent of manufacturers are SME. In the old days with the big multinationals it was easy to target assistance programs and run management programs. It is now about accessing those small companies, and that is one of the problems: how do you actually get to them? Our model of operation and engagement also by the way is not the brick wall model, like, 'Marsha, you need management training'. You have got to go in and create; it is ongoing. You have got to have patience. Government programs generally are: 'Here is the program; do it!'. It does not work.

You have got to engage the company in whatever it is that they want to be engaged in. As a consequence of that engagement they will understand where their weaknesses are, and then you offer. That is the model too with the City of Greater Dandenong's South East Business Networks, which is almost unique. It is something council took up to offer as a free service to companies in the region — not the municipality, the region. That has been working for 15 years.

Sadly, to part-answer your question, a lot of the government programs are here today and gone tomorrow, with a starting date and a finishing date. As a side issue to that, the assistance is one-on-one consultancy. Its sustainability in terms of its effects is very limited. The consultant leaves and the thing falls down. We have been through three decades of this. In the eighties it was a business plan. You had a beautiful business plan that stayed in the top drawer. In the nineties you did some sort of ongoing improvement program but that fell down as soon as the consultant walked out. What we are preaching all about is leveraged learning. So my answer there is that we have got to come up with ways of engaging businesses, and that will come out.

In terms of succession, if I can add too, it has been absolutely fantastic. Again, South East Business Networks and SEMMA worked with some government funding a couple of years ago on maximising maturity in the workforce. That was brought about because in our region 45 per cent of employees are over 45 years of age. The national average is 33. Believe it or not — again, these are such basic things; I am sure you would sit here and go, ‘What?’ — but people who got involved in the program actually did an analysis of their workforce and said, ‘My God, we’re susceptible!’.

You have been working with them for decades. What is happening in terms of family business at the moment is the children generally have shown a total disinterest, and this was our greatest fear, because 25 per cent of manufacturers in our region were going to be up for sale from about 2006 to 2011. What is happening in a lot of cases now is the kids are coming up to the mark.

The CHAIR — Are not?

Mr DOWLING — Are.

The CHAIR — Are now?

Mr DOWLING — Yes. The kids are walking into the business. I could give you case study after case study. It is fantastic stuff. But, again, they are doing it differently; it is to a different model. Like it was, ‘There is the business; take it!’. We have been involved in some of them, and it is part of the job, I have got to say, that I just absolutely love: to see people — father and son, father and daughter — go away and take over the business. Again it is this engagement. Because, you see, manufacturing is dirty, dumb and dangerous, and it is all hard work. But you have got to then work — —

The CHAIR — That is in inverted commas?

Mr DOWLING — Yes. Whereas it is really clever, clean and critical. And that is a perception. That is a problem with our educators. Everything, as we know — —

The CHAIR — I think you might be being a bit hard on the educators.

Mr DOWLING — I am putting too much pressure on them.

The CHAIR — If you do not mind me saying so, having four children with very different workforce interests, I find the condescending attitude of people to one of my children because of the choice he took really is very, very annoying. It shows in the general public and I would say in parents and friends of parents a fairly narrow attitude to the workplace. I loved what you said before: ‘We are built to build, we are built to create’.

People in the manufacturing industry and in the trades do that in a way that is sensational. It is not just the teachers. I think teachers sometimes get it; it is the parents who have got this inverted sense of importance. That is my evidence, not yours. I am sorry to get off-track but it really makes my blood boil.

Mr ATKINSON — I am just wondering who to direct my next question to.

You are fairly fortunate in your corridor to have a significant base of manufacturing, as you described earlier. To what extent is clustering important in terms of developing opportunities in manufacturing and I guess supporting the industries that we have and ensuring that they are available and are able to expand and, as I said, really I suppose also identify product opportunities?

Mr DOWLING — I would probably take that as a two-part question. Clustering is a term. We refer to collaboration, and again our region — and I say this publicly — is the greatest region of

all. Some of the things that happen at our meetings inside four walls, you could not repeat outside, but it is that comfort, and once you get that comfort, that manifests itself in so many ways.

Working together is the key to it all; it really, is. And what gets me — and again it is over time, you cannot create it — like clustering, when the State Government tried to take that up 10 years ago, was ‘Get people in a room right now and within 12 months we will have a cluster’, by industry. The fallback of that is, one, you are trying to pick winners, and, two, you do not create that feeling of camaraderie and I can trust you. Once it is created, I can assure you it is one of the most powerful tools. Virtually a day does not go by where one member will talk to another member. ‘You need to come down and do this’ or ‘Can you come up and do that?’.

It is this self-improvement working together and it is fundamental. I think what we have to understand is we need to create this interactivity because, as I said a moment ago, picking winners is a huge risk. What it is is that these guys are smart people. They will pick the areas that they can go into, and the other part of the question where I am leading to is because you are an industry now, we have to understand that everything is dynamic, and I think the automotive industry, sadly, is a classic example of that, but what I am totally delighted about in our region is that for five or six years now, we have been through a number of different activities and assistance things that weren’t directly aimed at that, they were just more awareness, we have pushed manufacturers to basically understand your capability.

That sounds a very simple and basic thing, but it is something you have to come to terms with. What is your real capability? Then understand what other industries can use that, and I am delighted to say I still get calls from government departments saying, ‘Can you give us names of automotive suppliers?’. I cannot tell you in our region more than 10 companies that I know of that are automotive suppliers. I could give you hundreds that supply the automotive industry, but it is no longer their main area because they have diversified and they have gone into industries. We have not picked industries for them.

They have gone into industries that they see as a natural flow, and I think we have to sort of steer it but not direct it, and the way — and I am sorry to keep saying it but it keeps coming back to getting this interactivity, getting that triangle going, getting everybody talking together. You know, whether they are manufacturers or stockbrokers does not matter, they will pick a dollar, they will know where to go, it is an instinct. It is something you cannot train, and a lot of them got it and there are some fantastic case studies. We have got one member who three years ago, 95 per cent of their work, the plastic moulding, was automotive. Now, I do not know about you but that sends a shiver down my back. Right now, they are involved in a building product that is world leading.

The CHAIR — Can I build on this inter-activity and the triangle of strength?

Mr ATKINSON — It sounds like Harry Potter!

The CHAIR — That was your term — ‘triangle of strength’. You have Bendigo; you have got around the south-east. About what geographic area in the metropolitan area would be a workable area? Do you do it on local government? Do you do it on the north-east? You started in Dandenong, but how far out do you go now and would the model be to start at a local government area and go out, or would it be to get a couple of local governments to band together to come up with something like the South East Melbourne Manufacturers Alliance?

Mr DOWLING — I do not think the geographical area you work in is that important. If you set something up, people will come to it. They will be attracted by it. Distance is not a real issue at the moment. Sadly, the issue is drive and passion. On behalf of the State Government we have had a couple of groups out to Dandenong doing some site visits. We were requested to show them how our model works, and frankly what happened at the end of that is everybody went ‘Wow!’ but nobody stood up. None of those local governments stood up.

In Dandenong we were just lucky that they had Warwick Heine 15 years ago, who worked with the south-east task force. When the feds shut that down he said, 'No, this is too good to go', and he put it in place. He had the vision, the foresight and the strength. We lack that a little bit. It is sad, because these tours are coming about because people want handouts. It is a little bit like give a man a fish or teach him to fish. It is the same with clustering; you just need that champion, and I would suggest in Melbourne you would get away with three of them, north and west — —

Mr ATKINSON — I am interested in your comment on handouts, because we have had no shortage of witnesses who have suggested all sorts of ways they could spend government money. I am interested in what you see as the best support that a government, at state government level in particular, can provide to the manufacturing sector. Where would we get the most bang for the buck? Where would we provide the most effective support to the manufacturing industry?

Mr DOWLING — It is a very good question. As a rule of thumb I believe assistance is the icing, not the cake. If you look at certain industries now, they are surviving on assistance. It is not sustainable. My only answer to that is I do not think there is any hard and fast assistance. What I would like to see the State Government bring in — you have got regional offices.

We have got one in Dandenong. They are very good, knowledgeable people. What applies for you will not necessarily apply for the company beside you or the other company. We need to have total flexibility. But I think we have got to understand one major concept, that assistance is there to fast-track something, it is not to create something. If companies are looking for money to create things, it is not sustainable.

With R and D, and all of those, assistance will fast-track what you are doing. I think we should be looking at empowering the people on the ground who have got a feel for their area as to what each company — company by company — really need. That comes down to some of the programs such as Grow Your Business. They are great and they are basic. My saying for a long time with SMEs is, 'Just show them the first step and get out of their way'. They just do not know the first step. That is why those basic programs that you had in place for quite a while are good.

On the other side I think there needs to be a lot of innovation by government in assistance, that we go too much to prescribed programs that are 10 or 15 years old, and that restricts companies. What you find then is companies will try to work around the rules to get the money to do something, when it should be working the other way. They should have a strategy and a plan, and, as I say, the funding comes at the end of that to fast-track the outcomes of that strategy and plan.

The CHAIR — Thank you very much. We will conclude this section of the evidence. No doubt, Mr Dowling, we will be following up with some questions, and we might be following up some of your members too as a result today.

Mr DOWLING — Yes, you are most welcome.

The CHAIR — Thank you. Hansard will be providing a transcript in about a fortnight, and you are free to correct any typographical errors but not to change the substance of each.

Witness withdrew.