

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Melbourne — 7 September 2009

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Mr G. Meyer, Manager, Economic Development, City of Hume.

The CHAIR — Welcome to the all-party parliamentary committee hearing evidence today on the Inquiry into Manufacturing in Victoria. All evidence taken at the hearing is protected by parliamentary privilege, but any comments you make outside the hearing are not afforded such privilege. Could you give us your name, your position in the organisation and your business address?

Mr MEYER — I am Grant Meyer from Hume City Council. The address is 1079 Pascoe Vale Road, Broadmeadows.

The CHAIR — Thank you. You can make a brief or substantial comment, but no more than 10 minutes.

Mr MEYER — I will preface by saying I started at Hume Council in January this year as Manager, Economic Development. I am also on the national board of Economic Development Australia. Bruce may remember the old Association of Melbourne Executives Victoria, which is where that organisation came from. It has been national now for three years, with over 550 members. There are two councils that support the Plenty Food Group. Have you heard of it before?

Mr ATKINSON — I have, but we have some absent colleagues, which we apologise for. This meeting actually clashes with some other parliamentary committee meetings today, so the others are not here. They will rely on the transcript, so perhaps you could explain it.

Mr MEYER — Sure. It is a group that was set up in 2003. It involves three partners: the Whittlesea Council, the Hume Council and the State Government. It has run successfully in that time to a point where it now has 150 members. It is a broad spectrum of companies that it represents — from one and two-person bands to in the hundreds. There is an executive officer, who is employed full-time on the project. He would be here today but he is working at the Fine Food Australia Exhibition in Sydney, which is one of the largest we have nationally. He is with six food manufacturers from the north. That is one of the typical services provided by this not-for-profit group. It has grown substantially in that time. What we have submitted to you is a few pages of thoughts from the membership. I should say up-front that these are findings from the executive officer's dealings with these businesses over that period from 2003. We made an attempt to survey them but we had a very low response rate, so this is his take on what is facing them.

In terms of the first point in the Committee's terms of reference, to explore the necessary criteria used by businesses to transfer offshore manufacturing to Victoria, what he has done there is something in the order of 12 to 15 considerations that companies are weighing up or mulling over in the course of their operations. There are a range of factors there concerning skills, staff, wages, education and training, whether land is available, infrastructure, taxes, utility costs, and whether there are clusters, alliances, partnerships. They are fundamentals. I do not think it would surprise you to hear them, but in any event he has nominated those for you to consider and look at.

In responding to point 2 of the terms of reference he talks about factors which influence businesses in determining whether to continue manufacturing in Australia, and he makes some observations around intellectual property. He talks about the different legal systems in various countries. Some of the manufacturers that are involved with the Plenty Food Group export, so needless to say that is a factor for them when they are considering opening up new markets. He talks about quality assurance and probity. Under the term of reference referring to assistance and incentives, he describes the Plenty Food Group and in particular its reliance on government funding. Since 2003 the State Government has provided \$150 000 towards the running of this group.

Finally, under the point referring to the impact that the global deterioration will have on future decisions he talks about easy access to markets, supply chain, raw materials, transport networks and access to appropriately skilled staff. Once again I stress that they are fundamentals.

I would like to draw the Committee's attention to some of the successes of this group because in trying to understand why we have had a continued shift of manufacturing offshore and why we are seeing reductions in employment it is good to get a bit of a sense of the charter and ambition of this group, because from a policy perspective concerning the types of clusters, group purchasing and promoting of these firms together as opposed to individually you can get a sense of what some of the tangibles are. I will leave with the Committee a copy of

the Plenty Food Group's business and marketing plan for 2009–11 which cites some of their achievements and plans for the future.

The CHAIR — Thank you.

Mr MEYER — Without labouring it I will describe 11 of the group's successes. Firstly, there is the substantial number of key export contracts that have been won in the Middle East and Asia. Secondly, hosting a number of international delegations, some from South-East Asia, Malaysia and the Middle East in the form of Brunei where halal food opportunities have been described. A few of those have eventuated; some bigger ones have not yet occurred.

Mr ATKINSON — Could we just very quickly understand whether that has been because of that organisation by itself or it is partly because of previous displays in fine food in Melbourne last year or even participation in government trade missions?

Mr MEYER — That is a good point because there were links through some of the trade shows and through the trade commission's offices as well through Austrade. So the answer is yes, it was not purely off the group's bat.

Mr ATKINSON — But they are in place to coordinate it, which is important too. There is a follow-up to things. That is good.

Mr MEYER — That is right. In relation to introducing existing and new food manufacturers to export markets, in the north there is a vestige of the old regional economic development organisations that were introduced back in the mid-1990s by the Federal Government. That organisation is called NORTH Link. It works very closely with Austrade and through the TradeStart program. It introduces a lot of food manufacturers to export, so one of the roles of the Plenty Food Group is to direct these firms into the business planning around breaking into an export market. There is a link there.

Skills development for food companies that deal with major food buyers in the Australian market is the next point. Some of that is around business planning — for example, the DIIRD programs, industry, innovation and regional development — the supply chain and marketing. The firms in this 150-strong Plenty Food Group, through the coordinator, will be channelled into those to assist them to better present themselves for some of these larger food buyers in the Australian market.

The CHAIR — Are you suggesting from that if the Plenty Food Group failed to exist those firms would fail to get involved with the DIIRD programs?

Mr MEYER — That is a bit strong, but I would say that there is a gap in the market, if you like. I do not think there would be as many.

Point 5 refers to an increase in trust through relationship building between members. One specific out of that is that there really is group purchasing happening through the Plenty Food Group, and that extends to branding and promotions but equally to packaging, materials used and trade shows; it is the economy of scale of working together. There are plenty of examples of that.

The next point deals with the group developing a profile as the first contact for the industry and buyers. You will see that logo there which is used by the 150 members when they are in Sydney or if they are in Hong Kong, as they were earlier this year with the Hong FX trade show. When they go to China next year we are hoping to get a couple of firms to the world expo and the Australian pavilion using the branding.

The next point refers to successfully receiving government grants for research into supply chain and water-saving initiatives. The group has alerted some of the businesses to Victorian State Government programs around water saving, the Smart Water Fund. They are becoming more and more common, I guess. But last year and into this year a number of firms have done that and saved money through this collaborative group.

Marketing assistance and reductions achieved in overhead costs is the next point. Strategic relationships built with key industry bodies, state and federal governments, education and employment groups. And there is the website. If you have the time and the inclination I encourage you to have a look at that. The Web address is plentyfoodgroup.com.au. Part of that is about business to business, so it is firms within the cluster but also firms

from outside that might want to use two or three different manufacturers or equipment manufacturers that all sit within that umbrella. Then there is the development of the online product directory for national and international buyers. It is having a list of things that are available through these firms.

You have had a bit of a description there of what they do. What I am saying is that some of the firms are a bit reticent about filling in surveys. We attempted to get them to give us information about the GFC and your terms of reference. Hopefully you have been able to see some links there between what it is achieving and what you are trying to achieve, which is shoring up Australian manufacturing.

The CHAIR — Thank you.

Mr MEYER — I would alert you to one more piece of work which might be of interest. That is a report that has just been released through the National Institute of Economic and Industry Research. It is Dr Peter Brain's group. I find it pretty apt that Dr Brain should be behind a detailed economic report. This was commissioned by NORTH Link, the group I spoke about earlier, which represents the seven councils in Melbourne's north from the inner areas of Yarra out to Whittlesea and Hume. It makes a fair bit of commentary around manufacturing, amongst other things, and it talks about where the northern region of Melbourne is at in terms of manufacturing. Just for your information, over the last two years Hume and Whittlesea alone have lost 2500 jobs out of traditional manufacturing. They are the major ones; we have not heard the stories of the smaller ones. For example, at Ford Australia it is 300; South Pacific Tyres, 600; OneSteel, 100. Pacific Brands, 300, caravan manufacturers and property developers all aggregate, and we can provide the Committee with those if you are interested. Within the last two months we have had an announcement from the Federal Government of the appointment of a local learning and employment coordinator to cover Hume, Whittlesea and parts of the west. They are in a coordination-facilitation role and manufacturing is on their radar. They are trying to get some of the Job Search companies to work a bit more collaboratively. We had a job expo to help understand what some of the green skills and green economy positions are, and to understand the carbon trading environment that you were talking about before with the Bombardier guys. We will work closely with them.

Behind that is the Federal Government's Jobs Fund, and as a region we will put up some submissions designed to promote manufacturing. Recently the State Government gave us some funds to undertake a skills audit in the automotive sector in the outer north looking at how the green jobs fund announced by the Rudd Government will impact on some of these, where some of the labour force that have lost their jobs in the last few years can redirect some of their skills, how some of the tertiary institutions that have been providing training within the north can reorientate their existing programs to service some of this labour force, and what we can do to help the component companies — some of them have been shedding a lot of jobs in recent times as well. NIEIR has been commissioned to do that as well. We will report by the end of the year, looking specifically at that.

The CHAIR — Could you conclude, please? We have to ask some questions.

Mr MEYER — Absolutely. I will leave this report with you. I point you to the section on manufacturing. At a national level it talks about some opportunities around renewable energy, energy efficiency, sustainable water systems, biomaterials, green buildings, water and water recycling as areas for growth in manufacturing and advanced manufacturing particularly in our region, and it cites case studies in Germany and some of the radical legislative changes that they have embarked on to create an emerging and burgeoning new sector in that sphere. That is all I have to say.

Mr ATKINSON — Can I just ask a quick one on the members of your Plenty Food Group first? Of the 150 members how many would be what you might call organic businesses — in other words, ones that have sprung up from the local area? How many who have moved into the area from outside have actually invested in the area?

Mr MEYER — Most have come from the area, and a few have come from outside. A few of the larger ones are multinationals, but the vast bulk of them are from the north, and they are growing substantially.

The CHAIR — Given the Plenty Food Group's range of food groups that are manufactured, how significant an issue is this halal certification? I imagine there is a range of certifications based upon the various industries. Having come from the north the halal manufacturers have very much emerged from our own community, and there is a great willingness to export because they know the areas to export to. But there is this insurmountable obstacle which is the different rules of different nation states. Is there anything a Victorian Government

parliamentary committee can do by way of recommendation, because my guess is there is probably very little we can do on that other than to write to the federal minister and ask our state minister to raise it at ministerial council?

Mr MEYER — Over a couple of years some of my counterparts, including Marshall Dwyer from the Plenty Food Group, have spoken to Brunei around export. I have not been involved. My understanding is that the barriers are more cultural in terms of the Middle East; and in terms of South-East Asia, yes, it is more around higher standards and trying to get that synchronisation between our standards and their standards.

The CHAIR — If we look at cultural barriers, is there anything a state government parliamentary committee could do to assist in minimising that?

Mr MEYER — I think it is for state government to understand some of the dynamics around Brunei and the Middle East in terms of contracts, agreements, the way business is done.

The CHAIR — Do we do trade missions there?

Mr MEYER — Yes, we do. Once again, I qualify that by saying that I have not had much involvement with halal, but my colleagues have.

Mr ATKINSON — I just have a couple of quick ones on this. As an aside, we have had some evidence on the importance of developing a consistent Australian brand usually from people who already have one they think should be the one that is adopted. Now the Federal Government has suggested that it is actually going to do a program to find a new Australian brand, presumably that has a wombat instead of a kangaroo. I notice that you said in your presentation that the branding of the Plenty Food Group was fairly important as one of the differentiators for you. How do you feel about a consistent Australian brand? What do you see as the ongoing role of a brand if in fact the Government adopts an overarching brand?

Mr MEYER — I point you to the fact that we have already got one, and that is Australian Made, the organisation and the logo. There are many companies nationally that subscribe to it and use it. The licence fee is based on size of business and turnover. My understanding is that it is an organisation that runs on a shoestring in terms of its staffing, yet it gets very high recognition. The market research undertaken by the organisation suggests it does internationally. At Hume we signed up to it within the last six months. We encourage our manufacturers to use it as well. In terms of manufacturing my view is that I do not know that we need something in addition to that.

Mr ATKINSON — Okay. Do you have any exposure to the Victorian business offices overseas? I wonder if you might venture an opinion on the importance or otherwise of those offices, of Austrade in terms of its support for the manufacturing sector, and also I guess the role of those trade missions and exhibitions like Fine Food Australia and particularly the ones overseas that the State Government actually participates in?

Mr MEYER — My experience is that with Austrade the trade commissioners are always very ready and willing to come and talk to groups like the Plenty Food Group and council in their economic development efforts, and that opens doors in terms of distributors and points of contact overseas. As we have talked about, the Plenty Food Group takes firms on trade missions overseas, and that is done in partnership with Austrade. Some of the members of the Plenty Food Group, as I alerted you to, take part in Austrade business planning programs. Those have proved to be highly successful in our region, and I would say all over Melbourne. The Victorian business centres have been a good point of reference as a lead-in to some of those programs, and they are federal. They have worked well collaboratively with the federal colleagues.

Mr ATKINSON — That is great. Can I just move away from the Plenty Food Group and more to your role in local government? Local government gets a really bad wrap as being a naysayer to virtually everything that business ever wants to do. I am interested in some of the things that you and perhaps the broader organisation of economic development managers, in terms of fostering a consistent framework for local government to be more of a facilitator of business development, are doing, either directly in Hume or that you are aware of in some other jurisdictions, to encourage manufacturing and facilitate business growth, to recruit new industry, to help businesses migrate from the garage to kitchen table to other premises and to access skills, experience or consultancy advice and so forth.

Mr MEYER — A few points. One is that Economic Development Australia nationally is all about trying to get economic development recognised as a profession. In that vein, last year we struck up an alliance with RMIT, to the point where there is now a master of business administration offered in economic development, with six units specifically around things such as investment attraction, community economic development, research and labour markets. The other six are standard MBA subjects around accountancy, management and so on. That is one I would alert you to.

In terms of the practitioners, we have had great help from DIIRD through their industry training programs. My point about those is that there is probably not enough promotion of the benefits of those. When I say programs, I mean the group programs, so lean manufacturing, for example.

The CHAIR — Lean manufacturing?

Mr MEYER — Lean manufacturing, where you look at the systems, the process from A to Z, of conceiving the idea through to the performance management afterwards, the servicing, so the conception, the design, the manufacture — right through. It is looking at the supply chain arrangements in terms of the different companies that are involved in the production of a product or a service, having experts come in and do diagnostics on manufacturers, looking at what is their systems approach, and then export market development, so a firm that is well governed.

The CHAIR — Given that is all so wonderful and DIIRD is to be congratulated, have you got examples of where companies have actually retained their manufacturing here in Australia or expanded their manufacturing and stayed financially viable as a result of it?

Mr MEYER — Yes, I could give examples more from the east. That is because I have started relatively recently in the north.

The CHAIR — Feel free to do so. It does not matter where they are from, because we are interested in concrete examples of what works and why to increase Victoria's manufacturing.

Mr MEYER — There is one firm in the outer east in Mooroolbark called Selectronic. They produce transformers for regulating the supply of electricity. They use a lot of the latest technology in doing that. They grew basically from out of a backyard — you were talking before, Bruce, about firms starting very small — to the point where a few years ago they were up to around 50 or 60 employees. They undertook some of the DIIRD group programs around business growth and looked at the need for some business planning, diagnostics. They now export to many countries globally.

The CHAIR — Thanks. We have DIIRD coming next Monday, so we might put a specific question to them about other concrete benefits.

Mr ATKINSON — Has Hume actually been involved in trying to recruit any outside investors to set up a manufacturing plant within Hume, and, if so, what are the sorts of things that they are looking for in terms of a location? What is our real opportunity in Victoria, presumably in what Hume is offering them as a location? What sort of package do you bring to bear to try to encourage them to come into Hume?

Mr MEYER — We do, and that is a key part of our function and role in economic development, so we are regularly speaking to companies. One example which you may have picked up in the press is Honda.

Honda Australia are relocating or have relocated their adult rider training facility from Brimbank, with a view to expanding it to even higher standards. That is around training for people to ride motorbikes, largely; it is a rider training facility. In addition, they are wanting to expand some of their engines around mobile people movers and lawnmowers. They are looking to potentially establish in time a showroom on that location that will showcase all their products. They are very interested in developing some new products that have a much stronger environmental sustainability emphasis. They have purchased land, a massive site, in Somerton on the Hume Highway within the last 12 months; it was late last year. They are wanting to get more knowledge workers into that area.

We assisted them in terms of site location, with some of the planning controls. We introduced them to Minister Kim Carr three months ago and described to the minister and his department some of their challenges around

infrastructure, the services that will need to go in there. There may be some assistance that can be provided on that front that helps them. They have made application for planning approval for the first stage. They have a second stage, which will involve substantially more investment, which we are helping them with as well. We are then looking for some firms that might be able to leverage off that company in future as well.

For us, we have an abundance of land. On our labour force and skills, that is the challenge for us, which comes out in this Melbourne's North report, for the need to get more knowledge workers into the region. When you look at Broadmeadows as a Central Activities District we were trying to get a much bigger scale of mixed-use activity, a larger TAFE campus and perhaps some links with a university. For us, if we can build up a Central Activities District, that will help more firms like Honda to locate within the region.

The CHAIR — The last thing I want to ask is in relation to TAFE. We have received mixed evidence. Some of it refers to TAFE teachers as being outdated and their infrastructure as being outdated; other evidence has been to quite the contrary. We have Kangan Batman TAFE. What is the comment in relation to the local manufacturers and, more to the point, their apprentices? What are they saying about the quality of education matching the needs of industry?

Mr MEYER — That is an interesting one, because some manufacturers have a history of experiences with apprentices and trainees and their interaction with a TAFE or other provider, and they may not have had great experiences with them. The subsidies, if you look back over the last 10 or 15 years, especially at commonwealth level, have waxed and waned. Sometimes there was X amount of subsidy and at other times it dropped off. That can impact on perceptions as well. Hume Council has a strong relationship with Kangan Batman TAFE. They have a very big emphasis on manufacturing and trading to manufacturers, equally transporting logistics as well. I spoke about lean manufacturing and competitive manufacturing. They have a strong history over many years of delivering that sort of training to our businesses and industries.

The CHAIR — I am not arguing about their delivery of training. I am just asking a question, which you may choose not to answer — that is, what is the perception or the commentary in relation to TAFE from what you are hearing?

Mr MEYER — Really mixed. A lot of companies do not want to go near it, there is too much paperwork and it is going to be too hard, but there are others who are wanting to find out which TAFE they can partner up with. If we can help broker some relationships with some people, then we will make that happen.

The CHAIR — So the key point is relationships?

Mr MEYER — Yes.

Mr ATKINSON — But when manufacturers are coming to you to talk about their businesses, what are the constraints that they see on their growth or their ability to maintain their operations here in Victoria?

Mr MEYER — It is more around 'Will it be a speedy process for us to engage apprentices and trainees?'.

Mr ATKINSON — I mean more broadly, not just apprenticeships. When they come, what are the constraints that manufacturers tell you are there as far as impeding their growth — for instance, finance, lack of skills, problems sourcing customers, problems finding suitable premises, problems with the EPA, whatever?

Mr MEYER — They are the ones you have cited. They come up quite regularly. There are also cost of land; being away from a skilled labour force — a unionised workforce will sometimes come up as an encumbrance to transferring or expanding; and currency, as in factors beyond their control in terms of the exchange rate — 'We don't want to invest at the moment because of uncertainty' or, 'The Australian dollar has gone up from 66 earlier in the year to 80'. I cannot say there are two or three; there is such a broad canvas.

The CHAIR — Thank you very much for coming this afternoon. Thank you for your evidence and also for bringing us some extra documentation, which the research team will find of some assistance, I am sure. Hansard will be preparing a transcript. You will receive it in a fortnight and you are free to correct typographical errors, but not change the substance of it. After you have left here, should there be any items you think are relevant, feel free to contact Vaughn or Yuki and you can provide additional information.

Committee adjourned.