

**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE**

**Inquiry into Manufacturing in Victoria**

Melbourne — 7 September 2009

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Witnesses

Mr A. Spink, Director, Sales and Marketing, Bombardier Transportation Australia; and  
Mr A. Burns, Manufacturing Consultant, Strategic Connections Group.

**The CHAIR** — I welcome Mr Andrew Spink and Mr Allan Burns to our all-party parliamentary committee Inquiry into Manufacturing in Victoria. All evidence taken at the hearing is being recorded by Hansard, and you will be given a copy of the transcript in about a fortnight. Could you each outline your name, position, organisation and business address, please.

**Mr SPINK** — My name is Andy Spink, and I am the Sales and Marketing Director for Bombardier Transportation Australia. Our address is 35–45 Dandenong-Frankston Road, Dandenong.

**Mr BURNS** — I am Mr Allan Burns. I am a partner of the Strategic Connections Group. I have assisted Bombardier in building the submission and was once an employee of Bombardier in the same position that Andy is in now, so that is really good. I am from 14 Stony Creek Road, North Warrandyte.

**The CHAIR** — Thank you, and over to whoever wishes to begin.

**Mr SPINK** — Thank you for allowing us to participate and submit our document. What we have done this afternoon is we have provided a summary of that information. I will not go into massive amounts of details. If it is okay with you, I will just focus and elaborate on the points that we think are of extreme significance and the documents that you have asked questions of us.

Bombardier is a Canadian company. We employ 66 000 people globally, and we have revenues of \$19.7 billion. Ninety-six per cent of the business is generated outside of Canada, and Bombardier Australia is a contributor towards that and is listed on the Toronto stock exchange. Bombardier makes aeroplanes and it makes transportation products. It builds trains and signalling equipment. It is pretty much split 50-50 between the two businesses, and the business addressing the forum today is the transportation business.

In transportation we employ 34 000 people globally, we participate in 60 countries around the globe, we have 56 engineering sites, revenue just short of US\$10 billion and an order backlog of \$24.7 billion. We have 56 production sites around the world in 22 countries. We operate our business on a strategic, tactical basis. Our intent is to build locally, being a global organisation. We can manufacture and supply goods into Australia from one of our other overseas sites, but we elect not to. We elect to build in either our site in Maryborough, Queensland, or Dandenong, Victoria. The business is pretty much split between rolling stock, which is 68 per cent of our business, 10 per cent is systems or signalling and 22 per cent is maintenance, and we have contracts throughout Australia in all of those fields.

Bombardier is the biggest company in railway technology in the world. We are the no. 1 supplier of metros, commuter trains, regional trains and trams. Unfortunately we are third in high speed. We are the biggest in locomotives, the biggest maintainer of bin services, the sixth biggest for signalling, the biggest for propulsion, which is the controls, the brains, behind the trains, and the biggest supplier of bogies, which are the wheels underneath the vehicles. Within Australia we have a presence in every state, and we have manufacturing capability in Maryborough and in Dandenong.

Dandenong is our head office. We employ around 150 people in Dandenong, and our flagship is the vehicle, built for the Department of Transport, our client being V/Line. We are very proud of this vehicle. We think it is the flagship of regional Victoria. Seventy per cent local content is what is built behind that vehicle. So design, procurement, assembly, supply base — we have in excess of 90 suppliers within Victoria — all build the supply chain to build the V/Locity vehicle. It won a number of design awards, and we even looked to see if we could export this vehicle overseas.

**Mr ATKINSON** — Can I just clarify this: you said 70 per cent local content, and I notice you did not include servicing and maintenance.

**Mr SPINK** — Correct.

**Mr ATKINSON** — So that is 70 per cent exclusive of that, because — —

**Mr SPINK** — It is 70 per cent built — —

**Mr ATKINSON** — Because as I understand there is an issue with some imported ones that the servicing and maintenance has actually been counted towards local content.

**Mr SPINK** — Correct.

**Mr ATKINSON** — You have not done that on the vehicle?

**Mr SPINK** — No.

**The CHAIR** — On that, you said you may be exporting or you have exported it?

**Mr SPINK** — This vehicle is an excellent diesel train, and it has market potential throughout the world. We would look to try to promote its product overseas.

**The CHAIR** — Would it be financially viable to export from here or, given you are the manufacturer of it, obviously it could be built elsewhere, but it would be just as financially viable to build it elsewhere with the Australian intellectual property.

**Mr SPINK** — What we would generally find is another country would have local content rules, so the local content rules would apply. That is part of our main discussion point in today's exercise where some of those rules for Australia are not determined as what other countries document them to be

**The CHAIR** — You have flagged that with Bruce and me, so we will perhaps give that as your first question when you have finished this presentation.

**Mr SPINK** — Just a sort of snapshot as to the Dandenong site: it is 41 acres, 28 000 square metres, with a kilometre of standard gauge track to test trams. It specialises in stainless steel product manufacture and has direct access onto the network. Every standard that you will see at the Dandenong site is the same throughout the world, so if you went to any one of Bombardier's sites, it is replicated in Australia — the same practice, same process, same documentation that we adhere to.

We have a number of contracts around Australia. We build the V/Locity vehicle, as I have described. We are currently supplying trams to Adelaide. We are supplying electric trains to Western Australia and to Queensland. They are the contracts that we have in joint venture with a company called EDI Rail. We have a number of maintenance contracts throughout Australia, the most notable in Australia being that we currently maintain the V/Locity vehicle based out of West Melbourne. We also have aspirations to undertake more overhaul capacity, and we are looking to reinvest in our site in Dandenong to be able to carry out overhauls at the Dandenong site as well. What is interesting is what it really means in terms of a rolling stock contract. I have produced a slide here, slide 16, which is when people say the 'import', what it really means. When people can buy overseas, all they are effectively doing is maintenance. There may be some testing in terms of integrating into the network; that is all it is.

The next slide is what we do at Bombardier. This is what we pride ourselves in, and this is the strategy we as Bombardier have decided for Australia as being the appropriate one. All engineering is done locally in Victoria. All procurement is done, manufacturing, assembly and fit-out. There are some statistics here as to what that means, and this is based upon an electric vehicle being probably the next requirement that is going to come from Victoria in that it is going to need electric trains. This is the sum of the multipliers and jobs which are created not just from Bombardier. Bombardier are merely the integrator of the vehicle, but there is a supply chain that is

behind the back of us. For every job we employ there is threefold within the supply chain in terms of direct subcontractors and then eightfold in terms of economic value.

**The CHAIR** — Sorry; for every one of Bombardier you have three suppliers.

**Mr SPINK** — Three suppliers.

**The CHAIR** — And eight?

**Mr SPINK** — Eight people who generate from that. I have some statistics here which I will just go into. Why have we made a submission? We wanted to really make a pledge as to why we believe manufacturing is important. We believe every country should have the ability and ambition to produce high-quality goods. The Organisation for Economic Cooperation and Development is looking at statistics of 13 per cent as to what a nation should be in terms of its manufacturing base. It believes a good number to be had is 13 per cent. Australia is currently at 10 per cent, and so we believe this should be raised higher. We pride ourselves on having a R and D capacity in Australia. The more that figure is diminished, the less incentive there is for Bombardier to invest in research and development and perhaps change our strategy and import things overseas.

Global businesses have the capacity to lead the development of the supply chain cluster. With what we do we cannot perform without our supply chain. The supply chain cannot exist without Bombardier; we cannot exist without the supply chain. We really work hard with our supply chain to transfer that IP. We encourage them to learn from Bombardier's processes, and we believe it works very well.

DIIRD has produced a real manufacturing statement. It has been on a number of tours throughout Australia. It has seen how we have both worked with the supply chain, and we have got examples of instances where we have promoted Australian companies around the globe to see how they can be on a global supply chain. We will also try to support local industry on a global basis.

**The CHAIR** — Perhaps you can fill out that a little more later on.

**Mr SPINK** — Dandenong is our flagship. Since 2001 we have invested over \$13 million on the plant and continue to do so to make it a state-of-the-art maintenance and manufacturing facility.

On manufacturing in supply chain clusters, we are not a vertically integrated business; we need the supply chain. There are a number of initiatives that we have put forward, and this is really how we have tried to elaborate on that. We provide the IP, the marketing, the design, the project management, and then we look to the supply chain to propose those products. Within the document I have provided an example of what that should look like. The supply chain provides us with the steel fabrication. We have that facility on site, which is a subcontractor to Bombardier. We provide the supply chain providers with sheet metal, the tooling, the fibreglass, the mouldings, and then Bombardier turns it into a system, with the end product being the vehicle.

**Mr BURNS** — This is pretty typical of an automotive-type approach. Toyota and General Motors are sourcing equipment from either locally or elsewhere and bringing all that together. If you imagine that the car and the trains are somewhat similar, except steel wheels, then that all applies.

**Mr ATKINSON** — Is there much overlap between the component manufacturers — you and the automotive industry?

**Mr SPINK** — There is some. It is more from a labour availability. Dandenong is a classic example whereby it is a pool of labour that we can call upon and use. There is an element of training, but the overlap is more of labour rather than product.

**The CHAIR** — If we want any evidence from a supplier to the car industry that has now swapped to a supplier of Bombardier and another train manufacturer, we can get that person in; they have offered to provide evidence. They have found it quite successful.

**Mr SPINK** — Within Victoria we have 80 businesses that we engage and place contracts with, which is a workforce of approximately 350. We also use suppliers around Australia, but the main emphasis is on Victorian suppliers.

Why should we stay in Victoria? This is the question that we have asked ourselves and we believe is applicable to this submission. The criteria that we adopt in deciding whether or not we stay in Victoria or import vehicles is we look at the government transport budget certainty. One thing is clear within the Victorian business plan and the plan for growth is there is a clear, visible portfolio product. We like that, we endorse that and we believe there is a supply chain we can work with and support.

On the ability to generate profit, we believe we can do that in Victoria. On access to the supply chain, there are a number of excellent suppliers who we have worked with and we feel confident of the fact that we have the suppliers in Victoria which we can use.

On the value of manufacturing attributed by government and order placement with local suppliers, we encourage this committee to look at that because we sometimes feel as though this needs to be recognised. Some of the things that Bombardier does as an organisation, we look for it to be recognised as the things we try and do. The importance of manufacturing is another criteria which we look at. On respect for IP, we have no issues in transferring our IP to government and to our suppliers as long as it is recognised that that is IP and it is IP transfer that we are doing.

On how government procurement is structured and administered, what we look for in deciding which country to manufacture in is the rules of play need to be very clear and concise. We believe this is an area which also could be looked at within Victoria. On the cost of doing business, Victoria is an amicable state to do business in, and we have no issues in Victoria. On social infrastructure, we have looked to see how we could look after our employees, and we believe Victoria is an excellent environment for us to nurture our employees. Why should government assist manufacturing? We believe it is essential to create skilled jobs. We believe it is part of the economic portfolio of a nation. We have got to get a bigger statistic than 10 per cent. We have got to get a product that we believe we can compete and export against, and we believe this is possible.

On the ability to provide taxation income and enhance the terms of trade, it enhances reliability of public transport. It is the enhancement of sovereignty and self-containment. We believe Victoria has the ability to be self-sustainable. IP transfer, as I have discussed, is not an issue.

Some of the problems we face within Bombardier are some of the issues relating to flow of order placement. There are often gaps which create a potential issue for Bombardier. It makes it very difficult when there are production gaps for us to invest in graduates and to invest in apprenticeships. If there is any observation that I could make, it is really to make the order book clear and based on an annual basis. Capacity constraints are an issue for us. Obviously there are certain droughts and floods. The existing V/Locity vehicle, for example, is being manufactured at a beat rate of about 17 days. Clearly it can be lot higher than that. Several years ago it was at five days. The issue that we at Bombardier have is that the quicker we make the vehicle for you, the quicker that order book dries up and then we will make redundancies. So a clear portfolio of work is essential for us really.

We have ambiguous local industry content rules. If you look at China you see a 70 per cent local content rule applies, a 50 per cent local content rule applies to Europe and a 60 per cent local content rule applies to the USA. We have an implication in Victoria that local content will apply, but it is to 40 per cent of whole-life cost. It is slightly ambiguous and it is not clear like the rules

which other nations adopt. I have produced for you in the document an ICN economic submission, which is statistical and which just tries to plot what we mean by employment creation, and it is based upon our existing DMU V/Locity vehicle.

**The CHAIR** — DMU?

**Mr SPINK** — It is a diesel multiple unit, so a diesel train. It is based on \$1 million, and for every \$1 million the economic value is \$1.2 million, with the tax revenue being 25 per cent of that figure. For every job we employ a certain number of people. In the instance of the V/Locity diesel vehicle, it created 55 new jobs to Bombardier. But that created 220 jobs to the supply chain; and then if you look at the economic benefit to Dandenong, that has been a further 685 jobs in total. These are statistics that we have taken straight from ICN. Other states use different figures; some figures there are higher and lower, but we believe it is quite a good statistic.

**The CHAIR** — I presume there are some women in those jobs?

**Mr SPINK** — Yes. So how can we provide assistance? Local content has to be a selection criterion. Any tender documentation must have what the rules of play are. The target of 40 per cent local content should be applied to capex only.

**The CHAIR** — Capex?

**Mr SPINK** — Capital expenditure. Currently the VIPP policy statement makes reference to 40 per cent whole-life cost, which is capital expenditure and maintenance.

If you were to look at the whole-life cost of a vehicle, 65 per cent of that cost is in maintenance. If you were to look at forthcoming contracts, for example, if you look at the expression of interest for the tram contract, probably 35 per cent of that contract is in maintenance. From Bombardier's perspective and the industry's perspective, what they would need to do locally is nothing really — fitting out of seats, perhaps. We believe it is an issue. On the value of manufacturing, we believe we just have to value it. We have made a series of recommendations in our submission.

**The CHAIR** — Go to the top of the class!

**Mr SPINK** — The first recommendation is really about planning. Planning, red tape and a uniform standard is the main theme of our recommendations. The first recommendation is:

Support the creation and retention of local skilled jobs through preferential purchase of Australian goods.

That statement should be made in the invitation to tender; it should make the rules of play clear.

**The CHAIR** — And by 'goods' you do not mean maintenance.

**Mr SPINK** — And we do not mean maintenance; we mean capital expenditure. The second recommendation is:

Regular allocation of funds for rail transportation.

I applaud the Labor government. The rules are clear. The budget is there. We just want to make sure that the three projects which have been identified — the supply of trams, the supply of electric trains and the supply of additional diesel trains — are addressed. The third recommendation is:

Provision of appropriate lead times to allow local production planning.

Planning is the key. There is a need to look at the supply chain and work with us. We want to build our business in Dandenong. We also do not want to get vehicles out in Victoria too fast; we look for a long-term road map for Dandenong.

**Mr ATKINSON** — Presumably when — —

**The CHAIR** — Sorry, Mr Spink has not finished.

**Mr SPINK** — The main statement is this one to do with VIPP.

**The CHAIR** — And the last one?

**Mr SPINK** — It is:

Pursue application of uniform rules and standards ...

You could even penalise organisations as well. In regard to some contracts that have been placed, if you were to scrutinise whether or not those rules have been applied, it is questionable whether or not organisations have actually adhered to the local content rule or whether local content statements have been put in place.

**The CHAIR** — You are covered by parliamentary privilege if you wish to expand on that.

**Mr BURNS** — The report at the front of the *Australian Financial Review* this morning on complaints from the Australian Institute of Steel is a very good example, where the AIS is complaining in regard to the Gorgon project in Western Australia that local manufacturers will not get access in regard to the manufacture of steel product. Some of the tricks that can be used are specifying other countries' standards, and in that particular case it was specifying Japanese steel standards because they roll particular steel sections just slightly differently from the way we do it in Australia and in other places.

The same situation occurred in late-1999 with the delivery of trains and trams to Melbourne. Certainly promises were made regarding the ability of local suppliers to participate, but when the specifications came out for that participation they were all in European standards and local companies were unable to comply with them.

**The CHAIR** — If I were to add an extra recommendation to the bottom of your list, would it be: specify in Australian industry standards?

**Mr BURNS** — Indeed, or common standards used in Australia. We do use international standards, but where there is an equivalent standard — —

We call them non-tariff barriers. In effect the barriers that Andy mentioned earlier were very much the straightforward tariff barriers between 30 per cent and do not go there, but it is the non-tariff barriers in reverse to how you go about specifying goods.

**Mr ATKINSON** — I appreciate the run-down on why you are in Victoria now and the benefits that you saw in staying in Victoria. When Bombardier looked at coming to Australia to set up, was that list basically the same, or were there some other factors that drew Bombardier to Victoria as a destination rather than to other states? Did that include any government incentives? Was there a specific issue in terms of an incentive to come here? Were there any other factors?

**Mr SPINK** — The main factor was the acquisition of Commonwealth Engineering by the group in the early 90s. We took over ownership of that organisation, which brought us primarily to Victoria. We relocated our head office from Brisbane to Dandenong as a result of that acquisition.

**Mr ATKINSON** — Okay, so that was the fundamental reason.

**Mr SPINK** — Yes.

**Mr ATKINSON** — I notice that internationally you basically have two years of work in the pipeline?

**Mr SPINK** — Yes.

**Mr ATKINSON** — And you indicated that you are sort of throttling the work here to maintain a flow of production. Is that a two-year pipeline in Victoria? Is that also typical, or is it less than that in Australia?

**Mr SPINK** — Our company is 20 per cent utilised out of a potential 100 per cent, so it is extremely underutilised, and we do not have the same order backlog in Australia.

**Mr ATKINSON** — How much do you reckon you would have in the pipeline?

**Mr SPINK** — Currently, probably the V/Locity contract will take us up to 2012, and we have a New South Wales refurbishment contract taking place which ends next year. We currently have order capacity up to 2012, but that does not allow us to grow our business in any way.

**Mr ATKINSON** — Can I just ask another sideline question? It has only just occurred to me that we probably should have asked a few others for the sake of consistency. You have quantified a lot of the benefits of what you put back into the state in economic terms and I notice you have not included any community involvement or community benefit. It occurs to me that a lot of manufacturing companies get involved in community activities, sponsorships and fundraising for different organisations and so forth. There is actually quite a bit of corporate citizenship that goes on.

**Mr SPINK** — Yes.

**Mr ATKINSON** — Have you ever quantified that as far as you are concerned, or do you have a comment on that as one of the benefits inside the manufacturing sector to our state?

**Mr SPINK** — Not really, no. Yes, we do contribute. Yes, we pride ourselves I suppose on being an excellent citizen. But in terms of the economic value, it is not a particularly massive number from a financial position.

**Mr ATKINSON** — It was a just clarifying question.

**The CHAIR** — One of the joys of having you come after hearing earlier evidence is that there was a claim made about Bombardier that you might like to comment upon. One witness, the Industry Capability Network, in its evidence informed the Committee of Bombardier's focus on sourcing components from low-cost countries, which seems to be at odds with what you have presented to us today. I quote:

On one overseas trade mission to Europe that I was involved in the participants attended the Bombardier top 100 suppliers day in Berlin. Bombardier insisted that all component suppliers use low-cost country manufacturers to be able to reduce their supply cost to them. Again, their policy was determining the location of the manufacturing base.

From what you have said, a significant proportion of your supply chain is based here in Victoria. What proportion would it be? What else is a factor, other than cost, in sourcing your components?

**Mr SPINK** — It depends which vehicle you are considering. The diesel V/Locity vehicle, for example, is 70 per cent local content and that is a statistic which we have proven. I believe the ICN comment must have been a result of Bombardier trying to promote that organisation and promote local suppliers on a global stage. So each nation must be different and that was Bombardier Australia's attempt to try to help local industry. We believe a 60 per cent local content is possible for the electric vehicles. For example, in Queensland we are currently operating at 70 per cent local content. There is a contradiction there.



**The CHAIR** — So what you are putting to us today is that you took a trade mission to Europe to expose the Victorian manufacturers to international export markets and a factor they took out of that trade mission was that they had to compete in terms of cost?

**Mr SPINK** — Yes.

**Mr BURNS** — As everybody does.

**The CHAIR** — Yes. There would not be too many manufacturers I guess that would take trade missions to their headquarters to expose — —

**Mr SPINK** — Exactly.

**The CHAIR** — Smaller manufacturers to potential export markets?

**Mr BURNS** — Yes.

**The CHAIR** — Good. Thank you.

**Mr ATKINSON** — You have mentioned all the benefits of being in Victoria. What are the things that keep you awake at night worrying about the business in terms of the challenges for Bombardier going forward?

**Mr SPINK** — The VIPP statement is the main challenge.

**Mr BURNS** — The Victorian Industry Participation Plan.

**Mr SPINK** — The rules of play are not clear and are ambiguous. That is the main theme.

**Mr ATKINSON** — In terms of skills, you mentioned that you are able to get access to a reasonably skilled workforce in Dandenong and that was one of the factors about Victoria. Are there gaps in terms of that skills workforce? Are you happy about vocational training? Do you have concerns about the attractiveness of a manufacturing enterprise to recruit the best staff or the right people that you need? Do you face those sorts of issues?

**Mr SPINK** — Yes, there are issues. The way we have addressed those issues is to make Bombardier a recognised employer of choice; people want to come and work with us. So as Bombardier is successful, we have no problem in the number of people applying for positions with us. We currently have adopted a very, very niche process in terms of the people we employ. We believe we have the best number of people and those people are suitably trained to allow other people to come on board and be suitably trained. Dandenong is quite an excellent facility in terms of that manufacturing area where there is an abundance of labour force, to be honest. It is not particularly an issue. As long as we can continue to be an employer of choice, then it should not be an issue in making sure we get the correct people.

**The CHAIR** — Do your apprentices or tradies comment upon the TAFE sector or do you not really need to worry much about the TAFE sector; you do mainly on-site training?

**Mr SPINK** — We employ apprentices and we employ graduates from a managerial perspective as well. Both work well. I need to come back with the statistics for the number of graduates we are taking on board but every year, subject to us growing our organisation, we look to take on and grow our business from graduates and apprentices.

**The CHAIR** — The last question from me is that you keep talking about VIPP; if you were re-writing VIPP, apart from what you have jotted down on page 23 of your submission, is there anything else you would like to add?

**Mr SPINK** — The Victorian Industry Participation Policy apply to the capital expenditure of manufacture and the percentage attributed to that VIPP is 40 per cent of manufacturing, not 40 per cent of whole-life cost.

**The CHAIR** — So that would be your recommendation, even though Canada had 60 per cent and somewhere else had — —

**Mr BURNS** — America had 60 per cent.

**Mr SPINK** — We have to start somewhere, Chair.

**The CHAIR** — So that would be the minimum. To save our researchers time, you have given us some examples which I have jotted down.

**Mr SPINK** — Yes. China is 70 per cent.

**Mr BURNS** — They are detailed in the submission. There is a list of them in the submission.

**The CHAIR** — We might include them in the detail of our report, if the Committee wishes. I have no more questions.

**Mr ATKINSON** — As a multinational organisation, what is your commitment to research and development of new product and innovation here in Victoria?

**Mr SPINK** — Quite considerable. We made a big research and development contribution towards the V/Locity vehicle and I suppose towards the new tram for Melbourne. We have contributed to that investment to develop the appropriate tram for Melbourne.

**The CHAIR** — I said I had asked my last question.

**Mr ATKINSON** — You did.

**The CHAIR** — The Chair does not keep her word! We heard evidence from the AWU, and I think it was also from the AMWU, that we often import substandard steel products, and I presume that applies to trains or trams. Given you have the maintenance contract, are you finding that you are picking up faults which, in your view, suggest a substandard quality is being brought into Australia?

**Mr SPINK** — We have not found it yet relating to the V/Locity vehicle because it is quite new. It is not an issue because we have not found that to be the case, no.

**The CHAIR** — Not yet. Okay.

**Mr BURNS** — In the time that the V/Locity has been operating, it has actually proved itself to be globally a very reliable vehicle. So it is a global benchmark vehicle. If you have a look at the electric trains that are operating in Victoria that were purchased around 1999, around the change of government, and there was a bit of a slipping through the cracks situation that occurred at that time, I think we know by evidence that the reliability, the appearance, the general quality standards for the operators, drivers, customers and the like, are quite considerably different.

**The CHAIR** — I was not referring to the high velocity trains, I was referring to the others. Do you want to document those for evidence?

**Mr SPINK** — They were manufactured by other parties.

**The CHAIR** — I know they were, but I thought you were doing the maintenance.

**Mr BURNS** — No, not of those trains. Bombardier is maintaining the V/Locity train.

**The CHAIR** — Okay. So if we wanted evidence of the substandard imported ones, where would we get that evidence from?

**Mr SPINK** — The United Group.

**Mr BURNS** — Connex is the operator.

**Mr ATKINSON** — To what extent do you need to access any local finance for your operation?

**Mr SPINK** — We self-finance. There are a number of opportunities whereby we looked to provide finance, and we found a number of organisations that were prepared to work with us. Because we are such a large organisation we find that we seem to attract the appropriate stakeholders for finance. That has not been an issue, particularly since governmental projects are so recognised as being a good place to be. We have not actually found it to be an issue in our market.

**Mr BURNS** — Can I just say something very quickly on SMEs. The SMEs in the clusters that are supplying Bombardier, if they are to invest in new machinery, and if you came to the site and had a look — there are clusters on the site at Dandenong — you would see that investment is quite considerable in tooling and equipment and machinery to manufacture the parts. That is where the finance to the SMEs is required.

**Mr ATKINSON** — Do you have experience or knowledge of their experience in obtaining that finance?

**Mr BURNS** — I do not have a lot in regard to obtaining that finance, but anybody looking at those manufacturers would be looking at Bombardier and asking, 'How long are your contracts? What is the extent and nature of them? Is there a payback of two years or three years on the capital equipment? How long is the contract going to be with Bombardier?'. It might not be dedicated to just Bombardier manufacture, but it might be a mainstay; it might be a 15 to 20 per cent solid order against those machines, and that is where you get the justification for the investment.

**Mr ATKINSON** — This is the last one. On the emission trading scheme and, for that matter, increasing costs in areas like water and energy and so forth, to what extent do they represent a challenge to the business, particularly against competitors overseas?

**Mr SPINK** — Again, we believe we have products. We have embarked on an environmental portfolio called Eco4. We presented that at the previous Ausrail exhibition, and we have produced that on a global basis with a forerunner in making sure it is a notable differentiator for Bombardier to be able to say that our products are competitive against our competition on that basis.

**Mr ATKINSON** — So you do not feel that you are at risk from extra costs?

**Mr SPINK** — No, it is an issue which all businesses need to address, and it is a cost that we have financed and budgeted for and will continue to do so.

**The CHAIR** — Thank you very much. I found it very interesting, and I am sure Mr Atkinson has too. If there are any follow-up matters that our research team wants clarification on, is it okay if we follow that up with you?

**Mr BURNS** — Yes.

**The CHAIR** — Good, thank you. The Hansard transcript will be made available to you in a fortnight. You are free to make any typographical corrections required. We thank you very much.

**Witnesses withdrew.**