



ECONOMIC DEVELOPMENT COMMITTEE

FINAL REPORT

**Inquiry into the Impact of Structural Changes
in the Victorian Economy**

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Economic Development Committee

Report into the Impact of Structural Changes in
the Victorian Economy

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Parliamentary Committees Act 1968

TERMS OF REFERENCE TO THE ECONOMIC DEVELOPMENT COMMITTEE

IMPACT OF STRUCTURAL CHANGES IN THE VICTORIAN ECONOMY

The Governor in Council, under section 39 of the **Parliamentary Committees Act 1968** issues the following terms of reference to the Economic Development Committee for inquiry into structural changes in the Victorian economy:

- a) Assess the impact on the Victorian economy of structural changes in:
 - I. banking;
 - II. postal communications;
 - III. municipal services (including the reduction in the number of municipal outlets due to the recent municipal amalgamations);
 - IV. public transport; and
 - V. employment services
- b) Assess the impact of the withdrawal of the above services (including the reduction in the number of municipal outlets due to the recent municipal amalgamations) on small and medium sized towns.
- c) Report by the first day of the Spring 2001 Parliamentary session.

Dated: 29 February 2000

Responsible Minister:

Steve Bracks
Premier

Clerk of the Executive Council

Chairman's Foreword

This Inquiry has highlighted the significant challenges facing Victorian communities, particularly those in small rural towns, as a result of various major structural reforms over the past decade.

Most small and medium sized towns have experienced declining populations as people are shifting to the larger regional centres and metropolitan areas for education, employment and lifestyle opportunities. As populations declined, essential services such as banks and public transport have been withdrawn and some businesses have lost their viability.

One of the benefits of this Inquiry, from the perspective of a Member of Parliament, was the opportunity to travel around Victoria and meet with individuals, businesses and communities in rural towns. Despite the concerns raised during these hearings, the Committee observed an extremely positive attitude and a sense that many communities are rallying to ensure they not only survive but prosper into the future.

Rural communities acknowledge that there will never be a return to the days of old. Rapid technological advancement and globalisation have forever changed the way in which services are delivered. It is no longer economically viable for all of these small rural towns to have a wide range of commercial premises including several banks and a local municipal office in their area.

The Committee's report has raised important issues for key stakeholders to consider in order that basic services continue to be made available to these communities.

I would like to take this opportunity to extend appreciation to the large number of individuals, businesses, community groups and councils who provided evidence to the Committee. This includes the authors of 61 written submissions and approximately 110 people who attended public hearings throughout Victoria. The evidence provided by these people formed the basis of the Committee's report and was therefore invaluable.

I would also like to acknowledge the contribution of all Members of the Economic Development Committee in terms of their participation in the numerous meetings and public hearings held throughout Victoria. Most satisfying was the Committee's willingness to put aside party politics in an endeavour to reach a consensus on all findings and recommendations contained within the Report.

On behalf of the Committee, I conclude by thanking the staff of the Committee for their support and hard work, namely the Executive Officer, Mr. Richard Willis, Senior Research Officer, Ms. Karen Ellingford and Office Manager/Research Assistant, Ms. Tania Esposito.

Hon. Neil Lucas PSM MLC
Chairman

Executive Summary

Chapter 1: Introduction

This Report is in response to a Terms of Reference from the Government to investigate the impact of structural changes in the Victorian economy with respect to banking services, postal communications, municipal amalgamations, public transport services and employment services. Particular attention was given to the impact of changes on small and medium sized towns in Victoria.

The Committee's evidence was based on 61 written submissions and evidence received during public hearings in Melbourne and 13 locations throughout rural and regional Victoria. Approximately 110 people participated in these hearings.

Chapter 2: Banking Services

The banking industry has undergone significant structural change over the past decade, including the consolidation of retail banks and the introduction of electronic banking.

Chapter 2 highlights the extent of bank branch closures in Victoria during the 1990s, and notes with concern that the consolidation of retail branches is not yet complete with the National Australia Bank announcing further closures in rural Victoria in April 2002.

The Committee's evidence indicates bank branch closures have had a negative impact on individuals, businesses and communities throughout Victoria with the greatest impact being on small rural towns. From an economic perspective, the presence of a bank branch is important in the attraction and retention of businesses in a small town. Bank closures in large regional centres and metropolitan areas have also had an adverse economic impact in terms of reduced sales turnover in small shopping centres and increased time and inconvenience for individuals and businesses in conducting banking transactions.

The Committee notes with concern that many customer groups continue to have difficulty accessing electronic banking services. Some of the problems identified include lack of safety at ATMs, lack of access and training to use Internet banking and insufficient IT and telecommunication infrastructure in rural and remote Victoria.

A series of recommendations have been made aimed at ensuring the banking industry is held more accountable to the needs of its customers. In particular, the Committee has called for the development of a comprehensive community consultation program for future bank branch or agency closures, greater emphasis on appropriate replacement services and for the powers of the Banking Ombudsman to be extended to enforce greater accountability.

Additional recommendations have been made with respect to the banks' responsibility to ensure all customer groups can adequately utilise electronic banking facilities.

The Committee's investigations revealed the success of many rural communities in establishing alternative banking channels following the closure of bank branches. These include the formation of community banks and Rural Transaction Centres. The Committee has recommended that governments, local community leaders and local media be responsible for promoting and assisting residents to access these alternative banking channels within communities adversely affected by bank closures.

Chapter 3: Postal Communications

Chapter 3 highlights the responsibility of Australia Post in providing postal services throughout Victoria. The Committee found that there was minimal impact on the Victorian economy resulting from structural changes to postal communication services.

The Committee found that structural changes in postal communication services have led to a greater range and standard of products and services being delivered by Australia Post. There has also been a change in ownership of many local post offices, from

Australia Post to local business owners. Operating hours of Australia Post have been extended to Saturday mornings which has led to greater access to postal services.

The number of postal outlets in Victoria has also increased slightly since 1995. Even very small rural towns have the presence of a post office, which in many cases is providing the additional service of banking facilities.

The Committee found that some small communities were concerned over the future viability of post office businesses due to declining populations, the increasing uptake of electronic communication and other factors. The Committee has therefore recommended that the State Government and Australia Post consider measures aimed at ensuring the continuing viability of rural and remote post offices.

Chapter 4: Municipal Services

Chapter 4 deals with the significant changes to municipal councils when municipal boundaries were restructured eight years ago. In addition to council amalgamations, another major reform was the introduction of Compulsory Competitive Tendering.

Despite community concerns at the time of council amalgamations, most of the evidence put to the Committee acknowledged that municipal reform was necessary for the economic viability of many small councils and has led to efficiencies and a wider range of service delivery.

The Committee found that council amalgamations have had an overall positive impact on the ability of councils to improve the capacity and flexibility of service delivery and to undertake major projects that were not necessarily viable prior to municipal reform. For example, council amalgamations have resulted in a greater emphasis on proactive economic development through the creation of economic development units by individual councils.

Concerns over the impact of council amalgamations were largely confined to smaller towns that previously had a local shire office which was re-located to a central headquarters after amalgamations.

While there were some concerns associated with the implementation of Compulsory Competitive Tendering, the Committee heard that a number of benefits have also arisen, including an increased understanding of services and projects, improved documentation of work processes and an increased likelihood of work objectives, budgets and timeframes being achieved.

Evidence suggests that a number of rural councils are concerned about their future ability to provide and maintain infrastructure and to continue to increase the level and range of health and community services being demanded. The Committee has recommended that the Victorian Grants Commission review its formula for distribution of funds to ensure geographically large rural councils are provided with sufficient funds to provide more comparable services to those provided by metropolitan counterparts.

Chapter 5: Public Transport

Chapter 5 illustrates the major structural changes to Victoria's public transport system over the past decade with the privatisation of public transport services.

Consistent with other chapters, an assessment of the impact of changes to public transport services was largely confined to services within small and medium sized towns. To this end, the Committee found that the provision of public transport services has been inadequate in meeting community needs in many areas of rural and regional Victoria for many years.

The difficulties facing small rural towns in maintaining adequate public transport is that declining populations and hence declining patronage, cannot justify the provision of the range of services that may have existed 10-20 years ago.

The major areas of concern in the provision of public transportation in rural and regional Victoria include route deficiencies, lack of service frequency, and poor coordination between different services. The Committee has recommended that the State Government conduct a full review of public transport routes and timetables in rural and regional Victoria in light of changing community needs.

This chapter notes the current State Government's decision to re-introduce some country passenger rail services and its plans for the Regional Fast Rail Project. The Committee notes that progress to date on each of these projects has been slow.

While many communities welcomed the announcement that some country passenger rail services will be reinstated, the Committee heard some concerns about their ability to attract sufficient patronage. Therefore, the Committee has recommended that the State Government commence an education and marketing campaign throughout regional and rural Victoria to ensure maximum usage of these services

The Committee has also found that the benefits of the Regional Fast Rail Project will be optimised through increased service frequency and inclusion of a mix of intermediate stopping stations rather than exclusive focus on express end-to-end services.

The Committee received evidence that youth under the age of 18 who reside in rural and remote towns, are disadvantaged due, in part, to inadequate public transport when seeking employment, education, training and recreational opportunities. The Committee believes the State Government should investigate the possibility of youth being able to apply for a restricted driver licence at a lowered age, subject to appropriate strict conditions.

Chapter 6: Employment Services

The major structural change to employment services was the abolishment of the Commonwealth Employment Service in 1998 and the introduction of the market driven employment service known as Job Network.

The Committee found that following the introduction of Job Network in 1998 there has been a significant increase in the number of employment service providers in both metropolitan Melbourne and country Victoria with many towns gaining employment service providers for the first time.

Investigations into the provision of employment services revealed that many rural areas throughout Victoria are suffering from skills and labour shortages, due in part to declining population levels. The Committee has recommended that the State Government, in partnership with local councils and other relevant organisations, identify the information needs of local communities in addressing current and future skills needs and establish a means of capturing consistent, robust quantitative data to assist communities in addressing localised skills shortages, labour shortages and recruitment difficulties.

The Committee believes State and Federal Governments should promote the ability to address skills and labour shortages in regional and rural Victoria through local and overseas skilled and business migration and greater access to working permits which facilitate seasonal employment opportunities.

The Committee has also examined the provision of employment services by the State Government and recommends that the State Government re-evaluate the role, structure and operation of the State Employment Programs Division and its programs with a view to removing all duplication between State employment services and those provided by the Commonwealth government and other employment service providers.

Chapter 7: Information Technology and Telecommunications

The Committee's investigations included an examination of the adequacy of information technology and telecommunication services in rural and regional Victoria in light of the withdrawal of various services such as banking.

The Committee found that some rural communities throughout Victoria have inadequate telecommunications and information technology infrastructure and often do not have sufficient knowledge or training to make optimal use of existing capabilities.

The Telstra Country Wide program aimed at improving access to information technology and telecommunications is a positive initiative and should alleviate many of the concerns raised by witnesses throughout the Inquiry.

In view of the difficulties that continue to confront rural communities, the Committee has recommended that Telstra continue with the roll-out of improved telecommunications infrastructure in remote Victoria with priority given to meeting the needs of rural and regional businesses and education providers.

The Committee has further recommended that greater publicity regarding existing telecommunications and information technology services, and what systems are required to utilise these services, be provided throughout rural and regional Victoria.

Chapter 8: The Challenges Ahead

Chapter 8 draws together the cumulative impact of various structural changes and highlights more generally, the overall picture of decline and challenges ahead presented by many rural communities during the Committee's investigations.

The greatest challenge confronting small and medium sized towns is their ability to maintain essential services in light of declining population levels. With declining opportunities within their own town, young people living in rural areas are drawn to larger regional centres and Melbourne in search of education, training, employment and social opportunities. It is very difficult to justify the continuation of a critical mass of services without an adequate population base to support those services, yet, as services are increasingly centralised, the trend of population decline is perpetuated.

The Committee notes the success of many rural towns in establishing community banks and other community facilities such as Rural Transaction Centres and in bringing about the re-introduction of country passenger rail services. The achievements in these communities would suggest high levels of community spirit, involvement and leadership are essential for achieving a successful, thriving town.

Findings and Recommendations

Chapter 2: Banking Services

Finding 2.1 (page 30)

The Committee finds that despite the introduction of new technologies and rapid up-take of these technologies, some customer groups are still faced with difficulties in accessing banking services. In particular, the Committee notes that a number elderly citizens and people with special needs experience difficulties using alternative banking channels, including:

- *feeling unsafe at ATMs;*
- *not having the speed or dexterity to use ATMs or telephone banking;*
- *not being able to hear recorded instructions clearly;*
- *not being able to remember PINs or instructions; and*
- *lack of access and training to use Internet facilities.*

Finding 2.2 (page 30)

The Committee finds that other consumers may not have the skills or the confidence to use alternative banking channels effectively.

Finding 2.3 (page 30)

The Committee finds that the Banking Industry Standards released in April 2002 should have been adopted and implemented by all major banks as a means of alleviating customer concerns regarding accessing banking services.

Finding 2.4 (page 30)

The Committee finds that in not adopting and implementing the Banking Industry Standards as mandatory, the banking industry has not taken adequate actions to protect consumer needs, particularly the needs of older Victorians and those with access difficulties.

Finding 2.5 (page 30)

The Committee finds that some rural residents incur additional costs in accessing electronic banking compared to those incurred by residents in metropolitan or regional areas.

Finding 2.6 (page 31)

The Committee finds that Internet usage and infrastructure capabilities are not yet at a sufficient standard to support widespread and convenient adoption of Internet banking by rural residents.

Finding 2.7 (page 37)

The Committee finds that the presence of a bank branch is important in the attraction and retention of businesses in a small town.

Finding 2.8 (page 37)

The Committee finds that there has been a negative impact on small businesses, particularly those located in small and medium sized towns, following structural changes in the banking industry over the past 10 years.

Finding 2.9 (page 37)

The Committee finds that the withdrawal of banking services increases the pressure on local businesses to provide cash handling, cheque cashing and credit facilities to residents and to install EFTPOS and ATM facilities at significant cost to themselves.

Finding 2.10 (page 37)

The Committee finds that following the closure of a bank branch in a town, local businesses suffer a reduction in business banking services and face increased travel costs associated with accessing an appropriate level of service.

Finding 2.11 (page 40)

The Committee finds that the closure of a bank branch causes a significant degree of resentment in the community, often relating to feelings that the community is being abandoned and loss of convenience in accessing personalised banking services.

Finding 2.12 (page 40)

The Committee finds that closure of bank branches in rural Victoria has had an adverse effect on local expenditure and the level of employment in small communities.

Finding 2.13 (page 40)

The Committee finds that closure of bank branches in rural Victoria, together with restructuring within the remaining branch networks, has caused a loss of social and intellectual capital and has had an adverse effect on community leadership in small and medium sized towns.

Finding 2.14 (page 44)

The Committee finds that consistent with evidence received throughout this Inquiry, the pending National Australia Bank rural bank agency closures are likely to have a negative impact on individuals, businesses and communities in the towns affected.

Finding 2.15 (page 44)

The Committee finds that community leaders and media reporters have a responsibility to help maintain community confidence following a bank branch closure by informing residents about alternative services and the benefits of supporting the nearest local community bank wherever possible.

Finding 2.16 (page 48)

The Committee finds that the closure of bank branches in regional centres and some metropolitan areas has had an adverse effect on these communities, including:

- *reduced sales turnover in small shopping centres;*
- *reduced efficiencies for small business owners; and*
- *increased time and inconvenience for individuals and business in conducting banking transactions.*

Finding 2.17 (page 51)

The Committee finds that the banking industry's introduction of guaranteed minimum standards for a safety net bank account offered to holders of Commonwealth Government health concession cards is an important service for vulnerable members of the community.

Finding 2.18 (page 51)

The Committee finds that the practice of any bank in imposing restrictions on the ability of health concession card holders to access a safety net bank account is an unfair and unnecessary burden on vulnerable or disadvantaged members of the community.

Finding 2.19 (page 53)

The Committee finds that many rural residents, senior citizens, people with language or literacy difficulties and people with a disability are disadvantaged when accessing electronic banking facilities.

Finding 2.20 (page 53)

The Committee finds that many Victorians are yet to benefit from the banking industry's Industry Action Plan aimed at overcoming access barriers to electronic banking.

Finding 2.21 (page 57)

The Committee finds that whilst the Transaction Services and Branch Closure Protocol represents a greater recognition of the banks' community service obligation, it has come too late to be of benefit to many communities. Unless strengthened and enshrined as an enforceable community service obligation, the Protocol is in danger of being only limited assistance to communities in the future.

Finding 2.22 (page 57)

The Committee finds that many communities have not been provided with adequate information or warning about imminent bank closures.

Finding 2.23 (page 58)

The Committee finds that many communities were not adequately consulted when banks were withdrawn from their community in terms of the banking needs of the community and alternative services.

Finding 2.24 (page 58)

The Committee finds that the lack of community consultation has resulted in:

- *insufficient opportunity for communities to influence decisions regarding the provision of alternative services;*
- *negative community perceptions of the banking industry;*
- *considerable anger regarding the bank's decision; and*
- *loss of community confidence generally.*

Finding 2.25 (page 62)

The Committee finds that many rural residents rely on face-to-face banking services delivered through bank agencies to meet their banking needs.

Finding 2.26 (page 62)

The Committee finds that some rural businesses offer bank agency services out of a sense of community obligation, but receive little financial recognition from the banks they represent for the important services they provide.

Finding 2.27 (page 65)

The Committee finds that the Bendigo Community Bank™ model has been particularly successful in maintaining and returning banking services to communities.

Finding 2.28 (page 65)

The Committee finds that the Bendigo Community Bank™ model has had a positive impact on social cohesion and community confidence in those communities that have successfully established such a bank.

Finding 2.29 (page 65)

The Committee finds that local government has an important role to play in terms of supporting community banks in rural and regional Victoria.

Finding 2.30 (page 68)

The Committee finds that Rural Transaction Centres play an important role in providing banking services to communities where the Community Bank™ model is not viable.

Finding 2.31 (page 68)

The Committee finds that a high level of community leadership, support and enthusiasm has contributed to the success of many communities in establishing Rural Transaction Centres and community banks.

RECOMMENDATION 2.1 (page 31)

The Committee recommends that banks review those services that they have withdrawn from small and medium sized towns and reassess the viability of face-to-face services, to be delivered by the banks themselves or alternative service providers.

RECOMMENDATION 2.2 (page 31)

The Committee recommends that the banking industry provide funding to community organisations to deliver education and training programs to assist residents to switch to electronic banking channels, including ATMs, telephone banking and Internet banking.

RECOMMENDATION 2.3 (page 31)

The Committee recommends that the banking industry be required to:

- adopt the Industry Standards as minimum standards; and***
- lodge a Disability Action Plan with the Human Rights and Equal Opportunity Commission in response to the Industry Standards within six months of their release.***

RECOMMENDATION 2.4 (page 32)

The Committee recommends that implementation of and adherence to individual bank's Disability Action Plan be monitored and enforced through an expansion of the role and powers of the Banking Industry Ombudsman.

RECOMMENDATION 2.5 (page 32)

The Committee recommends that the government review the use and demand for computer facilities and access to ATMs at various community facilities such as Senior Citizens Clubs, Neighbourhood Houses, bowling clubs, council offices and post offices.

RECOMMENDATION 2.6 (page 32)

The Committee recommends that residents in rural and remote Victorian towns where there is no bank branch, be able to access ATMs at an equitable cost to those in regional and metropolitan centres through a waiver of any foreign ATM fee associated with accessing accounts held with the four major banks, where that bank does not provide an ATM in the customer's town of residence. The Committee recommends that the State Government write to the major banks, Australian Bankers' Association and the Banking Industry Ombudsman with a view to instituting a set of arrangements to facilitate this recommendation.

RECOMMENDATION 2.7 (page 38)

The Committee recommends that the State Government, in partnership with the banking industry, examine ways to eliminate or reduce the cost to small rural businesses of providing electronic banking facilities. In particular, a small rural business should not incur costs in providing an ATM, especially where it is the only ATM in the town.

RECOMMENDATION 2.8 (page 41)

The Committee recommends that governments, local councils, community leaders and local media outlets provide information to residents and business owners, explaining the choices they have following the closure of their local branch, how to access alternative appropriate services and the benefits of supporting any community services (such as Community Banks or Rural Transaction Centres) that are available.

RECOMMENDATION 2.9 (page 45)

The Committee recommends that community leaders and local media reporters encourage residents to switch their banking business to another bank in town or to the nearest Community Bank following the decision of a major bank to withdraw banking services.

RECOMMENDATION 2.10 (page 51)

The Committee recommends that the State Government investigate the extent to which banks are meeting their obligation to assist concession card holders in accessing basic bank accounts and take action to ensure that all customers meeting the eligibility criteria have immediate access to a basic bank account at the bank of their choice.

RECOMMENDATION 2.11 (page 53)

The Committee recommends that the banking industry actively and extensively promote the Industry Action Plan to all Victorians.

RECOMMENDATION 2.12 (page 53)

The Committee recommends that the banking industry provide assistance to community organisations to identify the skills needs of Victorians from non-English speaking backgrounds in accessing electronic banking channels and provide training in using ATMs, EFTPOS, Internet and telephone banking to individuals with English language and literacy difficulties.

RECOMMENDATION 2.13 (page 54)

The Committee recommends that all banks expedite the development and implementation of standards for the provision of electronic banking facilities such as ATMs, EFTPOS, Internet and telephone banking.

RECOMMENDATION 2.14 (page 54)

The Committee recommends that industry standards for access to and delivery of electronic banking services be enshrined in an independently enforceable community service obligation.

RECOMMENDATION 2.15 (page 58)

The Committee recommends that the Australian Bankers Association develop a comprehensive community consultation program for future bank branch or agency closures. Such a program should include community advertising, public meetings and information sessions outlining a bank's future proposals for service delivery.

RECOMMENDATION 2.16 (page 58)

The Committee recommends that prior to any bank branch or agency closure, local communities be advised of their current usage patterns for different banking channels and the minimum number and value of transactions required to retain a bank branch.

RECOMMENDATION 2.17 (page 58)

The Committee recommends that the banking industry examine the viability of providing a regular mobile banking service similar to those provided by libraries, the Blood Bank and Centrelink, which provides full personal and business banking services in all communities of a minimum size and that such a mobile banking service be established following community consultation to identify the appropriate frequency of visit.

RECOMMENDATION 2.18 (page 59)

The Committee recommends that following the announcement of a bank branch closure, the State Government assist affected communities by:

- ***assessing the capacity of existing, alternative services and the appropriateness of these alternatives for specific target groups (elderly, disabled, unemployed, business customers); and***
- ***providing a resource guide that facilitates the adoption of alternative banking methods, promotes the benefits of establishing and supporting a community bank***

through case studies of towns successful in overcoming bank branch closures and provides referrals to local, state and federal sources of assistance in acquiring and establishing alternative banking services.

RECOMMENDATION 2.19 (page 59)

The Committee recommends that the banking industry's Transaction Services and Branch Closure Protocol be extended to include metropolitan communities.

RECOMMENDATION 2.20 (page 59)

The Committee recommends that the conditions of commercial viability under the Transaction Services and Branch Closure Protocol be revealed to affected communities.

RECOMMENDATION 2.21 (page 60)

The Committee recommends that the role and functions of the Australian Banking Industry Ombudsman be extended to include the authority to ensure that sufficient community consultation and adherence to the Transaction Services and Branch Closure Protocol has occurred with respect to any future proposal to close bank branches or agencies.

RECOMMENDATION 2.22 (page 62)

The Committee recommends that the banking industry provide funding for rural business owners establishing alternative banking services following the withdrawal of a bank operated branch or agency to allow community promotion regarding the benefits of supporting the service.

RECOMMENDATION 2.23 (page 65)

The Committee recommends that the Minister for Local Government investigate the role of local councils in supporting Community Banks with respect to the establishment of the bank, promoting its use and transferring part or all of council business to a Community Bank.

RECOMMENDATION 2.24 (page 65)

The Committee recommends that the Victorian Government provide funding for communities to conduct feasibility studies for the establishment of a community bank following the withdrawal of the last bank services in a town.

RECOMMENDATION 2.25 (page 65)

The Committee recommends that Rural Transaction Centres and local, state and federal government agencies support Community Banks by using Community Bank services wherever viable.

Chapter 3: Postal Communications

Finding 3.1 (page 82)

The Committee finds that with the continued withdrawal of banking services from small and medium sized towns, communities are becoming increasingly dependent on the local post office to meet their business and personal banking needs.

Finding 3.2 (page 84)

The Committee finds that structural changes in postal communication services have led to a greater range and standard of products and services being delivered by Australia Post. In particular, the extension of operating hours of Australia Post has provided greater access to postal services.

Finding 3.3 (page 84)

The Committee finds that post offices in rural communities are continuing to introduce a greater variety of products and services to their business. Some rural post offices now consider themselves a mixed business where the emphasis on postal services may be equal to, greater or lesser than that on the alternative business operation.

Finding 3.4 (page 89)

The Committee finds that communities from small and medium sized towns in Victoria are generally satisfied with the current level of postal communication services.

Finding 3.5 (page 89)

The Committee finds that the owners of some post offices in smaller communities are concerned about the continuing viability of their business and, therefore, their future ability to sell that business.

Finding 3.6 (page 90)

The Committee finds that the major concerns of people operating post office services in small communities are:

- *declining populations threatening the viability of the business;*
- *increasing uptake of alternative electronic communication channels resulting in reduced viability;*
- *increasing workloads arising from the delivery of banking and associated transaction services;*
- *reduced commission rates paid to rural and regional post offices;*
- *increased costs associated with providing EFTPOS services for a low number of transactions; and*
- *the requirement of Australia Post that all post offices open on Saturday mornings.*

The Committee notes, however, that many of the above concerns expressed by post office operators are seen as positive by customers.

Finding 3.7 (page 92)

The Committee finds that whilst Australia Post delivers a comprehensive, frequent service for most Victorians, demographic and population changes may have resulted in some changes in the needs of rural customers over time.

RECOMMENDATION 3.1 (page 90)

The Committee recommends that the State Government request Australia Post to:

- *consider increasing subsidisation to post offices in rural and remote communities in order that these businesses remain viable; and/or*
- *consider waiving the requirement for less viable post offices in rural and remote communities to be open on Saturday mornings.*

RECOMMENDATION 3.2 (page 91)

The Committee recommends that Small Business Victoria, in conjunction with Australia Post, consider training and other resources to support licensed post offices to expand both postal and alternative products and services.

RECOMMENDATION 3.3 (page 92)

The Committee recommends that the State Government request Australia Post to review its delivery network in areas that have experienced significant socio-demographic changes in recent years.

Chapter 4: Municipal Services

Finding 4.1 (page 109)

The Committee finds that local government amalgamations have, in many cases, led to higher levels of capital expenditure than initially estimated at the time of amalgamations.

The Committee further finds that total expenditure levels per ratepayer have decreased in many municipalities since amalgamations as a result of efficiencies achieved.

Finding 4.2 (page 112)

The Committee finds that there were some concerns associated with the implementation of CCT, particularly in relation to its timing and across the board application without regard for individual differences between councils. However, a number of benefits have also arisen as a result of the introduction of Compulsory Competitive Tendering. These benefits include:

- *an increased understanding of services and projects;*
- *improved documentation of work processes;*
- *increased likelihood of work objectives, budgets and timeframes being achieved; and*
- *a broadening of staff skills and responsibilities.*

Finding 4.3 (page 114)

The Committee finds that any negative effects on employment experienced as a result of reduced staffing levels following amalgamations were mitigated, particularly in metropolitan and regional centres by an increase in jobs in the private sector and the creation of new roles within local government.

Finding 4.4 (page 115)

The Committee finds that council amalgamations often resulted in the loss of employment in towns that lost their shire offices. The flow-on effects caused by the reduction in employment include population decline, loss of community leadership and a reduction in local expenditure.

Finding 4.5 (page 117)

The Committee finds that following council amalgamations, some rural and regional councils have overcome early concerns regarding a potential reduction in service delivery through a more effective consultation and visitation strategy.

Finding 4.6 (page 117)

The Committee finds that council amalgamations have had an overall positive impact on the ability of councils to improve the capacity and flexibility of service delivery and to undertake major projects that were not necessarily viable prior to municipal reform.

Finding 4.7 (page 120)

The Committee finds that council amalgamations have resulted in a greater emphasis on proactive economic development through the creation of economic development units by individual councils. The Committee found many examples of increased economic activity such as business promotion, investment attraction and export growth in municipalities as a consequence on a council's economic development focus.

Finding 4.8 (page 124)

The Committee finds that concerns over the impact of council amalgamations were largely confined to smaller towns that previously had a local shire office which was re-located to a central headquarters after amalgamations.

Finding 4.9 (page 124)

The Committee finds that some small, rural communities experienced negative economic multiplier effects as a result of reduced staffing levels following council amalgamations.

Finding 4.10 (page 125)

The Committee finds that a number of rural councils are concerned about their future ability to provide and maintain infrastructure and to continue to increase the level and range of health and community services being demanded.

Finding 4.11 (page 128)

The Committee finds that some councils have achieved enhanced levels of representation through the practice of rotating council meeting venues throughout a municipality.

RECOMMENDATION 4.1 (page 126)

The Committee recommends that the Victorian Grants Commission review its formula for distributing funds to ensure geographically large rural councils are allocated sufficient funds to provide more comparable services to those provided by metropolitan counterparts.

RECOMMENDATION 4.2 (page 128)

The Committee recommends that large, rural councils review the location of service delivery and look to expand their presence and services throughout their municipality where practical.

RECOMMENDATION 4.3 (page 129)

The Committee recommends that shire councils consider rotating meeting venues to give communities a greater sense of participation and ownership of community activities.

Chapter 5: Public Transport

Finding 5.1 (page 151)

The Committee finds that provision of public transport services has been inadequate in meeting community needs in many areas of rural and regional Victoria for many years.

Finding 5.2 (page 151)

The Committee finds that the major areas of concern in the provision of public transportation in rural and regional Victoria are:

- *route deficiencies, including the inability to travelling locally;*
- *lack of service frequency, including insufficient time at destinations to complete personal or business appointments and the inability to travel to regional centres and Melbourne at convenient times; and*
- *poor coordination between different services.*

Finding 5.3 (page 152)

The Committee finds that there is an increasing level of pressure on local councils and community organisations to fund and/or arrange community transport for their clients.

Finding 5.4 (page 155)

The Committee finds that there are currently a number of shortcomings in rural and regional bus and coach services throughout Victoria including inadequate route coverage, inadequate service frequency, poor service coordination and difficulties in accessing bus and coach stops and stations.

Finding 5.5 (page 161)

The Committee finds that rural communities have generally welcomed the announcement that country passenger rail services will be returned on certain lines and that affected communities are keen to see early progress towards the resumption of these services.

Finding 5.6 (page 161)

The Committee finds that affected communities have identified the need for improved supporting infrastructure and feeder bus and coach networks and the ability to attract sufficient patronage as the key challenges in making the reintroduction of country passenger rail services viable. Frequency of service will be an important determinant of the attractiveness of the service to travellers.

Finding 5.7 (page 165)

The Committee finds that the benefits of the Regional Fast Rail Project will be optimised through increased service frequency and inclusion of a mix of intermediate stopping stations rather than exclusive focus on express end-to-end services.

Finding 5.8 (page 169)

The Committee finds that youth under the age of 18 who reside in rural and remote towns, are disadvantaged due, in part, to inadequate public transport when seeking employment, education, training and recreational opportunities.

RECOMMENDATION 5.1 (page 152)

The Committee recommends that the Department of Infrastructure conduct a full review of public transport routes and timetables in rural and regional Victoria in light of changing community needs. Such a review should include an assessment of:

- *the different needs of various customer groups;*
- *the ability to travel locally (within shires) and to the nearest regional centre;*
- *the ability to travel between regional centres at appropriate and convenient times to access a range of employment, education, social and health and welfare opportunities;*
and
- *the ability to both commute to and from Melbourne for employment and to travel between Melbourne and regional centres outside of standard work hours.*

RECOMMENDATION 5.2 (page 155)

The Committee recommends that as part of an overall assessment of public transport in rural Victoria, the Department of Infrastructure examines rural bus and coach services, giving consideration to the recommendations made by Environment Victoria in its May 2001 report “Driving the Fast Train Further”.

RECOMMENDATION 5.3 (page 156)

The Committee recommends that the Department of Infrastructure investigate the role and funding of community transport services.

RECOMMENDATION 5.4 (page 161)

The Committee recommends that the Department of Infrastructure identify and address the needs surrounding a comprehensive feeder coach network servicing every train arrival and departure throughout rural and regional Victoria as a matter of priority.

RECOMMENDATION 5.5 (page 162)

The Committee recommends that the Department of Infrastructure commence an education and marketing campaign throughout regional and rural Victoria with respect to encouraging patronage of the reinstated country passenger rail service.

RECOMMENDATION 5.6 (page 165)

The Committee recommends that the Regional Fast Rail Project include a balance of services to and from Melbourne and regional centres at peak times to ensure that Victorians can access employment, education and training opportunities in regional centres.

RECOMMENDATION 5.7 (page 165)

The Committee recommends that services under the Regional Fast Rail Project include a mix of express services and services stopping at an increased number of intermediate stations.

RECOMMENDATION 5.8 (page 169)

The Committee recommends that the State Government investigate the possibility of youth being able to apply for a restricted driver licence at a lowered age, subject to appropriate strict conditions, including:

- *completion of extensive driver training including formal programs that cover road safety and responding to emergencies, driver responsibility and vehicle maintenance;*
- *minimum number of hours driving experience with a qualified instructor;*
- *minimum number of hours driving practice with a licensed driver;*
- *power to weight ratio of the car;*
- *number of passengers; and*
- *time, speed and route restrictions.*

Chapter 6: Employment Services

Finding 6.1 (page 191)

The Committee finds that the role, structure and operation of the State Employment Programs Division (now under the Department of Innovation, Industry and Regional Development) has not been adequately evaluated and modified in light of the changes made to Commonwealth Government employment programs.

Finding 6.2 (page 203)

The Committee finds that following the introduction of Job Network in 1998 there has been a significant increase in the number of employment service providers in metropolitan Melbourne, regional centres and country Victoria.

Finding 6.3 (page 203)

The Committee finds that the increased number of employment service providers has resulted in job seekers having a greater choice of providers and better access to employment services, with some suburbs and towns gaining employment services for the first time under the Job Network system.

Finding 6.4 (page 204)

The Committee finds that structural reform of employment services has had a positive impact on the range of services and the mode of service delivery offered to job seekers by Centrelink in comparison to the previous Commonwealth Employment Service.

Finding 6.5 (page 208)

The Committee finds that many small and medium sized towns have benefited from the privatisation of the employment services system. Some of the benefits reported to the Committee include:

- *many towns gaining employment service providers for the first time;*
- *increased choice of employment and training provider with multiple providers now in many towns;*
- *improved service delivery for job seekers and employers; and*
- *increased initiative and enthusiasm by employment agencies.*

Finding 6.6 (page 208)

The Committee finds that fragmentation of the employment services market following privatisation has led to some concerns regarding the availability of relevant, timely data on the labour market and the New Apprenticeship system, making it difficult to identify and address regional skills shortages.

Finding 6.7 (page 211)

The Committee finds that some small rural towns experience difficulty in providing a full range of employment services to job seekers due to low program participation rates, program running costs and/or inadequate education and training linkages.

Finding 6.8 (page 214)

The Committee finds that many rural communities are suffering from skills and labour shortages, covering the full spectrum of skilled, unskilled and professional employment opportunities.

Finding 6.9 (page 215)

The Committee finds that a partnership approach between governments, education and training providers and industry is required for addressing skills shortages.

Finding 6.10 (page 215)

The Committee finds that the State Government's skilled migration program has been of benefit to some businesses in rural Victoria.

Finding 6.11 (page 215)

The Committee finds that some rural communities would welcome an increased level of skilled and business migration into their community.

Finding 6.12 (page 219)

The Committee finds that despite improvements to the provision of employment services, some job seekers may continue to experience difficulties as a result of language barriers, inadequate access to interpreter services and low numbers of staff from diverse cultural and linguistic backgrounds employed by employment service providers.

Finding 6.13 (page 222)

The Committee finds that recent improvements to the Intensive Assistance program are likely to enhance the opportunities provided to job seekers in accessing and participating in this program.

RECOMMENDATION 6.1 (page 192)

The Committee recommends that the State Government re-evaluate the role, structure and operation of the State Employment Programs Division and its programs with a view to removing all duplication between State employment services and those provided by the Commonwealth government and other employment service providers.

RECOMMENDATION 6.2 (page 209)

The Committee recommends that the State Government review and report on progress of the recommendations implemented under the Review of the Quality of Training in Victoria's Apprenticeship and Traineeship System.

RECOMMENDATION 6.3 (page 209)

The Committee recommends that the State Government ensure that sufficient, up-to-date, quality, quantitative data on localised skills, skills shortages, apprenticeships and traineeships be available to local councils and other relevant organisations to assist them to plan for regional skills shortages. The Committee recommends that data be available in both electronic and printed form.

RECOMMENDATION 6.4 (page 211)

The Committee recommends that the State Government pilot a Job Club Program in disadvantaged labour markets.

RECOMMENDATION 6.5 (page 211)

The Committee recommends that the State Government's Pathways Project be refined to strengthen linkages between industry, government, education and training institutions and local communities and to ensure that work-based learning experiences are centred around local skills shortages.

RECOMMENDATION 6.6 (page 215)

The Committee recommends that the State Government, in partnership with local councils and other relevant organisations (for example, Area Consultative Committees), identify the information needs of local communities in addressing current and future skills needs and establish a means of capturing consistent, robust quantitative data to assist communities in addressing localised skills shortages, labour shortages and recruitment difficulties.

RECOMMENDATION 6.7 (page 2145)

The Committee recommends that the State Minister for Employment develop a package of incentives aimed at job seekers to encourage them to undertake apprenticeships and traineeships in areas of skills shortages.

RECOMMENDATION 6.8 (page 216)

The Committee recommends that the State and Federal Governments do more to promote the ability to address skills and labour shortages in regional and rural Victoria through local and overseas skilled and business migration and greater access to working permits which facilitate seasonal employment opportunities.

RECOMMENDATION 6.9 (page 216)

The Committee recommends that the State Government address rural labour shortages and recruitment difficulties by promoting the range of professional and skilled positions in rural areas and developing a suite of programs that encourages and assists local employers to recruit and retain skilled and professional employees from metropolitan Melbourne or major regional centres. Such programs would include graduate incentives, rural scholarships and information campaigns in metropolitan areas.

RECOMMENDATION 6.10 (page 221)

The Committee recommends that the Government investigate and address the specific needs of Indigenous Victorian job seekers and the current level of employment services specifically targeted at this group.

Chapter 7: Information Technology and Telecommunications

Finding 7.1 (page 230)

The Committee finds that some remote rural communities throughout Victoria have inadequate telecommunications and information technology infrastructure and would benefit from increased coverage of satellite and broadband capacities.

Finding 7.2 (page 230)

The Committee finds that some rural residents and communities do not have sufficient knowledge or training to make optimal use of existing information technology and telecommunications capabilities.

Finding 7.3 (page 230)

The Committee finds that where remote rural businesses are unable to access suitable telecommunication services at an affordable cost there may be a corresponding negative impact on economic development in regional Victoria.

Finding 7.4 (page 235)

The Committee finds that the Telstra Country Wide program is a worthwhile initiative that is likely to lead to improved access to information technology and telecommunications and alleviate many of the concerns raised by witnesses throughout the Inquiry.

RECOMMENDATION 7.1 (page 235)

The Committee recommends that the Minister for Information and Communication Technology highlight the concerns raised by witnesses throughout this Inquiry with the Federal Minister for Communications with a view to ensuring Telstra continue with the roll-out of improved telecommunications infrastructure in remote Victoria. The Committee recommends that priority be given to meeting the needs of rural and regional businesses and education providers.

RECOMMENDATION 7.2 (page 235)

The Committee recommends that greater publicity regarding existing telecommunications and information technology services, and what systems are required to utilise these services, be provided throughout rural and regional Victoria.

RECOMMENDATION 7.3 (page 236)

The Committee recommends that the State Government consider the need to increase the availability of computer terminals (including Internet access) and video conferencing facilities throughout rural communities in places such as Rural Transaction Centres, Community Enterprise Centres, council offices, libraries and post offices.

Chapter 1

Introduction

1.1 Terms of Reference

On 29th February 2000, the Economic Development Committee received a Terms of Reference through Governor-in-Council to inquire into, consider and report on the impact of structural changes in the Victorian economy. The Reference included an assessment of the impact of structural changes in:

- I. Banking;
- II. Postal communications;
- III. Municipal services (including the reduction in the number of municipal outlets due to the recent municipal amalgamations);
- IV. Public transport; and
- V. Employment services.

The Reference also required the Committee to assess the impact of the withdrawal of the above services (including the reduction in the number of municipal outlets due to the recent municipal amalgamations) on small and medium sized towns.

The Committee was required to table a report in Parliament by the first day of the Spring 2001 Parliamentary session.

Deliberations on two other Inquiries prevented the Committee from tabling a final report by the above deadline. Consequently, the Committee tabled an Interim Report advising Parliament of the progress of the Inquiry and that the Committee's Final Report would be tabled in the Autumn 2002 session. The Interim Report was tabled on the 13th of August 2001. A copy of the Committee's Interim Report is provided in Appendix 2.

1.2 Process for Gathering Evidence

This report is based on evidence received through a large number of written submissions and an extensive series of public hearings held throughout Victoria.

The Terms of Reference was advertised in the major daily newspapers on 13th November 2000. A mail-out to over 350 government, private and community organisations was also conducted advising them of the Terms of Reference and inviting submissions. Sixty-one written submissions were received from a wide range of interested parties including the major banks, Australia Post, local councils, employment services providers, local community and development groups and various individuals. A list of written submissions is contained in Appendix 3.

To assist in determining the background to and scope of the Inquiry, the Committee initially held a series of informal meetings with key organisations in Canberra and Sydney including the Australian Bankers' Association, Commonwealth Department of Employment, Workplace Relations & Small Business, the Australian Prudential Regulatory Authority and the Commonwealth Department of Transport and Regional Services (regarding its Rural Transaction Centre Program). A program of formal hearings commenced in Melbourne in August 2001. Evidence was received from Australia Post, the State Department of Education, Employment and Training, State Department of Infrastructure, Centrelink, Public Transport Users Association, National Express Group, Municipal Association of Victoria and Victorian Local Governance Association.

In order to adequately address the Reference requirement to assess the impact of structural changes in small and medium sized towns, the Committee conducted a large number of hearings throughout rural Victoria in the second half of 2001. Hearings were held in Ararat, Horsham, Edenhope, Nhill, Warracknabeal and Avoca in August; Lancefield, Rochester, and Heathcote in September; Rutherglen in October; Korumburra in November; and Bendigo and Boort in December. A list of witnesses appearing before the Committee is presented in Appendix 4.

The Committee received evidence from communities in every region outside of the Melbourne metropolitan area. While hearings were held in the thirteen locations noted above, the witnesses appearing at the hearings represented a much wider geographic area. For example, during hearings in Edenhope, the Committee heard evidence from representatives of the Edenhope, Goroke, Kaniva, Harrow and Apsley communities. Similarly, in Rochester, representatives came from Stanhope, Corop, Elmore, Echuca, Yambuna, Tongala and Rochester. Evidence received from local councils and various regional and community organisations such as the Willaura and District Community Development Group, Wimmera Development Association and the Greater Green Triangle and Central Victoria Area Consultative Committees broadened even further the geographic scope of the Committee's investigations.

The regional hearings illustrated the extent to which small and medium sized towns were affected by structural changes to key services during the 1990's. They also highlighted how many communities have been able to proactively seek alternative solutions to the withdrawal of key services, most notably banking services.

1.3 Scope of Inquiry

The first part of the Terms of Reference refers broadly to the impact of structural changes in the Victorian economy. The Committee understood this to include metropolitan Melbourne as well as non-metropolitan Victoria. The second part of the Reference refers more specifically to the impact of the withdrawal of services from small and medium sized towns.

In considering the scope of the investigations, the Committee adopted the view that the greatest impact of structural changes in the Victorian economy was on rural and regional Victoria, particularly in small remote towns that had experienced the loss of banks, public transport services and local municipal offices. This view was reinforced in the written submissions to the Inquiry that largely addressed the impact of changes in small and medium towns throughout Victoria.

The Committee did conduct a number of Melbourne based hearings and some written submissions, such as those received from the Moreland and Dandenong City Councils, focussed on the impact of structural changes in metropolitan areas. However, as mentioned earlier, the majority of public hearings were conducted in non-metropolitan areas, reflecting the emphasis in the Terms of Reference on small and medium sized towns and the evidence received in written submissions. Accordingly, much of this Report deals with evidence and concerns raised in rural and regional communities.

With respect to the timeframe for examining structural changes, the Committee's evidence generally dealt with changes over the past ten years. While some services such as public transport and banks were being withdrawn from communities prior to 1990, the greatest impact of structural changes occurred in the 1990s. This period included municipal amalgamations, the privatisation of public transport, the widespread closures of retail banks, and reforms to employment services (notably, the introduction of Job Network in place of the previous Commonwealth Employment Service).

1.4 Definition of Structural Change

Structural change refers to *"the changes in the overall size and make-up of an economy in terms of the distribution of activity and resources among firms, industries and regions"*.¹ As the Productivity Commission explains, *"structural change is often essential if communities are to take advantage of growth opportunities and enhance their general living standards. Nevertheless, while structural change appears to be readily accommodated, it can impose costs and cause difficulties for some groups in the community"*.²

The drivers of structural change can essentially be categorised as either market related or government initiated forces. The main forces of pressure have been identified by the Productivity Commission³.

¹ Productivity Commission, *Aspects of Structural Change in Australia*. Research Paper, 1998, p. xiii, cited in Written Submission No. 61, CFA p. 13.

² Loc.cit.

³ Productivity Commission, *Aspects of Structural Change in Australia*. Research Paper, 1998 p. 2, cited in Written Submission No. 61, CFA p. 14.

Market Related Sources of Structural Change:

- Technological change such as advances in microelectronics, information and communication technology, new materials technology, biological technology, robotics and energy-related technologies.
- Behaviour change such as those accompanying changes in income and its distribution, demographic changes and changing preferences.
- Trade and global specialisation associated with the emergence of new export markets and increased competition from imports.
- Resource discovery and depletion including the development of mineral resources and the degradation of land in various regions due to soil erosion and salinity.

Government Related Sources of Structural Change:

- Changes in rules governing trade and investment involving unilateral reductions in tariff and non-tariff barriers to trade, reform of statutory marketing arrangements and multilateral actions to liberalise trade and investment regimes.
- Infrastructure and general government reform involving initiatives to commercialise, corporatise and privatise public utilities, remove regulatory barriers to entry and separate different segments of infrastructure to promote competition. In the case of general government activities, reforms have promoted improved productivity, competition and an outcomes-oriented approach to service delivery (for example, financial management reforms, better targeting of services and payments and competitive tendering).
- Labour market reforms which have focused on making greater use of market mechanisms to determine wages and conditions (for example, enterprise bargaining), reforms to labour market assistance programs and reforms to workers' compensation and occupational health and safety legislation.
- Competition and other regulatory reforms involving changes to restrictive trade practices and price monitoring legislation, reforms to regulatory processes and moves to promote competition.
- Taxation reforms covering initiatives to broaden the income tax system and improve the operation of the corporate tax system.

- Whether structural reform is initiated by market related or government forces, structural change triggers adjustments within communities. The adjustment process creates opportunities for many individuals and businesses, but may also result in economic, employment and social costs to others.⁴ It is these positive and negative impacts of structural reform that the Committee examined throughout the course of its investigations.

1.5 Structure of Report

The following report is structured around a separate chapter for each of the five issues outlined in the Terms of Reference. Each chapter provides some background to the relevant industry, an outline of structural changes in that industry and finally, a discussion of the Committee's evidence. The Committee's findings and recommendations have been incorporated within each section of the report, as appropriate.

In addition to the five topics covered by the Terms of Reference, the Committee heard much evidence relating to information technology and telecommunications in rural and regional Victoria. Given the importance of such infrastructure in overcoming many of the impacts of structural reform, and the consistency with which certain issues were raised, the Committee has included a separate chapter on information technology and telecommunications.

The Report concludes with a summary chapter drawing together the cumulative impact of various structural changes and noting the future challenges facing small and medium sized towns.

⁴ Written Submission No. 61, Country Fire Authority, p. 13.

Chapter 2

Banking Services

2.1 Introduction

It is widely recognised that access to financial services is an essential requirement for participation in modern society. All consumers need mechanisms for depositing and saving money and for receiving and making payments to and from third parties. In this sense, basic banking services have much in common with central utilities such as electricity, gas and water.⁵

Access to banking services has been an issue throughout Victoria over the past decade, particularly in rural and regional areas. Community concern has been brought about as a result of significant changes to the banking industry which has seen the closure of bank branches and the introduction of electronic banking.

A major focus of the Committee's Inquiry was the impact of structural changes in the banking industry and the affect of the withdrawal of banking services from small and medium sized towns. The Committee recognises that as private enterprises, business decisions of the major banks are necessarily commercially driven. Two such commercial decisions are how to deliver banking services and where to locate bank branches. However, the banking industry claims that over recent years it has adopted a community service obligation to ensure that members of individual communities can access banking services. Industry initiatives for achieving this are discussed under section 2.8 of this chapter.

⁵ Report from the House of Representatives Standing Committee on Economics, Finance and Public Administration, *Regional Banking Services: Money too far away*, National Farmers Federation, quoting the ACCC to the FSI, March 1999, p. 30.

Many smaller towns in Victoria, and indeed throughout Australia, may have had two or three banks operating at the start of the 1990s. Yet by the late 1990s, many were left with no local bank branch after the major banks were progressively closed. As banks are at the core of many small communities, the withdrawal of any local face-to-face banking service is perceived to have a significant negative impact on individuals, businesses and the community as a whole.

The Committee's investigations found that most rural communities that were left without any bank proactively sought alternative banking options. Determined communities have been able to encourage the opening of community banks, credit unions, Rural Transaction Centres and banking agencies to provide essential banking services.

2.2 The Australian Financial System

In order to assess the impact of structural changes to banking services on the Victorian economy, it is necessary to outline the size of the banking and finance sectors and the regulatory structures of the industry.

2.2.1 Economic Significance of the Financial System

The Australian banking industry underpins the financial strength of the Australian economy and is therefore critical to the on-going well being of Australian society.

The Australian Bankers' Association noted the importance of a strong financial system in its written submission to the Committee, highlighting the experience of Asia in 1997 when it was beset by a financial system meltdown. This event significantly retarded economic and employment growth in the region, wiped billions in asset values and increased the indebtedness of the countries involved. Australia was well placed to avoid the negative effects of this event due to its comparatively healthy, competitive and stable financial system. The 1999 Global Competitiveness Report ranked Australia third in the world for the 'soundness of its banks'.⁶

⁶ Written Submission No. 28, Australian Bankers Association, p. 2.

Over the second half of the 1990s, the finance sector expanded at an annual average rate of around 8.5 per cent. This was the third fastest industry growth rate and almost twice the rate of growth in the economy itself.⁷ The sector is also expanding its export performance, is a leader in driving productivity gains and employs over 300,000 people.⁸

2.2.2 Regulatory Structure of the Australian Banking Industry

The major legislation and regulations affecting the Australian banking industry revolve around three agencies: the Reserve Bank of Australia, the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission.

The Reserve Bank of Australia (RBA) is Australia's central bank. It is a statutory authority established under the *Reserve Bank Act 1959*. The main responsibility of the RBA is monetary policy. Other key roles are to maintain financial system stability and enhance the safety and efficiency of the payments system.

Supervision and regulation of the Australian banking system, including all banks, life insurers, general insurers, superannuation funds, credit unions, building societies and friendly societies is the responsibility of the Australian Prudential Regulation Authority (APRA) via the *Banking Act 1959* and the *Australian Prudential Regulation Authority Act 1998*. APRA received this responsibility from 1st July 1998, after the supervisory functions were transferred from the RBA.

The Australian Securities and Investments Commission (ASIC) is an independent Commonwealth Government body established by the *Australian Securities and Investments Commission Act 1989* to oversee market integrity, disclosure and other consumer protection issues.

⁷ Axiss Australia, Executive Briefing, *Financial Services in Australia*, cited in Written Submission No. 2, Australian Bankers' Association, p. 2.

⁸ Written Submission No. 28, Australian Bankers Association, p. 2. In 1999-00, Australia's exports of total financial services were \$1.6 billion, an increase of 400 per cent from \$375 million in 1998-99. The main driver of exports for the sector is insurance.

Other key bodies regulating particular aspects of the banking industry include:

- ◆ The Australian Financial Markets Association, responsible for the self-regulation, growth and development of Australia's over-the-counter wholesale financial markets.
- ◆ The Australian Banking Industry Ombudsman, a non-government scheme responsible for assisting customers to resolve complaints they may have with their bank. Banks must provide a free, external and independent process for resolving disputes via the Code of Banking Practice.
- ◆ The Australian Payments Clearing Association, a public company owned by the banks, building societies and credit unions. Its objective is to coordinate, manage and ensure the implementation and operation of effective payments clearing and settlement systems, policies and procedures.
- ◆ The Australian Bankers' Association, a national organisation of licensed banks, which aims to advance the interest of member banks and its customers by enhancing public policy outcomes and developing industry standards.
- ◆ The Australian Consumer and Competition Commission (ACCC) which administers the *Trade Practices Act 1974* and the *Price Surveillance Act 1983*. The ACCC's responsibilities cover anti-competitive and unfair market conduct, product safety/liability and, more specifically in relation to banks at present, mergers and acquisitions. The Federal Treasurer must ultimately approve any mergers between any of the four banks approved by the ACCC.⁹

⁹ IBISWorld Pty Ltd, *K7325 National and Regional Commercial Banks*, Volume 3.

2.3 The Bank Network

As at February 2002, there were 26 banks (14 Australian-owned and 12 foreign subsidiary banks), 18 building societies and 202 credit unions operating in Australia¹⁰. The four major banks operating throughout the country are Australia and New Zealand Banking Group Ltd (ANZ), Commonwealth Bank of Australia, National Australia Bank Ltd and Westpac Banking Corporation (trading as Bank of Melbourne in Victoria). National market share of these four banks is as follows: National Australia Bank (26.2%), Westpac (21.2%), Commonwealth Bank (20.1%) and ANZ (16.9%)¹¹.

In addition to the four major banks, there are a number of other banks operating within Victoria. Those with the most significant branch networks in Victoria are the Bendigo Bank (80 branches and 116 agencies), St George Bank (30 branches and 10 agencies), Colonial State Bank (45 branches) and Elders Rural Bank (46 agencies).

The latest data available shows that there were 1,217 bank branches and 1,262 agencies in Victoria in June 2000. Additional banking services were available at 700 giroPost locations and 2,416 ATMs. Of the total bank branches, 759 (62%) were in metropolitan areas and 458 (38%) were in rural and regional areas. In contrast, 720 (57%) agencies were located in rural and regional areas, compared with only 542 (43%) in metropolitan areas.¹²

2.4 Structural Changes in the Banking Industry

The banking industry has experienced a significant transformation since 1980. Any assessment of the changes to the structure of the banking and, more broadly, finance sectors should include reference to the 1997 Australian Financial System Inquiry (the Wallis Inquiry). The Wallis Inquiry made 115 recommendations, most of which have

¹⁰ APRA website, <http://www.apra.gov.au/ADI/ADIList.cfm>, 08/03/2002.

¹¹ ABARE, cited in IBISWorld Pty Ltd, *K7325 National and Regional Commercial Banks*, Volume 3.

¹² APRA website, <http://www.apra.gov.au/ADI/ADIList.cfm>, 08/03/2002.

been adopted by the Commonwealth Government with the aim of improving the efficiency, competitiveness and flexibility of the Australian financial system.

The Wallis Inquiry undertook a comprehensive assessment of the changes occurring and the drivers of those changes. It identified three key drivers of change in the sector:

1. Changes in regulation, including freer capital movements, the introduction of compulsory superannuation, the reduction of government bank ownership and changes to the taxation system.
2. Rapid technological and skills development which has facilitated the conduct of financial activities through homes, workplaces and other sites and therefore reduced costs and lowered barriers to entry.
3. Changes in customer needs including the demand for more convenient products with a wider range of attributes.

In turn, the recommendations made by the Financial System Inquiry, and the subsequent Government reform program based on these recommendations, has become a major source of structural change in itself. As noted by the Finance Sector Union of Australia (FSU)¹³, the creation of a single prudential regulator for all financial institutions (APRA), and a single regulatory framework covering licensing, disclosure and markets for all financial institutions (as contained in the Financial Services Reform Bill), are both a response to, and a facilitator of, the convergence between products, services and providers within the sector.

In summary, the four significant trends in the banking industry over the past decade have been:¹⁴

1. Consolidation in the number of retail banks operating in the Australian economy.

¹³ Written Submission No. 22, Finance Sector Union of Australia, p. 3.

¹⁴ Written Submission No. 28, Australian Bankers Association, p. 3.

2. Significant falls in the interest margin on bank lending.
3. The introduction and increase of bank service fees.
4. Migration of customers towards electronic banking.

Each of the above four trends is briefly explained below. However, since most of the evidence received by the Committee focused on either the closure of bank branches or the availability and use of electronic banking channels, the remainder of this chapter focuses on these two trends only.

2.4.1 Consolidation of Retail Banks

Over the past ten years, the number of Australian-owned banks has declined, mainly due to the major retreat of government from ownership of banks. In 1990, five banks were in government ownership but since then, all of these banks were either sold to other banks, or in the case of the Commonwealth Bank, sold to the public. Some notable mergers include the Commonwealth Bank purchase of the State Bank of Victoria (officially merged on 1st January 1991) and the Westpac purchase of Challenge Bank (in 1995) and the Bank of Melbourne (in 1998). More recently, the Commonwealth Bank purchased Colonial.

Victoria lost 766 bank branches in the period from 1993 to 2000, representing 39 per cent of the entire branch network. This amounts to two branch closures per week for seven years.¹⁵ Forty-one per cent of metropolitan branches and 34 per cent of rural branches were lost. Looking at the total number of branches, Victoria suffered a higher rate of decline in the number of bank branches compared with the other, larger states.¹⁶

Nearly all of the bank branch closures (98.7%) occurred in the networks of the four major banks, with the number of major bank branches declining from 1,782 to 1,027 (representing 42% of all major bank branches) between 1993 and 2000. Table 2.1 below illustrates the significance of branch closures for each of the major banks.

¹⁵ Written Submission No. 22, Finance Sector Union, pp. 6-7.

¹⁶ Ibid, p. 7.

Commonwealth Bank reduced its branch network by 415 (-55%), Westpac by 121 (-40.7%), ANZ by 144 branches (-39%) and National Australia Bank by 75 (-20%). Appendix 5 lists branches identified by the Committee as having closed since 1990.

As seen in Table 2.1, Westpac's branch network decreased by 29 per cent between 1993 and 1997. Then, following its merger with the Bank of Melbourne in late 1997, the network increased by 113 branches, only to decline again by almost the same number (107 branches) the following year. Between 1999 and 2000, the number of Westpac/Bank of Melbourne branches declined a further 19 per cent from 218 to only 176 branches.

Section 2.6 of this Chapter examines the impact that bank closures have had on small and medium sized towns which, in many cases, have been left without a bank branch.

TABLE 2.1 NUMBER OF MAJOR BANK BRANCHES IN VICTORIA 1993-2000

Bank	1993	1994	1995	1996	1997	1998	1999	2000 ¹⁷
ANZ	365	356	336	325	277	204	219	221
Commonwealth	751	639	513	485	450	385	362	336
National	369	364	355	342	317	293	299	294
Westpac	297	257	255	232	212	325	218	176
Total	1,782	1,616	1,459	1,384	1,256	1,207	1,098	1,027

Source: Reserve Bank of Australia Bulletin, Tables B.22 and B.23, various issues

ANZ reported to the Committee that the reasons for changes in the level of physical representation of banks are essentially the same in both metropolitan and non-metropolitan areas. It states that the key reasons are *"a combination of shifts in consumer preferences to electronic channels, demographic change leading to a need to realign representation points with customers and the need to cut costs to compete with specialist suppliers of financial products and services"*. As a consequence of these factors, ANZ has changed its representation in Victoria from 446 branches (and

¹⁷ Reserve Bank of Australia tables discontinued these Tables as of January 2000, when they became available on the APRA website.

agencies) and 130 ATMs in 1990, to 220 branches, 8 agencies, 24 business centres and 277 ATMs in 2001.¹⁸

It appears that the process of consolidating branch networks is not yet complete. In December 2001, the media reported that the ANZ had considered two plans, one to close approximately 58 branches and another to close up to 100. Eventually, only six regional branches were announced for closure, with Mr Paul Edwards, ANZ spokesman, saying *“in this instance, any scenario on reducing branches had to be balanced against the fact we had a public moratorium in place and that we had no face-to-face banking alternative to leave in place for our customers.”*¹⁹

At the time of the Committee’s final deliberations in April 2002, National Australia Bank announced that it will close a further 56 branch agencies nationwide, including 28 in small towns across Victoria. Victorian towns affected by the latest closures are Merbein, Nyah West, Sea Lake, Pyramid Hill, Birchip, Dimboola, Kangaroo Flat, Stanhope, Charlton, Tongala, Violet Town, Rushworth, Elmore, Warburton, Koo Wee Rup, Toora, San Remo, Queenscliff, Anglesea, Warrnambool East, Koroit, Mortlake, Willaura, Beaufort, Portarlington, Winchelsea, Avoca and Coleraine. The negative impact of these closures is discussed in section 2.6.5.

2.4.2 Interest Margins on Lending

Prior to deregulation and the subsequent increase in competition in the domestic retail banking market, the industry was characterised by a high number of cross-subsidies amongst different products and consumer markets. In particular, there was a high degree of cross-subsidisation from home lending to the provision of transaction services at a time when banks received most of their income from interest rate margins.

Following deregulation, the banking industry saw the entry of new providers specialising in the most profitable segments. For example, new entrants began entering the home-

¹⁸ Written Submission No. 34, ANZ, p. 6.

¹⁹ Bruce Brammall, Herald Sun, *Branches escape axe*, 18/12/2001.

mortgage market in the early 1990s due to the relatively wide interest margins in this lending market. As a result of the increased competition, the margin on home lending has fallen dramatically over the past decade or so. Since its peak in 1992-93, the interest margin has fallen from 4¼ percentage points to around 1¾ percentage points, equating to substantial savings for home borrowers. For a person with a \$100,000 mortgage, the monthly saving in repayments is about \$200.²⁰

Interest margins have also begun to fall more significantly in other markets in recent years, including the business lending and personal loans markets. For example, margins on credit cards fell from a peak of 14.4 per cent in June 1992 to 10.3 per cent in August 2000.²¹

2.4.3 Fees and Charges – Unwinding Cross-subsidies

The reduction in interest margins on lending has led to the banks beginning the process of unwinding cross-subsidies in providing transaction services. This has been achieved through the introduction of account servicing fees and transaction fees. While these fees were virtually unknown in 1990, transaction and account services were being paid for through wider interest margins.

There has been significant media attention given to the gradual imposition of fees and charges. However, the industry is concerned that this attention arises due to misconceptions about the link between these fees and bank profits, and lack of knowledge regarding the many options customers are given to avoid them. The Australian Bankers' Association (ABA) stated in a written submission to the Committee that *"while banks are increasing their revenue from household fees and charges, this has not been the main driver behind increasing bank profit levels. Fees and charges on personal transaction accounts make up only about 1 per cent of total bank revenue. The research shows that banks have maintained profit levels throughout the 1990s not by increasing fees, but by cutting operating costs"*.²²

²⁰ Written Submission No. 28, Australian Bankers' Association, pp. 3-4.

²¹ Ibid, p. 4.

²² Loc. cit.

Even today, the ABA estimates that the fees and charges collected by banks do not recover the costs of providing the services, suggesting there is an overall efficiency gap in the payments system. The industry argues for the continued move towards cost-recovery in the provision of retail banking services, pointing to the arguments of successive reports to government (including the last major report into Australia's financial system, the Wallis Inquiry), that cost-based pricing is an important element underpinning an efficient payments system.

The ABA wrote in a submission to the Committee that *"the range of basic bank accounts in the market, combined with the range of fee discounts and exemptions is ensuring all Australians can access affordable banking"*²³. It pointed to ABS Household Expenditure Survey data that shows that on average, individuals pay around \$50 per year for retail banking services. For people who receive government welfare or pension payments, the average fees paid are considerably lower. Details of basic fee-free banking services are outlined in section 2.8.1.

2.4.4 Migration of Customers Towards Electronic Banking

During the 1990s, there was a dramatic increase in consumer adoption of electronic banking. In its submission to the Committee, the ABA noted that the Australian Bureau of Statistics estimates that 74 per cent of Australian adults use ATMs, 67 per cent use EFTPOS facilities, 51 per cent use telephone banking, and 8 per cent have undertaken some kind of banking transaction over the Internet.²⁴

Since 1995, the number of ATM facilities has increased by 73 per cent, from 6,249 to 10,818 and the number of EFTPOS facilities has increased by 408 per cent, from 62,975 to 320,373. Whilst banks do not provide the hardware for phone and Internet banking, significant investments have also been made across the industry to develop phone and Internet banking capabilities.²⁵

²³ Written Submission No. 28, Australian Bankers' Association, p. 4.

²⁴ Ibid, p. 5.

²⁵ Loc. cit.

The Australian Bankers' Association estimates that around only one in ten banking transactions are undertaken in branches today, compared to about 50 per cent in 1990. These figures are similar to those provided by the Commonwealth Bank which indicated that only 15.6 per cent of transactions were conducted in branches in 2001, compared with 46 per cent in 1995.²⁶

It is the Committee's view that this trend has arisen partly as a result of a strategy by the major banks to reduce in-branch transactions in order to facilitate branch closures and subsequent reductions in costs and staffing levels within the industry. The massive increase in ATMs and EFTPOS facilities was commercially driven by the banks and does not compensate for the reduction in service delivery by the banks. While there may be an argument, particularly in metropolitan areas where bank branches remain, that many consumers have adopted new technologies due to their ease and convenience of use, many have also been pressured to use such facilities due to the increased cost of making over the counter transactions.

The Bank of Melbourne currently has 208,700 customers registered for Internet banking in Victoria, representing 15 per cent of its total customer base.²⁷ Some of the Internet banking services offered include the ability to trade shares, on-line shopping through a secure payments environment and funds transfer between any other bank, building society or credit union within Australia.

ANZ reported to the Committee that customers initially used the Internet primarily for transactions such as balance inquiries but have "*rapidly gained confidence in the channel for withdrawals such as account transfers and BPAY*".²⁸ Customers now increasingly use telephone and Internet banking for everything from checking their account balances to paying their bills and applying for credit cards and home loans.

²⁶ Written Submission No. 51, Commonwealth Bank, p. 3.

²⁷ Written Submission No. 31, Westpac, p. 8.

²⁸ Written Submission No. 34, ANZ, p. 4.

While there is no doubt electronic banking has rapidly become the main form of banking for many Australians, the Committee heard some concerns relating to the accessibility of these services. These issues are dealt with in section 2.6.1.

2.5 Economic Impact of Changes in the Banking Industry

Over the last decade, it has become clearer that the deregulation and liberalisation of the financial system that began in the mid-1980s has been to the benefit of the Australian economy. As outlined by the ABA in a submission to the Committee, the Australian banking sector was looking unhealthy in the early 1990s, with a string of banks losing substantial amounts of money. Before tax losses in the years 1990, 1991 and 1992 exceeded A\$9 billion – equivalent to over 2¼ per cent of GDP in 1990, or over one third of the aggregate level of shareholders' funds in the banking system in 1989.²⁹

The largest (proportional) losses were recorded by the state government-owned State Bank of Victoria and the State Bank of South Australia. Both banks experienced pre-tax losses exceeding three times the 1989 level of shareholders' funds and therefore, each required large amounts of government financial assistance. Large losses were also recorded by Westpac and ANZ following comprehensive market-based revaluation of their property assets.³⁰

The Australian banking industry today is in much better shape. Australian banks are not only financially sound with low rates of impaired assets, but are also returning profits to shareholders consistent with other comparable countries.³¹

2.5.1 Productivity

Due to data restrictions, it is not possible to isolate the Victorian economy from that of the wider Australian economy in assessing key economic indicators relating to the

²⁹ Written Submission No. 28, Australian Bankers' Association, p. 2.

³⁰ Lowe & Gizycki, *The Australian Financial System in the 1990s*, cited in Written Submission No. 28, Australian Bankers' Association, p. 2.

³¹ Loc.cit.

banking industry. It is likely, however, that the experience within the Victorian economy is consistent with findings relating to the Australian economy as a whole.

As stated at the outset, the financial services industry is a core element of Australia's economic strength, with the benefits of a healthy financial system being shared throughout the whole economy. However, the financial services industry is also making an important economic contribution in its own right.

Productivity growth in this sector is above the industry average. Productivity is a particularly important indicator because it underpins long-term economic growth. Without strong productivity gains, economies traditionally experience inflationary pressures after periods of strong economic growth. Most economists identify Australia's strong productivity performance over the last decade as the core element in our stable inflation rate.³²

In the period 1985-86 to 1998-99, productivity of the finance and insurance sector grew more than twice as fast as for the economy as a whole. The index of gross product per hour worked in the sector grew by 5 per cent per year, compared to an increase of only 2 per cent for the economy as a whole.³³ ANZ wrote in its submission to the Committee that its earnings per average full-time employee increased from \$96,000 in 1990 to \$223,053 in 2000, whilst its assets per staff position have also increased from \$2 million in 1990 to \$6.1 million in 2000.³⁴

2.5.2 Employment

The Australian Bankers' Association suggests that the finance and insurance sector has also played an important role in keeping unemployment down. Despite the reduction in the number of people working in the sector over the last decade, the rate of unemployment is the lowest of any private sector industry. One of the reasons for this is

³² Written Submission No. 28, Australian Bankers' Association, p. 7.

³³ Loc. cit.

³⁴ Written Submission No. 34, ANZ, p. 3.

the high level of professional training that is offered to finance workers, meaning they are well equipped to find work quickly after retrenchment.³⁵

The Finance Sector Union of Australia (FSU) provided evidence to the Committee that the impact of structural changes in the finance sector has had a mixed effect on employment opportunities in Victoria. It quoted ABS data showing that overall, employment in the finance and insurance industry increased by almost 6,400 (7.9%) between 1996 and 2000. However, strong growth in the two years between 1996 and 1998 was offset by a decline between 1998 and 2000.

The strong employment growth between 1996 and 1998 was comprised of significant growth in the *services to finance and insurance* sector (+41.6%) and a small increase in the *finance* sector (+5.3%) which was offset by an almost corresponding decline in *insurance* (-5.1%). Between 1998 and 2000, the *insurance* sector increased by 25.7 per cent while the *services to finance and insurance* sector declined by 28.3 per cent.³⁶

The FSU noted its concern about the recent decrease in employment in the *services to finance and insurance* sector between 1998 and 2000. This is the sector that has grown consistently since 1986, even when other parts of the sector have been steady or in decline. It includes areas such as credit card administration, executor services, money changing services, share registry, stock exchange operation, trustee services, actuarial services, insurance broking and insurance agency services. It is therefore potentially an area where those being displaced from banks may find alternative employment.

Over the five years to 1999-00, employment in the Australian *banking* industry declined from approximately 118,463 to 103,950. This represents an average fall of 2.6 per cent per annum.³⁷ The number of bank employees has fallen as a result of branch closures, technological advancement and business process reengineering. Banks have sought to reduce labour and accommodation costs by changing the way in which services are delivered to customers, mainly through ATMs, EFTPOS facilities, branch kiosks,

³⁵ Written Submission No. 28, Australian Bankers' Association, p. 7.

³⁶ Written Submission No. 22, Finance Sector Union of Australia, p. 4.

³⁷ IBISWorld Pty Ltd, *K7325 National and Regional Commercial Banks*, Volume 3.

telephone banking and Internet banking.³⁸ Table 2.2 below summarises the move from branches (and industry employment) to agencies, ATMs and giroPost.

TABLE 2.2 EMPLOYMENT IN AUSTRALIAN BANKING INDUSTRY 1993 – 2000 (UNITS)

Year	Employment	Branches	Agencies	EFTPOS	ATMs	GiroPOST
1993	137,768	7,064	N/a	30,486	5,483	N/a
1994	133,405	6,747	5,730	38,875	5,848	N/a
1995	131,625	6,655	5,897	62,975	6,279	N/a
1996	130,758	6,508	6,950	107,702	7,178	N/a
1997	121,911	6,121	6,992	164,199	8,182	2,627
1998	117,832	5,615	6,367	218,330	8,814	2,720
1999	117,855	5,358	6,528	265,391	9,387	2,724
2000	115,500	5,003	5,043	320,372	10,818	2,814

Source: RBA Bulletin, cited in IBISWorld Pty Ltd

2.6 Impact of Withdrawal of Banking Services From Small and Medium Sized Towns

The impact of branch closures on rural communities has been the subject of significant debate in Victoria since the start of the 1990s. It also remained a consistent theme throughout the Committee’s Inquiry, both during public hearings throughout rural Victoria and in many written submissions received from rural, regional and even metropolitan areas. The Committee heard that impacts caused by the withdrawal of banking services are felt in different ways by individuals, businesses and communities.

The banking industry argues that access to banking services has improved over the last 10 to 20 years, through the introduction of telephone banking, ATMs, Internet, EFTPOS and B-Pay. Many customers living and working in major cities would probably agree with this view given the proliferation of ATMs located around metropolitan Melbourne and easy access to the Internet and telephone banking at an affordable cost.

However, the Committee’s evidence shows that customers residing in rural communities argue that access to banking services has declined. The preference for face-to-face banking services is particularly high in rural communities while access to electronic

³⁸ IBISWorld Pty Ltd, *K7325 National and Regional Commercial Banks*, Volume 3.

banking and ATMs is lower than in metropolitan areas. The ABA acknowledges that small and medium sized towns have voiced the greatest concern:

Mr David Bell, Chief Executive Officer, Australian Bankers' Association:

“There is no doubt that the closure of a bank branch causes a degree of resentment amongst community members. The reasons for this include a feeling that the community is being abandoned and the loss of convenience for those customers who use the bank branch.”³⁹

While the Committee acknowledges the overall advantages of electronic banking, the issue of access is very much a concern in rural communities. Problems encountered in relation to information technology and telecommunications, which are seen as impeding access to electronic banking, are discussed in Chapter 7.

As stated earlier, ATMs are far less prevalent in rural areas than metropolitan areas. Even if rural customers can undertake Internet or telephone banking, they still need to be able to deposit and withdraw funds. In many cases these people are forced to travel significant distances to undertake these banking transactions.

Many towns throughout rural and regional Victoria have had their own unique experience of the scope, timing and effect of service decline. The following represents just a few case examples of bank closures in rural Victoria, provided in a written submission from Mr Mark Genovese, General Manager, Financial Service & Sales, Credit Union Services Corporation (Australia) Limited:⁴⁰

- ◆ Announcing the closure of its Omeo branch in June 1996, the Commonwealth Bank issued a notice to its customers advising that they could access full banking services at Bairnsdale, Bright or Mount Beauty. However, Bright is a 3 hour and 50 minute return trip from Omeo (and 4 hours and 30 minutes from Benambra), Mt Beauty is a four hour and 30 minute return trip from Omeo (plus an additional 40 minutes from Benambra) and Bairnsdale is a 3 hour return trip from Omeo. The roads in these

³⁹ Written Submission No. 28, Australian Bankers' Association, p. 8.

⁴⁰ Written Submission No. 57, Credit Union Services Corporation.

locations are mountainous, windy and slow to travel on and the only bus service is between Omeo and Bairnsdale, at a cost of \$30 per return trip.

- ◆ Following the National Australia Bank's closure in Eildon in April 1995, residents had to travel the 50 km round trip to Alexandra to conduct their banking. In November 1998, the Firefighters Credit Co-operative opened a Member Service Centre in Eildon.
- ◆ Following the National Australia Bank's closure in Lismore in March 1997, the town was left without a full banking service. However, isolated cases of local opposition invoked community fear that the introduction of a credit union service would cause a loss of banking customers and subsequent downgrading of banking services in the local post office. It was also feared that a new credit union service would also trigger the closure of the ANZ Bank at nearby Derrinallum.
- ◆ The Commonwealth Bank closed in Manangatang in 1992, followed by Westpac in 1995. Some businesses used a security courier to take banking to the closest bank branch for a fee of \$5 per business. Others drove to Robinvale, Ouyen or Swan Hill to bank several times a week. A financial service could not be attracted to the town, although a Rural Transaction Centre opened in the Manangatang Post Office in September 2001, providing community access to Centrelink, Medicare, Internet services and on-line banking.

The following sections of this chapter outline evidence received by the Committee regarding the impact of bank branch closures on individuals, businesses and communities in general within small and medium sized towns.

2.6.1 Economic Impact of Branch Closures

While the Committee heard much evidence relating to the impact of branch closures on community confidence and customer convenience, assessing the economic impact of a bank branch closure is more difficult. There have been a few previous studies that have

grappled with this question, most notably, two studies undertaken by the Centre for Australian Financial Institutions at the University of Southern Queensland.

The first study was commissioned by CreditCare, a Commonwealth Government initiative which aimed to assist the re-establishment of financial services in rural, remote and Indigenous communities that had lost access to such services. The survey '*Economic and Social Impacts of the Closure of the Only Bank Branch in Rural Communities*', was conducted in 1997. Five towns in New South Wales and two towns in Queensland took part in the survey.

The results indicated that the major impacts on individuals were reduced savings, increased size of cash withdrawals, reduced investment income, reduced access to and increased cost of finance and reduced access to financial planning advice. The major impact on business was an increase in cheque cashing, loss of cash sales, accumulation of excess cash, delays in depositing cheques and an increase in bad debts. From the community's perspective, the main impacts were financial drain from the community, loss of financial investment and loss of confidence in the community.

The banking industry's response to this study was to commission the same authors to conduct a follow-up to the original study two years later (in 1998), to assess how the original participants had adapted to the loss of their local bank branch.

The 1998 study investigated the use of and satisfaction with financial service providers in relation to savings and investing, loans, financial planning, and business financial services, as well as the overall satisfaction of the surveyed communities with financial services compared to two years ago.

The report indicates that in the two years since the original study, access to self-service banking facilities, such as EFTPOS outlets, and telephone and Internet banking in the sample towns increased. It also reports that alternative service providers, such as building societies, credit unions and superannuation funds are playing a major role in providing services to rural communities. This is evidenced by the presence of credit union agencies in three of the six case towns.

Also reported in the study is the community perception of the changes that have taken place in financial service provision. The report concludes that the range and convenience of financial services for the case towns was the same or better than two years ago, however, the cost of financial services was considered to have deteriorated.

The study showed that towns were still losing retail spending through those who travel to regional centres for financial services, however, there was evidence to suggest that the frequency of these trips had declined. Therefore, the report concludes that it is in the best interest of these towns to take advantage of and encourage the use of self-service facilities, as they play an important role in keeping cash circulating within a community.

As noted in the following section, the findings of the second study would appear to be inconsistent with the Committee's evidence from rural towns.

2.6.2 Impact of Branch Closures on Individuals

There is no doubt that the closure of a bank branch causes a degree of resentment amongst community members, often relating to feelings that the community is being abandoned and the loss of convenience for those customers who use the bank branch. Despite the undeniable uptake and increased acceptance of electronic banking channels among many consumers, the Committee heard consistent arguments that personal banking via bank branches is still the most appropriate form of service delivery for large sections of the community.

These arguments perhaps stem from concerns about the difficulties faced by specific customer groups in accessing the alternative, electronic banking channels. For example, some consumer groups may simply not understand how to use certain new technologies whilst others, most notably older customers or customers with a physical or mental disability may not be able to use them even with an increased level of knowledge. In the case of Internet banking, access to computers and the Internet is simply not possible for many in remote areas of the State.

The comments below are representative of many others received during the Committee's public hearings.

Mr Paul McKenzie, Manager, Aged Care and Disability Services, Campaspe Shire Council:

*"Phone banking is an absolute disaster to the older person. They cannot hear and they are not usually quick enough to respond to that. They have not been brought up with that type of technology."*⁴¹

Ms Anne McLennan, Acting Director, Community Services, Shire of Macedon Ranges:

*"Another issue, particularly for the older community, is accessibility of electronic banking. Older people do not feel safe using ATMs, they do not understand how to use ATMs and they have real trouble using telephone banking, especially when they have to talk to a machine and push buttons in response to a machine. Often it fazes them and frustrates them, so they tend not to use the banking service themselves but rather to rely on family or friends to do their banking."*⁴²

The Committee notes that the State Government has raised concern over safety and security at ATMs and has been working with the Australian Bankers' Association to encourage banks to increase safety and security.

During the Committee's final deliberations in April 2002, the Australian Bankers' Association launched voluntary Industry Standards which aim to improve the accessibility of electronic banking. The Industry Standards cover ATMs, EFTPOS, automated telephone banking and Internet banking.

The main driver of the Industry Standards is the Commonwealth *Disability Discrimination Act 1992*, which makes it unlawful to discriminate against a person on the grounds of a disability. The Act sets out specific areas in which it is unlawful to discriminate, including accommodation, employment, access to premises and the provision of goods, services and facilities. The ABA, Human Rights and Equal Opportunity Commission and the Accessible E-Commerce Forum worked with representatives from member banks, other

⁴¹ Minutes of Evidence, 12/09/2001, p. 275.

⁴² Minutes of Evidence, 11/09/2001, p. 240.

financial institutions, community groups, suppliers and retailers to develop these Industry Standards.

The Committee notes that in his announcement to launch the Industry Standards, Chairman of the Australian Bankers' Association, Mr David Murray stated that "*Individual banks may use the Standards to assist in meeting the requirements of the Disability Discrimination Act and it is up to individual banks to assess their compliance with the Act*".⁴³ The Committee notes the claim of the ABA that the *Disability Discrimination Act* 1992 means that there is no need or case for the banking industry to self-regulate for the adoption of the Standards and Protocols. It is the Committee's view that the failure to adopt as mandatory the standards developed by the ABA is another example of the tendency of the major banks towards tokenism rather than substantial consumer protection.

Many communities told the Committee that the inadequacies of electronic banking as a substitute for face-to-face services extend beyond just the difficulty experienced by some customers in accessing or learning how to use these new technologies.

Ms Jennifer Tod, Chief Executive Officer, Yarriambiack Shire Council, wrote in her submission to the Committee:

*"These communities need more support for training and education to reduce the fear of using Internet banking, Bpay or even EFTPOS. More importantly the IT infrastructure to these remote rural areas is extremely poor. The options promoted to replace over the counter services are not available to these communities without investment in IT infrastructure."*⁴⁴

⁴³ Australian Bankers' Association website, *Launch of Industry Standards – important steps to help overcome the digital divide for people with disabilities and older Australians*, Media Release, 15/04/2002.

⁴⁴ Written Submission No. 7, Yarriambiack Shire Council, p. 2.

Mr Neil Jacobs, Chief Executive Officer, Hindmarsh Shire Council also referred to inadequate infrastructure:

“Internet banking is not an option in some of our communities because inadequate telecommunication bandwidth means abysmally slow connections.”⁴⁵

Many of the above concerns are inconsistent with the study commissioned by the ABA previously referred to which highlighted positive feedback on electronic banking.

Concerns about the quality of information and communications technologies were consistent across rural Victoria.

The Committee also heard many comments about additional costs facing rural customers in accessing alternative banking channels such as telephone or Internet banking and even ATMs. For example, there are only two ATM’s operated by the banks within the Shire of Yarriambiack, located in Warracknabeal and Hopetoun. Although there is also a ‘Handy ATM’ which is not aligned with any bank in one of the supermarkets in Warracknabeal, this ATM is only open during supermarket hours and costs \$4.00 per transaction to use.

Given the extent of the comments received about service difficulties and cost inequities, the Committee requested representatives of Telstra Country Wide to appear in a public hearing. Whilst recognising the traditional inequities in telephone and Internet service delivery and their associated costs to rural customers as opposed to metropolitan customers, Telstra Country Wide claimed that these inequities have to a large extent been removed. Rural and regional information technology and telecommunications infrastructure is discussed in depth in Chapter 7 of this report.

⁴⁵ Written Submission No. 18, Hindmarsh Shire Council, p. 4.

FINDING 2.1

The Committee finds that despite the introduction of new technologies and rapid up-take of these technologies, some customer groups are still faced with difficulties in accessing banking services. In particular, the Committee notes that a number elderly citizens and people with special needs experience difficulties using alternative banking channels, including:

- ◆ *feeling unsafe at ATMs;*
- ◆ *not having the speed or dexterity to use ATMs or telephone banking;*
- ◆ *not being able to hear recorded instructions clearly;*
- ◆ *not being able to remember PINs or instructions; and*
- ◆ *lack of access and training to use Internet facilities.*

FINDING 2.2

The Committee finds that other consumers may not have the skills or the confidence to use alternative banking channels effectively.

FINDING 2.3

The Committee finds that the Banking Industry Standards released in April 2002 should have been adopted and implemented by all major banks as a means of alleviating customer concerns regarding accessing banking services.

FINDING 2.4

The Committee finds that in not adopting and implementing the Banking Industry Standards as mandatory, the banking industry has not taken adequate actions to protect consumer needs, particularly the needs of older Victorians and those with access difficulties.

FINDING 2.5

The Committee finds that some rural residents incur additional costs in accessing electronic banking compared to those incurred by residents in metropolitan or regional areas.

FINDING 2.6

The Committee finds that Internet usage and infrastructure capabilities are not yet at a sufficient standard to support widespread and convenient adoption of Internet banking by rural residents.

RECOMMENDATION 2.1

The Committee recommends that banks review those services that they have withdrawn from small and medium sized towns and reassess the viability of face-to-face services, to be delivered by the banks themselves or alternative service providers.

RECOMMENDATION 2.2

The Committee recommends that the banking industry provide funding to community organisations to deliver education and training programs to assist residents to switch to electronic banking channels, including ATMs, telephone banking and Internet banking.

RECOMMENDATION 2.3

The Committee recommends that the banking industry be required to:

- ◆ **adopt the Industry Standards as *minimum* standards; and**
- ◆ **lodge a Disability Action Plan with the Human Rights and Equal Opportunity Commission in response to the Industry Standards within six months of their release.**

RECOMMENDATION 2.4

The Committee recommends that implementation of and adherence to individual bank's Disability Action Plan be monitored and enforced through an expansion of the role and powers of the Banking Industry Ombudsman.

RECOMMENDATION 2.5

The Committee recommends that the government review the use and demand for computer facilities and access to ATMs at various community facilities such as Senior Citizens Clubs, Neighbourhood Houses, bowling clubs, council offices and post offices.

RECOMMENDATION 2.6

The Committee recommends that residents in rural and remote Victorian towns where there is no bank branch, be able to access ATMs at an equitable cost to those in regional and metropolitan centres through a waiver of any foreign ATM fee associated with accessing accounts held with the four major banks, where that bank does not provide an ATM in the customer's town of residence. The Committee recommends that the State Government write to the major banks, Australian Bankers' Association and the Banking Industry Ombudsman with a view to instituting a set of arrangements to facilitate this recommendation.

2.6.3 Impact of Branch Closures on Business

Despite the difficulty in quantifying the economic impacts of the withdrawal of banking services, the Committee did gain some insight into the effect on local businesses throughout its series of regional hearings.

In its written submission, the Bendigo Bank outlined the experience in the north-western Victorian towns of Rupanyup and Minyip, where the manager of the local supermarket saw his turnover decrease by 10 per cent following the withdrawal of banking services. Following the opening of a Community Bank™ branch that operates in both Rupanyup and Minyip in 1998, the local supermarket saw a 30 per cent increase in its turnover, enabling the manager to expand his product range and purchase new equipment.⁴⁶

According to the Bendigo Bank, a number of other businesses in communities throughout the Community Bank™ network have reported similar experiences. In its written submission to the Committee, Boroondara City Council also referred to the experience of consultants involved with feasibility studies for Community Banks™. They found that in both metropolitan and rural areas, the loss of the last bank branch causes butchers to lose 40 per cent in sales, general retailers between 10 and 25 per cent and pharmacies and newsagencies 5 per cent.⁴⁷

The Royal Australian Planning Institute reported in its submission that following the closure of one of two banks at Edenhope, there was an estimated fall of up to 25 per cent in takings in some businesses in that town. Similar evidence was heard in public hearings.⁴⁸

Mr Richard Herbert, President, Tongala Community Bank:

"I run Tongala Hot Bread, a small bakery in Tongala... Prior to the bank opening in December my figures were actually down. I believe the town has been on a downturn since one major bank went to part time and one

⁴⁶ Written Submission No. 6, Bendigo Bank, p. 1.

⁴⁷ Written Submission No. 5, Boroondara City Council, p. 1.

⁴⁸ Written Submission No. 30, Royal Australian Planning Institute, p. 3.

shut. Since the community bank opened I am up 14 per cent on comparable months of the year before. I am very happy with that.”⁴⁹

The Committee also notes the joint study of the Bendigo Bank and La Trobe University which sought to evaluate the socio-economic effects of community banking. Respondents to this survey (covering five community banking localities) were asked where they purchase certain items such as food and non-alcoholic drinks, alcohol, tobacco, clothing and footwear, medical and health products, personal care products and vehicle fuel and servicing. They were then asked to reconsider their responses to these questions if there was no bank at all in their community. The results found that if a community did not have a bank, there would be a substantial shift in expenditure from that community to another.

The Committee heard some views that following a bank closure, particularly the last bank in a small town, some local businesses would close. However, the Committee could not substantiate that bank closures directly resulted in the closure of other local businesses. The following evidence is typical of comments made throughout the Inquiry:

Ms Trixy Allott, Chairperson, Welshpool & District Rural Transaction Centre:

“Not long after the bank closed the butcher shop closed its doors, then one of our service stations also closed. It was a difficult time because the town appeared to be going backward fast.”⁵⁰

Mr Peter Anderson, Rochester Chamber of Commerce and Industry:

“The impact of bank closures and downsizing of banks in Elmore has led to several businesses closing – namely, the hardware store, a bed and breakfast, a service station and mechanical workshop, and a TAB. So that is four very important businesses out of Elmore.”⁵¹

The Committee also heard some examples where a business may not have opened in a town had banking facilities not been available.

⁴⁹ Minutes of Evidence, 12/09/2001, p. 308.

⁵⁰ Written Submission No. 15, Welshpool & District Rural Transaction Centre, p. 1.

⁵¹ Minutes of Evidence, 12/09/2001, p. 301.

Mr Paul Hodson, Owner/Manager, JBK Employment:

“As far as government and infrastructure and things like that go in a small town like Rochester, it is imperative. If we did not have a post office and the Commonwealth Bank here, we would not have come, even though we live in Rochie, we would have opened in Echuca. It does not really matter whether it was a Commonwealth or an ANZ...”⁵²

Mr Darren Chesterfield, Manager, Rupanyup/Minyip Community Bank:

“The people contributed about \$270,000 to open the bank. We are about eight months away from all the accumulated profits being used to pay back the contributors. Once we reach that stage the profits will be used as the community sees fit. The board of management is firm that the profits will not be used, for example, to water the football oval and so on but to see capital used and to encourage new services or investments that the towns do not now have. That is the aim. At the moment we have encouraged new businesses to develop. One new grain cleaning plant opened at Minyip at an investment of about \$500,000 to \$600,000. Had a bank not been in the town that investment may have gone to, perhaps, Murtoa. You must have access to some sort of financial service.”⁵³

The Royal Australian Planning Institute also noted the secondary impacts felt by businesses in rural and regional communities:

“A secondary, but significant, impact of the withdrawal of services on business is the added community expectations for cash handling, cheque cashing and credit. The impacts of this extend to those businesses with electronic payment options in place, where expectations of cash withdrawal present an added economic and social burden on business.”⁵⁴

The above comment is supported by evidence from the Welshpool RTC regarding the experience following the last bank branch closure in the local community. Businesses were hit by a reduction in the number of people coming to town and the added burden of having to take an hour out of their day to travel to a bank. There were also times when they had to make a special trip to the bank specifically to pick up extra cash to service the local EFTPOS facility.

⁵² Minutes of Evidence, 12/09/2001, p. 286.

⁵³ Minutes of Evidence, 29/08/2001, pp. 174-175.

⁵⁴ Written Submission No. 30, Royal Australian Planning Institute, p. 2.

Finally, the Committee also heard that many rural businesses face increased costs in conducting their own banking compared with their metropolitan counterparts. For example, the Committee heard of a business in Heathcote that must either travel to Bendigo to conduct company transactions or alternatively, use the local National Australia Bank and be charged a transfer fee. Whilst Telstra Country Wide rejects claims that rural consumers face inflated transaction costs associated with Internet or telephone banking when compared with metropolitan customers, the Committee notes that the reality for these many customers when attempting a certain range of transactions (such as seeking information about or arranging home or business financing) is still a choice between travelling significant distances to the nearest bank branch or making long-distance telephone calls.

Another difficulty facing rural businesses is the trend within the banking industry to centralise responsibility within the banks' structure. For example, evidence received in Edenhope suggests that while the town has retained its Commonwealth Bank branch, approval for loans was first transferred to Horsham and later, to Ballarat. The Committee heard the experience of one business owner in Nhill who had no direct face-to-face contact with a bank manager throughout the process of buying his business because the application had to be considered in Ballarat.

This trend towards centralisation means that loan applicants are relying on bank staff in one location to accurately convey the needs of their client to a manager in a distant location who often may not have an adequate understanding of the environment for which the loan is being sought. Similarly, the loan applicant is also relying on the accuracy of advice provided by someone who may not have a full appreciation of the potential of the business opportunity. The Committee heard from a number of individuals frustrated by the lack of direct access to a bank manager.

Mr Peter Anderson, President, Rochester Chamber of Commerce and Industry:

“We now talk to the major regional centres for your banks. I bank with the Commonwealth. We talk to Shepparton. Some of the guys talk to Bendigo. Someone was telling me the other day that the main person they talk to is in Ballarat. That is a good 2 hours away from here. In other words, if you have to do any major financial transaction and talking to the banks, you have to either go to these places or get them to come here. You have not got your own bank manager here to relate to.”⁵⁵

FINDING 2.7

The Committee finds that the presence of a bank branch is important in the attraction and retention of businesses in a small town.

FINDING 2.8

The Committee finds that there has been a negative impact on small businesses, particularly those located in small and medium sized towns, following structural changes in the banking industry over the past 10 years.

FINDING 2.9

The Committee finds that the withdrawal of banking services increases the pressure on local businesses to provide cash handling, cheque cashing and credit facilities to residents and to install EFTPOS and ATM facilities at significant cost to themselves.

FINDING 2.10

The Committee finds that following the closure of a bank branch in a town, local businesses suffer a reduction in business banking services and face increased travel costs associated with accessing an appropriate level of service.

⁵⁵ Minutes of Evidence, 12/09/2001, p. 301.

RECOMMENDATION 2.7

The Committee recommends that the State Government, in partnership with the banking industry, examine ways to eliminate or reduce the cost to small rural businesses of providing electronic banking facilities. In particular, a small rural business should not incur costs in providing an ATM, especially where it is the only ATM in the town.

2.6.4 Impact of Branch Closures on Communities

A written submission received from the Indigo Shire Council provides a useful summary of the range of impacts felt by many communities throughout the State when a local bank branch closed.⁵⁶ First, there is a loss of local expenditure caused when residents travel outside of their local community to access face-to-face banking services. This is a problem that is exacerbated when those people who previously staffed the local branch then move out of the community, taking with them their associated expenditure.

Mr John Costello, Chief Executive Officer, Indigo Shire Council, illustrates the negative multiplier effect in writing about the impact of the closure of the Commonwealth Bank in Rutherglen:

“whilst there is still a National Australia Bank in Rutherglen, a large portion of the community banked with the Commonwealth. Rather than change to NAB, many of these people including commercial operators, now travel across the border to Corowa to access Commonwealth Bank facilities.... There are two ramifications of this, one being the inconvenience and extra cost to customers who have remained with the Commonwealth Bank and the second is, once they are over in Corowa they tend to purchase goods and services in Corowa rather than in their own town. The negative multiplier effect of this is difficult to quantify, but it certainly exists.”⁵⁷

Indigo Shire noted the costs it incurs in subsidising WAW Credit Union to provide banking services in two towns, Chiltern and Yackandandah, which do not have a bank branch.

⁵⁶ Written Submission No. 10, Indigo Shire Council, p. 2.

⁵⁷ Loc.cit.

Many other councils also told the Committee of the increasing pressures on them to either provide replacement banking services or to support other organisations seeking to re-introduce banking services to the community.

Indigo Shire Council also noted concerns about banking properties (both commercial and domestic) being sold at less than valuation costs, and the associated potential in a small town to actually depress the market.

Ms Sharon Whelan, Manager, Community Builders Program, Moyne Shire Council adds another perspective, in terms of economic confidence within communities that have suffered the withdrawal of banking services.

“All of the towns within Moyne Shire have been directly affected by bank closures. Smaller towns in the municipality have been most seriously affected. Forced bank restructuring effects on a community level have resulted in lack of competitive choices for retailers, farmers, and general members of the community. Closures have lowered business confidence in small towns’ survival competitiveness and have not encouraged further economic development in the affected areas.”⁵⁸

Another common concern among smaller communities following the loss of banking and other services is the associated loss of social and intellectual capital. Many submissions and witnesses at public hearings referred to the flow on effects of the loss of professional positions on various sporting and community organisations. For example, Horsham Rural City Council reported a significant loss of community leadership following withdrawal of the banks as the local bank manager was very often a leader in the community, particularly through involvement as either secretary or president of a number of clubs.⁵⁹

Similar evidence was heard in many public hearings.

⁵⁸ Written Submission No. 17, Moyne Shire Council, p. 2.

⁵⁹ Written Submission No. 23, Horsham Rural City Council, p. 23.

Mr Wayne Manton, Small Business Owner from Jeparit:

“Jeparit has been badly affected by the withdrawal of services. Since 1990 there has been a dramatic change. There used to be two full-time bank branches in Jeparit in the early 1990s, but we have lost both and are now back to one part-time branch with two tellers only. The result was that Jeparit lost two bank managers, one accountant and two tellers who lived in the town.”⁶⁰

Mr Peter Anderson, President, Rochester Chamber of Commerce and Industry:

“With banking, because Rochester has a low unemployment rate and because it is fairly well off in terms of the way the economy runs year in, year out, we have been very fortunate; we still have four mainstream banks and two other financial institutions in Rochester. Whereas before with the four mainstream banks we had bank managers living in town, either on the premises or in bank-owned houses in Rochester, that does not really exist any more. We have one bank manager living in Rochester.”⁶¹

FINDING 2.11

The Committee finds that the closure of a bank branch causes a significant degree of resentment in the community, often relating to feelings that the community is being abandoned and loss of convenience in accessing personalised banking services.

FINDING 2.12

The Committee finds that closure of bank branches in rural Victoria has had an adverse effect on local expenditure and the level of employment in small communities.

FINDING 2.13

The Committee finds that closure of bank branches in rural Victoria, together with restructuring within the remaining branch networks, has caused a loss of social

⁶⁰ Minutes of Evidence, 28/08/2001, p. 157.

⁶¹ Minutes of Evidence, 12/09/2001, p. 301.

and intellectual capital and has had an adverse effect on community leadership in small and medium sized towns.

RECOMMENDATION 2.8

The Committee recommends that governments, local councils, community leaders and local media outlets provide information to residents and business owners, explaining the choices they have following the closure of their local branch, how to access alternative appropriate services and the benefits of supporting any community services (such as Community Banks or Rural Transaction Centres) that are available.

2.6.5 National Australia Bank April 2002 Announcement of Pending Branch Closures

Consistent with the Committee's investigations, community outrage was again evident following the announcement in April 2002 that National Australia Bank is planning to close 56 branches, including 28 in rural towns in Victoria. The National Australia Bank makes the following comments regarding these closures on its website:

“Many regional and rural agencies have limited opening hours; with some as little as one day per week. Our arrangement with Australia Post provides customers with more locations, more hours of operation and full time over the counter services”.⁶²

The announcement on the website also emphasises the changing behaviour patterns of bank customers:

“The transformation of the regional and rural network is being undertaken as a result of rapidly changing customer preferences and a noticeable decline in the number of over the counter transactions in each of the 56 limited-service agencies.

⁶² National Australia Bank website, <http://national.com.au>, *National to change its regional and rural network*, 04/04/2002.

Most customers are now choosing to transact through more convenient electronic alternatives, such as telephone banking, ATM, EFTPOS and the Internet.

Over the counter transactions account for less than 10% of the National's total transactions. Most of the time customers are choosing self service channels to access their funds 24 hours a day, 7 days a week".⁶³

Given the timing of the National Australia Bank's announcement, the Committee did not have opportunity to take evidence from affected communities regarding the potential impacts of the latest agency closures. However, a review of a sample of regional newspapers revealed the high level of concern in the community, with the following issues being raised:

- ◆ The closure of the Pyramid Hill branch represented the closure of the only remaining full banking facility in the town.⁶⁴
- ◆ The closure of the Dimboola agency leaves three employees (each married and two with children) facing relocation or redundancy options. The Dimboola agency was still open 5 days per week at the time of the announcement.⁶⁵ The Nyah West closure will cost two jobs from a town of only about 700 people.⁶⁶
- ◆ Business owners in Pyramid Hill⁶⁷, Coleraine⁶⁸, Nyah West⁶⁹ and Koroit⁷⁰ reported concerns about cash flow leaving the town as residents travel elsewhere to conduct their banking.
- ◆ The Finance Sector Union suggests that every bank closure means up to four jobs will be lost in the local community due to the reduced level of trade.⁷¹
- ◆ Many business owners reported concerns about the availability of business banking services.⁷²

⁶³ Loc.cit.

⁶⁴ Riverine Herald, *NAB shuts doors*, 05/04/2002 p. 1.

⁶⁵ The Mail-Times, *Town deplores bank shutdown*, 08/04/2002, p. 2.

⁶⁶ The Guardian, *Bank anger*, 08/04/2002.

⁶⁷ Bendigo Advertiser, *Closure a kick in the teeth*, 09/04/2002, p. 4.

⁶⁸ The Hamilton Spectator, *Coleraine anger at bank closure*, 09/04/2002, p. 1.

⁶⁹ The Guardian, *Bank anger*, 08/04/2002, p. 1.

⁷⁰ The Standard, *Fight to keep NAB in Koroit*, 06/04/2002, p. 1.

⁷¹ The Standard, *Banks to Close*, 05/04/2002, p. 1.

⁷² The Hamilton Spectator, *Coleraine anger at bank closure*, 09/04/2002, p. 1; The Standard, *Fight to keep NAB in Koroit*, 06/04/2002, p. 1; Shepparton News, *5 banks to close*, 05/04/2002, p. 1.

- ◆ The closure of the last branch in Pyramid Hill will force people to travel to either Kerang or Cohuna.⁷³ Lack of public transport to access services in other towns was raised in many towns.
- ◆ Glenthompson residents already had to travel to Willaura to conduct their National Australia Bank transactions but like Willaura customers, will now have to travel to Hamilton or Ararat, a round trip of approximately 100 km.⁷⁴
- ◆ There are concerns that the local post office will not be equipped to handle the transactions previously handled by the banks, especially services for businesses providing EFTPOS facilities.⁷⁵
- ◆ Many residents⁷⁶, business owners⁷⁷ and local MPs⁷⁸ complained about a lack of consultation or reported that they had not received information about the local agency closure prior to the general announcements in the media relating to all 56 closures.
- ◆ There were general calls for a better balance between profit and social obligations. Chris Connolly, director of the Financial Services Consumer Policy Centre called on the Federal Government to set up a voluntary social charter for banks while Catherine Wolthuizen, finance policy officer for the Australian Consumer Association said that the charter must be backed by law.⁷⁹
- ◆ Rural communities expressed particular concern at the National Australia Bank closures in light of its reputation as a bank that has been established on the back of rural industries and primary production.⁸⁰

Perhaps a positive impact arising from the National Australia Bank closures is the additional motivation provided for communities to establish a community bank. For example, the Bendigo Advertiser reported that residents in Pyramid Hill have now accelerated their plans to establish their own banking facility in the town, recognising that such a move will not only reintroduce personalised banking services into the town,

⁷³ Bendigo Advertiser, *Nabbed*, 09/04/2002, p. 1.

⁷⁴ The Hamilton Spectator, *Bank closures hit two towns*, 06/04/2002, p. 3.

⁷⁵ The Hamilton Spectator, *Coleraine anger at bank closure*, 09/04/2002, p. 3.

⁷⁶ Bendigo Advertiser, *Century of Banking*, 09/04/2002, p. 5.

⁷⁷ Bendigo Advertiser, *Nowhere to keep our dough*, 09/04/2002, p. 5.

⁷⁸ The Colac Herald, *Winch bank to go*, 05/04/2002, p. 1.

⁷⁹ Bendigo Advertiser, *Charter sought to protect consumers*, 09/04/2002, p. 4.

⁸⁰ Riverine Herald, *National Bank closures slammed*, 05/04/2002, p. 21.

but will also provide the additional benefit of returning the profits of the community bank back into the community.⁸¹ Other communities, including Coleraine⁸² and Rushworth⁸³ are now also focused on establishing a community bank.

The Committee notes that while National Australia Bank leaders claim that declining transactions and sales levels have influenced the decision, no quantitative data has been released to demonstrate the level of decline.

The Committee also notes that media coverage surrounding the recent National Australia Bank announcements tended to emphasis either the positive or negative aspects to the closure, with reporting often based on standardised media releases issued by the Australian Bankers' Association and the Finance Sector Union. It is the Committee's belief that these closures will have a negative impact on the affected communities. However, the Committee believes that media reporters and community leaders have a responsibility to help maintain community confidence by informing residents about alternative services and how to access them and the benefits of supporting the nearest local community bank wherever possible.

FINDING 2.14

The Committee finds that consistent with evidence received throughout this Inquiry, the pending National Australia Bank rural bank agency closures are likely to have a negative impact on individuals, businesses and communities in the towns affected.

FINDING 2.15

The Committee finds that community leaders and media reporters have a responsibility to help maintain community confidence following a bank branch closure by informing residents about alternative services and the benefits of supporting the nearest local community bank wherever possible.

⁸¹ Bendigo Advertiser, *Up to the challenge*, 09/04/2002, p. 4.

⁸² The Hamilton Spectator, *Bank closures hit two towns*, 06/04/2002, p. 1.

⁸³ Shepparton News, *Ignoring social obligations*, 05/04/2002, p. 4.

RECOMMENDATION 2.9

The Committee recommends that community leaders and local media reporters encourage residents to switch their banking business to another bank in town or to the nearest Community Bank following the decision of a major bank to withdraw banking services.

2.7 Impact of Bank Branch Closures on Regional and Metropolitan Communities

Whilst the difficulties relating to banking services are most prevalent in small and medium sized towns, the Committee also received evidence about their negative effects from regional centres and even the Melbourne metropolitan area:

Mr Andrew Paul, Chief Executive Officer, City of Greater Bendigo noted:

“... the decision of the major banks to close down their regional offices and to transfer decision making to a centralised location in a capital city is seen as a retrograde step. The loss of jobs in management positions flows into the reduction in ‘human capital’ that a community can draw upon to enhance the overall well being of a region.”⁸⁴

Ms Vicky Davison, Manager Economic Development, Boroondara City Council:

“Particular concerns which have been raised with Council include:

- Banking difficulties for elderly residents who may not wish to use ATM’s and have difficulty travelling to other shopping centres where a bank branch is available. All banks now tend to have long queues which are also difficult for elderly residents;*
- Loss of trade to retailers when shoppers have to travel to another centre to visit a bank and then tend to do their shopping at that centre;*
- Additional costs and liabilities incurred by businesses in having to send staff to other centres to carry out banking tasks such as depositing cash or paying in large numbers of cheques which can not be carried out through an ATM.”⁸⁵*

⁸⁴ Written Submission No. 12, City of Greater Bendigo, p. 1.

⁸⁵ Written Submission No. 5, Boroondara City Council, p. 1.

Ms Noelene Duff, Chief Executive Officer, City of Whitehorse:

" In the last five years 24 bank branches have closed down... The tally to date is: eight Commonwealth Bank branch closures; seven Bank of Melbourne/Westpac; six National Australia Bank and three ANZ closures. These closures have had a significant impact on the local community both socially and economically.

*The City of Whitehorse has a large and growing ageing population, as well as a growing number of young families. For both these groups the absence of easily accessible and local banking facilities is not just an inconvenience but more importantly affects where they shop and how they manage their finances. Changes in these social patterns have significant ramifications for local shopping strips that rely on local trade to sustain their businesses. It is the local business community that is doubly affected – by the loss of banking facilities and the loss of trade."*⁸⁶

Moreland City Council also submitted a substantial report about the effect that the withdrawal of banking services has had on selected parts of the Moreland community. In particular, it conducted research in four shopping centres in Moreland: Snell Grove in Oak Park, Bell Street/Melville Road in Pascoe Vale, Lygon Street (north) in East Brunswick and Merlynston in Coburg North. Common themes arising from business people in this study include:⁸⁷

- ◆ The closure of a bank branch results in less pedestrian traffic and therefore, fewer sales. It is difficult to say whether the reduced sales result in any shop closures as other factors may also contribute.
- ◆ Not having a local bank means that businesses have to hold more cash because travelling to the nearest branch involves considerable travelling time. Fewer deposits are made.
- ◆ Due to increased distances between banks, business owners have to be away from the business for a longer period of time or have to pay an employee to make a special trip to the bank. The time away from the business is extended as queues in remaining banks are longer.

⁸⁶ Written Submission No. 16, City of Whitehorse, p. 1.

⁸⁷ Written Submission No. 33, Moreland City Council, pp. 13-15.

- ◆ The practice of putting ATM's and banking services in large supermarkets is having a negative effect on the smaller supermarkets and the smaller shopping centres.

The effect of changes to banking services on residents in Moreland to some extent mirrored that reported by businesses. Underlying these effects is the need for members of the community to continue using over-the-counter services, often not by choice but rather because the agencies that have replaced banks do not offer the complete range of banking services such as cashing cheques and providing bank cheques. The impacts on residents can be summarised as:

- ◆ Increased time required to conduct banking.
- ◆ Inconvenience of driving and parking in larger centres rather than going to smaller more accessible ones.
- ◆ Decline in service at larger bank branches. Residents commented that banks were too busy and impersonal.
- ◆ Perceptions that travelling to banks and using ATMs might be dangerous.
- ◆ Difficulties experienced by specific customer groups, particularly the elderly.

In essence, many of the individual effects of the closure of a local bank branch do not seem to have a great impact beyond that of inconvenience. However, as Moreland City Council writes, when considered together with other social changes, *"the closure of a local bank can have a large social, economic and psychological effect"*.⁸⁸

Despite conflicting opinions around the economic effects caused by bank branch closures, it is reasonable to conclude that there will be at least some degree of negative impact on the local community. At the very least, the expense and time involved in travelling longer distances to conduct banking transactions means local businesses operate less efficiently. There is also some level of economic leakage caused by residents who travel to a different town or suburb to access face-to-face banking and who then also do their shopping in that location.

⁸⁸ Written Submission No. 33, Moreland City Council, pp. 13-15.

FINDING 2.16

The Committee finds that the closure of bank branches in regional centres and some metropolitan areas has had an adverse effect on these communities, including:

- ◆ *reduced sales turnover in small shopping centres;*
- ◆ *reduced efficiencies for small business owners; and*
- ◆ *increased time and inconvenience for individuals and business in conducting banking transactions.*

2.8 Initiatives to Mitigate Against Negative Effects of Changes in the Banking Industry

As discussed earlier, there are a number of drivers of structural change within the banking industry. These can be summarised as:

- ◆ population and demographic changes;
- ◆ the pervasive force of new technologies, allowing services to be delivered at lower cost;
- ◆ the impact of new entrants into traditional banking businesses such as home lending;
- ◆ competitive forces of globalisation that peg company performance against international benchmarks; and
- ◆ the impact of government regulation.

Irrespective of the drivers of change, there remains significant angst in communities about the continued availability of face-to-face banking services. Initiatives to mitigate against negative effects (perceived and actual) of changes in the banking industry have been undertaken by the industry, individual communities and various levels of government.

2.8.1 Industry Initiatives

On March 26, 2001, the Australian Bankers' Association announced a program aimed at addressing key community concerns regarding the access and affordability of banking services. In summary, the three key initiatives are:

1. guaranteed minimum standards for safety net, basic bank accounts;
2. an Industry Action Plan aimed at overcoming access barriers to electronic banking;
and
3. a Transaction Services and Branch Closure Protocol for ongoing face-to-face banking in rural and remote areas.

Each of these initiatives is briefly outlined below.

Basic Bank Accounts

In response to community concerns about the affordability of essential banking services for disadvantaged customer groups, the banking industry has set guaranteed minimum standards for a safety net bank account that is offered by ten retail banks to holders of Commonwealth Government health concession cards. The minimum standards provide for accounts that:

- ◆ do not charge monthly account servicing fees;
- ◆ have no minimum monthly balance requirement;
- ◆ allow unlimited free deposits; and
- ◆ guarantee a minimum of six free non-deposit transactions, of which three can be over-the-counter transactions.

An important feature of the way in which the basic account was structured is that it allows individual banks to provide account features that go beyond the industry minimum standards.

With regard to this initiative, the key features of the ANZ Access Basic Account which is available to Centrelink payment recipients and health care cardholders are 15 fee-free transactions (including over the counter transactions), no minimum account balance, no monthly account keeping fee and no charge for balance inquiries. However, whilst the account was available to existing customers from 1st October, 2001, new customers only become eligible for the account from 1st October 2002, after having operated an ANZ account continuously for 12 months.⁸⁹

Another related and important initiative of the industry is the move towards assisting customers to minimise the bank fees and charges that they incur.

ANZ is minimising the fees charged to customers directly through its current charging policy. Under this policy, transaction fees are calculated at the end of the monthly charging period with the most expensive withdrawals allocated against the free monthly allowance first. Consequently, only the least expensive withdrawals are charged for if the customer exceeds the free monthly transaction quota. ANZ also seeks to assist customers to minimise the fees that they pay through better disclosure of fee information. New account statements to be introduced in the first half of 2002 will provide better information about customers' fee plans, including the number of free transactions they have available, the number used and fee cycle information such as the start and end date. In addition, statements will also carry hints on how to reduce fees.⁹⁰

Westpac (and Bank of Melbourne) has also recently introduced detailed transaction fee summaries on monthly statements as part of its policy to ensure transparent fee disclosure for customers. It also claims to have led the banking industry in the disclosure of fee warnings for non-Bank customers on ATMs including Westpac/Bank of Melbourne ATMs in Victoria. It recently announced an intention to disclose a fee warning for all non-Westpac/Bank of Melbourne customers at all of its ATMs and is also working towards a cost-based pricing system that could result in significant reductions when consumers use an ATM other than their own bank (known as the foreign ATM fee).

⁸⁹ Written Submission No. 34, ANZ, p. 7.

⁹⁰ Ibid, pp. 5-6.

Under Westpac's proposal, the organisation that owns the ATM (rather than the customer's bank) will directly charge and set the fee, resulting in increased competition and lower prices.⁹¹

FINDING 2.17

The Committee finds that the banking industry's introduction of guaranteed minimum standards for a safety net bank account offered to holders of Commonwealth Government health concession cards is an important service for vulnerable members of the community.

FINDING 2.18

The Committee finds that the practice of any bank in imposing restrictions on the ability of health concession card holders to access a safety net bank account is an unfair and unnecessary burden on vulnerable or disadvantaged members of the community.

RECOMMENDATION 2.10

The Committee recommends that the State Government investigate the extent to which banks are meeting their obligation to assist concession card holders in accessing basic bank accounts and take action to ensure that all customers meeting the eligibility criteria have immediate access to a basic bank account at the bank of their choice.

Industry Action Plan

The second initiative of the Australian Bankers' Association was the lodgment of an Industry Action Plan with the Human Rights and Equal Opportunity Commission (HREOC) to overcome access barriers to electronic banking. The Plan is a response to a HREOC report that identified the existence of a 'Digital Divide' in the community between those people who can use e-commerce and those who cannot. It was found

⁹¹ Written Submission No. 31, Westpac, p. 14.

that a high proportion of older people and people with a disability are in the latter category.

Earlier in this Chapter, the Committee highlighted evidence received on the difficulties experienced by elderly people in using ATMs and electronic banking. ABS statistics also reveal that usage of the Internet is lowest in the 55 and over age group.

In April 2002, the ABA released four standards for the provision of electronic banking facilities, namely ATM, EFTPOS, Internet and telephone banking. Banks are able to use these standards to provide facilities that have increased accessibility features.

The Commonwealth Bank has been responding to concerns regarding customer access since 1996. It has held approximately 300 workshops in Victoria during this period to assist customers wanting to learn and practice the benefits of electronic banking. Most workshops are conducted by retired bank officers who explain step-by-step how to use the various channels such as ATMs, telephone banking or EFTPOS and then provide participants with the opportunity to practice using demonstration equipment. The Commonwealth Bank also installed Internet kiosks in three of its Victorian branches in late 2001 to enable customers to trial Internet banking.⁹²

The ANZ bank has also recognised the difficulty that some customers aged 60 and over have experienced in adapting to electronic banking channels. Since 1st July 2001, it has provided these customers with a fee exemption for all branch transactions from their ANZ personal transaction account, including passbooks.⁹³ Nonetheless, the Committee notes that this form of assistance is not much use to those in communities without access to an ANZ bank branch.

Despite the initiatives of some banks in addressing problems experienced by certain customer groups, there are concerns that this assistance does not go far enough. Moreland City Council suggests an education process that involves contracting local Neighbourhood Houses to provide training programs for people who need skilling in the

⁹² Written Submission No. 51, Commonwealth Bank, p. 4.

use of ATMs, EFTPOS, telephone banking and Internet banking. It argues for the involvement of Neighbourhood Houses on the basis that they have a history of working with older people and people from non-English speaking backgrounds.⁹⁴

FINDING 2.19

The Committee finds that many rural residents, senior citizens, people with language or literacy difficulties and people with a disability are disadvantaged when accessing electronic banking facilities.

FINDING 2.20

The Committee finds that many Victorians are yet to benefit from the banking industry's Industry Action Plan aimed at overcoming access barriers to electronic banking.

RECOMMENDATION 2.11

The Committee recommends that the banking industry actively and extensively promote the Industry Action Plan to all Victorians.

RECOMMENDATION 2.12

The Committee recommends that the banking industry provide assistance to community organisations to identify the skills needs of Victorians from non-English speaking backgrounds in accessing electronic banking channels and provide training in using ATMs, EFTPOS, Internet and telephone banking to individuals with English language and literacy difficulties.

⁹³ Written Submission No. 34, ANZ, p. 7.

⁹⁴ Written Submission No. 33, Moreland City Council, p. 22.

RECOMMENDATION 2.13

The Committee recommends that all banks expedite the development and implementation of standards for the provision of electronic banking facilities such as ATMs, EFTPOS, Internet and telephone banking.

RECOMMENDATION 2.14

The Committee recommends that industry standards for access to and delivery of electronic banking services be enshrined in an independently enforceable community service obligation.

Transaction Services and Branch Closure Protocol

In the context of this Inquiry and the concerns heard by the Committee, the Transaction Services and Branch Closure Protocol is perhaps the most important of the industry initiatives. The comments below were typical of the dissatisfaction communities often feel with the process adopted by banks when withdrawing a branch. In particular, some communities could not understand why banking services were being reduced or totally withdrawn.

Cr Bruce Meyer, Mayor, West Wimmera Shire Council:

“When the Westpac Bank closed for no real reason – it was because someone in Sydney looked at a map and said it is only that far from Nhill; that is the reason I was given for it closing – I used to bank at the Westpac and we got a letter saying that as from Monday we would be banking in Nhill. The bank manager at the time said that normally most people did not shift, that it was unusual for the people to lose any more than 15 to 20 per cent in all these decisions. When that happened in Kaniva I would say that probably no more than half a dozen customers stayed with that bank.”⁹⁵

⁹⁵ Minutes of Evidence, 28/08/2001, p. 109.

Ms Lynne Powell, Kaniva Progress Association:

Ms Powell - *“On banking issues, we are very pleased that we still have two banks in Kaniva. They have both been downgraded. One recently won an award for category C banks in the whole of Australia, not just Victoria, but a few months later they downgraded it. We are a bit concerned that this is the beginning of the end.”*

Mr Best – *“Which bank?”*

Ms Powell – *“The Commonwealth Bank. They are apparently meeting their targets for new customers and trade and the rest of it and win a category C award for the whole of Australia, not just regional Victoria, and then a few months later they downgrade it. That is a bit of a concern. The only automatic teller machine at Kaniva is in a supermarket, so it is not available outside business hours.”⁹⁶*

The Transaction Services and Branch Closure Protocol commits the industry to providing to broader rural Australia, on-going face-to-face banking services for personal and small business customers after a branch closure. Banking services will be provided through franchising arrangements with the community, agency arrangements with local businesses and Australia Post, and the provision of a range of services including in-store facilities. Banks have also recognised the need to give communities adequate notice of and information on alternative services when a branch closes, with the Protocol increasing substantially the notice period from six weeks to a minimum three months for rural and remote branches.

The National Australia Bank has stated that its plans to close a number of rural bank agencies will not lead to a loss of service. In fact, the National Australia Bank claims the level of service will increase. Despite this claim by the National Australia Bank, the decision to close rural agencies was met with widespread community anger. This would suggest that service levels have in fact declined and that communities are not being adequately consulted and advised of future banking services in their towns.

⁹⁶ Minutes of Evidence, 28/08/2001, p. 119.

Although the Transaction Services and Branch Closure Protocol responds to some of the concerns raised above, the Committee questions whether it is a case of too little, too late. Specifically, this action from the banking industry does nothing to assist the many communities that suffered during the radical reductions in branch networks that took place throughout the 1990s, other than perhaps admitting that the industry acted unfairly in some cases. Further, Moreland City Council argues that the Protocol should also apply to urban communities which are often affected to the same extent as customers in rural and remote areas.

The Finance Sector Union also believes that the adoption of this protocol is “too little, too late” from the banking industry.

Ms Meredith Jones, Research Officer, Finance Sector Union:

“The commitment to retain an ongoing face to face service for a cash deposit and withdrawal service where a rural or remote branch is closed is rendered meaningless by being subject to ‘commercial viability’. Without external scrutiny of the grounds for commercial viability, this becomes an easy opt out clause.”⁹⁷

The FSU would like to see a stronger protocol for branch closures, including a minimum period of notice of six months, the inclusion of a community impact statement and provision for a guaranteed staff assistance program to retain employees and their skills in the area.

Westpac (the Bank of Melbourne in Victoria) advised the Committee in its written submission that it has provided a commitment to rural and regional Victoria to maintain face-to-face banking services for customers wherever the Bank currently has a presence, although the way in which it delivers these services may change over time.⁹⁸

Whilst Westpac (the Bank of Melbourne in Victoria) claimed to be the only one of the four major banks in Victoria to provide this level of commitment to rural and regional

⁹⁷ Written Submission No. 22, Finance Sector Union, p. 11.

⁹⁸ Written Submission No. 31, Westpac, p. 10.

Victoria, the Committee notes that the ANZ bank has had a moratorium on branch closures in rural and remote areas since 1998. ANZ also offers fee concessions on all ANZ Access Accounts for rural and remote customers, allows the monthly quota of free self-service withdrawals to be carried out at designated country branches where there is no local ANZ ATM and charges excess branch withdrawals at the lower ANZ ATM rate of 65 cents rather than at the staff assisted rate of \$2.50.⁹⁹

On the basis of evidence put to the Committee and following the recent concerns raised by rural communities over the National Bank's proposal to close additional agencies throughout Australia, the Committee questions the extent to which the banking industry is fulfilling its community service obligations. The banking industry today enjoys a greater degree of commercial freedom than it has in the past. With this additional freedom should come an additional sense of community service obligation.

While the Transaction Services and Branch Closure Protocol is seen as a positive initiative, the Committee questions the extent to which the banking industry, which is a self-regulating industry, will ensure that the protocol and community service obligations are being met.

FINDING 2.21

The Committee finds that whilst the Transaction Services and Branch Closure Protocol represents a greater recognition of the bank's community service obligation, it has come too late to be of benefit to many communities. Unless strengthened and enshrined as an enforceable community service obligation, the Protocol is in danger of being only limited assistance to communities in the future.

FINDING 2.22

The Committee finds that many communities have not been provided with adequate information or warning about imminent bank closures.

⁹⁹ Written Submission No. 34, ANZ, p. 6.

FINDING 2.23

The Committee finds that many communities were not adequately consulted when banks were withdrawn from their community in terms of the banking needs of the community and alternative services.

FINDING 2.24

The Committee finds that the lack of community consultation has resulted in:

- ◆ *insufficient opportunity for communities to influence decisions regarding the provision of alternative services;*
- ◆ *negative community perceptions of the banking industry;*
- ◆ *considerable anger regarding the bank's decision; and*
- ◆ *loss of community confidence generally.*

RECOMMENDATION 2.15

The Committee recommends that the Australian Bankers' Association develop a comprehensive community consultation program for future bank branch or agency closures. Such a program should include community advertising, public meetings and information sessions outlining a bank's future proposals for service delivery.

RECOMMENDATION 2.16

The Committee recommends that prior to any bank branch or agency closure, local communities be advised of their current usage patterns for different banking channels and the minimum number and value of transactions required to retain a bank branch.

RECOMMENDATION 2.17

The Committee recommends that the banking industry examine the viability of providing a regular mobile banking service similar to those provided by

libraries, the Blood Bank and Centrelink, which provides full personal and business banking services in all communities of a minimum size and that such a mobile banking service be established following community consultation to identify the appropriate frequency of visit.

RECOMMENDATION 2.18

The Committee recommends that following the announcement of a bank branch closure, the State Government assist affected communities by:

- ◆ assessing the capacity of existing, alternative services and the appropriateness of these alternatives for specific target groups (elderly, disabled, unemployed, business customers); and
- ◆ providing a resource guide that facilitates the adoption of alternative banking methods, promotes the benefits of establishing and supporting a community bank through case studies of towns successful in overcoming bank branch closures and provides referrals to local, state and federal sources of assistance in acquiring and establishing alternative banking services.

RECOMMENDATION 2.19

The Committee recommends that the banking industry's Transaction Services and Branch Closure Protocol be extended to include metropolitan communities.

RECOMMENDATION 2.20

The Committee recommends that the conditions of commercial viability under the Transaction Services and Branch Closure Protocol be revealed to affected communities.

RECOMMENDATION 2.21

The Committee recommends that the role and functions of the Australian Banking Industry Ombudsman be extended to include the authority to ensure that sufficient community consultation and adherence to the Transaction Services and Branch Closure Protocol has occurred with respect to any future proposal to close bank branches or agencies.

Alternative face-to-face services

With widespread consolidation of the branch network, bank agencies are increasingly important for a number of customer groups. The Commonwealth Bank has a long association with Australia Post, dating back to 1912. Since that time, the Commonwealth Bank has provided customers with greater access to face-to-face banking facilities, particularly in more remote areas through its Australia Post agencies. The Commonwealth Bank provides manual agency services through 281 Australia Post agents, in addition to the 694 Giropost outlets and 28 private agencies throughout Victoria.¹⁰⁰

The Commonwealth Bank has also increased its face-to-face presence in the community through the rollout of Ezybanking in Woolworths and Safeway stores. An Ezybanking account allows customers to do their banking whilst they are shopping, allowing 55 free transactions per month.¹⁰¹ It should be noted, however, that the trend towards ATMs (and even bank agencies) in supermarkets is most likely to occur in metropolitan areas and large regional centres. Further, as highlighted by Moreland City Council, this trend is exacerbating the decline in trade caused by bank closures in local shopping centres by drawing people away from the smaller centres to centres where both shopping and banking services are available.¹⁰²

¹⁰⁰ Written Submission No. 51, Commonwealth Bank, p. 2.

¹⁰¹ Ibid, p. 3.

¹⁰² Written Submission No. 33, Moreland City Council, p. 15.

Westpac (the Bank of Melbourne in Victoria) is achieving its commitment of continuation of face-to-face banking services through different forms of partnership. It has already established 33 in-stores with third party operators throughout country Victoria. In-stores provide a broad range of everyday, over the counter transactional banking services for personal and business banking customers. Partners include legal firms, accounting practices, a medical practice, chemists, newsagencies and supermarkets. An in-store may be established with a business partner in the Bank's former premises (such as in Castlemaine, Lorne, Warracknabeal, Woodend, Heywood, Omeo, Yarrawonga, Seymour and Leitchville) or in the business partner's premises.¹⁰³

Whilst the industry has taken a number of positive steps towards improving the availability of banking services in rural communities, it remains an on-going challenge for communities to ensure the success of these types of initiatives.

Mr Alex Graham, Mulhallen and Sons hardware/electrical store in Nhill, spoke to the Committee about the challenges faced in operating an in-store branch of the Bank of Melbourne:

"The customers of the Bank of Melbourne offered varying degrees of support. Some said no and moved their accounts, lock, stock and barrel, from the Bank of Melbourne to alternative banks. Some were hesitant and some said, 'It does not worry me where I bank when I want money from the bank'. We had the full gamut. The drop-off rate was significant, although we have not been privy to that detail. In the last couple of months we have seen a slow trickle of customers back to the bank..."

*Our remuneration is based on transaction details – that is, what we do over the counter and what is sent away for processing overnight. From our point of view it has not been quite as profitable as the bank suggested, but Don and Lynne are maintaining the facility as an ongoing support facility for the community."*¹⁰⁴

In responding to specific questions about the profitability of the bank, Mr Graham observed as follows:

¹⁰³ Written Submission No. 31, Westpac, p. 10.

¹⁰⁴ Minutes of Evidence, 28/08/2001, p. 152.

“There has already been one adjustment in fees since we took it over and that has made it borderline now, but it was not when it first started. We are now moving towards a situation where the Bank of Melbourne in-stores is going to do some detailed cost modelling to determine how viable it is.”¹⁰⁵

FINDING 2.25

The Committee finds that many rural residents rely on face-to-face banking services delivered through bank agencies to meet their banking needs.

FINDING 2.26

The Committee finds that some rural businesses offer bank agency services out of a sense of community obligation, but receive little financial recognition from the banks they represent for the important services they provide.

RECOMMENDATION 2.22

The Committee recommends that the banking industry provide funding for rural business owners establishing alternative banking services following the withdrawal of a bank operated branch or agency to allow community promotion regarding the benefits of supporting the service.

2.8.2 Bendigo Community Bank™ model

The activities of the Bendigo Bank are extremely important in the context of this Inquiry. Originally a building society, the Bendigo Bank became a bank on 1st July 1995, and in 1998, it pioneered the Community Bank™ model as a means of returning branch banking to disenfranchised communities.

The Bendigo Community Bank™ model demonstrates the value that all communities, including those in urban areas, place on having a bank branch. It also demonstrates that the banking industry can respond to community concerns with an innovative and profitable approach. With 29 Community Banks™ operating under the Bendigo Bank

¹⁰⁵ Minutes of Evidence, 28/08/2001, p. 152.

banner in Victoria by November 2001, the model has proven successful in an increasing number of communities where the traditional branch model has failed.

Community Bank™ branches provide all services that are offered by the major banks. This includes full business banking services, including commercial lending and leasing and additional services ranging from financial planning to wills. The Community Bank™ model can be described as follows:

- ◆ A Community Bank™ branch provides communities with a vehicle for facilitating economic revitalisation, and the certainty of local banking facilities.
- ◆ The Community Bank™ branch is a franchise, with the community owning the rights to operate a Bendigo Bank branch.
- ◆ Community Bank™ branches provide communities with an opportunity to enhance control over their community's capital, ensuring more money stays in the district for local investment.
- ◆ The Community Bank™ model also enables communities to bank the way they want, whether that be face to face or electronically.¹⁰⁶

The Committee heard evidence from the Bendigo Bank in Bendigo as well as managers and staff of the Community Banks™ at Rupanyup/Minyip, Dunolly and Avoca. The following comments are representative of those found in many communities that have successfully introduced a Community Bank™.

Mr Allister Gray, Chairman, Dunolly Rural Transaction Centre:

“The bank has revolutionised our town in the sense that people no longer have to go to Maryborough or Bendigo or anywhere else to do their banking – they can do it in Dunolly. We have only been going some two and a half months. We opened the centre on 19 May and the bank opened on 21 May. After two and a half months we are now in profit. I want to make that quite clear, we are in profit. That excites us tremendously because it means that the future is starting to look bright. Some 150-plus people have already transferred their normal everyday accounts. Unfortunately I do not have the figure of the loans et cetera but I know we have passed the \$2 million mark in two and a half months.”¹⁰⁷

¹⁰⁶ Bendigo Bank website, <http://www.bendigobank.com.au>, 19/02/2002.

¹⁰⁷ Minutes of Evidence, 29/08/2001, p. 209.

As well as providing full branch banking, the Community Bank™ model also entitles communities to participate in the net profits from the branch. A portion of these funds can be put back into the community to fund local projects.

One concern heard by the Committee from a number of the Community Banks™ relates to the level of support provided to that bank from local governments.

Mr Richard Herbert, President, Tongala Community Bank:

Mr Craige – *“How much banking does the Shire of Campaspe do with your bank at Tongala?”*

Mr Herbert – *“The Shire of Campaspe does no banking and gave us no help in any way whatsoever.”*

Mr Craige – *“An interesting concept has come out of Western Australia: councils in certain areas do their banking, not necessarily all of it, with community banks. A little bit would help your bank, no doubt?”*

Mr Herbert – *“It would be very nice.”*¹⁰⁸

There was also concern about the major banks retaining and even regaining business in communities from which they have withdrawn services, to the obvious detriment of the local community bank.

Mr Richard Herbert, President, Tongala Community Bank:

*“Smaller towns that may never get a community bank and have no banking facilities are setting up Rural Transaction Centres. This point came up when I was at a bank conference in Wentworth just after Christmas. One of the community banks was struggling and was relying on a town very close, a rural transaction centre was put in, and the banking services – I do not know how they work even – within that Rural Transaction Centre were given to one of the major banks that had pulled out 12 months earlier. I feel there is something wrong there. I do know of two other small towns whose banking services have gone to the nearest community bank.”*¹⁰⁹

¹⁰⁸ Minutes of Evidence, 12/09/2001, p. 309.

¹⁰⁹ Ibid, p. 308.

FINDING 2.27

The Committee finds that the Bendigo Community Bank™ model has been particularly successful in maintaining and returning banking services to communities.

FINDING 2.28

The Committee finds that the Bendigo Community Bank™ model has had a positive impact on social cohesion and community confidence in those communities that have successfully established such a bank.

FINDING 2.29

The Committee finds that local government has an important role to play in terms of supporting community banks in rural and regional Victoria.

RECOMMENDATION 2.23

The Committee recommends that the Minister for Local Government investigate the role of local councils in supporting Community Banks with respect to the establishment of the bank, promoting its use and transferring part or all of council business to a Community Bank.

RECOMMENDATION 2.24

The Committee recommends that the Victorian Government provide funding for communities to conduct feasibility studies for the establishment of a community bank following the withdrawal of the last bank services in a town.

RECOMMENDATION 2.25

The Committee recommends that Rural Transaction Centres and local, state and federal government agencies support Community Banks by using Community Bank services wherever viable.

2.8.3 Credit Care Initiative

At the height of bank closures in 1995, CreditCare was established as a joint initiative of the Commonwealth Government and the Australian Credit Union Movement. Mr Mark Genovese, General Manager Financial Services and Sales, Credit Union Services Corporation (Australia) Limited provided a substantial written submission to the Committee detailing CreditCare and the successor Rural Transaction Centres Program and the experience of many towns participating in these programs.

The aim of CreditCare was to assist rural and remote communities, including Aboriginal and Torres Strait Islander communities, to gain access to basic financial services through extending the services of existing credit unions or by assisting communities in establishing their own credit unions. From its inception to June 2000, CreditCare established 54 financial service facilities in communities where bank services had been removed. During this period, CreditCare field officers visited 20 Victorian towns where the last full banking service was in the process of closing or had already closed.

The process of gathering community support involved public meetings where CreditCare addressed the community on options for future financial services. Surveys were distributed to communities to measure the level of support for a financial service. Where the survey results were sufficient to sustain a branch or agency operation, a business plan was prepared and sent to local financial service providers. CreditCare then assisted in facilitating the attraction of a financial service provider to each town.

Of the 20 Victorian towns, CreditCare facilitated the opening of five Bendigo Bank branches or agencies in Fish Creek, Minyip, Mirboo North, Paynesville and Stratford. Two Rural Transaction Centres were established, in Welshpool and Manangatang. CreditCare was also successful in attracting a Commonwealth Bank agency to Omeo, a Hume Building Society agency in Yackandandah and the WAW Credit Union in Walwa.

CreditCare was unsuccessful in attracting financial services to seven towns due to a lack of community interest. CreditCare's work in the 20 Victorian towns highlighted the

importance of community support and the need for one or more community leaders to proactively seek solutions to problems confronting each town. Throughout the Committee's Inquiry, the importance of community leadership and the will to ensure small towns survive despite the withdrawal of services was most apparent.

2.8.4 Rural Transaction Centres

The Federal Government established the Rural Transaction Centre Program in 1999 as part of the Commonwealth Department of Transport and Regional Services' function in promoting economic, social and regional development through enhanced infrastructure. The Government committed \$70 million from the partial sale of Telstra to the RTC program to put services back and introduce new services into small rural towns throughout Australia.

The RTC Program is aimed at towns with a population of less than 3,000 that are without access to basic banking services. Non-profit organisations such as local councils and incorporated community groups and Chambers of Commerce are eligible to apply for funding to establish a RTC.

Examples of services that can be provided through a RTC include banking, Centrelink, Medicare easyclaim, rooms and a booking service for visiting professionals, an upgrade to giroPost in licensed post offices and access to personal computers and the Internet. The range of services can vary depending on the specific needs of each community. The Committee visited the Welshpool RTC and was impressed with the range of services on offer which even included a chiropractic service.

Although the Committee believes the RTC Program to be a highly beneficial initiative for communities experiencing a loss of services, it has concerns about the time taken for the Program to infiltrate Victoria. As at February 2002, there were seven operational RTCs in Victoria: Beeac, Dunolly, Glenthompson, Kinglake/Marysville, Leitchville, Managatang and Welshpool. An additional five RTCs have been approved for the towns

of Bendoc, Birregurra, Boort, Newstead, Pyramid Hill and Ultima. Appendix 6 lists those organisations that have received business planning funding for a RTC.

Evidence indicates the successful establishment of a RTC is dependent on a strong community spirit, leadership and sufficient funding.

Mr Graham Shiell, Chief Executive Officer, Moyne Shire Council wrote:

“Although funding for RTC’s is available, there is a low level of take-up, there are high levels of responsibility and involvement required from communities who wish to participate in this scheme, and therefore many disadvantaged communities are not in a position to participate.”¹¹⁰

In Chapter 8, the Committee comments on the importance of community leadership and volunteerism in establishing RTCs, community banks and other initiatives.

FINDING 2.30

The Committee finds that Rural Transaction Centres play an important role in providing banking services to communities where the Community Bank™ model is not viable.

FINDING 2.31

The Committee finds that a high level of community leadership, support and enthusiasm has contributed to the success of many communities in establishing Rural Transaction Centres and community banks.

2.9 Conclusion

The Committee acknowledges that the banking industry has undergone significant changes over the past decade with the introduction of electronic banking coinciding with the closure of many retail bank branches.

¹¹⁰ Written Submission No. 17, Moyne Shire Council, p. 3.

Evidence received throughout the Inquiry highlighted the negative impact bank closures have had on individuals, communities and businesses throughout Victoria, with the most significant impact occurring in smaller rural towns. In addition, while many within the Victorian population have readily accepted the move to electronic banking, there still exists some members of the community (for example, the aged, disabled and people in remote communities) who continue to experience problems with accessing banking services.

The rapid uptake of electronic banking, together with the likelihood that few, if any rural and regional bank branches will re-open, means the way in which we conduct banking transactions has changed forever. Nevertheless, evidence put to the Committee suggests there is still a demand for some face-to-face banking services.

This chapter has highlighted the challenges that face the banking industry, local communities and governments in ensuring that suitable banking services are provided and can be accessed by all Victorians. In particular, the Committee sees many benefits in the promotion of Rural Transaction Centres and community banks where smaller rural towns have been left without adequate banking services.

Chapter 3

Postal Communications

3.1 Introduction

Australia Post, operating under the *Australian Postal Corporation Act 1989*, is the main provider of postal services in Australia. Following a review of the Act by the National Competition Council in 1997, there was subsequent pressure for reform of Australia Post. However, the *Postal Services Legislation Amendment Bill 2000*, which was introduced into Parliament by the Federal Government on 6th April 2000, was subsequently withdrawn in March 2001.

Whilst no legislative changes have been made to Australia Post's regulatory regime, the commercial obligations on Australia Post mean that it is facing the same pressures to increase its competitiveness as any other business. Therefore, changes have been made in the industry relating to new applications of technology and the expansion of the range of products and services provided by Australia Post. At the same time, Australia Post is in the unique position of having to deliver community service obligations.

The Committee's evidence highlighted the importance of reliable postal communications, from an economic, community and individual perspective. In particular, communities within small and medium sized towns place a significant importance on the existence of a post office in their town.

3.2 The Structure of the Australian Postal Industry

3.2.1 Australia Post and other Postal Communications Companies

Australia Post was established as a government business enterprise in 1989. It is fully owned by the Commonwealth of Australia and operates under the *Australian Postal Corporation Act 1989*. Australia Post's main function is to supply postal services within Australia and between Australia and other countries. It may also carry out any activity, domestically or internationally, which relates to postal services.

The Federal Minister for Communications, Information Technology and the Arts has portfolio responsibility for Australia Post.

Australia Post's legal obligations¹¹¹ under the *Australian Postal Corporation Act 1989* can be categorised into three areas:

1. Commercial obligation to perform its functions according to sound commercial practice (under section 26 of the Act). This means that Australia Post must pay all taxes and charges that apply to companies and that it provides, where available, dividends to its shareholders.
2. Social obligations (section 27) to:
 - ◆ provide Australians with a universal letter service;
 - ◆ carry standard letters within Australia at a uniform price;
 - ◆ ensure that service is accessible to everyone on an equitable basis; and
 - ◆ ensure that the letter service reasonably meets the social, industrial and commercial needs of the community.
3. Government obligation to perform its functions in a manner consistent with the general policies of the Commonwealth Government.

¹¹¹ Written Submission No. 14, Australia Post, p. 1.

Australia Post is not a monopolist protected from competition. It earns approximately 50 per cent of its revenue in direct competition, with the remainder subject to indirect competition.

In addition to postal services delivered through Australia Post, there are other forms of mail and document delivery throughout Australia. Australia Post¹¹², in its written submission to the Committee, listed its direct competitors as follows:

- ◆ Major road transport and logistics companies, and rail freighters in the parcel freight sector (for example, TNT, Mayne Nickless).
- ◆ Local courier and express parcel companies for urgent same day and overnight deliveries (for example, IPEC, Comet, Kwikasair).
- ◆ Airfreight companies such as Wards Express and Skyroad Express.
- ◆ International carriers for international mail, parcel and courier services (for example, Federal Express, DHL, United Parcel Service).
- ◆ Document exchanges for inter company mail (for example, Ausdoc).
- ◆ Alternative street delivery networks for delivery of catalogues, leaflets, books, magazines (for example, Streetfile, Salmat).
- ◆ Other retailers for bill payment services, collectibles and retail merchandise such as stationery and greeting cards.

It should be noted that the Committee's investigations and evidence received throughout the Inquiry principally related to postal communications undertaken by Australia Post and not the above mentioned forms of postal communications.

Australia Post¹¹³ also claims to face indirect, but real, competition in the form of:

- ◆ the telephone, the impact of which is significant particularly on household to household mail (mail originating from households has dropped by around 40 per cent in the last ten years);

¹¹² Written Submission No. 14, Australia Post, p. 5.

¹¹³ Ibid, pp. 5-6.

- ◆ the facsimile; and
- ◆ electronic mail networks, including email and Internet bill pay and banking.

3.2.2 Review of the Australian Postal Corporation Act 1989

In 1995, an agreement was made between the Commonwealth, State and Territory governments that all legislation that restricts competition be reviewed by the year 2000. In May 1997, the Commonwealth Government instructed the National Competition Council to review the *Australian Postal Corporation Act 1989* and to suggest ways to improve competition, efficiency and consumer welfare in the postal services sector.

On 6th April 2000, the *Postal Services Legislation Amendment Bill 2000* was introduced into Parliament, seeking to implement a number of decisions made by the Government in response to the review of the *Australian Postal Corporation Act 1989* undertaken by the National Competition Council. The three main parts to the postal reform legislation were:

1. the reduction of Australia Post's monopoly;
2. the introduction of a postal access regime; and
3. the conversion of Australia Post to a Corporations Law company.

Specifically, the proposed changes would have allowed competing companies to:

- ◆ carry all standard, medium or large letters weighing more than 50 grams at any price;
- ◆ carry all standard letters weighing up to 50 grams at 45 cents (only Australia Post would have been allowed to offer discounts below 45 cents for bulk mail);
- ◆ aggregate letters from different senders and lodge them at bulk rates;
- ◆ access Australia Post's delivery system through their mail centres on the same terms offered to Australia Post's customers; and
- ◆ handle all international mail.¹¹⁴

¹¹⁴ National Competition Council Review Outcome, Australia Post, July 1998, p. 5.

Australia Post estimated that the above changes would have increased the postal business open to competition from \$1.5 billion per annum in 1998, to approximately \$3.1 billion in 2000. It would have lifted the proportion of revenue competed for by Australia Post from 51 per cent to 88 per cent.¹¹⁵ However, in March 2001, the Commonwealth Government withdrew its postal reform package due to lack of support in the Senate.

3.2.3 Australia Post's Operating Environment

Despite the moratorium on legislative reform in the shorter-term, Australia Post faces continued pressures for increased domestic and international competition. Consistent with the Committee's findings on the banking industry, changes in postal communications also continue to be driven by technological advancement and e-commerce services. In particular, changes are evident in internal and external communications processes, backroom processes and the introduction of new or modified products and services.

Australia Post is one of the few postal services in the world that maintains a universal standard letter service at a uniform price, whilst operating without taxpayer funding and on a commercial basis. It has a gross annual revenue exceeding \$3 billion, making it one of Australia's top 50 corporations. Australia Post ranks among the top five best performing companies in the country.

The requirement of Australia Post to provide a single priced standard letter service which is equally accessible to all Australians means that its costs of delivering some letters, particularly in some rural and remote areas, is many times higher than the standard rate of 45 cents charged. These loss-making services (estimated at \$92 million in 2000-2001) are paid for through cross-subsidies within the reserved letter service.

¹¹⁵ National Competition Council Review Outcome, Australia Post, July 1998, p. 3.

Pricing

In terms of pricing, the basic postage rate has been frozen at 45 cents for the past eight years. Australia Post has committed to maintaining that freeze until the end of 2003. Mr Ryan, Corporate Secretary at Australia Post told the Committee in a public hearing that over that eight year period, around \$1 billion has been saved by Australia Post's customers, compared with what the basic rate would have been had it gone up by CPI. Had the price of postage risen at the rate of inflation since September 1975, the cost of posting a standard letter would be 79 cents rather than 45 cents. Mr Ryan also stated that Australia Post's absorption of the GST on all basic postage rate purchases represents a further \$90 million annual saving.

Performance Standards

The Commonwealth Government has imposed performance standards on Australia Post. These standards are embodied in the Customer Service Charter and relate to:

1. Delivery performance – 94 per cent of letters by ordinary post delivered on time in accordance with the prescribed timetable.
2. Delivery frequency – 98 per cent of delivery points to receive a minimum of 5 deliveries per week; 99.7 per cent to receive no less than 2 deliveries per week.
3. Access – a minimum retail presence of 4,000 retail outlets of which at least 2,500 must be in rural or remote areas.
4. Lodgment – a minimum of 10,000 street posting boxes.
5. Performance is audited against these standards annually by an external auditor.¹¹⁶

¹¹⁶ Written Submission No. 14, Australia Post, p. 7.

3.3 Australia Post Services

In meeting its obligations, Australia Post provides both mail delivery services and retail services throughout Australia. The following section outlines these services and the changes that have occurred in the retail and delivery networks over recent years.

3.3.1 Retail Services

Australia Post's retail network has been established in response to customer shopping habits and travel patterns, business volumes, customer needs and profitability.

A significant change program, known as Retail Post was implemented during the 1990's. According to Australia Post's submission to the Committee:

*"...the retail network was transformed from one of often poorly located traditional post offices offering purely mail-related and agency services, to a network of conveniently located modern retail post shops and licensed post offices offering a wider range of products and services, including stationery and greeting cards."*¹¹⁷

Today, the four types of outlets are:

1. Corporate Post Office or Post Shops – designed primarily to service domestic customers in premises incorporating a consistent design and modern customer interface techniques. These outlets provide the full range of Australia Post products and services, including agency services such as banking and bill pay and feature an extensive range of products including stationery and greeting cards.
2. Corporate Business Centres – specialist outlets located in commercial or industrial locations designed to provide service to business customers. As well as providing the full range of Australia Post products and services, business centres provide

¹¹⁷ Written Submission No. 14, Australia Post, p. 4.

- customers with improved access for the collection and lodgment of mail through parking facilities and/or drive-in access.
3. Licensed Post Offices – provide the full range of Australia Post products and services, although some offer only manual banking and bill pay services and may not offer retail merchandise such as stationary and greeting cards. Private operators (licensees) run the post offices, either in a stand alone capacity or in conjunction with another business such as a newsagent, general store, milk bar or dry cleaner.
 4. Community Postal Agencies – are the most basic of all postal retail facilities. They sell stamps and provide postage assessment and mail acceptance, and are often also responsible for distributing a community’s mail. They are operated by an agency and are usually located in more remote areas.¹¹⁸

Table 3.1 below shows the retail network for Victoria at 30th June 1995, 1998 and 2000. In summary, this table shows that over the past five years the total number of retail outlets has remained steady, although the mix has changed with a decline in the number of corporate outlets offset by an increase in the number of licensed post offices.

Mr Ryan, Corporate Secretary, Australia Post, explained this change in mix when presenting evidence to the Committee:

“Over the past five years we have seen a change in the mix of our retail outlets, so you will notice from our submission a reduction in the number of corporate outlets and an increase in the number of licensed outlets. That was driven on the one hand by commercial considerations, because we found that a number of our corporate outlets were not operating profitably. We found that under a licensed arrangement we were more likely to be able to operate profitably, so you will find that change in the mix. By and large we think that has worked well. What it has meant in many cases is that the licensed post office becomes part of a mixed business and the hours of operation of that mixed business quite often exceed our standard or normal hours for corporate outlets, so there is an

¹¹⁸ Written Submission No. 14, Australia Post, pp. 3-4.

argument that says perhaps the hours of operation have improved access.”¹¹⁹

TABLE 3.1: AUSTRALIA POST RETAIL OUTLET NETWORK - VICTORIA

Outlet	June 1995	June 1998	June 2001
Corporate Offices (including post shops and business centres)	278	234	213
Licensed Post Offices	803	838	847
Community Postal Agents	8	23	33
Total Outlets	1,089	1,095	1,093

Source: Australia Post, Written Submission to Economic Development Committee, 26 April 2001, p.4

While acknowledging the benefits of having postal services delivered through licensee arrangements, the Committee also notes some concerns over the continuing trend towards postal services being provided through mixed businesses.

Ms Karina Rainsford, Veterinarian, Edenhope:

“Our postal services are excellent. We want our local postal services to remain as stand-alone services, not to have a complete amalgamation with other business along the way, which seems to be what is generally happening. Every time we have an amalgamation we drop off another home, business or family.”¹²⁰

Referring back to Table 3.1, although there has been a net decline of 65 corporate offices since June 1995, closer analysis of data provided by Australia Post reveals that of the 278 corporate offices in Victoria in June 1995, 18 were closed and a further 73 were converted to licensed post offices. Twenty-five new corporate outlets were opened between June 1995 and June 2001 and one licensed post office became a corporate office. None of the 18 corporate offices closed since 1995 were located in rural or regional Victoria.

¹¹⁹ Minutes of Evidence, 13/08/2001, p. 4.

¹²⁰ Minutes of Evidence, 28/08/2001, p. 134.

3.3.2 Banking and Bill Payment Services

The previous chapter highlighted the need for face-to-face banking services in small and medium sized towns and the importance of alternative banking services following the closure of a bank branch.

The role of the post office in offering banking services has increased in recent years as a result of bank closures. Whilst Australia Post has offered personal banking services throughout its network for Commonwealth Bank customers since 1911, its role in providing personal banking services was expanded considerably in 1995 through the establishment of an electronic banking network known as giroPost. This service now offers customers of 70 participating financial institutions access to card based, PIN authorised banking services including deposits, withdrawals, account balances and acceptance of new account applications at 700 outlets in Victoria.

In many towns that have suffered the withdrawal of the major banks, the post office may provide the only banking services available within the community. However, as highlighted by one witness in Nhill, this role may actually threaten the survival of remaining banking services.

Mr Wayne Manton, Small Business Operator, Nhill:

“The post office is privatised and the owner is trying to make a quid from it. He sells envelopes, greeting cards and so on. He says Giropost is one of the things he is struggling with at the moment. We still have a National Bank on three days a week with two tellers. The post office owner does not want to go for a bigger centre because that could give the National Bank the excuse to pull its banking service from the town. He is negotiating with the National Bank to see if they will guarantee how long they will stay in the town. He does not want to develop his business at the cost of the town losing another banking service. That is typical of country businessmen in smaller towns.”¹²¹

¹²¹ Minutes of Evidence, 28/08/2001, p. 158.

Whilst the Committee appreciates concerns such as those raised above, it appears to be an irreversible trend that businesses and services in country towns are increasingly being consolidated. The challenge is for communities to adapt to the changes and find new and creative ways to attract and retain those services essential for the long-term sustainability of their town.

Trials of business banking for Commonwealth Bank customers commenced in 2000 at a limited number of postal outlets in rural areas, including 19 in Victoria. It was anticipated that the service would be expanded to incorporate approximately 200 country locations (Australia wide) by the end of 2001. Business banking services consist of the acceptance of cash and cheque deposits and the provision of cash withdrawals. A pilot service for the National Australia Bank also commenced at one site in Victoria.

Australia Post also outlined to the Committee its initiatives into e-commerce areas. Electronic bill payment allows bills to be electronically presented on the Australia Post system and paid on its website. Together with its telephone bill payment system, BillPay, this has expanded the bill payment options for people in all locations, metropolitan and country. Australia Post also offers a service called Pay-it-at-Post which allows online shoppers to make payments at postal outlets for purchases online should they choose not to make payment for those purchases over the Internet.

Australia Post has a number of Internet-enabled enhancements to its point of sale technology that will provide a new range of agency service opportunities in real time. This will provide country and metropolitan people with over-the-counter access to services previously unavailable at post offices. Opportunities exist in areas such as event tickets or vouchers, travellers' cheques, activation or recharge of applications for phone cards and payments in real time using credit cards.

FINDING 3.1

The Committee finds that with the continued withdrawal of banking services from small and medium sized towns, communities are becoming increasingly dependent on the local post office to meet their business and personal banking needs.

3.3.3 Delivery Network

In 1999-2000, Australia Post handled a total of 4.8 billion articles, compared to 4.5 billion articles the previous year (the highest mail volume growth in nine years). It delivered to 8.8 million delivery points (compared to 8.5 million previously) and ran the third largest fleet in the country (10,404 vehicles).

About one third of local mail originates from private individuals and two thirds from business and government. In 1999-2000, transactional mail (bills, statements and associated correspondence) accounted for more than 77 per cent of all letters.

Australia Post offers a range of different delivery services to its customers which reflect cost considerations, customer preferences and transportation limitations. There are effectively five forms of delivery:

1. Street Mail Delivery – provided in built-up areas, usually by Australia Post staff, where there are at least 150 delivery points within 1.2 km of a post office, where the average letter volume is at least 225 articles per day, where there is all weather accessibility and the cost is reasonable.
2. Roadside Delivery – provided by contractors to more isolated customers, where there are at least 5 households located further than 1.2 km from a post office, where there is all weather accessibility and the cost is reasonable.

3. Private Boxes / Locked Bags – available for a fee (concessional for customers receiving less than twice weekly delivery) at post offices and other convenient locations, offering security, convenience and earlier availability of mail.
4. Private and Community Bags – provide inwards and outwards mail to communities where roadside or other delivery methods are not available.
5. Counter Delivery (Poste Restante) – a free service allowing mail to be held at a post office counter for collection, available on request or where delivery to the property is not provided.¹²²

Recognising the social importance of the letter service, Australia Post is committed to making it available to all Australians on an equitable basis. It delivers to the property wherever possible, taking into consideration factors such as the availability of local transport, delivery costs and customer preferences. All Australia Post deliveries, except for private box and locked bag (which are subject to an annual fee) are provided as part of the cost of postage. However, where delivery to the property is not provided, mail can be collected from the nearest retail outlet either at the counter (free of charge) or from a private box provided at a concessional rate.

Delivery frequency standard to street boxes, private boxes and postal outlets is five times per week (Monday to Friday). To roadside addresses, the standard is mostly five times per week, but may be between two and four times depending on cost and community need.

Table 3.2 below shows the mail delivery network for Victorian households and businesses at 30th June 1995 and 2000. In summary, this table shows that in line with population changes, the total number of both household and business delivery points has increased and that the increase has occurred in all forms of delivery (other than counter delivery).

¹²² Written Submission No. 14, Australia Post, p. 2.

TABLE 3.2: MAIL DELIVERY NETWORK - VICTORIA

Delivery Point	1994/1995	1999/2000
<i>Private households receiving mail via:</i>		
Street Delivery	1,442,252	1,644,462
Private Boxes/Locked Bags	122,229	144,590
Private and Community Bags	2,149	2,371
Roadside Delivery	89,148	106,869
Counter Delivery	38,969	37,540
Total	1,694,747	1,935,832
<i>Businesses receiving mail via:</i>		
Street Delivery	107,993	119,766
Private Boxes/Locked Bags	76,212	90,584
Private and Community Bags	669	1,171
Roadside Delivery	5,315	6,076
Counter Delivery	4,722	4,819
Total	194,911	222,416
Total Delivery Points	1,889,658	2,158,248

Source: Australia Post, Written Submission to the Economic Development Committee, 26 April 2001, p. 2.

FINDING 3.2

The Committee finds that structural changes in postal communication services have led to a greater range and standard of products and services being delivered by Australia Post. In particular, the extension of operating hours of Australia Post has provided greater access to postal services.

FINDING 3.3

The Committee finds that post offices in rural communities are continuing to introduce a greater variety of products and services to their business. Some rural post offices now consider themselves a mixed business where the emphasis on postal services may be equal to, greater or lesser than that on the alternative business operation.

3.3.4 Employment

Australia Post is one of Australia's largest employers, employing 26,915 permanent, full-time staff, and 8,482 part-time staff in 1999-2000.

There are approximately 10,500 people employed in the provision of postal services in Victoria. Of those, 8,400 are employed directly, either full-time or part-time and some 3,975 are employed indirectly as post office licensees or mail contractors. Approximately 17 per cent, that is, around 1,750 of Australia Post's 10,500 Victorian employees or licensees are employed in non-metropolitan areas.¹²³

One of the areas the Committee explored with Mr Gerry Ryan, Secretary, Australia Post was the potential impact of structural changes on the number of jobs available in the industry.

Chairman – *“Does the new system mean that less people are now working in country towns as a result of the service being provided in a different way? Where it is produced by being in the back of the supermarket or whatever it is, does that mean there are less people although the service is there, and could we argue that perhaps it is an enhanced service but less people are delivering it?”*

Mr Ryan – *“In the case of Futurepost, our new processing system, we have saved something like 2,200 positions over a three year period. Of that, and I will have to check the precise figures, around 200 to 250 were located in rural and regional areas. The remainder were located in metropolitan areas.”*

Mr McQuilten – *“‘Saved’ is an unusual word to use. Does that mean they lost their jobs?”*

Mr Ryan – *“Yes, there was a reduction in jobs in that part of the business. You will find that overall there has not been a large change in our employment numbers in net terms, although there has been change in the mix. So yes, there is a small number – a small proportion.”¹²⁴*

Evidence presented to the Committee during the Inquiry, particularly from small and medium sized communities, did not specifically highlight the impact of possible job losses with respect to changes to postal communication services.

¹²³ Minutes of Evidence, 13/08/2001, p. 2.

¹²⁴ Minutes of Evidence, 13/08/2001, p. 4.

3.4 Impact of Postal Communications on the Victorian Economy

Overall, there has not been the economic or social costs associated with changes in postal communications that were experienced (either real or perceived) in relation to the withdrawal of banks from small and medium sized communities. This is largely attributable to the continued recognition by the current Commonwealth Government of the need for a balance between Australia Post's social obligations and its commercial obligations. This balance is achieved through performance regulations for Australia Post, as outlined in section 3.2.3 above, which provide a degree of protection from any reduction in services.

The Committee heard throughout its investigations that the local post office plays a significant role in many rural communities. It heard many examples where the local post office acts as a meeting point for people as they collect and send their mail. The Committee notes the continued role that post offices play, not only in providing essential postal, banking and associated services, but also in the social fabric of rural and regional communities.

Given that there have not been major changes in the delivery of postal communications and that there is generally a high level of satisfaction with Australia Post's services, the Committee received little evidence regarding structural changes in postal communications. However, many communities provided the Committee with their perceptions of postal services and this evidence is discussed below.

3.4.1 Evidence relating to Australia Post's Retail Network

Community satisfaction with the post office network was evident throughout the Committee's Inquiry. Evidence from Macedon Ranges Shire Council and Indigo Shire Council illustrates a general satisfaction with the post office networks in rural Victoria.

Ms Lydia Wilson, Chief Executive Officer, Macedon Ranges Shire Council:

*“The privatisation of postal services has generally resulted in an improvement in both the level and quality of service provided as Post Offices have expanded their hours of operation and the range of services offered. Most Post Offices provide EFTPOS and other banking services, and in the case of Lancefield, this has been the only banking service available in the town for the past seven years.”*¹²⁵

Mr John Costello, Chief Executive Officer, Indigo Shire Council:

“We are delighted that the Post Office services throughout Indigo Shire have actually increased their offering of services. Some of this is a direct result of banks closing, and it is also partly due to the Council now accepting payment for rates, other charges etc. through the Post Office systems.

*We do not seem to be having any problems with other postal services such as mail delivery.”*¹²⁶

While communities are generally satisfied with the current post office network, the Committee received evidence from some communities highlighting concerns over the future viability of postal services in their area. These concerns relate to the dual impact of increased use of electronic communication channels and population decline in rural Victoria resulting in a declining number of post office transactions. The continued viability of local post offices will become increasingly important as they take on responsibility for delivering a town’s only banking services.

Mr Kevin Shade, Chief Executive Officer, Horsham Rural City Council:

*“Changes in technology may have big effects in the future as the increasing use of facsimile and e-mail communications will reduce the use of traditional postal services. This will make the provision of these services less economically viable in rural areas and will inevitably lead to a decline in the service.”*¹²⁷

¹²⁵ Written Submission No. 24, Macedon Ranges Shire Council, p. 7.

¹²⁶ Written Submission No. 10, Indigo Shire Council, p. 2.

¹²⁷ Written Submission No. 23, Horsham Rural City Council, p. 1.

Ms Lydia Wilson, Chief Executive Officer, Macedon Ranges Shire Council:

“The Post Offices are such an important resource within smaller communities, that action needs to be taken to ensure that these services will remain in these communities and that they are viable businesses. Therefore it is important that targets that are set for Post Office businesses take into account of the geographic area being serviced and do not relate to universal measures which discriminate against smaller rural communities. The increased reliance on the role of the Post Office means governments have an obligation to offer greater certainty about their future.”¹²⁸

Ms Jennifer Tod, Chief Executive Officer, Yarriambiack Shire Council:

“There will be a deferred impact from the structural changes in the postal services. The postal businesses in the small towns are not viable and owners of these businesses will not be able to sell in the future. Consequently the postal service will close. This will be a concern if the post office also acts as the Commonwealth Bank agency and provides the only form of cash for our elderly people and pensioners.

In some cases communities have been ‘forced’ to buy their post office. Again this would not be an option for many of our smaller communities.”¹²⁹

The Committee also heard some evidence about the potential threat of electronic banking to the viability of post offices in rural communities.

Ms Heather Fleming, Willaura and District Community Development Group:

“The postmistress was also concerned that Australia Post wants her to promote Bpay, which she feels is in direct competition to over-the-counter transactions. She thinks that promotion would lead to her losing business. It generally services to make a post office redundant if everything can be done over the phone; people do not need to come into the post office and they would not buy the extra stamps, the fax paper or the stationery she carries.”¹³⁰

The Committee asked Mr Gerry Ryan, Secretary, Australia Post to respond to concerns about the continuing viability of post offices in small rural communities:

¹²⁸ Written Submission No. 24, Macedon Ranges Shire Council, p. 8.

¹²⁹ Written Submission No. 7, Yarriambiack Shire Council, p. 6.

¹³⁰ Minutes of Evidence, 27/08/2001, p. 68.

Chairman – “We noticed that in Ultima you called for tenders and did not receive a tender from anybody, which to me means you could not make a go of it. What is the situation with very small towns, presumably with very small business? How do you get around that, and is that an issue?”

Mr Ryan – “It is an issue. First of all, we have something like 500 licensed post offices around Australia that are on an income maintenance system, so that we are supporting them to keep them open. So it is an issue but we are dealing with it in that way...”

In some cases, however, even with income maintenance the licensee who perhaps is running a mixed business in a small town might decide they have had enough and they leave town. We do try to get another licensee, but in cases where we cannot we then look to establish a community postal agency that provides basic stamp assessment, post parcel assessment, postage assessment and pick up and delivery of mail. So it is a base core service that is not at the licensed post office level. We try to work with the community to do what we can with the resources that are left.”¹³¹

The Committee shares the concerns of some smaller rural towns in so far as post offices may not be seen as a viable business proposition in the future. If these concerns become a reality, there may be an adverse affect on the future of postal services in smaller towns. However, the Committee notes that the trend towards mixed business in the postal network is likely to ensure the continuing viability of postal services in small, rural communities.

FINDING 3.4

The Committee finds that communities from small and medium sized towns in Victoria are generally satisfied with the current level of postal communication services.

FINDING 3.5

The Committee finds that the owners of some post offices in smaller communities are concerned about the continuing viability of their business and, therefore, their future ability to sell that business.

¹³¹ Minutes of Evidence, 13/08/2001, p. 10.

FINDING 3.6

The Committee finds that the major concerns of people operating post office services in small communities are:

- ◆ *declining populations threatening the viability of the business;*
- ◆ *increasing uptake of alternative electronic communication channels resulting in reduced viability;*
- ◆ *increasing workloads arising from the delivery of banking and associated transaction services;*
- ◆ *reduced commission rates paid to rural and regional post offices;*
- ◆ *increased costs associated with providing EFTPOS services for a low number of transactions; and*
- ◆ *the requirement of Australia Post that all post offices open on Saturday mornings.*

The Committee notes, however, that many of the above concerns expressed by post office operators are seen as positive by customers.

RECOMMENDATION 3.1

The Committee recommends that the State Government request Australia Post to:

- ◆ **consider increasing subsidisation to post offices in rural and remote communities in order that these businesses remain viable; and/or**
- ◆ **consider waiving the requirement for less viable post offices in rural and remote communities to be open on Saturday mornings.**

RECOMMENDATION 3.2

The Committee recommends that Small Business Victoria, in conjunction with Australia Post, consider training and other resources to support licensed post offices to expand both postal and alternative products and services.

3.4.2 Evidence Relating to Australia Post's Delivery Service

Consistent with the Committee's findings regarding community perceptions of the post office network, there is also a generally high degree of satisfaction with the delivery network throughout Victoria.

The Committee received some evidence to suggest there is on-going concern about the unpredictability of the time taken for the delivery of mail and parcels in some areas. However, these concerns were generally limited to the more remote areas in the western part of the State, which are affected by lack of frequency and integration in their transportation networks.

The Committee heard from only a limited number of witnesses who felt that postal delivery services were not meeting their needs.

Mr Michael Kennedy, Chief Executive Officer, Mornington Peninsula Shire Council:

"While there have only been minor changes to postal services, there continues to be a lack of delivery to all households in townships in urban residential areas on the Peninsula. This is a major issue when trying to communicate with residents. Delivery companies are reluctant to deliver to rural townships or they choose not to provide this service.

The provision of delivery services to households has not recognised the changing demographics of townships on the Peninsula. Many houses have now been converted from holiday homes to permanent residences and need postal home delivery services."¹³²

Ms Lynne Powell, Kaniva Progress Association:

Ms Powell – “...there has been a reduction in postal services; the mail runs only three days a week and is inadequate for some rural businesses which operate from rural properties. They feel they miss out because by the time they get information or want to get it back it is a bit late.”

Mr Craige – “Can you give us an example?”

Ms Powell – “There is one lady who has a little shop out in the country and she said she often missed out on supply orders or different things; they were not on the internet. If they did not get their mail on Monday they would have to wait until Wednesday. I am not in that situation but she feels for some of the rural business that might operate from their farm or whatever the three days are inadequate.”¹³³

Whilst noting the frustrations of some rural residents, the Committee believes that Australia Post’s delivery standards and performance are at an acceptable level. With respect to some calls for a five-day per week delivery in remote, sparsely populated areas, the Committee believes it would be difficult and not cost efficient for Australia Post to provide such a service. The Committee also believes that these difficulties will be increasingly overcome as the provision and uptake of electronic communications expand in rural areas.

FINDING 3.7

The Committee finds that whilst Australia Post delivers a comprehensive, frequent service for most Victorians, demographic and population changes may have resulted in some changes in the needs of rural customers over time.

RECOMMENDATION 3.3

The Committee recommends that the State Government request Australia Post to review its delivery network in areas that have experienced significant socio-demographic changes in recent years.

¹³² Written Submission No. 13, Mornington Peninsula Shire Council, p. 3.

¹³³ Minutes of Evidence, 28/08/2001, p. 119.

3.5 Conclusion

Of all the services under review during this Inquiry, perhaps the least impact occurred in relation to structural changes to postal communication services. While there was a definite impact following the withdrawal of banks, council offices and public transport services from small and medium sized towns in Victoria, the same cannot be said of Australia Post services. Conversely, the Committee found that structural changes in postal communication services had increased the range and standard of products being delivered by Australia Post.

During the Committee's travels throughout Victoria, it was observed that even very small towns had the presence of a post office. Many of these post offices now offer a variety of products and services and are often operated as a mixed business that is now open for longer hours.

The Committee found that some small communities are concerned over the future viability of post office businesses due to declining populations, the increasing uptake of electronic communication and other factors. The Committee has therefore recommended that the State Government and Australia Post consider measures aimed at ensuring the continuing viability of rural and remote post offices.

Chapter 4

Municipal Services

4.1 Introduction

One of the most significant structural changes in the history of Victoria was the restructure of municipal boundaries eight years ago. Prior to 1994, there were 210 local councils throughout Victoria. Municipal services are now delivered through 78 local councils, comprising 31 metropolitan councils and 47 rural councils.

When the then Coalition Government embarked on major local government reforms in 1993/1994, there was a degree of community concern over the process and extent of council amalgamations, despite the widely accepted view that amalgamations were necessary.

The Committee's Inquiry has provided an opportunity to review, eight years on, the impact of local government amalgamations on the Victorian economy. The Committee travelled extensively throughout regional Victoria and was particularly interested in visiting small and medium sized towns to assess the impact of council amalgamations.

All councils were advised of the Committee's Terms of Reference via a direct mail in late 2000. In response, the Committee received written submissions from 16 (one fifth) of the 78 councils in Victoria, most of which specifically addressed the impact of changes on the delivery of municipal services. Of these written submissions, four were from city councils located within the Melbourne metropolitan area, two were from regional based city councils (City of Greater Bendigo and Horsham Rural City Council) and the remaining ten were from shire councils.

Further evidence on the impact of municipal reform was gathered during public hearings with the Department of Infrastructure's Office of Local Government, the Municipal

Association of Victoria (MAV), the Victorian Local Governance Association (VLGA) and Local Government Professionals (LGPro), as well as 10 councils during a series of regional hearings.

The Committee also wrote separately to all councils seeking budget information since 1994. Section 4.4.1 analyses this data in an attempt to determine whether levels of capital expenditure have increased as a result of efficiency savings achieved.

4.2 Profile of Victorian Councils

By way of background, the Local Government Division, under the State Department of Infrastructure, is responsible for the administration of the *Local Government Act 1989*. The Division operates within the State Government's policy framework which aims to:

- ◆ build local government capacity;
- ◆ recognise local government as the third tier of government; and
- ◆ sustain strong partnerships with the 78 councils in Victoria.

The profile of local councils varies considerably in terms of both geographic and population size and also the level of rates and expenditure. Appendix 7 lists each Victorian council, together with its population, area, number of councillors, total recurrent expenditure, rate revenue and number of staff.

The annual expenditure profile of councils ranges from \$150 million at the City of Melbourne and \$90 million at Greater Geelong to only \$3 million at the Borough of Queenscliffe. Excluding the two extremes, the range is from \$80 million at the City of Boroondara to \$5.5 million at the Shire of Towong.

Rate revenue ranges from \$95 million at the City of Melbourne to under \$2 million at the Borough of Queenscliffe. Again excluding the two extremes (and Greater Geelong which has annual rate revenue of \$52 million), the range is from \$44.4 million at the City of Boroondara to just over \$2 million at the Shires of Towong and West Wimmera.

The population of Victorian councils ranges from 191,000 at Greater Geelong and 175,000 at the City of Casey down to the much smaller councils of the Borough of Queenscliffe (3,400) and the Shires of West Wimmera (4,800), Hindmarsh (6,400) and Pyrenees (6,600).

Under the *Local Government Act*, councils may have up to 12 councillors. The current range is from 11 at the City of Greater Dandenong to five at Wangaratta Rural City Council, City of Whittlesea and the Shires of Alpine, Central Goldfields, Hepburn, Strathbogie, Towong and West Wimmera. As at August 2001, there were 593 councillors across Victoria.

In terms of the representational structures allowed under the *Act*, 14 of the 78 councils are unsubdivided and 64 have a combination of wards. Each council's representational structure must be approved by the Minister for Local Government. The councils themselves undertake an analysis to determine the most appropriate structure for the municipality and then apply to the Minister who takes it through an Order-in-Council process.

4.3 Structural Changes to Municipal Services

As stated in the introduction to this chapter, the restructure of municipal boundaries was a major reform undertaken by the Kennett Government. Other significant reforms to municipal services in the early 1990s were the introduction of compulsory competitive tendering and a rate reduction and cap. A description of each of these changes is provided below.

4.3.1 Restructuring of Municipal Boundaries

In 1993, the State Government established the Local Government Board (LGB) which was responsible for restructuring 202 councils into 75 larger municipalities. There were another eight local government areas not reviewed by the LGB. Separate decisions had been taken by the Government prior to the LGB's establishment to legislate for the

creation of the City of Melbourne and the Greater City of Geelong, and later, not to refer these areas (or the Borough of Queenscliffe) to the LGB for review.¹³⁴

Members of the Local Government Board included former councillors from municipalities in inner metropolitan Melbourne, urban fringe growth areas and rural Victoria. Other members contributed local government, research and consulting experience, local government executive experience and knowledge of State Government policy in the planning and local governance areas.

The functions of the LGB as outlined in the *Local Government Act 1989* were:

- ◆ to advise the Minister on improving the efficiency and effectiveness of local government in Victoria;
- ◆ to advise the Minister on local government financial issues;
- ◆ to conduct reviews and report to the Minister on proposals for boundary changes; and
- ◆ to advise the Minister on any other matters referred to it by the Minister.¹³⁵

At the time of amalgamations, the Local Government Board highlighted the benefits to be gained from reducing the number of municipalities.

Within the Inner Melbourne Reference Interim Report, the Board noted:

*“The creation of fewer, larger municipalities will increase the capacity of local government to serve the reference area’s many communities by providing a more flexible resource base. It will reinforce local government’s role as an equal partner with the State and the Commonwealth in the region’s public administration. It will give local government a bigger say in economic development and the management of urban assets that are vital to the future wellbeing of the reference area and of Victoria itself. And it will do these things without diminishing the quality of democratic accountability or representation.”*¹³⁶

¹³⁴ Brian Galligan (ed.), *Local Government Reform in Victoria*, 1998, p. 72.

¹³⁵ Loc.cit

¹³⁶ Local Government Board, *Inner Melbourne Reference Interim Report*, p. 87.

In the South West Victoria Review Report, the Board further noted:

“If councils are to do justice to their future responsibilities, they need to be larger and better resourced than they are at present. Some smaller councils lack the capacity to manage their present responsibilities in areas like planning, tourism, economic development, community services, native vegetation protection, pest control and drainage. Restructuring will not only increase the size of municipal units, it will also enhance local government services in each area, produce a more equitable allocation of resources, improve regional decision-making and give each area a stronger voice in dealing with its neighbours and the State Government. Along with compulsory competitive tendering, structural reform will enable councils to:

- *Overcome existing inefficiencies and inequities*
- *Increase their financial autonomy*
- *Stabilise and even reduce rates*
- *Operate more cost-effectively*
- *Secure savings by flexing their purchasing power*
- *Free up resources for investment in community assets and services*
- *Focus more clearly on customer needs and expectations.”*¹³⁷

Each of the LGB’s municipal boundary reviews was initiated by a reference from the Minister for Local Government. The Government’s policy for boundary changes was that *“any restructure should provide the potential to enhance the efficiency and effectiveness of local government”*¹³⁸. Under the *Local Government Act 1989*, the LGB, in conducting a review, could at its discretion have regard to all or any of the following considerations:

- ◆ sociological, demographic, topographic, economic and employment patterns and factors in the area covered by the review;
- ◆ community or diversity of interest in the area, including community identity, expectation and involvement;
- ◆ the impact of any proposal on the accessibility to and the effective delivery of local government services in the area;
- ◆ the financial impact of the proposal on the area; and
- ◆ any other matters that the board may have considered relevant.

¹³⁷ Local Government Board, *South West Victoria Review Interim Report*, 1994, p.10.

¹³⁸ Brian Galligan (ed.), *Local Government Reform in Victoria*, 1998, p. 77.

The process for each review area commenced with advertising a Terms of Reference and the receipt of written submissions. The Board then prepared a series of Interim Reports for each region throughout Victoria outlining draft recommendations for restructure. Further public input was received in relation to the Board's interim recommendations. Following consultation with each council and consideration of final submissions, the Board submitted its final recommendations for municipal restructure to the Minister for Local Government.

The need for structural reform was and remains widely recognised and accepted. The structure of the previous councils had changed little since 1880, despite dramatic changes in society over that same period. Most obvious were the changes in population distribution, due largely to urbanisation and changes in the way in which both rural and metropolitan residents participated in society, driven by rapid advances in both communications and technology. In 1979, the Bains Report identified that municipal boundaries required restructuring for the following reasons:

1. a number of municipalities were too small to be viable;
2. many boundaries cut across communities of common interest; and
3. the boundaries of some councils did not coincide with natural land forms.¹³⁹

The need for restructuring municipal boundaries was supported throughout the Committee's Inquiry. Cr Julie Hansen, President of the Victorian Local Governance Association, one of two peak local government bodies in Victoria, stated in a public hearing:

"In reference to the efficiencies of councils under the previous and present structures, the VLGA believes that prior to amalgamation it was largely accepted that many local governments were not really of a size and did not contain the diversity of economic activity to be wholly viable in an economic sense. We also argue that prior to amalgamation many local governments were inefficient in terms of balancing their books, and some would say in terms of their delivery of services, and that efficiencies of scale would result from amalgamation."¹⁴⁰

¹³⁹ Brian Galligan (ed.), *Local Government Reform in Victoria*, 1998, p. 32.

¹⁴⁰ Minutes of Evidence, 24/10/2001, p. 352.

4.3.2 Compulsory Competitive Tendering

The State Government saw the introduction of competitive tendering, or the market testing of local government services, as an important strategy to improve the efficiency, quality, accountability and flexibility of councils.¹⁴¹

Necessarily, compulsory competitive tendering resulted in a much greater involvement of the private sector in designing, pricing and delivering services previously provided primarily by the government sector. Consequently, local governments had to develop new skills to assist them in the preparation of well-defined tender briefs and effective systems of monitoring and control.

Compulsory competitive tendering (CCT) was implemented using a percentage of budget approach, whereby councils were required to submit an increasing percentage of their annual budget to competitive tendering. The rate commenced at 20 per cent in the 1994-95 financial year and was increased to 30 per cent in 1995-96 and moved to the target of 50 per cent by 1996-97. Within these percentage targets, councils were permitted to determine for themselves which services should or should not be subjected to competitive tendering. Councils were also allowed to include in their CCT percentage targets, expenditure through mechanisms approved by the Minister as having been subjected to prior competitive tendering, as well as expenditure on contracts to the value of \$50,000 or less resulting from a competitive quotation process which was initiated by public advertisement.

4.3.3 Rate Reduction and Capping

At the time of amalgamation, councils were required to reduce council rates by 20 per cent and to cap future rate increases. However, these requirements constituted a change in government policy rather than any sense of structural change within the industry. Accordingly, evidence heard by the Committee was not generally focussed on the new rating policies, although a few comments were made regarding the timing of

¹⁴¹ Brian Galligan (ed.), *Local Government Reform in Victoria*, 1998, p. 92.

their introduction. Where relevant, these comments have been incorporated into this report.

The Committee did, however, hear evidence regarding rates in a much broader context. Whilst not part of the Terms of Reference, the Committee acknowledges that some councils (specifically those in rural and remote Victoria) experience difficulty in raising sufficient revenue to meet capital expenditure requirements. A summary of this evidence is presented later in this Chapter.

4.4 Impact of Municipal Reform on the Victorian Economy

During the course of gathering evidence for this Inquiry, the greatest interest regarding the impact of municipal reform came from rural councils. To illustrate this point, the key motivation of all four metropolitan councils in making a submission to the Inquiry was to address the inadequacies of local banking services. Two of these submissions, those from the Cities of Boroondara and Moreland addressed banking issues only. The City of Greater Dandenong briefly referred to council services, stating that *"Whilst some services have been outsourced, these changes have not had any significant impact on the local economy."*¹⁴² Similarly, the submission from City of Whitehorse limited its comments regarding municipal reform to the following: *"The number of effective full-time employees has declined as a result of amalgamation of Councils from 963 at December 1994 to 611.6 currently. However, there has been no reduction in the number of service outlets for residents and services have continued to keep pace with our changing community..."*¹⁴³

In contrast, submissions from rural councils varied greatly in the number and scope of issues raised. Ten submissions were received from rural councils highlighting their experience with municipal amalgamations.

¹⁴² Written Submission No. 29, City of Greater Dandenong, p. 1.

¹⁴³ Written Submission No. 16, City of Whitehorse, pp. 1-2.

Mr Rob Spence, Chief Executive Officer, Municipal Association of Victoria:

“Across rural areas some councils, particularly up the Hume corridor, are travelling well. They have growing populations. In that Hume corridor and probably in Gippsland out as far as Baw Baw or Warragul they are going well. As you go further east it becomes more problematic, with East Gippsland carrying something like \$70 million in debt on a relatively small rate base. We see most of the problems in the far west or north-west where populations are declining. There may be a strong economic base, but the difficult mix is having to keep services up to look after the communities but with a lack of growth in the revenue base. Certainly things have changed but I do not think we have significantly resolved the problems for the bottom end. That almost seems to require some significant structural change in the way the tax base is dealt with.”¹⁴⁴

As to be expected during times of such unprecedented reform, it was reported that many councils, their employees and their communities experienced initial feelings of turmoil following council amalgamations. Today, however, they are much more likely to recognise the positive outcomes of the process. Notwithstanding the very real difficulties faced by a limited number of large rural councils, evidence received throughout the Inquiry, even from communities outside of metropolitan or regional cities, was generally supportive of municipal reform.

4.4.1 Budgetary Impact of Municipal Reform

Whilst an extensive amount of information was collected and analysed prior to council amalgamations, the Committee found it extremely difficult to obtain economic or other quantitative data pertaining to the outcomes of the process, as against the expected benefits. Neither the Government nor any of the industry organisations appearing before the Committee could identify any evaluative studies regarding the costs and benefits of council amalgamations, although the Committee notes that Victoria University conducted some studies into CCT soon after amalgamations occurred. The Committee believes the overall lack of analysis regarding reforms of such magnitude is a serious shortcoming.

¹⁴⁴ Minutes of Evidence, 03/12/2001, p. 412.

Given the absence of any broader industry study, however, the Committee is surprised that individual councils have not undertaken some form of local analysis. It is expected that any such analysis could have contributed significantly to the planning and budgetary activities of councils and improved their position for effective industry participation and lobbying over recent years.

Despite the lack of quantitative evidence, the Committee was able to determine that cost efficiencies were achieved through the amalgamation process. For example, Mr Michael Kennedy, Chief Executive Officer, Mornington Peninsula Shire Council reported in a written submission that economies of scale have been achieved in some services, generally infrastructure.¹⁴⁵ Similarly, Mr Neil Jacobs, in speaking about the experience in the Shire of Hindmarsh, stated that although he was unaware of the full costs of six years ago, he could identify that the administration of the current council costs less than that of the two previous Shires of Dimboola and Lowan.¹⁴⁶ Cr Stuart McLean, Shire of Buloke could be a little more specific, telling the Committee that "*...there were some major savings of the order of half a million dollars in the administration area.*"¹⁴⁷

In the absence of any broad or statewide analysis of the economic impacts of council amalgamations, the Committee attempted to collect data that would be comparable with the budget estimates provided in the Local Government Board's set of municipal boundary review reports of 1993 and 1994. The Committee was pleased to receive data from 57 of the 78 councils, representing a response rate of 73 per cent.

Compilation of council responses revealed, however, that any meaningful comparison of expenditure is extremely difficult without being privy to the original review process. Some of the limitations experienced in relation to the LGB's original reviews include: incomplete data, failure to include estimated budgets for all councils, inconsistencies in the way in which data was reported in review documents and differences between the proposed boundaries used in review documents compared with those that eventuated. The following additional limitations with regard to post-amalgamation data were also

¹⁴⁵ Written Submission No. 13, Mornington Peninsula Shire Council, p. 4.

¹⁴⁶ Written Submission No. 18, Hindmarsh Shire Council, p. 4.

¹⁴⁷ Minutes of Evidence, 12/12/2001, p. 445.

experienced: a change to financial reporting dates so that full year data is not available for 1993-94, other changes in reporting requirements and/or methodologies among individual councils, and differences in the way in which expenditure categories and items such as depreciation were treated in responses to the Committee.

A key rationale for amalgamating councils was improving efficiencies within the local government sector, with the expectation that administrative costs would be reduced and capital expenditure could therefore be increased. Accordingly, a useful analysis not affected by the above limitations is the level of capital expenditure undertaken by councils under the former structure compared with that under the current structure.

Capital Expenditure

For each council responding to the Committee's request for expenditure data, the Committee compared capital expenditure between 1995 and 2001 with 1993-94 pre-amalgamation expenditure (compiled by the LGB) and the estimated expenditure for the new municipalities as reported in the LGB's series of review reports. Results of this analysis are contained in Appendix 8. Of those 29 councils in rural and regional Victoria for whom complete data was available, 18 (62%) had average capital expenditure over the period 1995 to 2001 at¹⁴⁸ or above that estimated by the LGB.

Capital expenditure in the following municipalities was consistently above the figures expected by the Local Government Board: Central Goldfields (average capital expenditure between 1995 and 2001 was 192.3% higher than expected expenditure), Loddon (+69.8%), Mt Alexander (+62.5%¹⁴⁹), Hindmarsh (+60.2%), Gannawarra (+49.5%), Moyne (+39.8%), Swan Hill (+32.5%), Horsham (+26.7%), Murrindindi (+25.9%), Nillumbuk (+18.3%) and West Wimmera (+16.3%). Other shires with average capital expenditure greater than expected (that is, councils with inconsistent levels of expenditure, where some higher years have negated the effect of lower expenditure years) are Mildura (+15.7%), Campaspe (+15.2%), Corangamite (+10.7%), Hepburn (+9.7%) and Glenelg (+5.0%).

¹⁴⁸ No more than 2% below predicted expenditure.

The data also reveals that several shire councils had lower than expected levels of capital expenditure. There are a number of factors that have contributed to this difference. In some cases, there were differences in the proposed boundaries used in the financial analysis of restructured councils compared with those that were finally implemented. For example, Indigo Shire appears to be spending at a level almost 60 per cent lower than that estimated by the Local Government Board. However, the estimated level of capital expenditure for the Indigo Shire was based on the assumption that the Rural City of Wodonga would be included in that Shire and therefore, its later exclusion largely explains this discrepancy. Other rural municipalities that were implemented with boundaries that are different to those originally proposed include Southern Grampians (capital expenditure 9.8% lower than estimated), East Gippsland (-14.1%), Baw Baw (-15.9%), Wellington (-22.2%), La Trobe (-23.8%) and Yarra Ranges (-27.1%).

Other explanations for lower than expected average capital expenditure include highly varied expenditure for each year of the period examined (a factor affecting Wellington, Colac Otway and Campaspe) or very low expenditure in one period only affecting the result of councils otherwise spending at a level close to that expected.

The Committee was unable to make similar comparisons for the majority of metropolitan councils as the LGB's Inner Melbourne Review did not contain a financial analysis consistent with that presented in most other reports in the review series. This prevented the Committee from considering capital expenditure in the Cities of Hobsons Bay, Moreland, Darebin, Yarra, Boroondara, Stonnington, Glen Eira and Port Phillip, even where they presented current expenditure data to the Committee. Additionally, in the 12 cases where both Local Government Board estimates and council's actual expenditure since 1995 was available to the Committee, seven of these councils (Banyule, Brimbank, Casey, Frankston, Dandenong, Hume and Kingston) have different boundaries to those initially proposed and on which estimated expenditure figures were based. Nonetheless, the Committee has presented the limited data available to it in Appendix 8.

¹⁴⁹ Excluding abnormally low expenditure in 1995/96, this average increases to 85%.

Two of the five metropolitan councils where comparable data was available to the Committee had average capital expenditure between the period 1995 to 2001 higher than estimated by the Local Government Board (Whitehorse, +22.2% and Moreland, +19.1%). The remaining three had average capital expenditure below expectations (Glen Eira, -10.6%; Bayside, -15.2%; Monash, -27.7%). Given the very limited number of examples available to the Committee, it is difficult to draw any firm conclusions about the impact of council amalgamations on the level of capital expenditure in metropolitan councils.

However, it should be noted that the overall trend in the majority of cases is for metropolitan councils to have experienced increasing levels of capital expenditure over time. This trend stands out particularly in the cases of Moreland, Whitehorse, Glen Eira, Frankston, Casey, Monash, Geelong, Port Phillip, Manningham, Wyndham and Stonnington. In only one council, City of Kingston, does there appear to be a general trend towards a reducing level of capital expenditure. In the remaining cases for which data is available, the level of capital expenditure varies considerably year to year.

Total Expenditure

In preparing for the work of the Local Government Board in redefining council boundaries, the Office of Local Government produced a report titled *Structure and Efficiency (1994)*. In investigating various measures of council efficiencies, this report found strong evidence of economies of scale in council operations and it was expected that on average, a doubling in council size would reduce council expenditure per head by 24 per cent.¹⁵⁰ The Committee was able to undertake a simple analysis of total expenditure figures compared with those provided in the Office of Local Government's report¹⁵¹.

¹⁵⁰ Office of Local Government, *Structure and Efficiency*, 1994 cited in Brian Galligan (ed.), *Local Government Reform in Victoria*, 1998, p. 105.

¹⁵¹ Total expenditure for current councils was calculated as the sum of capital expenditure and recurrent expenditure figures provided by individual councils and reported by the Department of Infrastructure to the Committee.

Data in the Office of Local Government's report indicated that under the old municipal structure, the six councils in the Ballarat area had a total population of 90,000 and total expenditure of \$57 million. In comparison, the metropolitan city of closest size was Frankston, which was spending only \$45 million on its 89,000 residents. Similarly, the five Bendigo councils, with a combined total of 81,000 people, spent \$51 million, a figure much greater than the \$34 million Lilydale spent on its 83,000 residents.

Under the new structure, Ballarat City Council had a population of 82,000 in the 1999-2000 financial year and a total expenditure of \$56,724,829, resulting in a per head expenditure of \$692. This is very similar to the expenditure in a metropolitan council of similar size, Hobson's Bay, which spent \$52,603,000 on its 83,600 residents (expenditure of \$629 per head). Similarly, the City of Greater Bendigo spent \$61,134,000 on its 87,900 residents in 1999-2000 (per head expenditure of \$695), compared with the metropolitan council of closest size, Wyndham, which spent \$54,782,000 on its 86,000 residents (per head expenditure of \$637).

Looking beyond the regional centres, the argument for economic efficiency was similarly evident within the metropolitan area. The former cities of Port Melbourne, South Melbourne and St Kilda had a combined population of 74,000 and budgets totaling \$77 million whilst nearby Caulfield had a similar population (71,000) and spent half as much (\$38 million). North of the Yarra, the three former cities of Collingwood, Fitzroy and Richmond spent \$59 million on a combined population of 56,000 whilst nearby Essendon had 58,000 people and spent just over half as much (\$32 million).¹⁵²

A comparison of recent expenditure in the above metropolitan cities under the new structure reveals that apparent efficiencies have been achieved. For example, expenditure in the City of Port Phillip in 1999/2000 was \$77,672,000 for 81,500 people, representing per head expenditure of \$953. This compares with \$1,040 per resident in the former cities of Port Melbourne, South Melbourne and St Kilda some six years earlier. Similarly, expenditure in the City of Yarra in 1999-2000 was \$71,025,580 for

¹⁵² Office of Local Government, *Structure and Efficiency*, 1994 cited in Brian Galligan (ed.), *Local Government Reform in Victoria*, 1998, p. 107.

69,400 people, representing per head expenditure of \$1,023, a reduction from the figure of \$1,054 reported for the former cities of Collingwood, Fitzroy and Richmond in the Office of Local Government's 1994 report.

It is also apparent that the greatest efficiencies have been achieved in those councils which were very small prior to amalgamation. For example, taking the larger councils in the above example, the City of Glen Eira spent \$542 per resident in 1999/2000 (compared with \$535 for the former City of Caulfield) and the City of Moonee Valley spent \$569 per resident, compared with \$552 in the former City of Essendon.

Of course, one of the key benefits of these cost efficiencies was the ability to offer ratepayers a reduction in their rates through the rate cut and cap. For example, as Mr Stephen Cornish, Chief Executive Officer, Shire of Pyrenees explained, current rates in the Shire are of roughly equivalent value to those under the former Shires of Lexton and Avoca due to the rate cut and capping for the first three years after amalgamation. If the rates had increased in the former Shires by CPI, they would still be above the level the Shire of Pyrenees is currently charging.¹⁵³

FINDING 4.1

The Committee finds that local government amalgamations have, in many cases, led to higher levels of capital expenditure than initially estimated at the time of amalgamations.

The Committee further finds that total expenditure levels per ratepayer have decreased in many municipalities since amalgamations as a result of efficiencies achieved.

4.4.2 Compulsory Competitive Tendering

Consistent with difficulties in obtaining quantitative data regarding the outcomes of the amalgamation process, the Committee was also unable to obtain any evidence regarding

¹⁵³ Minutes of Evidence, 29/08/2001, p. 193.

the financial impact of compulsory competitive tendering (CCT). However, various views were put to the Committee during the Inquiry on the impact of CCT.

Cr Andrew Rowe, Member, Victorian Local Governance Association responded to a question regarding the impact of CCT in a public hearing:

“It achieved a number of things. Like most things, what it achieved is not black and white. There are positives and negatives. The positives are that it caused local government to focus better on service delivery, to make sure there was less duplication and to focus on the outcomes, so that various business units had to identify what they were doing in life, what their role was and what their fundamental objective was. That certainly caused advantages and efficiencies in making sure that people focused on what they had to do.

The disadvantage of CCT was timing. It came in just after the rate reduction and the rate cap, so although it was said on the one hand to be about efficiencies, it was used much more fiercely to create savings because of its timing. Had it come in at a different time to the rate cap, it might have been used much more constructively in both cutting costs and making sure services improved.”¹⁵⁴

As suggested above, the key disadvantage of CCT, as perceived by some witnesses was the timing of its implementation in conjunction with the rate reduction and cap. However, the Committee believes that the concurrent timing of all three reforms assisted councils to quickly integrate its new structure, systems and processes and to deliver cost savings in the most effective and efficient manner. The Committee believes that where serious negative feelings towards CCT were felt, these may have resulted from poor management and implementation of the process. As Mr Rob Spence, Chief Executive Officer, Municipal Association of Victoria suggested, some councils took CCT further than it needed to be taken and *“...were quite brutal in the way they ran it, and the impact of that was quite destructive”*.¹⁵⁵

Recognising that potential shortcomings in the process of implementing CCT in some municipalities may have contributed to any negative perceptions or impacts, the Committee heard that most dissatisfaction was experienced within rural communities.

¹⁵⁴ Minutes of Evidence, 24/10/2001, p. 357.

¹⁵⁵ Minutes of Evidence, 03/12/2001, p. 414.

Some of the difficulties are explained in the evidence from the various industry organisations that spoke with the Committee.

Mr Neil Armstrong, Chief Executive Officer, Local Government Professionals:

“The complexity of the tendering processes tended to discourage small operators and many tender outcomes bypassed local suppliers. This has had a snowballing affect on overall community values and focus as the redistribution of council expenditure often meant the multiplier effect that supported the local community was diminished.”¹⁵⁶

Nonetheless, it is important to recognise that there were also many rural communities that coped well with the introduction of CCT and were generally satisfied with the process.

Mr Peter Brown, Acting Chief Executive Officer, Horsham Rural City Council:

“I think the Horsham council was well placed to tackle CCT. It handled it quite well. It had already been contracting out a number of services, and it met the 20 per cent without changing anything in its first year. The smaller rural councils were in more difficult situations.”¹⁵⁷

Cr Stuart McLean, Shire of Buloke:

“When Buloke was amalgamated nobody lost their jobs, apart from some of the administration staff who moved out. Other than that the outdoor staff did not alter. We were in a period of commercial competitive tendering at that point. The Buloke works unit actually won the contract, and that kept those people, so we did not do a lot of outsourcing.”¹⁵⁸

Despite some questions still remaining regarding the level of savings or service improvements delivered by CCT, there was clear evidence from across Victoria that its introduction had a number of management benefits.

¹⁵⁶ Written Submission No. 20, Local Government Professionals, p. 5.

¹⁵⁷ Minutes of Evidence, 27/08/2001, p. 79.

¹⁵⁸ Minutes of Evidence, 12/12/2001, p. 447.

FINDING 4.2

The Committee finds that there were some concerns associated with the implementation of CCT, particularly in relation to its timing and across the board application without regard for individual differences between councils. However, a number of benefits have also arisen as a result of the introduction of Compulsory Competitive Tendering. These benefits include:

- ◆ *an increased understanding of services and projects;*
- ◆ *improved documentation of work processes;*
- ◆ *increased likelihood of work objectives, budgets and timeframes being achieved; and*
- ◆ *a broadening of staff skills and responsibilities.*

4.4.3 Local Government Best Value Principles

The Bracks government abolished CCT and introduced the *Local Government Best Value Principles Act*, releasing in July 2000, a framework outlining the Best Value Principles for councils:

- ◆ all services provided by a council must meet specified quality and cost standards;
- ◆ all services provided by a council must be responsive to the needs of its community;
- ◆ each service provided by a council must be accessible to those members of the community for whom the service is intended;
- ◆ a council must achieve continuous improvement in the provision of services for its community;
- ◆ a council must develop a program of regular consultation with its community in relation to the services it provides; and
- ◆ a council must report regularly to its community on its achievements in relation to the principles set out above.

The Best Value framework was designed to give councils flexibility in terms of how they approach the issue of their services and governance. As the Act provides that the Best Value Principles are to be applied to all of a council's services on or before 31st

December 2005, it is too early to be able to determine the effectiveness of this framework.

4.4.4 Impact of Local Government Amalgamations on Employment

Sensitivities surrounding jobs often created the impetus for any negative response towards council amalgamations. The local council is often the largest employer within a municipality, even within metropolitan areas. Hence, one of the most immediate and visible impacts of council amalgamations was the effect on local employment. Predictably, concerns regarding the impact of amalgamations on employment opportunities were predominantly from remote rural areas. The unique experience of these communities is addressed separately under section 4.5 of this chapter.

Mr Neil Armstrong, Chief Executive Officer, Local Government Professionals, noted the impact of council amalgamations on employment in a written submission to the Committee:

“The amalgamations created significant displacement of people employed in the local government sector. In many areas the Council was the largest employer and the extent of the multiplier effect in the community was not appreciated. The outcomes have contributed to lower wages and income redistribution that has particularly affected rural and regional areas.”¹⁵⁹

The Committee did not receive evidence which would lead to the conclusion that council amalgamations directly resulted in increased levels of unemployment within Victoria. However, evidence did indicate that there was a movement in jobs from one municipality to the next and to the private sector, particularly in rural and regional Victoria.

The Committee notes that while some lower level jobs were lost to councils, many of these were moved to the private sector where CCT resulted in the delivery of many services through various contract arrangements. Unfortunately, it is impossible to track what proportion of jobs moved from the public to the private sector following municipal

¹⁵⁹ Written Submission No. 20, Local Government Professionals, p. 5.

reform. Nonetheless, it is expected that any net loss of jobs is considerably smaller than some may claim. It should also be noted that local councils, like other areas of the public sector were often criticised for perceived inefficiencies, and it is therefore appropriate that productivity gains resulting from structural reform be commended rather than criticised.

A more tangible effect of municipal reform upon employment was the creation of a broader range of positions (many of which can be considered of better quality) within the local government sector. Cr Julie Hansen, President, Victorian Local Governance Association illustrated this point in a public hearing:

“There are new opportunities which the VLGA really encourages local government to take up. As they are taken up by some councils, like Port Phillip, we find local governments are increasing the size of their administrations rather than their parks or roads crews. So some local governments, particularly in the urban areas, have drug officers, community development officers and social planners – things that prior to amalgamation local governments were not into at all. As local governments have taken those opportunities in terms of engaging in those issues which really impact on their communities – global, complex issues – and taken on that role of working with their communities to find those local solutions, we have local government going into new areas where they have had new office positions being created.”¹⁶⁰

Whilst Cr Julie Hansen made reference to metropolitan councils in her evidence above, the Committee heard from many rural and regional councils that have also introduced these types of positions into their workforce. For example, there has been a huge expansion in the number and role of economic development, tourism and related officers throughout Victorian councils. This new role is discussed in section 4.4.6.

FINDING 4.3

The Committee finds that any negative effects on employment experienced as a result of reduced staffing levels following amalgamations were mitigated, particularly in metropolitan and regional centres by an increase in jobs in the private sector and the creation of new roles within local government.

¹⁶⁰ Minutes of Evidence, 24/10/2001, p. 354.

FINDING 4.4

The Committee finds that council amalgamations often resulted in the loss of employment in towns that lost their shire offices. The flow-on effects caused by the reduction in employment include population decline, loss of community leadership and a reduction in local expenditure.

4.4.5 Council Services

A key concern of communities at the time of the amalgamation process was the perception that a restructure, including a 20 per cent rate cut, may lead to a reduction in the level of services provided to the community. However, it was evident that councils and their communities are now generally positive about the new opportunities that amalgamations have created in terms of the range and flexibility of services and programs that can be provided. Evidence also suggests the ability for councils to undertake large new infrastructure projects has improved.

The Committee found that perceptions regarding council maintenance services were sometimes mixed, even between members of a single community. In other cases, concerns about a potential reduction in service appear not to have eventuated.

Mr Stephen Cornish, Chief Executive Officer, Shire of Pyrenees:

“The initial impact at the consolidation stage was the view that services were being lost from our towns...The development of program maintenance servicing, the introduction of centres such as the one we are now in and the ability to tap into computer facilities throughout the shire has meant that the former service level has been retained with potentially a greater service availability.”¹⁶¹

Mr Andrew Paul, Chief Executive Officer, City of Greater Bendigo:

“There has been a consolidation of the various outlets throughout the municipality, however the strategy of regular consultation and visits to the smaller towns outside of the central urban area of Bendigo has virtually

¹⁶¹ Minutes of Evidence, 29/08/2001, p. 198.

eliminated early concerns regarding significant reduction in services to the local community.”¹⁶²

Although the Committee heard some suggestions that amalgamations led to an apparent decline in the level of some manual services, the majority of evidence indicates that council amalgamations have had an overall positive impact on the ability of councils to improve the capacity and flexibility of the services they deliver. Further comments were received on the broader range of services offered by councils since amalgamations.

Cr Bernie Dunn, Horsham Rural City Council:

“(municipal restructure)... has allowed us to tackle projects that could not have been done under the previous division of councils. For example, we represent basically three-and-a-bit former councils. It has allowed us to do things like establish a new, \$4 million livestock exchange at the edge of Horsham and take the old exchange out of the city – it was only one block from our supermarkets – and open up that area for new development opportunities. They are the sorts of projects we could not have done without municipal restructuring.”¹⁶³

Mr Andrew Paul, Chief Executive Officer, City of Greater Bendigo:

“Capital works expenditure has been significantly higher than the combined outlay of the six municipalities prior to amalgamation. There has been a direct economic benefit to the local community with some \$20 million of increased Capital Works expenditure within the municipality over the past 6-7 years.”¹⁶⁴

Mr Stephen Cornish, Chief Executive Officer, Shire of Pyrenees:

“Dealing specifically with services, historically councils have looked at servicing areas with infrastructure maintenance renewal, planning and building, customer service, environmental health, human services and tourism centres in an advisory role only. Pyrenees shire has expanded its customer service base to include economic development and tourism, and, with the employment of a tourism and economic development officer, quality assurance, risk management, contract management, visitor information centres at Beaufort and Avoca, service reviews, information

¹⁶² Written Submission No. 12, City of Greater Bendigo, p. 3.

¹⁶³ Minutes of Evidence, 27/08/2001, p. 79.

¹⁶⁴ City of Greater Bendigo, op. cit, p.4.

technology training partnerships with the regional connectivity project and regional economic development boards.”¹⁶⁵

FINDING 4.5

The Committee finds that following council amalgamations, some rural and regional councils have overcome early concerns regarding a potential reduction in service delivery through a more effective consultation and visitation strategy.

FINDING 4.6

The Committee finds that council amalgamations have had an overall positive impact on the ability of councils to improve the capacity and flexibility of service delivery and to undertake major projects that were not necessarily viable prior to municipal reform.

4.4.6 Economic Development

As highlighted in the evidence provided above, one of the positive outcomes of the amalgamation process was the expansion of economic development activities in councils and in many cases, the introduction of an economic development unit and/or dedicated economic development staff for the first time.

The Indigo Shire noted the lack of council involvement in economic development prior to amalgamations.

"Prior to amalgamation, very little of this work was performed and no equivalent staffing structure existed. The role of Tourism and Economic Development within local government has been significantly lifted as a direct result of council amalgamations. In Indigo Shire it now has an important strategic place in the Council's long term corporate and community plans.”¹⁶⁶

The Committee noted many examples of councils being very active in attracting business and investment to their municipality through the work of economic development units.

¹⁶⁵ Minutes of Evidence, 29/08/2001, p. 192.

¹⁶⁶ Supplementary information provided in a letter to the Committee dated 30/11/2001, p. 5.

Mr Rob Spence, Chief Executive Officer, Municipal Association of Victoria discussed this role with the Committee:

Mr Spence - *“Structurally we are seeing an interesting thing happening in that we have stronger regional activity, which is different to anything we have seen in the past. The Gippsland group of councils and the group that is known as the interface group- the group that bounds Melbourne – the western group of councils and the regional cities grouping are starting to become strong lobbies on their own...”*

The Chairman – *“You talked about the concept of councils getting together whether they be in a regional area or the larger councils such as Bendigo, Ballarat or Wangaratta working together. Could you talk to us about the change we have heard about regarding specific councils getting involved in economic development through having economic development units for their various municipalities? What is happening in that area? Was that rare before local government reform?”*

Mr Spence – *“Right across the sector now there is a strong focus on economic development, and a significant number of councils now have economic development officers, boards or units to facilitate access to new development. Some are doing it particularly well and are very aggressive. I argue that councils such as those at Wodonga, Wangaratta, Whittlesea and Wyndham would stand out as being particularly efficient at delivering outcomes for industry...”*¹⁶⁷

Individual councils also commented on economic development activities.

Mr Stephen Cornish, Chief Executive Officer, Shire of Pyrenees

The Chairman – *“Is it fair to say that prior to the reform and the establishment of the new shire there was no economic development initiative in a big way by any of the three shires? Is that correct?”*

Mr Cornish – *“It was rather ad hoc. The old Shire of Avoca operated a culvert works, which was probably at that stage entrepreneurial but other than that the municipalities did not have a defined role to follow. They were reactive rather than proactive in a lot of those areas...”*¹⁶⁸

¹⁶⁷ Minutes of Evidence, 03/12/2001, pp. 412-413.

¹⁶⁸ Minutes of Evidence, 29/08/2001, p. 193.

The work of local economic development units was of particular interest to the Committee and therefore, the Committee wrote to all councils (metropolitan and rural) in November 2001, inviting them to provide a description of their work, the structure of their unit and key achievements to date.

Within rural municipalities, the size of the economic development unit and the range of roles they play vary enormously. Some councils contract out the economic development function (for example, Mount Alexander Shire contracts to Southern Skies Enterprises and East Gippsland Shire outsources to the Victorian Economic Development Association and the Lakes & Wilderness Tourism Association), some councils operate an internal economic development unit and others transfer the function to a Board (for example, a regional development board comprising the municipalities of Ararat, Northern Grampians and Pyrenees).

Many councils operate an internal business unit covering the economic development function. These units range from very small, employing 1-2 economic development officers, to larger units of between 5-10 full-time employees covering positions such as economic development and/or tourism manager, economic development officers, tourism officers, marketing or promotions officers, retail and events coordinators, project officer and administrative support. Many councils are also responsible for managing and staffing the local Visitor Information Centre.

The key role of most economic development units is the support and expansion of existing business enterprises, new investment attraction and infrastructure development. This is often achieved through the development and implementation of various strategies and business or industry plans (for example, Shire Development Plan, Local and Regional Tourism Strategies, Agribusiness Strategy and/or Retail Strategy) and through activities such as local leadership and industry partnerships, business liaison and advice, advocacy, grants applications, business facilitation and referral services, management workshops, and marketing and promotions work. Some major achievements reported by rural and regional councils include:

- ◆ Managing successful bids to win major new inbound investment including a dairy processing operation (200 jobs), two large call centres (500 jobs) and a timber mill and processing plant (50 jobs) – La Trobe.
- ◆ Facilitation of a 19km pipeline to provide water for high value irrigated agriculture, expansion of an industrial estate and development of a new \$10 million manufacturing plant – Campaspe.
- ◆ Promoting and facilitating a significant horticultural expansion resulting in 200 new direct jobs – Wondonga.
- ◆ Facilitation of applications that resulted in approximately \$500,000 of funding under the Commonwealth Government’s Dairy Regional Assistance Program and \$100,000 of Commonwealth Government funding to assist in the development of boutique food industries – Baw Baw.
- ◆ Expansion of the poultry industry and development of an olive industry specialising in large-scale production primarily for export and development of a chilli pepper industry. The olive and chilli pepper developments have been independently identified as potentially creating 600 new full-time and part-time positions by 2006, and 1,000 positions by 2011 – Loddon.
- ◆ Attraction of \$340,000 in funding for establishment of Rural Transaction Centres in Beeac and Birregurra – Colac Otway.

Economic development activities in metropolitan municipalities are very similar to those in rural and regional councils, with a strong emphasis on localised strategies, development and promotion of retail centres (including improved streetscaping) and supporting business with directories, information kits, networking, awards programs, seminar series, training and workshops.

FINDING 4.7

The Committee finds that council amalgamations have resulted in a greater emphasis on proactive economic development through the creation of economic development units by individual councils. The Committee found many examples of increased economic activity such as business promotion, investment attraction

and export growth in municipalities as a consequence on a council's economic development focus.

4.5 Impact of the Withdrawal of Municipal Services from Small and Medium Sized Towns

The Committee's Terms of Reference required an assessment of the impact of a reduction in the number of municipal outlets due to amalgamations on small and medium sized towns. As stated earlier, the Committee travelled extensively throughout Victoria and held public hearings in numerous small and medium sized towns such as Avoca, Boort, Edenhope, Lancefield, Rochester and Rutherglen.

The majority of concerns expressed to the Committee in relation to council amalgamations were from smaller communities that lost their local shire office in the amalgamation process. However, as noted earlier, these smaller remote councils with a low rate base were generally financially disadvantaged and unable to provide a full range of services prior to amalgamation, therefore, from an economic sustainability point of view, amalgamations were considered inevitable. The following section discusses the key issues raised with the Committee by communities from small and medium sized towns, namely:

- ◆ the significant multiplier effect of employment losses in very small communities;
- ◆ the large geographic size of many rural shires;
- ◆ population decline and its effect on an existing low rate base; and
- ◆ the perception of some loss of local representation and autonomy.

4.5.1 Multiplier Effect in Small Rural Communities

The Committee consistently heard that the level of impact caused by the amalgamation of councils tended to depend on the location of council services prior to amalgamation and where the new council offices were established. The Royal Australian Planning Institute wrote in its submission to the Committee that *"the overall result has been the*

*creation of winners and losers in terms of whether services were consolidated into a town from other towns or whether services were lost.*¹⁶⁹ That is, the greatest positive impact of amalgamation was felt in those towns that act as the new base for municipal services while the greater negative impact was felt by those towns that saw the loss of a municipal service centre.

Mr Graeme Ussing, Westprint Maps, Nhill illustrated this point:

*“All in all I think Nhill has done reasonably well out of the amalgamations, probably because we have retained the shire base in Nhill. We do not seem to have suffered any lack of services or downgrading of services.”*¹⁷⁰

The Shire of Hindmarsh, based in Nhill, noted that the greatest impact of amalgamations was on the town of Jeparit, the former administrative headquarters of the Dimboola Shire, located approximately 45 kms north-east of Nhill. Office functions previously undertaken in Jeparit were transferred to Nhill. Twelve white-collar jobs were lost, including the shire secretary, shire engineer and other tertiary educated staff.

The Shire of Macedon Ranges spoke of the initial effect on Romsey after the new municipality was based in Kyneton following amalgamation. A subsequent decision was made to later transfer some functions back to Romsey.

Ms Anne McLennan, Acting Director, Community Services, Shire of Macedon Ranges:

*“That had had a significant impact on Romsey, with loss of economic activity in Romsey, whether it be people buying lunches or getting their cars serviced or the shire getting its fleet serviced or accessing services in Romsey. We have now, as a council, moved three of our units back to Romsey. That has had an immediate impact on the energy and the movement in that town.”*¹⁷¹

¹⁶⁹ Written Submission No. 30, RAPI, p. 5.

¹⁷⁰ Minutes of Evidence, 28/08/2001, p. 140.

¹⁷¹ Minutes of Evidence, 11/09/2001, pp. 241-42.

The Committee notes the significant multiplier effect that the loss of even a small number of jobs can have on a small community. If the loss of a job causes a person to seek employment in another town, there is then an associated loss of personal expenditure to that town. Any impact will be compounded should a person choose to permanently relocate, particularly where a spouse and family are involved. Longer-term downstream effects may extend to a decline in local health and education services and local traders. This in turn continues the cycle of lost positions leading to further population decline.

The Rochester Chamber of Commerce and Industry gave evidence to the Committee highlighting the affect on Rochester after a number of council positions were transferred to Campaspe's headquarters in Echuca.

Mr Peter Anderson, President, Rochester Chamber of Commerce and Industry:

*"The loss of these families from our town has seen a loss of numbers attending our schools, sporting clubs and service organisations. Some of the local businesses in Rochester have pointed out to me that they do not get any more sales of stationery and clothing, such as uniforms and work wear, for shire employees, and that the contracts for car and truck tyres for the local shire vehicles have now gone out of town."*¹⁷²

Following amalgamations, a number of senior management positions were lost from small and medium sized towns. Some of the most skilled and capable employees also made the decision to leave the council during the uncertain period in the lead up to amalgamation. The loss of these people contributed to the "leadership vacuum" reported by many of the rural communities that spoke with the Committee.

Mr Phil Pearce, Chief Executive Officer, Shire of Campaspe:

"Community leadership has also suffered. The closing of regional and sub-regional offices and branches of local governments, hospitals, post offices and private sector industries such as banks combined with flatter management structures and improved technology has led to the removal of senior managers from many communities. Economically this has been

¹⁷² Minutes of Evidence, 12/09/2001, p. 302.

devastating in rural communities. Furthermore, the loss of these people has often left a leadership vacuum making it even more difficult to address local issues.”¹⁷³

Despite the change in local government employment as a result of amalgamations, the Committee consistently heard that the greatest impact in terms of employment losses in small and medium towns did not occur due to the amalgamation of local councils. The reduction and withdrawal of many federal, state and local government services and agencies, together with the downsizing, centralisation or closure of large private sector businesses such as banks, commenced many years prior to council amalgamations and is continuing today. Therefore, whilst the Committee sought to identify the specific impacts attributable to municipal reform, communities were much more likely to give evidence on the cumulative effect of technological and other advancements that have resulted in major rationalisation within the broader public and private sectors over an extended period.

FINDING 4.8

The Committee finds that concerns over the impact of council amalgamations were largely confined to smaller towns that previously had a local shire office which was re-located to a central headquarters after amalgamations.

FINDING 4.9

The Committee finds that some small, rural communities experienced negative economic multiplier effects as a result of reduced staffing levels following council amalgamations.

4.5.2 Size of Rural Shires

Population decline is of particular concern across much of country Victoria. Some communities argued that the geographic size of their shire is too large whilst others argued from the related perspective that the rate base of the shire is inadequate. In particular, the ability to develop and maintain adequate road and other infrastructure

¹⁷³ Written Submission No. 25, Shire of Campaspe, p. 2.

was raised in rural shires. Appendix 7 illustrates the potential scope of difficulties experienced by large rural councils. For example, Yarriambiak Shire covers an area of 7,314 square metres on a rate base of only 8,357 persons and West Wimmera covers 9,099 square metres on a rate base of 4,829 people.

Cr Julie Hansen, President, Victorian Local Governance Association summarised the challenges facing these large rural shires:

“While local government areas are larger now than they were beforehand, they are not necessarily more viable. If you are a small shire like Yarriambiack where you have an enormous area to cover, an enormous road network and a limited rate base, it becomes a real challenge. You have to be very innovative, form new partnerships, look at new ways of doing things, lobby government even harder in order to meet the challenges that lie in front of you.

The major issues are rate base, infrastructure spending, cost shifting and rate equity as well.”¹⁷⁴

Mr Neil Jacobs, Chief Executive Officer, Shire of Hindmarsh provided evidence regarding a general pattern of cost shifting within community services. The proportion of the cost of services, such as libraries, home and community care, and kindergartens, which councils pay for is increasing. He also raised the issue that although new and increased environmental standards are understandable, the Shire cannot practically afford the costs of meeting regulatory standards.

The Victorian Local Governance Association believes local government needs to develop stronger partnerships with the state in resolving questions of infrastructure spending as the low rate base of many councils is unable to support increasing infrastructure demands.

FINDING 4.10

The Committee finds that a number of rural councils are concerned about their future ability to provide and maintain infrastructure and to continue to increase the level and range of health and community services being demanded.

¹⁷⁴ Minutes of Evidence, 24/10/2001, p. 353.

RECOMMENDATION 4.1

The Committee recommends that the Victorian Grants Commission review its formula for distributing funds to ensure geographically large rural councils are allocated sufficient funds to provide more comparable services to those provided by metropolitan counterparts.

4.5.3 Local Autonomy and Representation

The Committee sensed a strong feeling of loss of autonomy and representation in some areas of rural Victoria, again predominantly in those remote communities facing the major challenges of population decline and a small rate base.

Prior to amalgamations, each council may have had between 9 to 15 elected representatives, covering a relatively small geographical area. Following amalgamations, the geographical size of council grew significantly while the number of elected councillors was reduced.

The following are examples reported to the Committee of the reduction in local representation in some municipalities:

- ◆ A reduction from 12 councillors in the old Karkaroc Shire to one councillor covering three times the area (Yarriambiack Shire Council).
- ◆ The reduction in councillors from 21 to seven when the former City of Ararat and Shire of Ararat merged (Ararat Rural City Council).
- ◆ A reduction in representation in Port Fairy from seven councillors to two and in Minhamite from seven councillors to one (Moyne Shire Council).

The evidence below illustrates the concerns arising from the reduction in the number of councillors serving local communities. These concerns can be summarised as potential economic disadvantage caused by not having a local councillor and loss of local leadership and social cohesion.

Ms Jenny Wilson, Willaura and District Community Development Group:

“The former City of Ararat merged with the Shire of Ararat. The number of councillors was reduced from 21 to 7 – that is a two-thirds loss in representation. The shire now has only one undivided ward. Although we do not advocate a return to the previous level of representation there is a strong feeling of people being disfranchised by the restructure. ... There is also a sense, real or perceived, that some communities may be financially advantaged by the presence of a local councillor and local advocate while other communities may be particularly disadvantaged by a lack of local advocates.”¹⁷⁵

Mr Tom Curtis and Mrs Heather Curtis, Kaniva:

“We believe the amalgamation of councils especially in country Victoria has been detrimental to towns in these areas. Prior to amalgamation Kaniva was a forward looking Shire due in no small part to the councillors and staff. The people within the shire were positive and community spirited. Councillors were approachable as they shopped and lived locally. Many committees had council representation on them which enabled progress to be made.”¹⁷⁶

Mr Bob Holschier, Stanhope Chamber of Commerce and Industry:

“We now have one councillor for an area which is equal to the old Waranga shire, which we were formerly in, and that area of that ward is around about 1,700 square kilometres. ...we feel that the area that one councillor has to represent is far too big and needs to be addressed.”¹⁷⁷

The Committee notes that some communities continue to feel disadvantaged as a result of reduced local autonomy and representation. There were many positive examples, however, of active groups that are bringing a great sense of community and achievement to their town. The Committee also notes the proactive strategies of some councils that have been key in overcoming initial concerns about the potential real or perceived impacts caused by a loss of representation. For example, the Committee heard about the positive initiative of some rural councils that rotate the venues for their council meetings throughout the municipality.

¹⁷⁵ Minutes of Evidence, 27/08/2001, p. 70.

¹⁷⁶ Written Submission No. 43, Mr Tom Curtis and Mrs Heather Curtis, p. 1.

¹⁷⁷ Minutes of Evidence, 12/09/2001, p. 280

Ms J Thring, Kaniva Progress Association:

“I think one of the really good things with this council is that they do not only meet in Kaniva and Edenhope, they go to all the different areas. I think that is very rare for the State, and they should be commended for that. They are actually going out to the people whether they get anyone there or not.”¹⁷⁸

Mr Andrew Paul, Chief Executive Officer, City of Greater Bendigo:

“Council has a strategy of meeting with the small townships within the municipality to ascertain specific improvement projects within each local community. These meetings provide a good opportunity to identify other larger projects that Council can consider as part of the city’s future capital works program. Equally important, councillors and senior staff are also able to hear any issues or concerns of the local communities and often help advocate to other bodies on their behalf when required.”¹⁷⁹

The Committee believes the practice of rotating council meeting venues throughout a municipality should be encouraged and adopted by all rural and regional councils as a means of providing greater representation to all ratepayers.

FINDING 4.11

The Committee finds that some councils have achieved enhanced levels of representation through the practice of rotating council meeting venues throughout a municipality.

RECOMMENDATION 4.2

The Committee recommends that large, rural councils review the location of service delivery and look to expand their presence and services throughout their municipality where practical.

¹⁷⁸ Minutes of Evidence, 28/08/2001, p. 122.

¹⁷⁹ Written Submission No. 12, City of Greater Bendigo, p. 3.

RECOMMENDATION 4.3

The Committee recommends that shire councils consider rotating meeting venues to give communities a greater sense of participation and ownership of community activities.

4.6 Conclusion

Despite community concerns at the time of Council amalgamations, most of the evidence put to the Committee acknowledged that municipal reform was necessary for the economic viability of many small councils and has led to efficiencies and a wider range of service delivery. Some level of concern still exists in rural towns that no longer have a municipal office within their town.

The Committee heard that many municipalities are facing continuing challenges, particularly those councils located in remote, rural areas of the State. Some of the key future challenges facing local governments are:

- ◆ Dealing with changing and ever increasing demands for infrastructure.
- ◆ Complex planning issues due to changes in economic, environmental, health and safety and social standards in the community.
- ◆ Increased demand for programs that address an expanding range of issues, balanced against the expectation of sound economic management.
- ◆ Demands for Council to take on a leadership role when other leadership resources have been depleted.

Chapter 5

Public Transport

5.1 Introduction

Although motor vehicle transportation is the dominant mode of transport in Australia, public transport remains an important part of the transportation system for social, economic and environmental reasons. As noted by the Victorian Council of Social Service in its written submission to the Committee, *"the ability to travel to another destination is crucial to participation in modern urban and social life. To be prohibited from travelling due to reasons of cost is to effectively cut people off from life itself, and from opportunities for self-improvement."*¹⁸⁰

Public transport services in Victoria have moved through three distinct stages over the last decade. Commencing with completely government-owned and operated provision of services in the early 1990s, the Public Transport Corporation (PTC) was responsible for the operations of MetTrains, MetTram, V/Line Passenger and V/Line Freight. The PTC's passenger transport services then went through a process of preparing for franchising and the removal from public ownership of all public transport services through the establishment of five business corporations. The third and current stage is the early phases of franchised services.

The Committee's evidence was concentrated on the delivery of public transport services throughout rural and regional Victoria, including the potential impacts of the proposed Fast Rail Project and reintroduction of country passenger services. The Committee heard that public transport in many rural areas is infrequent, poorly coordinated and often difficult to access. Substantial improvements to these factors will be necessary for these new services to be viable.

¹⁸⁰ Written Submission No. 35, VCOSS, p. 5.

5.2 Industry Structure

5.2.1 *The Department of Infrastructure*

The Department of Infrastructure is responsible for helping to deliver an integrated transport network across Victoria. It coordinates and monitors the public transport system and prepares and implements strategies to ensure that roads and public transport services complement one another.

There are three key pieces of legislation affecting public transport in Victoria, each of which are administered by the Minister for Transport. They are:

1. *Public Transport Competition Act 1995* that governs the contracting and safety accreditation arrangements applying to the bus industry;
2. *Rail Corporations Act 1996* that provides the operating rights for rail franchisees; and
3. *Transport Act 1983* which provides for the Office of the Director of Public Transport and the associated contracting arrangements.

The Office of the Director of Public Transport (ODPT), located within the Department of Infrastructure, is responsible for the coordination of all train, tram, bus and ferry route services across Victoria. The key roles of the ODPT are:¹⁸¹

- ◆ Contract Management – the ODPT manages all contracts for regular tram, bus and ferry services throughout Victoria, including school bus services;
- ◆ Performance Monitoring – the ODPT is responsible for monitoring the performance of public transport operators against the standards specified in contracts;
- ◆ Public Transport Safety – the ODPT manages specific projects for improving the safety of services, accreditation and licensing of operators and independent investigation of incidents involving public transport vehicles or facilities;
- ◆ Public Transport Planning; and
- ◆ Ticketing Systems.

¹⁸¹ Department of Infrastructure website, <http://www.doi.vic.gov.au>, 20/02/2002.

Other related roles include the regulation of taxis throughout Victoria, ensuring that all members of the community can access public transport services, freight rail, public transport education programs, ensuring availability and coordination of public transport services for special events and preserving public transport heritage.

The Department of Infrastructure advised the Committee that the 2001/02 budget for public transport is \$1.4 billion (including capital asset charges and the operation of ODPT). The actual net cost to the Government of running all public transport services in Victoria is around \$750 million.¹⁸²

5.2.2 Public Transport Operators

Victoria's public transport is structured around a number of franchise arrangements. Table 5.1 below provides an overview of current train and tram contracts. Additionally, there are over 100 private bus operators servicing metropolitan and country bus routes (and a further 603 school bus operators).

TABLE 5.1 OVERVIEW OF CURRENT TRAIN AND TRAM CONTRACTS

Service	Contracted operator	Commencement date of contract	Length of contract
Melbourne/Shepparton train service	Hoys' Roadlines	August 22, 1993	9 years
Melbourne/Warrnambool train service	West Coast Railway	September 19, 1993	11 years
Yarra Trams	Metrolink	August 29, 1999	12 years
M>Train	National Express Group	August 29, 1999	12 years
M>Tram	National Express Group	August 29, 1999	12 years
Connex	Melbourne Transport Enterprises	August 29, 1999	15 years
V/Line Passenger rail & coach services	National Express Group	August 29, 1999	10 years
The Overland – Melbourne/Adelaide	Great Southern Railway	January 1, 2001	2 years

Source: Department of Infrastructure, DOI website, 19/02/02.

¹⁸² Minutes of Evidence, 13/08/2001, p. 14.

Prior to the commencement of private contracts, the State Government made improvements to Melbourne's train network. As part of a \$50 million station refurbishment program, 61 Premium Stations were introduced across Melbourne, with staffing for all trains, enclosed waiting areas, customer service centres, constant surveillance through closed circuit television monitoring systems and toilet facilities. Improved customer facilities at all of Melbourne's train stations included upgraded lighting, closed-circuit television cameras to monitor station platforms and approaches, free-call push-button audio communication links that provide customer information and emergency assistance, public address systems announcing next train details and public telephones.¹⁸³

In April 1999, the State Government also announced a \$75.6 million program to improve bus services across Victoria. This included a \$20.3 million investment in upgrading rural and metropolitan interchanges between buses, trains and trams with improved shelters, seating, lighting and passenger amenities.¹⁸⁴

Additional improvements by private operators, as outlined in section 5.3.2, were included under the terms of the franchising contracts.

5.2.3 The Metropolitan Network

The Department of Infrastructure advised the Committee that as at 2001, the public transport network in metropolitan Melbourne consisted of:

- ◆ train operators (Bayside and Connex) operating on 15 lines, utilising 151.5 trains to run 1,833 weekday services.
- ◆ tram operators (Swanston and Yarra) operating on 27 routes, utilising 476 trams to run 5,460 weekday services.

¹⁸³ Transport Reform Unit, Department of Treasury and Finance, *A System into a Service an Update*, June 1999, p. 25.

¹⁸⁴ *Ibid*, p. 24.

- ◆ 30 bus operators servicing 268 routes with 1,433 buses on 13,550 time-tabled weekday services.
- ◆ 2,000 licensed taxi operators running 3,210 taxi cabs from 8 depots.

Bayside Trains has since been renamed M>Train and Swanston Trams has become M>Tram.

National Express Group, the contracted operator of M>Tram, M>Train and V/Line Passenger rail and coach services appeared before the Committee in September, 2001. Mr Bernie Carolan, Commercial Director, National Express Group explained the changes to Melbourne's tram network:

*"...the simplest way to think of the difference between ourselves and Yarra Trams is that the routes that operate north-south through the city – Swanston Street and Elizabeth Street – are Swanston Trams and those that operate east-west through the heart of the city are Yarra Trams. Swanston Trams has a bit more than half the routes across all of Melbourne – that is, about 17 out of 30 or so. Since franchising in 1999, we have introduced around 400 extra trips a week. Next year will be a red-letter day for the tram system in Melbourne in that both ourselves and Yarra Trams will introduce about 90 new trams altogether; about 59 will be ours and 31 will be theirs. The first of Yarra's new trams is in Melbourne being tested. Certainly during 2002 there will be a quite marked improvement in the fleet of the tram system in Melbourne."*¹⁸⁵

Mr Bernie Carolan, Commercial Director, National Express Group went on to explain the changes to metropolitan train services:

*"The name Bayside Trains – M>Train – is a bit of a misnomer because some of the Bayside routes go a long way from the bay towards Broadmeadows, Upfield and so on. Nevertheless, a proportion of the other Bayside services are bayside – Frankston, Werribee and Williamstown. Bayside has a bit more than half of the total metropolitan train system. Since 1999 we have introduced around 300 additional services a week, and again, a considerable investment in new trains will occur from part way through 2002 and across the next couple of years after that."*¹⁸⁶

¹⁸⁵ Minutes of Evidence, 03/09/2001, p. 217.

¹⁸⁶ Minutes of Evidence, 03/09/2001, p. 218.

Beyond the increased services and fleet investments noted above, the main change expected within the metropolitan area over the next year is the changing of identity from Bayside Trains and Swanston Trams to M>Train and M>Tram. This change will focus on improved service through staffing attitudes, information, safety, cleanliness and other cosmetic improvements.

5.2.4 Country Services

The Department of Infrastructure advised the Committee that in 2001, the public transport network for rural and regional Victoria consisted of:

- ◆ The V/Line Passenger train and coach service of 6 railway lines, 28 coach services and 200 weekday services.
- ◆ The WestCoast Rail service from Melbourne to Warrnambool and Hoys' service from Melbourne to Shepparton.
- ◆ Great Southern service from Melbourne to Adelaide and Country Link from Melbourne to Sydney.
- ◆ 85 bus operators servicing 569 routes with 411 buses on 3,180 time-tabled weekday services.
- ◆ 14 coach operators servicing 34 routes with 35 coaches.
- ◆ 607 school bus operators utilising 1,608 buses on 3,300 weekday services.
- ◆ 500 licensed taxi operators running 790 taxi cabs from 120 depots.¹⁸⁷

In December 1998, V/Line Passenger expanded its country rail timetable by 15 per cent, introducing 101 extra services each week. National Express Group indicated that its company has also introduced approximately 150 extra services per week on V/Line Passenger. In proportional terms, this represents a larger increase in services for V/Line passengers than the metropolitan increases. In addition, there will be 29 new Sprinter-type trains with a higher speed capability than those currently operating regional services. These vehicles will operate the announced new faster trains to Ballarat, Bendigo, Geelong and Traralgon.

¹⁸⁷ Minutes of Evidence, 13/08/2001, p. 14.

There are several current rail projects being undertaken by the State Government which will affect rural and regional Victoria. These are:

1. Rail gauge standardisation. State funding of \$96 million over four years has been committed to extend the amount of standard gauge operation within Victoria from 27 per cent of the network to 69 per cent of the network.
2. Wodonga rail bypass. Total project cost is \$60 million, of which Victoria is contributing \$30 million and the Commonwealth Government is contributing \$20 million (land sales are expected to fund the balance of the project).
3. Regional Fast Rail Project. This Project aims to bring the regional centres of Geelong, Ballarat, Bendigo and the La Trobe Valley within a more convenient access time of central Melbourne by operating trains at speeds of approximately 160 kilometres per hour. State funding of \$550 million has been allocated for delivery over five years.
4. Reintroduction of country passenger rail services. Services to Ararat, Mildura, Bairnsdale and South Gippsland will resume. Funding of \$32.7 million has been allocated to the project for delivery during 2003 and 2004.¹⁸⁸

The Regional Fast Rail Project and proposed reintroduction of country passenger services were of particular relevance to the Committee's investigations. These Projects are outlined in section 5.5 of this chapter.

5.3 Reforms to Victoria's Public Transport System

5.3.1 Rationale for Reform

During the late 1980s, Victoria's public transport system was faced with a number of operational problems. In 1998, the Transport Reform Unit of the Department of Treasury and Finance, in its report, *A System into a Service*, highlighted the following problems with the previous public transport system:

¹⁸⁸ Minutes of Evidence, 13/08/2001, pp. 15-16.

- ◆ The Industry Commission had reported in 1991 that the urban rail sector of the Victorian Public Transport Corporation had not shown satisfactory achievement in reform of all major rail systems.
- ◆ The Australian City Transit Association found Melbourne's bus and tram services to be the most inefficient non-rail public transport of any Australian capital city.
- ◆ The late 1980s and early 1990s were marked by industrial chaos with regular strikes and the Met Ticket dispute when Melbourne's trams blocked the city streets for six weeks.
- ◆ Massive fare increases culminating with a 14-month period during 1990-91 when the Government increased fares three times by a total of more than 30 per cent.
- ◆ Passenger usage in metropolitan and country areas had dropped dramatically with tram patronage in 1990 reaching its lowest level since 1911.
- ◆ Operating costs were accelerating through mismanagement, inefficiency and outdated work practices.¹⁸⁹

Following its election in 1992, the Kennett Government embarked on a major reform program aimed at reducing the annual subsidy to the public transport system by about \$250 million while also improving service quality, cleanliness and safety. The aims of the reform program were:

- ◆ to secure a substantial and sustained increase in the number of people using Victoria's public transport service;
- ◆ to secure a progressive improvement in the quality of service passengers can expect from the train and tram network;
- ◆ to ensure that the highest standards of safety are maintained at all times; and
- ◆ to improve the value that the community gets from its continuing investment of resources in public transport, while reducing the long-term burden on the taxpayer.¹⁹⁰

¹⁸⁹ Transport Reform Unit, Department of Treasury and Finance, *A System into a Service*, Oct. 1998, p. 4.

¹⁹⁰ Transport Reform Unit, Department of Treasury and Finance, *A System into a Service an Update*, June 1999, p. 1.

The then Government believed that opening Victoria's public transport system to private operators would be the best method of achieving the above aims. The advantages of this approach include: the creation of incentives to provide a safe, clean, efficient system attractive to passengers (each extra passenger brings additional revenue to the private operator); new, innovative approaches to customer service with the entry of new companies (many of them established transport experts from Australia and overseas); and a new avenue of funding investment which could concentrate on the long-term viability of public transport.¹⁹¹

5.3.2 The Franchising Process

The franchising of Victoria's public transport services differed from other major privatisations that Governments had undertaken. Rather than selling the train and tram networks outright, the Government gave private operators a franchise allowing them to operate services for a fixed term in return for a pre-agreed level of financial support from the Government. In effect, franchising involved transferring the management of rail operations to the private sector and the Government buying back services on behalf of the public. This process was necessary because public transport, unlike other industries, was not making a profit and was expected to continue to need a subsidy from the Government.¹⁹²

The franchising process involved private sector bidders competing with each other for the franchise contracts. Successful bidders signed two main contracts with the State Government: the Franchise Agreement and the Infrastructure Lease Agreement.

It is through the Franchise Agreement that the terms of the Passengers' Charter, setting out a range of guarantees for passengers using Victoria's trains and trams under the privatised public transport system are given legal effect. The Passengers' Charter covers aspects such as service levels, fares and ticketing, customer satisfaction, service quality, overcrowding, passenger information, special events, cooperation between operators and maintenance and safety. Tram and train performance is monitored against

¹⁹¹ Transport Reform Unit, Department of Treasury and Finance, *A System into a Service*, Oct. 1998, p.8.

established performance standards, with an incentive and penalty system in place to reward operators that exceed standards and penalise those that fail to meet them. Punctuality and reliability performance results are published and there is provision for passengers to be compensated for poor service performance.

The main terms of the Infrastructure Lease Agreement cover maintenance and renewal of track, signalling and other equipment; quality standards for rail tracks; network extensions; and compliance with relevant heritage and environmental legislation. Investment in fleet modernisation and improvements under the terms of the franchise contracts include:

1. An investment of around \$850 million to replace and refurbish the entire metropolitan train fleet. This includes replacement of the Hitachi fleet with 60 new six car electric trains by 2004 and refurbishment of the 94 Comeng electric trains by the end of 2002.
2. An investment of up to \$300 million in 90 new low floor trams between 2002 and 2004.
3. An estimated investment of \$55 million for the introduction by mid-2003 of at least 22 new, high performance Diesel Motor Units for V/Line Passenger.¹⁹³

5.4 Impact of Reforms on the Metropolitan System

The Government expected that the franchising process would secure progressive reductions in the amount of financial support the public transport system requires from Government. These reductions in subsidy were expected to result from improvements in efficiency and increases in patronage which would cut deficits by reducing costs and boosting revenues.

¹⁹² Ibid, p. 26.

¹⁹³ Transport Reform Unit, Department of Treasury and Finance, *A System into a Service*, June 1999, p. 23.

The Auditor General reported to Parliament in May 1998 on the progress regarding public transport reform. The report concluded that:¹⁹⁴

- ◆ By the end of June 1996, the Public Transport Corporation had achieved total savings of \$643 million in recurrent expenditure and ongoing savings per annum of at least \$245 million.
- ◆ Major sources of savings were a rationalisation of workshops, specific productivity improvements, improved maintenance practices and the outsourcing of many functions.
- ◆ The relative ease with which the PTC's workforce was downsized in cooperation with the transport unions was a direct reflection of the over-resourcing levels and inefficient practices which had existed in public transport operations for many years.
- ◆ The performance of public transport in service delivery and punctuality progressively improved during the reform program.
- ◆ Patronage levels of public transport progressively increased after a sharp decline at the beginning of the reform program.

Transport services, like other public utilities, have two components to their ongoing costs: fixed costs and variable costs. Public transport has a much higher proportion of fixed costs, meaning that levels of patronage generally have a minimal impact on the cost of running train and tram services. However, with each additional passenger, the overall cost per passenger decreases, making it more economical to encourage an increased level of patronage.

In February 2002, the State Government made a decision to provide additional financial subsidies to the three metropolitan train and tram operators due to income shortfalls experienced by the companies.

The following section outlines the State Government initiatives introduced to address levels of patronage on public transport, and then examines the level of customer satisfaction in terms of the punctuality and reliability of the system.

¹⁹⁴ Victorian Auditor General website, <http://www.audit.vic.gov.au>, 21/08/2001.

5.4.1 Patronage

While there has been a steady rise in patronage on all rail services since 1993, patronage on both metropolitan and country bus services has remained static. Table 5.2 reveals that while overall patronage on public transport since 1993 has increased by 18 per cent¹⁹⁵, the most significant increases in patronage have occurred in the use of V/Line Passenger services (+37.0%), metropolitan rail services (+26.6%) and metropolitan tram services (+26.3%).

TABLE 5.2 PUBLIC TRANSPORT PATRONAGE ('000s)

SERVICE	93/94	94/95	95/96	96/97	97/98	98/99	99/00	00/01
Metropolitan Rail	101.0	105.4	109.2	112.6	113.0	118.0	124.2	127.9
Metropolitan Tram	104.0	108.6	114.1	115.4	116.8	120.4	128.2	131.4
Metropolitan Bus	89.8	91.8	94.2	92.3	92.2	91.5	91.6	92.0
Sub total	<i>294.8</i>	<i>305.8</i>	<i>317.5</i>	<i>320.3</i>	<i>322.0</i>	<i>329.9</i>	<i>344.0</i>	<i>351.3</i>
V/Line Passenger	6.2	6.4	7.0	7.3	7.5	7.3	8.4	8.5
Country Bus	11.21	11.41	11.103	10.93	10.9	10.9	11.0	11.5
Total	312.21	323.61	335.60	338.53	340.4	348.1	363.4	371.3

Source: Department of Infrastructure, Annual Reports 1993-2001

The Public Transport Users Association argues that people will not use public transport unless it offers door-to-door travelling times that are comparable with those provided by private transport. Some of the issues that it feels need to be addressed if public transport operators are to increase patronage levels include:

- ◆ Shorter waiting times, to be achieved through greater frequencies, increased reliability and improved service coordination between tram, trains and buses.
- ◆ Shorter travelling times, to be achieved through an increase in the average speed of public transport vehicles and priority given to trams and buses over other road users.
- ◆ Improved customer service in areas such as safety, cleanliness, comfort and user friendliness.

¹⁹⁵ An average increase of 2.3 per cent over the 8 year period.

- ◆ Reduced fares, including review of the present zoning system to encourage travel to centres just outside of zone boundaries and discounts for off-peak, weekend and family travel.¹⁹⁶

The State Government has helped the privatised metropolitan public transport system address some of these issues through:

- ◆ Incentive and penalty payments for operational performance (included under franchise contracts).
- ◆ Creation of the Safe Travel Task Force.
- ◆ Introduction of 100 Roving Safety Officers and 100 Roving Conductors.
- ◆ Creation of a Ticketing Task Force.¹⁹⁷

The Committee also notes the recent and planned future improvements in areas of customer service.

5.4.3 Customer Satisfaction

With members of the public reluctant to use public transport for the various reasons outlined above, increased patronage relies heavily on customer satisfaction.

Data on customer satisfaction to measure whether operators are providing the quality of service expected is collected by the Office of the Director of Public Transport (ODPT). This data is published quarterly by the State Government in a performance bulletin titled *Track Record*, which reports on customer satisfaction with service delivery, information services, stations/stops, passenger comfort, value for money, staff service, ticketing and personal safety.

Punctuality and reliability of the service are important factors impacting customer satisfaction. A comparison of punctuality in April-June 1999 (the last full quarter prior to

¹⁹⁶Public Transport Users Association website, [http:// www.ptua.org.au](http://www.ptua.org.au), 15/02/02.

¹⁹⁷ Department of Infrastructure, *Annual Report 2000-01*, pp. 17-18.

the introduction of the privatised contracts) and July-September 2001 (the most recent data) shows that the on-time performance of train operators in metropolitan Melbourne has improved over this period. Franchised operators M>Train and Connex Trains recorded on-time performances of 97.2 per cent and 96.8 per cent respectively, while corporatised Bayside and Hillside Trains recorded on-time performances of only 94.0 per cent and 93.2 per cent back in 1999. Hence, metropolitan train services have shown a marked improvement in punctuality since the introduction of the franchise agreement, and both M>Train and Connex have consistently achieved service level targets.

Similarly, the on-time performance of tram operators also improved over the aforementioned period. Franchise operators M>Tram and Yarra Trams recorded on-time performances of 72.3 per cent and 72.4 per cent, while Swanston Trams and Yarra Trams previously recorded on-time performances of only 61.8 per cent and 71.2 per cent, respectively. While this data shows a significant improvement in the performance of tram services, operators are still well below the target of 80 per cent set by the State Government.

The reliability of metropolitan train and tram services, meaning the percentage of scheduled services that actually ran, also increased over the comparative period of April-June 1999 and July-September 2001. M>Train and Connex Trains recorded cancellations of 0.4 and 0.3 per cent in the September 2001 quarter, compared with 0.8 and 0.6 for Bayside and Hillside Trains in the June 1999 quarter. Tram services achieved similar results, with M>Tram and Yarra Trams recording cancellations of 0.4 per cent and 0.2 per cent in the September 2001 quarter, compared with 0.6 per cent and 0.4 per cent for Swanston Trams and Yarra Trams in the June 1999 quarter.¹⁹⁸

Frequency of service is another factor affecting customer satisfaction. Since November 2000, Connex and Bayside Trains have introduced new timetables which provide for an extra 337 services a week in metropolitan Melbourne, and have increased the number of trains through the city loop by 10 per cent.¹⁹⁹

¹⁹⁸ Department of Infrastructure, *Track Record Quarterly Performance Bulletin: July - September 2001*, pp. 4-6, and August - December 1999, pp. 4-3.

¹⁹⁹ Department of Infrastructure, *Annual Report 2000-01*, p. 17.

Government set operational performance incentives and penalties are another important part of ensuring that transport operators deliver efficient and measurable public transport services to the community. If franchise operators meet the performance targets they receive financial rewards, however, if they fail to meet the targets, they are liable for financial penalties. Since October 2000, both franchised metropolitan train operators have recorded strong net incentive payments, with M>Train receiving incentive payments of almost \$2.4 million over the four quarters to September 2001, and Connex Trains receiving \$1.7 million. Franchised tram operator Yarra Trams has also recorded strong net incentive payments, receiving \$2.5 million over the aforementioned period. M>Trams has not performed as strongly as other franchised public transport operators, receiving approximately \$1 million since October 2000.²⁰⁰

5.5 New Initiatives for Rural and Regional Victoria

The current Government has announced two new initiatives for passenger rail services to rural and regional Victoria; the Regional Fast Rail Project and the reintroduction of country passenger rail services to Ararat, Bairnsdale, Mildura and South Gippsland. These two projects are outlined below and discussed further in sections 5.6.3 and 5.6.4.

Regional Fast Rail

In September 2000, the Bracks Government announced the Regional Fast Rail Project. Government funding of \$550 million has been allocated to the Project.

The Government reported that *"reduction in rail travelling times to regional Victoria significantly enhance local economic and employment opportunities and would improve the speed and reliability of both suburban and freight rail services."*²⁰¹

²⁰⁰ Department of Infrastructure, *Track Record, July-September quarter 2001*, p. 9.

²⁰¹ Department of Infrastructure, *Fast Rail Links to Regional Centres*, 2000, p. 3.

The aims of the Regional Fast Rail Project are:²⁰²

- ◆ To deliver fast rail services between Melbourne and major regional centres, with journey times reduced to the maximum extent possible within the State Government’s financial commitment to the project.
- ◆ To implement, operate and maintain a fast rail service with no deterioration in rail safety.
- ◆ To ensure that the upgraded rail service provides convenient, comfortable and affordable rail services for commuters.
- ◆ To achieve a substantial and sustained increase in rail patronage on all four rail lines.
- ◆ To minimise the long-term cost to the taxpayer associated with the upgrading, maintenance and operation of the upgraded rail system.
- ◆ To transfer appropriate risk to the private sector and obtain the best possible value for money by drawing on private sector innovation and creativity.

Table 5.3 sets out the expected journey times for the Regional Fast Project. The minimum reduction in travel times will be as follows: Ballarat, 21 minutes, Bendigo, 16 minutes, Geelong, 7 minutes and La Trobe Valley, 10 minutes.

TABLE 5.3 TARGET JOURNEY TIMES FOR REGIONAL FAST RAIL PROJECT

Service	Existing timetable (minutes)	Target express journey times (minutes)	Maximum express journey times (minutes)
Ballarat	85-104	60	64
Bendigo	100-125	80	84
Geelong	52-67	45	45
La Trobe Valley	115-145	90	95

Source: Department of Infrastructure website, www.doi.vic.gov.au.

The level and nature of services and the stopping patterns under the Regional Fast Rail Project have not yet been decided. According to the Department of Infrastructure’s website, these details will be decided closer to project implementation and after consultation with National Express and regional communities.

²⁰² Department of Infrastructure, *Fast Rail Links to Regional Centres*, 2000, p. 3.

The Regional Fast Rail project will upgrade existing metropolitan and country infrastructure to enable the running of new fast rail services to the four Victorian regional centres of Ballarat, Bendigo, Geelong and the La Trobe Valley.

Contracts for the necessary works for the Regional Fast Rail Project are expected to be awarded in the second quarter of 2002, with works due for completion by mid-2005. The types of works to be conducted include:

- ◆ Upgrading of track components (rail, fixing, sleepers, ballast, formation and bridge structures).
- ◆ Modification/upgrade of signalling and introduction of some level of control and protection system to ensure improved operation and safety.
- ◆ Treatment of level crossings to ensure safe operation at high speeds.
- ◆ Possible route diversions to reduce the distance travelled.
- ◆ Track duplication and/or passing loops.²⁰³

In order to meet the journey time targets, new diesel motorised trains capable of travelling up to 160 km/h will be provided for each rail line.

Reintroduction of Country Passenger Rail Services

In May 2001, the Premier announced the progressive reopening of four country rail lines that were closed in the early 1990s. The announcement involved a funding allocation of \$32.7 million for capital works and indicated that services on the Ararat and Bairnsdale lines would resume by mid-2003 and those on the Mildura and South Gippsland lines would resume in 2004.

The Department of Infrastructure states that the reintroduction of passenger rail services *"will deliver significant economic, environmental and social benefits to Victoria, and particularly to regional communities"*.²⁰⁴ It further states that feasibility studies predict

²⁰³ Department of Infrastructure website, <http://www.doi.vic.gov>, 28/02/2002.

²⁰⁴ Department of Premier and Cabinet website, <http://www.dpc.vic.gov.au>, 20/02/2002.

more than 270,000 passengers a year will use the new rail services and that new opportunities for promoting access to regional Victoria for tourists will be created.

Appendix 9 provides a list of rail passenger services that have been closed since 1980 while Appendix 10 provides further information on each of the country lines to be reopened.

5.6 Public Transport in Small and Medium Sized Towns

The lack of frequent, accessible and convenient public transport was considered a major issue in many of the rural communities visited by the Committee, particularly those affected by centralisation of a large number of essential services. An added complexity with regards to public transport is that different groups of users appear to have very different public transportation needs. Ms Lydia Wilson, Chief Executive Officer, Macedon Ranges Shire Council illustrated these needs in the Shire's written submission to the Committee:

“Older people in our community have a range of needs that can be met through improved access to transport. That includes access to medical appointments both in and outside the Shire, maintaining social contacts which reduces the feeling of isolation and affords them the opportunity to be active in the community, and enabling them to maintain their independence and not become totally reliant on others for their mobility.

Young people have severely restricted access to social or recreation activities unless they have their own transport. This places additional pressures on parents and other community organisations to arrange transport for these people if they are to participate. Too often, it was reported, the lack of transport serves as a major impediment for young people to connect with others thus reducing their isolation.

The unemployed are required to travel in order to look for work and to meet their requirements of benefit payments. The lack of public transport contributes to frustration for this group in accessing employment opportunities and increasing their feeling of isolation.”²⁰⁵

²⁰⁵ Written Submission No. 24, Macedon Ranges Shire Council, p. 10.

The following sections discuss evidence taken by the Committee in relation to current service timetables and coordination, bus and coach services, the reintroduction of country passenger services, the Regional Fast Rail Project and the unique needs of youth in terms of accessing public transport.

5.6.1 Current Service Time-tabling and Coordination

Many rural and regional communities emphasised to the Committee that the current level of public transport, including routes, frequency and coordination between different services is inadequate. Often, the level of public transport service and coordination varies significantly from relatively well coordinated to non-existent between different towns or areas of a shire. There may be no practical alternative to having private transport for many people in rural areas, particularly those with families.

However, the Committee also heard that the cost of owning, running and maintaining private transport can be quite significant and presents an additional barrier to the most vulnerable members of the community. Ms Joanna Casey, Coordinator, Cobaw Community Health Service²⁰⁶ suggested that there is a need for provision of installment payments for car registrations, to be implemented in a manner similar to Centrelink deductions that are now possible for paying rent for people entering public housing.

Mr Paul McKenzie, Manager, Aged Care and Disability Services, Campaspe Shire Council:

“They (bus services) need to be more frequent because you are just left waiting for up to 8 hours. Rochester might have two runs a day, but if you move out to Colbinabbin, Rushworth or Stanhope you have a bus that goes through once per day. In fact in some of those areas it does not come back through there until the next day. So even just to visit an elderly relative in an aged care facility becomes impossible to do. Therefore, you must shift away from your local town if you need to be near those services.”²⁰⁷

²⁰⁶ Minutes of Evidence, 11/09/2001, p. 257.

²⁰⁷ Minutes of Evidence, 12/09/2001, p. 275.

The Committee heard that the withdrawal of other services, particularly health and community services from small towns was exacerbating the effects of reduced availability of public transport. A common issue was the difficulty in making appointments to coincide with public transport, as there is often only 1-2 hours available before the return service departs. This issue is not only limited to medical appointments, but also those seeking to attend Centrelink appointments, job interviews or to conduct other personal transactions (for example, legal or financial transactions).

One of the first observations made by people from many communities was that public transport in regional centres tends to focus on transporting people to and from Melbourne for standard work hours. This makes it very difficult for people to travel to alternative regional centres to access employment or education opportunities. For example, current timetables servicing towns south of Bendigo in places such as Castlemaine, cater for those wishing to commute daily to Melbourne but not to Bendigo, which is far closer. Even as far west as Yarriambiack Shire, timetables are centred around public transport links to and from Melbourne, with no public transport services centred around Horsham. However, even travel to Melbourne from major regional centres is very limited outside of standard working hours, meaning that public transport is not a viable option for many students, part-time workers or shift workers.

Ms Anne McLennan, Acting Director, Community Services, Macedon Ranges Shire Council highlighted transport deficiencies within the Shire:

“The rail service to Bendigo is generally poor too, with consistent reports that people, particularly students wanting to go to La Trobe University in Bendigo, often cannot get there before their first lecture starts. That seems to be a problem in both the east and west of the shire. The issue of intra-shire transport is therefore pertinent, in that people, particularly in the east but right through the shire, have real trouble accessing and getting to the train line.”²⁰⁸

Many communities have identified a need to provide alternative solutions if residents are to engage in a range of employment, education and social opportunities (or even to attend basic personal appointments). For example, a locally initiated and managed

²⁰⁸ Minutes of Evidence, 11/09/2001, p. 241.

cooperative operates a bus service from Lancefield to the Melbourne central business district five days per week. A number of councils also currently run community cars and/or buses, although there was some concern regarding such initiatives. For example, Mornington Peninsula Shire Council is concerned that funding for such services has not kept pace with local needs whilst Horsham Rural City Council reported that the provision of these types of services may pose a threat to the viability of local taxi services.

The need for a full audit and review of existing transport services and the needs of communities was put forward by many witnesses in rural and regional Victoria including Ms Jennifer Tod, Chief Executive Officer, Yarriambiack Shire Council:

Mr Craige: - *“Are you saying to us that public transport is an issue simply because of the changes that are occurring in the demographics, the population mix and what is happening and therefore there needs to be a more realistic look at the service requirements of public transport?”*

Ms Tod – *“That would be the outcome we would like to come from this particular committee. The services before probably were not appropriate because obviously people did not use them and therefore they were not necessarily viable. Apart from the access to the passenger rail at Woomelang there was access at Murtoa which a lot of our communities up here used. That was not adequate either and that is why I was making the point before that I believe we need to look at how we can provide public transport for the future, picking up on the change in our communities and in a more flexible mode to suit our communities as well.”*

²⁰⁹

FINDING 5.1

The Committee finds that provision of public transport services has been inadequate in meeting community needs in many areas of rural and regional Victoria for many years.

FINDING 5.2

The Committee finds that the major areas of concern in the provision of public transportation in rural and regional Victoria are:

- ◆ *route deficiencies, including the inability to travelling locally;*

²⁰⁹ Minutes of Evidence, 29/08/2001, p. 172.

- ◆ *lack of service frequency, including insufficient time at destinations to complete personal or business appointments and the inability to travel to regional centres and Melbourne at convenient times; and*
- ◆ *poor coordination between different services.*

FINDING 5.3

The Committee finds that there is an increasing level of pressure on local councils and community organisations to fund and/or arrange community transport for their clients.

RECOMMENDATION 5.1

The Committee recommends that the Department of Infrastructure conduct a full review of public transport routes and timetables in rural and regional Victoria in light of changing community needs. Such a review should include an assessment of:

- ◆ **the different needs of various customer groups;**
- ◆ **the ability to travel locally (within shires) and to the nearest regional centre;**
- ◆ **the ability to travel between regional centres at appropriate and convenient times to access a range of employment, education, social and health and welfare opportunities; and**
- ◆ **the ability to both commute to and from Melbourne for employment and to travel between Melbourne and regional centres outside of standard work hours.**

5.6.2 Bus and Coach Services

Coach travel is faced with similar difficulties to trains, in that timetables are generally centred around travel to and from Melbourne and that rural residents still have difficulty in travelling to the coach station or designated stop.

Hindmarsh Shire Council outlined the disadvantages of the bus services that replaced passenger rail services to Dimboola. The bus service is slower and follows a circuitous route and there is a community perception that the buses are not as safe as the trains. Current bus services also face the disadvantage of significant distances, low volume and inadequate time-tabling.

Mr Ivan Surridge, Manager, Rural City Development, Rural City of Ararat outlined the inadequacies of local coach routes:

“Coach transport routes – do they really service communities and community’s needs? Who should review the efficacy of the coach network? I would submit that there is no one body at the moment which has the responsibility to go into regional Victoria and ask whether the existing coach network is serving the communities of the region well. At the moment you have V/Line, the contracted supplier of coach services, running rail replacement services. Their job is to replace the rail services which were closed seven or eight years ago. They are running services up the Western Highway. The other services that branch off that, reaching the small towns and communities, are run by private operators. These private operators apply for a licence for a particular route with the means and wherewithal of why that should be approved, and receive subsidies as school runs and whatever else to run them. There is no other incentive to develop new routes or new services.”²¹⁰

A written submission from Mr Kevin Shade, Chief Executive Officer, Horsham Rural City Council also supported the view that bus services are not necessarily appropriate or accessible. Some of the problems identified were:²¹¹

- ◆ Most services are between major towns to capital cities rather than between local areas and regional centres.
- ◆ Frequency of services to major centres is inadequate, with services rarely returning the same day and often only running once per week.
- ◆ Other services are also infrequent and sometimes lengthy because service providers simultaneously undertake mail-runs or provide other inter-town services.

²¹⁰ Minutes of Evidence, 27/08/2001, p. 54.

²¹¹ Written Submission No. 23, Horsham Rural City Council, p. 2.

- ◆ Frequently, long distances must be covered from a person's home to access available transport.

The Committee notes the Environment Victoria study into rural and regional transport. Its report, *"Driving the Fast Train Further"*, dated May 2001, found that *"bus and coach services statewide need a major review. Parts of the state cannot be served by train; therefore connecting regional coach services must offer similar frequencies to the trains in the main transport corridors. Local town bus services are universally deficient, where they operate at all"*.²¹²

The findings of the Environment Victoria study in relation to the limitations of the current bus network are consistent with evidence heard by the Committee throughout rural and regional Victoria. These limitations include:²¹³

- ◆ there are no circular linkages around the state;
- ◆ the system is not geared for inter regional travel;
- ◆ the use of community buses has not been effectively coordinated;
- ◆ operational times and destinations are too limited;
- ◆ information networks are poor;
- ◆ service levels are too low to form an effective grid for multiple transfers; and
- ◆ there is no multimodal ticketing system.

Environment Victoria made a number of specific recommendations in relation to an integrated bus and coach network. Again, the Committee heard evidence that was consistent with many of these recommendations throughout the Inquiry. These recommendations include:²¹⁴

- ◆ Town bus routes need to be designed to connect to rail stations to meet every train.

²¹² Wendy Everingham and John McPherson, *Driving the Fast Train Further*, Environment Victoria, May 2001, p. 4.

²¹³ Ibid, pp. 25-26.

²¹⁴ Ibid, p. 6.

- ◆ V/Line routes must aim to have a transfer time of 10 minutes or less for connecting services and higher frequency bus services to match the trains.
- ◆ V/Line bus services need to be re-organised. Coaches released by new rail services should be re-directed to cater for more cross country travel, for example, Shepparton to Bendigo or to fill glaring gaps in the network that exist now.
- ◆ The potential for dial-a-bus type services and wider roles for community buses in smaller centres needs examination.
- ◆ Ticketing options should complement Fast Train use with combined rail/tram and rail/bus tickets for Melbourne and regional use.

An additional recommendation made to the Committee by a number of witnesses was that the wider use of school bus services should be considered for smaller rural communities as a means of providing public transport on existing service. The Committee understands that this possibility was recently considered by the State Government's review of school buses.

FINDING 5.4

The Committee finds that there are currently a number of shortcomings in rural and regional bus and coach services throughout Victoria including inadequate route coverage, inadequate service frequency, poor service coordination and difficulties in accessing bus and coach stops and stations.

RECOMMENDATION 5.2

The Committee recommends that as part of an overall assessment of public transport in rural Victoria, the Department of Infrastructure examines rural bus and coach services, giving consideration to the recommendations made by Environment Victoria in its May 2001 report "*Driving the Fast Train Further*".

RECOMMENDATION 5.3

The Committee recommends that the Department of Infrastructure investigate the role and funding of community transport services.

5.6.3 Announced Reintroduction of Country Passenger Rail Services

The Committee heard that many people prefer train travel rather than buses or coaches for a variety of reasons. For example, many believe rail travel is safer, more comfortable and has a time advantage over bus travel. Ease of access is also an important consideration, particularly for older people or others whose mobility may cause difficulty entering a coach, parents wishing to supervise family groups and cyclists and others wanting to carry equipment.

Given the general community preference for rail travel, the withdrawal of country rail services is of particular concern to rural residents. The extent of community emotion surrounding the closure of rail lines resulted in vocal protests within communities and the media during the early 1990s.

Mr Phillip Jones, Secretary, Wimmera-Mallee Rail Service Association spoke to the Committee about protest meetings held in regard to the closure of the train to Dimboola:

“... they were regarding their rail service as sort of public property that they could make use of. They were losing something they thought was a community asset. It was just as they regard the road – they might not drive their car to Edenhope every day, but they want the road there for when they do. I think there is a strong feeling among country people like that.”²¹⁵

Mr Paul Mees, President, Public Transport Users Association, noted during a public hearing with the Committee that the withdrawal of public transport services from

²¹⁵ Minutes of Evidence, 27/08/2001, p. 90.

country Victoria has been occurring for decades and in the case of buses, has been particularly severe.

“When one looks at the decline in service level from a passenger point of view in regional areas, in fact the decline in bus services, say in the past 30 or 40 years is actually more spectacular than the decline in rail services. But it is not as often noticed because if a bus service evaporates, no-one can point to where it used to run, and there is not some big building in the centre of town called the bus station that everyone can feel nostalgic about.”²¹⁶

Mr Phillip Jones, Secretary, Wimmera-Mallee Rail Service Association also outlined for the Committee the impacts of withdrawal of rail services from the western region of Victoria. Following closure of rail services to Dimboola and Ararat, there was no longer any rail services in Victoria west of a line joining Ballarat to Swan Hill. Mr Jones summarised the effects as follows:²¹⁷

- ◆ negative social effects caused by reduced access to public transport for a large number of regular users not able to use buses;
- ◆ disadvantages in areas such as passenger access, safety and comfort (for example, the ability to move around and the availability of toilets and on-board refreshments); and
- ◆ a decline in patronage due to the disproportionate distance of the bus section of the replacement service to Melbourne acting as a major deterrent.

The Committee conducted public hearings in Ararat, one of the towns that will see the resumption of passenger rail services. Mr Ivan Surridge, Rural City Development, Rural City of Ararat felt that there are great benefits in reintroducing the service:

“... we did quite a detailed study of the likely economic impacts of resumption of services into Ararat and the benefits that might apply to Ararat and western Victoria. Maunsell McIntyre was appointed as consultant, and there was considerable discussion and community consultation in relation to that. Certainly we felt that the findings were that the resumption of rail services would assist areas and townships further

²¹⁶ Minutes of Evidence, 22/08/2001, p. 34.

²¹⁷ Minutes of Evidence, 27/08/2001, p. 90.

west as far as Horsham because it will provide the world best practice of short road, long rail.”²¹⁸

Although there was general support for the reintroduction of rail services, the Committee heard from some who were either sceptical about the proposal or concerned that it may not be successful. These concerns were based on the likely patronage of the reinstated services.

Mr Trevor Rickard, Korumburra Business Association:

“Certainly the passenger service was not used, and there were reasons, issues of security and so forth, time-tabling and whatever. My personal view – and it is probably a reasonably well received view – I don’t believe that the passenger service would be a viable option. In any event, we have got a bus service that has the capacity to employ at least as many people as the railway service would. I mean, we have a bus service that goes to Melbourne four times a day at the moment with four drivers being employed, presumably, and that is a seven-day-a-week service. We wouldn’t have four trains going to Melbourne, and we wouldn’t have four local people employed.”²¹⁹

Amongst those supporting the return of rail services, there was a general understanding that rail lines were closed due to poor patronage and the lack of economic viability. The future challenge then is to convert the desire to have rail services into regular use of these services. The message from the Government is clear, “use it or lose it”.

Mr Geoffrey Gray, Economic Development and Tourism Officer and Mr Stephen Cornish, Chief Executive Officer, Pyrenees Shire Council:

Mr Gray – *“... I agree; there is no value in having a big opening unless the service is used or unless we put strategies in place to make it useable. For example, Beaufort could be a commuter town to Ballarat or Ararat.”*

Mr Cornish - *“The issue with the Ballarat-Ararat line is that you need to look at the total infrastructure picture of buses servicing Ballarat. You may be running a train from Ballarat to Ararat but how do you get to Ararat to*

²¹⁸ Minutes of Evidence, 27/08/2001, p. 53.

²¹⁹ Minutes of Evidence, 26/11/2001, p. 409.

connect with that service? Are you servicing the whole of western Victoria? The whole infrastructure picture needs to be reviewed.”²²⁰

One of the key concerns regarding the reintroduction of country passenger rail services was the development of appropriate supporting infrastructure and a network of rural feeder bus networks.

Mr Neil Jacobs, Chief Executive Officer, Shire of Hindmarsh:

“The council certainly supports the return of passenger rail to Ararat. It sees that as a positive move, but for that service to demonstrate some viability or sustainability it will have to be supported by a network of rural feeder bus networks.”²²¹

Mr Ivan Surridge, Manager, Rural City Development, Rural City of Ararat:

“The focus needs to be on service as well as infrastructure. The Environment Victoria study, which was launched only two months ago by the Minister for Transport, called for a detailed study of all bus services in regional Victoria. We support that call and say it is urgently needed. If the state government is to spend \$5.5 million reintroducing or resuming rail services between Ballarat and Ararat we need to have a good, clear look at how bus services will link with that for community needs. It is a waste if we do not do that work prior to any resumption. We need to do that by September or October next year. It is not too difficult, but it is all about consulting with communities and ensuring we try to maximise the benefits of public transport for the community.”²²²

Increased frequency of new rail services was also deemed to be essential for the successful and viable return of country passenger services.

Mr Phillip Jones, Secretary, Wimmera-Mallee Rail Service Association:

Mr Craige – *“Upon the reopening of the rail service to Ararat, if in fact there is only one service, one down and one back, is that an improvement overall from the point of view of providing a service that you think would provide the numbers needed to go back to using rail.”*

²²⁰ Minutes of Evidence, 29/08/2001, p. 198.

²²¹ Minutes of Evidence, 28/08/2001, p. 143.

²²² Minutes of Evidence, 27/08/2001, p. 55.

Mr Jones – *“We would think, and we are doing this sort of talking with the government and National Express and I was talking to the Department of Infrastructure today, that if you are going to have a really good comprehensive service that goes to more points using the coaches than it does now and you want to make it attractive so it will move people out of their cars and into public transport, you have to have frequent services.”*²²³

The key in all regions expecting the return of rail services is to gain community ownership and support of the service. Mr Phillip Jones, Secretary, Wimmera-Mallee Rail Service Association outlined the following strategies for ensuring a comprehensive, integrated western region public transport system for the future:²²⁴

- ◆ A re-routed coach network linked to Ararat Station that runs directly to more centres so that more people have close access to the services.
- ◆ Attractive frequency of service: more than one service to and from Melbourne each day.
- ◆ A speeded up introduction – preferably before the end of 2002, before people have forgotten.
- ◆ Early mind-shift promotion of services throughout the region, making best use of improvements that may be gained by starting early and increasing frequency of services.
- ◆ A regional joint advisory/promotion/action group representative of Councils, Wimmera Development Association, WMRSA, tourism authorities, coach operators and National Express.

The Committee notes that significant progress towards the reintroduction of rail services is yet to be achieved, and given the importance of this project to the affected communities, looks forward to the early completion of works.

The strategies outlined by the Wimmera-Mallee Rail Service Association can be translated into a set of principles for the reintroduction of rail services on all four lines. The key principles are:

²²³ Minutes of Evidence, 27/08/2001, p. 90.

²²⁴ Minutes of Evidence, 27/08/2001, pp. 87-90.

- ◆ early thought must be given to developing comprehensive feeder coach services;
- ◆ appropriate time-tabling is essential, with frequency of services the top priority;
- ◆ if line reopening is to proceed, this should occur as quickly as possible to avoid any loss of enthusiasm and support for the service; and
- ◆ early, regular and active promotion within rural and regional (and metropolitan) communities about the return of train services, the benefits of train over private travel and the consequences of not using the service.

FINDING 5.5

The Committee finds that rural communities have generally welcomed the announcement that country passenger rail services will be returned on certain lines and that affected communities are keen to see early progress towards the resumption of these services.

FINDING 5.6

The Committee finds that affected communities have identified the need for improved supporting infrastructure and feeder bus and coach networks and the ability to attract sufficient patronage as the key challenges in making the reintroduction of country passenger rail services viable. Frequency of service will be an important determinant of the attractiveness of the service to travellers.

RECOMMENDATION 5.4

The Committee recommends that the Department of Infrastructure identify and address the needs surrounding a comprehensive feeder coach network servicing every train arrival and departure throughout rural and regional Victoria as a matter of priority.

RECOMMENDATION 5.5

The Committee recommends that the Department of Infrastructure commence an education and marketing campaign throughout regional and rural Victoria with respect to encouraging patronage of the reinstated country passenger rail service.

5.6.4 Regional Fast Rail Project

The Regional Fast Rail Project was also discussed throughout the Inquiry, as a significant investment in regional transportation that has the potential to benefit many communities. As for the resumption of country passenger services discussed in section 5.6.3, however, the Committee notes that progress of the Regional Fast Rail Project has, to date, been slow and that regional Victorians are keen to see some significant developments.

The Committee heard from a number of communities that felt that the Regional Fast Rail Project would benefit their town. However, in many cases, concerns were raised that unless there is adequate community consultation, planning and resourcing, the Regional Fast Rail Project will not attract sufficient passengers to make the Project viable in the long term.

The City of Greater Bendigo²²⁵ believes that a significantly improved rail service will have a positive impact on tourism, economic development and business confidence, both within the municipality and along the corridor between Bendigo and Melbourne. However, while it welcomed the proposed reduction in travelling times between Melbourne and Bendigo, there was still a view that further reductions will be needed in the future to fully realise the benefits of a fast rail service.

Macedon Ranges Shire Council also believes the Bendigo service may have great potential in terms of improving rail services for residents in the

²²⁵ Written Submission No. 12, City of Grater Bendigo, p. 4.

Gisborne/Woodend/Kyenton corridor, although it has reservations about whether this potential will be realised. The Council states in its written submission to the Committee that it is *"...imperative that any change in services such as the "Fast Rail" results in improvements other than just reducing the travel time to and from the Melbourne CBD. For example, a better range of timetabled services for travellers, other than the traditional working commuters."* ²²⁶

The Committee also heard that there are some concerns about the negative impact on local economies created by the Regional Fast Rail Project, as explained by Mr Paul Mees, President, Public Transport Users Association:

"The general evidence seems to be that if you create faster transport between a small centre and a large centre you will facilitate the draining of economic activity out of the small centre into the large centre." ²²⁷

However, the Public Transport Users Association is not against the concept of a regional fast rail service. Rather, it is concerned that quicker travel times achieved by a reduction in service to intermediate stations could exacerbate historical weaknesses of the rail system in Victoria, in that it is very focused on travel to and from Melbourne rather than relevant to local travel.

Mr Paul Mees, President, Public Transport Users Association:

"...a commuter only service, with that amount of capital invested in it, is not going to be viable as a private sector proposition because you are spending a lot of money in order to run a couple of trains a day full, and have the service virtually unused the rest of the time. It seems to us that a move to something more like the Swiss-European concept, where the trains are more likely to be full over the whole of the day, would spread those costs over a larger group of people and mean that you would not have to charge substantially increased fares in order to make the books balance.... We would like to see the fast train project work. We want more, not less. But we think it would be more likely to be economically viable if it was pushed in that direction rather than being a commuter only type service." ²²⁸

²²⁶ Written Submission No. 24, Macedon Ranges Shire Council, p. 10.

²²⁷ Minutes of Evidence, 22/08/2001, p. 33.

²²⁸ Minutes of Evidence, 22/08/2001, p. 37.

In light of the above concerns, the Committee asked a number of communities what input they have had into the Regional Fast Rail Project. In many cases, evidence confirmed that the needs of communities would be best served by a variety of different services, rather than exclusive end-to-end services. The Committee feels that it is imperative that communities are adequately consulted to ensure their needs are addressed in the final determination of services and timetables.

Ms Anne McLennan, Acting Director Community Services, Macedon Ranges Shire Council:

Mr Best – *“As you know, the government is spending something like \$750 million on creating fast links between Melbourne and Bendigo...What input are you having with the government to ensure that the train will actually stop here and that there will be a commutable service of benefit right across your shire, rather than just knocking 20 minutes off the travel time to Bendigo and making Bendigo the centre of central Victoria as far as the fast train and commutable services are concerned?”*

Ms McLennan – *“There has been some input through the Melbourne and metropolitan transport strategy consultation, and the chief executive officer and other councillors are very active in that. That is the main avenue for feeding into that forum. We have not yet been directly approached for our feedback on the preferred stopping locations in the shire. Woodend, Kyneton and Gisborne would be the three main stations.”*²²⁹

Mr Bernie Carolan, Commercial Director, National Express Group was also asked about the time-tabling of trains under the Regional Fast Rail Project:

*“Our debates with the project team that is managing this for the Department of Infrastructure in terms of precise service levels and stopping patterns are nowhere near concluded... I would have thought that it will not be necessary in all cases to deliver the sort of trip times that are being talked about and there will end up being a mix in each corridor. That is the right thing to do, anyway, because the number of people that might justify a complete end-to-end express will not justify every train being an end-to-end express in those corridors; the population density is simply not there.”*²³⁰

²²⁹ Minutes of Evidence, 11/09/2001, p. 244.

²³⁰ Minutes of Evidence, 03/09/2001, p. 219.

FINDING 5.7

The Committee finds that the benefits of the Regional Fast Rail Project will be optimised through increased service frequency and inclusion of a mix of intermediate stopping stations rather than exclusive focus on express end-to-end services.

RECOMMENDATION 5.6

The Committee recommends that the Regional Fast Rail Project include a balance of services to and from Melbourne and regional centres at peak times to ensure that Victorians can access employment, education and training opportunities in regional centres.

RECOMMENDATION 5.7

The Committee recommends that services under the Regional Fast Rail Project include a mix of express services and services stopping at an increased number of intermediate stations.

5.7 Public Transport Needs of Youth in Rural Victoria

The Committee heard evidence from a number of communities regarding the impact of inadequate public transport services on youth, specifically in relation to their ability to participate in a range of education and employment opportunities. For example, one council told the Committee of an experience where following the resignation of one employee on a farm, another youth also had to leave the employment as he no longer had transport to and from work and was below the legal licensing age.

The Committee's evidence was consistent with information gathered as part of a Youth Needs Study by Moyne Shire Council which found that additional services which facilitate access to study and employment opportunities would greatly impact on the decision of young people to leave rural townships.

In particular, the Committee heard a considerable amount of evidence from rural and regional communities concerned about the barriers inadequate public transport cause young students in accessing the VET program, as students exposed to local employment options and opportunities are more likely to be retained within these communities.

Ms Jennifer Tod, Chief Executive Officer, Yarriambiack Shire Council stated in a written submission:

“Parents bear the brunt of the burden for transport of VET students to Horsham – particularly financial, time and liability for other students. Students in Hopetoun often rely on people travelling down to Horsham for the day to access their VET workplace. Fortunately training providers and host employers are extremely flexible to fit in with transport issues.

A more appropriate public transport service is needed for the Wimmera region. Smaller buses, more flexible timetables, special timetables on Wednesdays. To date modification of the public transport timetable has been difficult. V-Line has been reluctant to change dramatically. And the service is too expensive for students. Taxis and private operators are too expensive.”²³¹

Mr Neil Jacobs, Chief Executive Officer, Shire of Hindmarsh:

“Many of our secondary schools are introducing exciting programs to improve the skills of our youth such as the VET in Schools program. Unfortunately because of the complete lack of most public transport services it is difficult for a 17 year-old to get from Nhill to Horsham for work experience other than by mum or dad driving him or her. Public transport, particularly for the youth in terms of their training and work experience needs, is a concern.”²³²

In attempting to improve public transport for youth, Yarriambiack Shire Council obtained some funding to provide buses for the VET students across the region. However, that project was cancelled because parents had such an intricate network of transport arrangements that they did not want to disrupt in the event that funding for the project may not continue beyond the trial period.

²³¹ Written Submission No. 7, Yarriambiack Shire Council, pp. 5-6.

²³² Minutes of Evidence, 28/08/2001, p. 143.

Ms Jennifer Tod, Chief Executive Officer, Shire of Yarriambiack:

“The establishment of trial or short-term solutions is a difficult way to solve the problem because it is such a difficult task for parents to make arrangements. It relies on somebody travelling from, say Hopetoun to Warracknabeal to provide a regular ride; or somebody going from Warracknabeal to another town. People worry that those arrangements will be upset for only a short period and that they will lose what they have relied on so strongly. While it was disappointing to cancel the project, it shows that a short-term trial is not the solution to the problem.”²³³

A number of communities in western Victoria also raised the possibility of addressing youth needs by allowing youths in remote rural towns to obtain a drivers licence in special circumstances.

Cr Geoffrey Carracher, Shire of West Wimmera:

“The other issue I would like to bring up is driver licences. In South Australia a kid can get a drivers licence at 16 years of age. They do the logbook system, which is superior to the Victorian system, and we quite often have people using South Australian addresses to get South Australian licences so they can get to work. I think it is detrimental to country people in Victoria that they cannot get a licence a lot younger to be able to access work in the Wimmera.”²³⁴

Mr John Ackland, General Manager, Workco Ltd, Horsham:

“(transport)...is an issue for us, particularly with apprenticeships and trainees. We find it very difficult to find employment for any young people under 18 years of age, particularly if they wish to work on a farm. We have pursued that over the past four or five years trying to debate the issue of youth licences or some way of transporting people.”²³⁵

However, not all communities were immediately receptive to the concept of introducing youth licences.

²³³ Minutes of Evidence, 29/08/2001, p. 166.

²³⁴ Minutes of Evidence, 28/08/2001, p. 105.

²³⁵ Minutes of Evidence, 27/08/2001, p. 83.

Cr Dennis Bell, Mayor and Ms Jennifer Tod, Chief Executive Officer, Yarriambiack Shire Council:

Mr Craige – *“Would the council support other submissions we have had – that is, where the VET program is expanding there should be a rural student driving licence that allows the students to drive, as happens in South Australia? The police have a contrary view on that to a lot of other people. It is a challenge for the communities, as it is in South Australia where young students can drive at 16 years of age; yet less than 10 kilometres across the border young Victorians cannot drive at that age. It has been strongly put to the Committee that consideration should be given, due to the tyranny of distance and other issues including population, to a rural student driving licence in the areas where it would apply to expanding programs.”*

Cr Bell – *“The council considered the issue. The council believed that 18 years of age was young enough to have a driving licence, mainly because of safety issues, but I do not know that we considered a category of rural student licence.”*

Ms Tod – *“We did consider that category. Safety was one issue and liability was another. One of the problems with car pooling was parents accepting liability for other students. I wonder how they would feel if they were putting students with other young children who were allowed to drive.”²³⁶*

Some of these remote rural communities have been discussing the issue of youth licences for a considerable period of time. National Party Shadow Minister for Youth Affairs and Member for Wimmera, Mr Hugh Delahunty, also raised the issue of licensing young people under the age of 18 in Parliament in 2000, on behalf of groups in his electorate. Mr Delahunty provided material to the Committee that outlines the key arguments surrounding this issue:²³⁷

- ◆ A lower licensing age would open options to employment, education, training and recreation to isolated youth without adequate access to public transport.

²³⁶ Minutes of Evidence, 29/08/2001, pp. 166-167.

²³⁷ Media Release: Hugh Delahunty MLA, National Party Shadow Minister for Youth Affairs, 20/10/00.

- ◆ A lower licensing age would give young people valuable experience before they are legally allowed to consume alcohol, whilst overcoming the problem of transport to and from work and training.
- ◆ There are already circumstances where 16 years olds are allowed to drive tractors and machinery on public roads.

Various councils, employment and training organisations (for example, WorkCo) and other local organisations (such as the Wimmera Regional Youth Committee and Wimmera Rural Training Advisory Committee) have advocated the introduction of a lowered legal driving age in special circumstances over recent years. Perhaps the main opposition, however, is the risk to young, inexperienced drivers' safety. If any change to the licensing age is to be made, considerable attention should be given to developing strict conditions regarding driver training requirements and special restrictions that should apply. The Committee notes that the legal licensing age is 17 in New South Wales and Tasmania and younger in Western Australia, South Australia and the Northern Territory and believes that there is cause to investigate the issue further with respect to remote rural communities.

FINDING 5.8

The Committee finds that youth under the age of 18 who reside in rural and remote towns, are disadvantaged due, in part, to inadequate public transport when seeking employment, education, training and recreational opportunities.

RECOMMENDATION 5.8

The Committee recommends that the State Government investigate the possibility of youth being able to apply for a restricted driver licence at a lowered age, subject to appropriate strict conditions, including:

- ◆ **completion of extensive driver training including formal programs that cover road safety and responding to emergencies, driver responsibility and vehicle maintenance;**

- ◆ **minimum number of hours driving experience with a qualified instructor;**
- ◆ **minimum number of hours driving practice with a licensed driver;**
- ◆ **power to weight ratio of the car;**
- ◆ **number of passengers; and**
- ◆ **time, speed and route restrictions.**

5.8 Conclusion

Throughout this chapter, the Committee illustrated the significant structural changes that have occurred within Victoria's public transport system over the past decade.

The vast majority of evidence put to the Committee related to public transport services in rural and regional Victoria. Evidence highlights the growing problem facing many smaller country towns that are experiencing a withdrawal of services as populations shift to larger regional and metropolitan centres.

The reality for many of these towns is that declining populations cannot justify the provision of the range of public transport services that may have existed 10 or 20 years ago. This is illustrated by the current Government's call for communities to regularly use the re-introduced country passenger rail services or face the prospect of these services again being withdrawn.

While it has to be acknowledged that rural communities cannot expect the same level of public transport as provided to metropolitan communities, residents living in non-metropolitan areas should still be able to access basic services in order to commute to work and school, to do their shopping, banking and attend appointments outside of their local towns.

The Committee has recommended that there is a need to review current rural train, coach and bus services in order to meet changing community needs and to ensure greater co-ordination between services. It has also recommended that the issue of a restricted driving licence for youth be investigated.

Chapter 6

Employment Services

6.1 Introduction

Australia's version of what is commonly known as the public employment service refers to job matching functions and associated delivery of labour market programs. These services have an important role to play in increasing the equity of access to employment. This can be achieved by:²³⁸

- ◆ reducing mismatches between the skills of unemployed people and the skills in demand in the job market or in potential job markets. This is particularly relevant where major industries, such as logging or clothes manufacturing are in decline and large numbers of workers have skills relevant mainly to the declining industry;
- ◆ improving equity of access to the available jobs for people with high labour market disadvantage, including the long-term unemployed, older workers, youth, Indigenous Australians, sole parents, people with poor English language skills and people with disabilities; and
- ◆ facilitating an efficient flow of workers between jobs by quickly matching job vacancies with potential workers.

Until the reforms in 1998, the public employment service in Australia was delivered through the Commonwealth Employment Service (CES). In the 1996-97 Federal Budget, the Howard Government announced a new framework for the provision of employment services, and in May 1998 the market driven employment service known as Job Network was introduced. Presently, there are approximately 200 private, community and government organisations contracted to deliver Job Network services throughout Australia.

²³⁸ Written Submission No. 35, Victorian Council of Social Service, p. 17.

The Committee's Inquiry found that the accessibility and flexibility of employment services have been greatly enhanced by the introduction of the Job Network. In fact, employment services is the only area investigated by the Committee that has seen a substantial increase (rather than decrease) in the presence of services both in metropolitan and rural Victoria.

Although the primary responsibility of employment services rests with the Federal Government, the State Government, through the Department of Innovation, Industry and Regional Development seeks to complement the public employment services provided by the Federal Government. The role, structure and performance of State employment programs is outlined in section 6.6.

6.2 The Victorian Labour Market

Labour statistics are important economic indicators. Changes in measures of employment, unemployment, earnings and other labour costs, overtime, job vacancies and industrial disputes provide insight into the performance of the economy and the effects of economic policy settings.²³⁹

The Commonwealth Department of Employment and Workplace Relations, in its submission to the Committee, noted the forces which led to structural changes in employment services:

*"Over the last two decades, the Australian economy has been subject to a number of significant social and economic changes, including two major recessions, greater exposure to the forces of global competition and a substantial increase in the labour force participation of women. These events, in conjunction with ongoing structural change and advances in technology have resulted in a considerable impact on, and transformation of, the Australian and Victorian labour market."*²⁴⁰

²³⁹ Australian Bureau of Statistics, *1999 Year Book Australia*, No. 81, p. 115.

²⁴⁰ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 2.

6.2.1 Employment and Unemployment in Victoria

Fundamental to the measurement of employment and unemployment is the concept of the labour force. This is defined as those persons aged 15 and over who, during a particular week, are either employed or unemployed.

For the purpose of this Inquiry, the Committee has adopted the ABS definitions of employment and unemployment. Those persons considered to be employed are broadly defined as people doing any paid work, while those persons defined as unemployed generally meet three criteria: they are not employed, they are available for work, and they are taking active steps to find work.²⁴¹

While the Committee's Inquiry focussed on changes to the delivery of employment services, the Committee did not attempt to measure the impact of these changes on levels of unemployment. However, by way of background, it is useful to note Victoria's employment and unemployment figures.

The total number of employed persons in Victoria in November 2001 was 2,323,600. This was an increase of 18,800 persons since November 2000.²⁴² At this time, the unemployment rate in Victoria was 6.5 per cent, representing 160,500 unemployed persons. This was an increase of 0.7 percentage points from the November 2000 figure.²⁴³

Table 6.1 provides a regional breakdown of employment, unemployment, unemployment rate and participation rate. It reveals that the metropolitan regions with the highest number of employed persons are the Outer Western, Outer Eastern and Inner Eastern Melbourne districts. Two of these regions, Outer Western Melbourne and Inner Eastern Melbourne also have the highest number of unemployed people in metropolitan Victoria (16,100 and 21,500 people, respectively).

²⁴¹ Australian Bureau of Statistics, 1999 Year Book Australia No. 81, p.

²⁴² Australian Bureau of Statistics, Labour Force 6202.2, November 2001, p. 1.

²⁴³ Loc. cit.

The regions outside metropolitan Melbourne with the highest number of employed persons are the Loddon-Mallee, Goulburn-Ovens-Murray and the Barwon-Western Districts. These regions also have the highest number of unemployed people: Loddon-Mallee (7,800), Goulburn-Ovens-Murray (9,000) and Barwon-Western District (9,300).

Translating the above numbers of employed and unemployed, the regions with the highest unemployment rates are Outer Western Melbourne (7.6%), North Western Melbourne (7.7%), Mornington Peninsula (7.0%) and Central Highlands-Wimmera (7.8%).

**TABLE 6.1: POPULATION AGED 15 YEARS AND OVER BY LABOUR FORCE STATUS
VICTORIAN REGIONS, NOVEMBER 2001 ('000s)**

ABS REGIONS	EMPLOYED	UNEMPLOYED	UNEMPLOYMENT RATE (%)	PARTICIPATION RATE (%)
Melbourne	1724.6	108.8	5.9	64.1
Outer Western Melb.	263.1	21.5	7.6	61.6
North Western Melb.	126.4	10.6	7.7	63.7
Inner Melbourne	127.7	6.1	4.6	66.5
North Eastern Melb.	198.2	14.7	6.9	62.8
Inner Eastern Melb.	311.3	16.1	4.9	63.2
Southern Melbourne	196.8	11.4	5.5	64.6
Outer Eastern Melb.	237.9	11.3	4.5	72.7
South Eastern Melb.	159.2	8.8	5.2	61.2
Mornington Peninsula	104.1	7.9	7	60.6
Country Victoria	600.1	38.9	6.1	61.5
Barwon-Western District	174.8	9.3	5	62
Central Highlands-Wimmera	82.3	7	7.8	56.7
Loddon-Mallee	118.9	7.8	6.1	63.7
Goulburn-Ovens-Murray	138.1	9	6.1	65.6
Gippsland	85.9	5.8	6.4	56.8
TOTAL	2,324.70	147.3	6	63.4

Source: Australian Bureau of Statistics, Labour Force, 6202.2 November 2001, p.15.

****NOTE:** Due to rounding the total number of persons employed in Table 6.1 differs slightly from the figures referred to on the previous page.

Typically, there has been some disparity between the unemployment rates of metropolitan Melbourne and non-metropolitan areas in Victoria. In general, unemployment rates in Melbourne have been consistently lower than those in non-metropolitan Victoria. The Committee heard from witnesses in many regional areas that

the decrease in unemployment is due to skill shortages and an overall population decline in country Victoria, making it easier for local residents to find jobs. However, low participation rates in some regions may indicate that discouraged job seekers are dropping out of the labour force.

6.2.2 Industry and Occupation Trends

Over the 1990s, there have also been a number of significant shifts in the contributions to total employment of the various industry sectors in Victoria. In particular, there has been a well documented shift towards the services sector (property, legal and hospitality) and a distinct move away from agriculture and manufacturing (although in November 2001, manufacturing still accounted for 15.3% of total industry employment in Victoria). This shift to the services industry can in part be attributed to the expansion of tourism in both metropolitan Melbourne and regional Victoria, and the outsourcing of many types of services.²⁴⁴

Table 6.2 shows the number of persons employed by industry in Victoria as at November 2001. It reveals that the industries with the largest share of employees are retail (15.4%), manufacturing (15.3%), and property and business services (11.0%).

Continual changes to the industry structure of the workforce are expected in the future, with forces such as globalisation and technological advancement likely to have the largest impacts on industry employment distribution.

²⁴⁴ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 18.

TABLE 6.2 EMPLOYED PERSONS BY INDUSTRY, VICTORIA, NOVEMBER 2001

Industry	Total ('000s)	Percentage (%)
Agriculture, forestry and fishing	95.7	4.1
Mining	3.4	0.1
Manufacturing	355.9	15.3
Electricity, gas and water supply	15.4	0.7
Construction	182.8	7.9
Wholesale trade	103.1	4.4
Retail trade	359.1	15.4
Accommodation, cafes and restaurants	91.1	3.9
Transport and storage	100.7	4.3
Communication services	45.9	2
Finance and insurance	99.7	4.3
Property and business services	254.9	11
Government administration and defence	84.1	3.6
Education	162.3	7
Health and community services	226	9.7
Cultural and recreational services	63.4	2.7
Personal and other services	81.1	3.5
TOTAL	2,324.60	99.9

Source: Australian Bureau of Statistics, Labour Force 6202.2, November 2001, p.20.

In terms of occupation, professionals represent the largest occupational group in Victoria (19.5 per cent). Intermediate clerical and service workers and trades people and related workers make up the next largest occupation groups with 16.3 per cent and 13.1 per cent respectively, as illustrated in Table 6.3 below.

TABLE 6.3: EMPLOYED PERSONS BY OCCUPATION, VICTORIA, NOVEMBER 2001

Occupation	Total ('000s)	Percentage (%)
Managers and administrators	204.1	8.8
Professionals	452.6	19.5
Associate Professionals	268.1	11.5
Tradespersons and related workers	304.7	13.1
Advanced clerical and service workers	90.9	3.9
Intermediate clerical, sales and service workers	380	16.3
Intermediate production and transport workers	202.2	8.7
Elementary clerical, sales and service workers	240.2	10.3
Labourers and related workers	181.9	7.8
TOTAL	2324.7	99.9

Source: Australian Bureau of Statistics, Labour Force 6202.2, November 2001, p. 20.

6.3 Commonwealth Government Employment Services and Programs

6.3.1 *The Commonwealth Employment Service (CES)*

Prior to 1998, the Commonwealth Employment Service (CES) was the principal public institution in the Australian employment services market. Established under the *Re-establishment and Employment Act 1945*, its primary objective was to improve the efficiency of the job matching process, while also providing a range of free job referral and placement services for job seekers and a candidate matching service for employers, on a fee for service basis.²⁴⁵

Whilst the role of the CES was registration, eligibility assessment and the provision of job seeker services, the payment of unemployment benefits resided separately with the Department of Social Security.

In addition to job matching services, the CES also administered a number of labour market programs including the Landcare and Environment Action Programme, New Work Opportunities, Jobskills, Jobtrain, Jobstart, and the New Enterprise Initiative Scheme. Government expenditure on labour market programs in the financial year 1995-96 was over \$2 billion, with some 670,000 job seekers placed on programs during this period.

In 1996, due to the limited success of the CES, the Government streamlined a number of its labour market programs. These changes were guided by two key principles. Firstly, to deliver a better quality of assistance and more sustainable employment outcomes to unemployed people and secondly, to address the structural weaknesses and inefficiencies inherent in previous arrangements for labour market assistance.²⁴⁶

²⁴⁵ Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working?*, August 1999, p. 8.

²⁴⁶ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 3.

In the 1996-97 Federal Budget, the Government announced major structural reforms to Australia's employment services. The reforms became fully functional on 1st May 1998, with the CES, case management services and most labour market programs cashed out to fund a competitive and contestable employment service known as Job Network. Responsibility for income support payments was moved from the Department of Social Security to Centrelink. Essentially, this shift in service provision meant that the Commonwealth Government moved from providing to purchasing employment services.

The principles that underpinned the reform process include:²⁴⁷

- assistance would be flexible and fit the needs and capacities of individual job seekers;
- the incentives framework would reward labour market assistance providers primarily for placing job seekers in jobs;
- there would be additional incentives for placing unemployed people who were most disadvantaged;
- a competitive market for employment services would be established in which the purchaser would be separated from providers;
- continuation of income support for eligible unemployed people would be linked closely with their participation in active employment assistance measures; and
- job seekers and unemployed people would be able to receive high quality, streamlined service from the agencies and providers with which they interacted.

The major goal of these reforms was to help place unemployed people into sustainable employment by providing services that are flexible and tailored to individual needs. The reforms sought to achieve better value for money, by rewarding organisations for putting people into jobs, and also ensuring that efficient and equitable labour markets link people to jobs and promote the transition from welfare to work.²⁴⁸

²⁴⁷ Loc.cit.

²⁴⁸ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 4.

6.3.2 Current Department of Employment and Workplace Relations Programs

The Commonwealth Department of Employment and Workplace Relations (DEWR)²⁴⁹ aims to support strong employment growth and improved productive performance of enterprises in Australia. It retains prime responsibility for employment services, including the regulation, financing, choice of providers, monitoring and supervision of the Job Network.²⁵⁰

The reforms to the delivery of Commonwealth employment services resulted in the establishment of the following key programs and policies by DEWR.

Job Network

A national network of private, community and government organisations contracted by the Government to provide flexible and tailored assistance to job seekers. Services provided by Job Network members include: job matching, job search training, intensive assistance, the New Enterprise Incentive Scheme and project contracting.

Work for the Dole (WfD)

Aimed at providing community based work experience opportunities to job seekers. WfD is delivered by Community Work Coordinators who assist community based and government organisations to develop facilities or services that are of value to the community. Starting in July 2002, there will be 16,500 extra WfD places for job seekers.

Return to Work Program

Provides assistance to people seeking to re-enter the labour force after an absence of two or more years due to their role as a primary carer. As of July 2002, the new Transition to Work program will combine the Return to Work services currently offered, with the pre-vocational elements of Jobs, Education and Training (JET).

²⁴⁹ Prior to the Federal Election in November 2001, the Department of Employment and Workplace Relations was known as the Department of Employment, Workplace Relations and Small Business (DEWRSB).

Community Support Programme

Aimed at assisting job seekers who, because of their personal circumstances, are unable to benefit from Job Network services. The program helps participants access counselling, stable accommodation, drug and alcohol rehabilitation programs and other activities addressing significant or debilitating personal development needs.

As of July 2002, the Community Support Programme will be replaced with the Personal Support Programme. The new program will provide more places and increased funding to help those job seekers who have severe or multiple non-vocational obstacles to employment, as well as allowing them to participate in the intensive assistance program, while still receiving support from the Personal Support Programme.

Indigenous Employment Policy

Provides ongoing employment and training assistance for Indigenous Australians to assist in their levels of participation in the private sector. Starting in February 2002, a series of new initiatives will be implemented to complement the Indigenous Employment Policy. These include increased funding for Community Development Employment Projects and better access to Centrelink services.

Regional Assistance

A series of initiatives designed to address regional disadvantage and have a beneficial impact on employment. These initiatives include the Regional Assistance Programme, the Dairy Regional Assistance Programme, Area Consultative Committees and Workplace Arrangements. In December 2001, this program was transferred to the Department of Transport and Regional Services.

Mutual obligation

This policy is based on the premise that those receiving unemployment payments should contribute something back to the community by actively seeking work. Certain recipients of such allowances must undertake an approved activity designed to improve

²⁵⁰ Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working?*, August 1999, p. 5.

their skills and job search activity, as well as continue to look for work to fulfil their mutual obligation requirements.

Australian Job Search (AJS)

A national job vacancy database, which provides a range of services for both employers and job seekers. This service is accessible through touch screens located in Centrelink and some Job Network offices, as well as on the Internet.

The Committee acknowledges other programs and initiatives implemented by the Commonwealth Government, including newly introduced initiatives such as the Working Credit and Training Credits. For the purpose of this Inquiry, however, the Committee's evidence has focussed on the introduction of Job Network.

6.4 The Job Network

6.4.1 Job Network Services

As outlined above, the new market driven approach in which basic job brokerage functions and the delivery of labour market programs are outsourced, was announced by the Howard Government in the 1996-97 Federal Budget. On 1st May 1998, Job Network replaced the traditional public sector system of supplying services to job seekers without monetary reward, with a system whereby Job Network members receive performance related payments for the delivery of labour market programs and employment services.

Around 200 private, community and government organisations are contracted to provide Job Network services from around 2,000 sites across Australia,²⁵¹ including 457 sites in Victoria. Job Network members provide job seekers and employers with a national network of specialist providers who help employers find employees and assist job seekers to find employment.

²⁵¹ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 5.

The main services provided to job seekers and employers are outlined below. The exact mix of services offered by each Job Network provider is determined by the tender process which is outlined in section 6.4.2.

Job Matching

Members who provide job matching services canvass employers for jobs and then seek to match job seekers to suitable vacancies. Job matching is the most basic level of assistance offered by Job Network members to those job seekers who are considered to be job ready.

Job Search Training

Job search training providers aim to assist job seekers in gaining the skills necessary to successfully market themselves to potential employers. The service is designed for job seekers who have been unemployed for between 3 to 12 months.

Intensive Assistance

Intensive assistance is the most personalised and intensive form of assistance and is offered to eligible job seekers who are long-term unemployed or who are at risk of becoming long-term unemployed. Intensive assistance may include vocational training, work experience, literacy and numeracy training, English as a second language, wage subsidies or workplace modifications.

New Enterprise Incentive Scheme (NEIS)

NEIS is a specialist advice and support service offered by Job Network members at approximately 345 sites across Australia, to assist job seekers with an idea for a viable small business or self-employment venture.

Project Contracting

Project Contracting - Harvest Labour Services is specifically concerned with the supply of labour to major harvest areas in need of large numbers of harvest workers.

Employer Services

Job Network members also offer a range of services to employers wishing to fill a job vacancy. Those employers who use a Job Network member have their employment vacancy details entered on the DEWR's computer system. It is then displayed across Australia on the AJS database. Job Network members also have the flexibility to offer a range of services to employers, including short listing and interviewing of applicants, contacting referees and organising background checks.

6.4.2 Tendering Process

The tender process for employment service delivery for the first Job Network was conducted in mid 1997 for the period 1st May 1998 to 27th February 2000. Tenders were requested on a regional basis and selected with a view to providing a compromise between competition and financial viability. Employment National was established by the Government to provide services on the same terms and conditions as other Job Network members and to ensure adequate geographical coverage of the Job Network system in areas where no tenders were submitted.²⁵²

Tenderers for the provision of employment services nominated the level of service they wanted to provide. The three levels of service were termed flexible labour exchange services (FLEX 1, 2 and 3). Tenderers also nominated the fee associated with a successful placement for FLEX 1 and 2, while FLEX 3 services were fixed to a schedule of fees based on achieved outcomes for disadvantaged job seekers.

A summary of the FLEX categories is outlined below.

FLEX 1

Job brokerage under FLEX 1 includes collection and lodging of vacancies on the AJS database and matching and referring registered job seekers to those vacancies.

FLEX 2

Job brokerage functions under FLEX 2 are the same as FLEX 1 but also include assistance in job search. Job search could include job search skills and motivation.

FLEX 3

FLEX 3 covers all aspects of Intensive Assistance for job seekers that are disadvantaged, long term unemployed or at risk of being long-term unemployed. Assistance can vary from personal development to literacy training. Job seekers under FLEX 3 are classified into a further two levels, with each level attracting a different level of payment.

The second tender to select organisations to provide employment services under Job Network took place in mid 1999. Only the best performing organisations from the first Job Network were selected for the second contractual period (3 years from 28th February 2000), with many private and community sector organisations receiving increased levels of business because of their proven performance in placing disadvantaged job seekers.²⁵³

6.4.3 Code of Conduct

To protect the interests of job seekers and to ensure that all job seekers and employers receive quality services through the Job Network, all Job Network members are required to meet minimum standards of service. These standards are set out in the Employment Services Industry Code of Conduct which forms part of each Job Network member's contract with the DEWR.

If a job seeker or employer believes that a Job Network member has failed to comply with the Code or has not provided the quality of service they require, they are encouraged to first attempt to resolve the issue directly with the Job Network member involved. However, should a job seeker or employer not be able to raise the matter with the provider, or should they continue to be dissatisfied with the outcome of the process,

²⁵² Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working*, August 1999, p. 15.

²⁵³ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 4.

they may contact the DEWR's free Job Network Customer Service line. A departmental Customer Service Officer will investigate the complaint if appropriate, and can require that a Job Network member take remedial action in relation to a complaint.

6.5 Centrelink

The gateway for access to Job Network is primarily through Centrelink.

Centrelink was established as the Commonwealth Services Delivery Agency under the *Commonwealth Service Delivery Agency Act 1997*. Commencing in September 1997, Centrelink is a statutory authority within the Commonwealth Department of Family and Community Services.

Combining the income support functions of the former Department of Social Security, with some functions of the CES, Centrelink aims to deliver a whole of Government approach to service delivery that is innovative, cost effective and personalised. While services available through Centrelink are designed to assist customers in overcoming barriers and lessen their dependency on government services, not all of Centrelink's customers are ready and able to work. Therefore, as well as administering benefits to individuals during transitional periods in their lives, Centrelink provides a uniform national service for registering job seekers, assessing their eligibility for Job Network services, and referring them to appropriate interventions on behalf of a number of government departments.

Centrelink has a customer base of approximately 1.5 million people in Victoria, including retired families, sole parents, people looking for work, those who are incapacitated with short-term or longer-term disabilities, carers, widows, primary producers, students, young people, Indigenous people and people from diverse cultural and linguistic backgrounds. Centrelink's call centre takes approximately 4 million calls annually from Victorians. There are also 59 customer service centres, including 28 in rural and regional Victoria.²⁵⁴

²⁵⁴ Minutes of Evidence, 03/09/2001, p. 229.

Centrelink's role in helping people find work is:²⁵⁵

- ◆ being the first point of contact for people looking for help to find work and needing income support;
- ◆ registering eligible job seekers for Job Network services;
- ◆ issuing eligible job seekers a Job Network card which enables them to use Job Network member services, and provide them with information about employment services in their local region;
- ◆ identifying and referring eligible job seekers who may benefit from Literacy and Numeracy Training, Career Counselling, Job Search Training, Intensive Assistance, Work for the Dole and the Community Support Program;
- ◆ fostering self-employment opportunities by referring job seekers to the New Enterprise Incentive Scheme and Self-Employment Development Scheme;
- ◆ providing a range of self-help facilities including: AJS touchscreens, telephones, facsimile machines, computers and printers, newspapers and information to help customers access Job Network services; and
- ◆ assessing, determining and making payments of allowances to eligible job seekers.

People seeking work and applying for jobs advertised through a Job Network member must first register with Centrelink. This allows Centrelink to assess and identify, through use of the Job Seeker Classification Instrument (JSCI), a job seeker's risk of becoming long-term unemployed.

The JSCI is comprised of 18 factors including age, educational attainment, duration of prior unemployment, work experience, country of birth and disability/medical condition. Each factor has been assigned a numerical weight indicative of its influence in contributing to a job seeker's labour market disadvantage. Information on the 18 factors is collected during registration with Centrelink, with job seekers given a JSCI score that

²⁵⁵ Loc.cit.

indicates their level of need for Intensive Assistance and the Intensive Assistance funding level most appropriate to address their employment barriers.²⁵⁶

Job seekers receiving Centrelink payments have 14 days to enroll with a Job Network member. If this obligation is not fulfilled, Centrelink may reduce or stop their benefit. Job seekers contact the Job Network member with which they are enrolled on a regular basis to find out about available job vacancies. Additionally, they can search for jobs on the AJS database and make use of the self-help facilities provided at Centrelink offices. If successful in gaining a position either through the Job Network member or the AJS database, the job seeker must advise the Job Network member who then seeks payment for the placement from the DEWR.

Job seekers not applying for unemployment payments can enroll with one or more Job Network members of their choice.

6.6 State Employment Services

With the primary responsibility of employment services residing with the Commonwealth Government, the State Government seeks to fill any gaps in Commonwealth employment programs and service delivery.

Following the election of the Bracks Government in 1999, State employment programs which were run by Employment Victoria (within the Department of State Development), were moved to the Department of Education, Employment and Training (DEET) under the banner of Employment Programs Division. However, in February 2002, the Employment Programs Division was returned to its previous area of responsibility, now renamed the Department of Innovation, Industry and Regional Development.

While the Committee did not receive a written submission from the Government, Mr Arden Joseph, General Manager, Employment Programs Division appeared in a public

²⁵⁶ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 26.

hearing and outlined the role of the State Government in providing employment services:

"Very simply, the federal government has primary responsibility for matters to do with employment and unemployment. To that extent the states and territories around the nation choose to allocate their state resources as they see fit to employment programs. It is not a mandatory requirement for states and territories, and as I said, it becomes an optional situation.

*Around Australia at the moment states and territories have adopted different postures on the amount of state funding they put in to employment services. Largely, Victoria and Queensland are the leaders in the numbers of dollars that go in and also in the spread and the range of programs that are delivered in each of those two states. The other states and territories have different approaches. Some rely on apprenticeships and traineeships as the key employment avenue, and others take the approach that it is after all a federal responsibility and therefore the state opts to leave the responsibility to the federal government. "*²⁵⁷

6.6.1 Description of State Employment Programs

The following section provides a description of the current State employment programs in operation within Victoria.²⁵⁸

Community Business Employment Program (CBE)

The main employment program run by the State Government since 1994 has been the CBE Program. Mr Arden Joseph, General Manager, Employment Programs Division, described this Program as one that resembles the Job Network in providing one-on-one pre-employment placement and post placement assistance to job seekers who are most disadvantaged in the market place. The CBE program also services employers by assisting them to define their employment needs, match candidates, advertise available positions and conduct selection interviews and reference checks.

²⁵⁷ Minutes of Evidence, 22/08/2001, p. 45.

²⁵⁸ Handouts provided at public hearing on 22/08/2001.

Go for IT!

Go for IT! is a program aimed at assisting young people aged 16 to 20 to gain employment through IT, Communications or Multimedia Traineeships. The program assists young people in developing skills in the information and communications technology industry, while also addressing the current skills shortage in the IT & T area.

Trainees on the Go for IT! program are provided with pre-employment training and take part in on and off the job training during the course of the traineeship. Employers involved with the program receive assistance by a Group Training Company (GTC), with the GTC assuming all administrative, payroll and legal responsibility for the trainees.

Youth Employment Incentive Scheme

The Youth Employment Incentive Scheme (YEIS) provides an additional subsidy of \$1,250 to employers who take on a long-term unemployed or disadvantaged young person as a trainee or apprentice. This subsidy, encompassing a diverse range of positions, is available for 2,500 trainees and apprentices state wide per year, with areas of high unemployment targeted where possible.

Private Sector Skills Development Program

The Private Sector Skills Development Program is an initiative that encourages employers to employ additional apprentices and trainees in areas of skill shortage. An annual wage subsidy of \$1,000 is paid to eligible employers, while registered training organisations receive \$3,000 to provide pre-employment training for each new position created under the scheme.

Government Youth Employment Scheme

The Government Youth Employment Scheme is an initiative to provide an additional 2,600 traineeships and apprenticeships for young people aged 15-24 in the public sector. An annual wage subsidy of up to \$12,500 is available to Government Departments and agencies who employ additional trainees and apprentices under the Scheme. A further subsidy of \$1,250 is also available for employers to provide extra support and training at the commencement of the traineeship or apprenticeship.

Community Jobs Program

The Community Jobs Program is a program developed to support community organisations, industry, government and other government agencies in employing local job seekers to work on community projects. Projects provide a combination of work experience and skill development, with 12 participants employed on each project for an average of 16 weeks.

Youth Enterprise South West Pilot Program

The Youth Enterprise South West Pilot Program in the Warrnambool area is a pilot strategy developed to improve the delivery of coordinated employment and training services with appropriate pathways for young people from school and work.

Overseas Qualifications Unit

The Overseas Qualifications Unit provides services to overseas-qualified professionals, including assessment of overseas professional qualifications and information and advice on gaining employment in Victoria with overseas qualifications.

6.6.2 Assessment of State Employment Programs

During the Committee's investigations, quantitative data was sought from the State Employment Programs Division (then under the Department of Education, Employment and Training) regarding budgets and performance outcomes for State programs, to enable an assessment of the effectiveness and efficiency of the delivery of State employment services. The Committee was also seeking to differentiate between the role and functions of the Commonwealth and State employment programs. While the Committee received some budgetary data, information regarding performance outcomes was not received by the Committee.

The Committee also sought copies of any internal or external evaluations and benchmarking studies conducted in relation to State employment programs. The Committee received one evaluation of the Community Business Employment Program conducted in 1994 and two evaluations of the Overseas Qualifications Unit conducted in

1994 and 1998. Given that these were the only evaluations provided to the Committee, it would appear that the Government has not conducted informal or formal evaluations of the full scope of State employment programs.

Although the Committee was advised that another evaluation of the CBE Program was due to be completed in February 2002, results of this evaluation were not available to the Committee. However, the 2002-03 State Budget reveals that the CBE Program has again been funded at the same level of placement targets it received in previous years.

As discussed earlier in this chapter, the introduction of Job Network represented a significant structural change in the provision of Commonwealth employment services. However, the Committee notes that incremental adaptations to State programs, that appear to occur in isolation of any major review of the full suite of employment programs, do not correspond with the significant structural reform that has taken place in the Commonwealth sector. In light of the major changes made by the Commonwealth, the Committee questions whether some State programs currently represent an unnecessary duplication of Commonwealth services and believes that it is necessary to re-evaluate existing State employment programs.

The recent cabinet reshuffle, which resulted in the relocation of the Employment Programs Division back to the Department it previously resided with, demonstrates that the role of the Employment Programs Division and its place within the State Government structure is not clear.

FINDING 6.1

The Committee finds that the role, structure and operation of the State Employment Programs Division (now under the Department of Innovation, Industry and Regional Development) has not been adequately evaluated and modified in light of the changes made to Commonwealth Government employment programs.

RECOMMENDATION 6.1

The Committee recommends that the State Government re-evaluate the role, structure and operation of the State Employment Programs Division and its programs with a view to removing all duplication between State employment services and those provided by the Commonwealth government and other employment service providers.

6.7 Impact of Changes in the Delivery of Employment Services

In previous chapters, the Committee has found that services such as banks, public transport and council offices have been withdrawn throughout Victoria. With respect to employment services, reforms over the past five years have resulted in a substantial increase in the level and availability of services throughout Victoria. The following section discusses the impact of the introduction of the Job Network, including the greater availability of services, the effect on specific groups of job seekers and the influence of external factors that may affect the ability of rural job seekers to access employment opportunities.

As the Committee did not receive any strong evidence regarding the quantitative outcomes of Job Network, it is appropriate firstly to review the Department of Employment and Workplace Relations' evaluation of Job Network, and to consider other reports that have been published on the issue.

6.7.1 Department of Employment and Workplace Relations Evaluation of Job Network

The performance of Job Network members is measured by DEWR. While recorded outcomes are predominantly the main measure of their performance, Job Network members are also bound by a Code of Conduct which requires them to provide high quality, improving and ethical service at all times.

To date the DEWR has conducted two evaluations of Job Network. The first provides information on the implementation and early market experience of Job Network. The second covers the operation of Job Network over the first contract period and early months of the second contract period, as well as focusing on key areas such as the development of Job Network, access to assistance, the performance of Job Network in achieving outcomes for clients and Job Network's regional performance.²⁵⁹

In February 1999, the stage one Job Network evaluation was released. It found that the changes to employment services, namely the introduction of Job Network, were implemented well, and appeared to be operating successfully. While the evaluation notes that it was too early to measure the impact of Job Network on the employment prospects of job seekers, the outcomes for disadvantaged groups, commencements and placements and service quality were encouraging.²⁶⁰

Table 6.4 shows the increase in Intensive Assistance, Job Search Training and Job Matching placements between 1998 and 2001.

TABLE 6.4 DATA FOR JOB NETWORK SERVICES IN VICTORIA 1998-2001

	Intensive Assistance Commencements			Job Search Training Commencements			Job Matching Eligible Placements		
	98-99	99-00	00-01	98-99	99-00	00-01	98-99	99-00	00-01
Indigenous	915	953	1,137	18	11	30	462	437	751
All Job Seekers	70,753	78,812	66,394	12,220	14,675	16,243	69,535	68,386	75,194

Source: Department of Employment, Workplace Relations and Small Business, Written Submission to Economic Development Committee, 06/08/2001, p. 6.

Further research conducted by the Department on the performance of the current system has shown that the Job Network has proved to be more successful than the former CES in achieving employment outcomes for job seekers and employers.²⁶¹ The Department has also made comparisons between the CES and Job Network in relation to the number of placements made. The Department states that for the period when the

²⁵⁹ Australian Workplace website, <http://www.workplace.gov.au>, 20/02/2002.

²⁶⁰ Department of Employment, Workplace Relations and Small Business, *Job Network Evaluation Stage One: implementation and market development*, February 2000, p. 2.

²⁶¹ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 4.

CES was functioning at full capacity (1995-96) 259,300 placements were made, in comparison with the 283,800 similar placements made by the Job Network in its first year of operation.²⁶²

In February 2001, the stage two Job Network evaluation was released. It gave performance information on individual Job Network members on the basis of a 1 to 5 star assessment system. This evaluation showed the relative achievements of Job Network members in relation to the services they provide to job seekers, including job matching, job search training and Intensive Assistance.²⁶³ To assist job seekers in choosing a provider, the performance ratings determined by DEWR can be viewed at the Job Network website.

The Department of Employment and Workplace Relations is currently finalising the stage 3 Job Network evaluation. It is not known when this report will be released.

6.7.2 Productivity Commission Independent Review of Job Network: Draft Report

In announcing reforms to the Commonwealth Employment Service in 1998, the Government indicated that there would be a full review and evaluation of the new arrangements. In March 2002, the Productivity Commission, an independent Commonwealth agency, released a draft report reviewing the Job Network.

While the Commission considers that the basic policy framework for Job Network is sound, it has proposed incremental reforms to improve the system. These include:²⁶⁴

- ◆ the removal of subsidies in the Harvest Program and for non-disadvantaged job seekers in Job Matching, and termination of the Self Employment Development program;

²⁶² Ibid, p. 8.

²⁶³ Australian Workplace website, <http://www.workplace.gov.au>, 20/02/2002.

²⁶⁴ Productivity Commission, *Independent Review of Job Network: Draft Report*, March 2002, p. 14.

- ◆ improved targeting of the needs of job seekers, changes to payment systems and greater options for re-referring job seekers to other programs;
- ◆ more options for informed choice of provider by job seekers;
- ◆ the use of administrative pricing rather than competitive tendering of prices;
- ◆ adoption of a licensing approach with free entry to the Job Network by accredited agencies;
- ◆ abandonment of fixed provider caseloads; and
- ◆ mechanisms for better coordination between agencies.

Recognising that there is room for further improvement, the Minister for Employment stated in a recent media release that "*...the Government will be giving consideration to the future shape of employment services, paying due regard to the Productivity Commission's findings, other evaluation results and the lessons from running Job Network over the past four years*".²⁶⁵

The Productivity Commission's final report is due to be completed in June 2002.

6.7.3 Committee for Economic Development of Australia (CEDA) Evaluation of Job Network

In August 1999, the Committee for Economic Development of Australia (CEDA) released an information paper, *The Job Network Is it Working?*. This report investigated the early strengths and weaknesses of the new employment services system, and evaluated whether the Job Network was achieving its objectives. Although the evaluation is based on the Western Australian experience, it also provides examples that illustrate the broader Australian experience.

The main findings to emerge from the CEDA report include:²⁶⁶

²⁶⁵ Department of Workplace Relations website, <http://www.dewr.gov.au/ministers/mediaCentre/details.asp>, 14/03/2002.

²⁶⁶ Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working?*, August 1999, pp. 2-3.

- ◆ that generally the new system was operating well and that the principles of the system were well conceived;
- ◆ that the emphasis of Job Network on training and development of search skills to find employment for job seekers as an alternative to wage subsidies has been taken as a successful policy initiative;
- ◆ payment fees for FLEX 1 services were considered inadequate;
- ◆ the available fees were also seen as a constraint when dealing with seriously disadvantaged job seekers;
- ◆ the classification of some job seekers appeared to be inappropriate, making it difficult for Job Network members to provide adequate services for those most disadvantaged in the market place; and
- ◆ problems with the administrative processes resulted in multiple listings and phantom listings.

The report concludes that in principle, the move to Job Network was positive, although there were some initial implementation problems. However, in the case of Western Australia, State agencies have found themselves substituting and supplementing the Job Network system in some areas.

The Committee notes that certain refinements to the Job Network framework introduced for the second tender addressed the problems identified in the CEDA report. These included:

- ◆ the extension of price-competitive tendering to all Job Network services;
- ◆ arrangements to improve the coverage of services in regional Australia;
- ◆ allowing some specialist providers to serve exclusively a particular target group of clients; and
- ◆ increased accountability of Job Network members for services provided to job seekers.

In more general terms, the CEDA report also identifies some potential risks within market driven employment frameworks. The report suggests that a system whereby organisations receive performance related payments for the delivery of employment

programs can lead to inefficiency and equity problems as there may be a tendency to service the most employable job seekers and focus on the most lucrative markets.²⁶⁷ These risks relating to 'creaming', 'deadweight losses' and 'rural location issues' are explained in greater detail below.

Creaming

Creaming is the tendency for agencies to offer services to those job seekers who already have the greatest chance of finding work. As the Job Network system rewards providers for successful outcomes, it is clearly in their interest to service the most employable job seekers.

VCOSS argued in its submission that the current structure of payments to Job Network providers creates an "...incentive framework that encourages them to focus attention on the least disadvantaged clients ("creaming"), while "parking" the harder to place groups and foregoing the outcome payments for them".²⁶⁸ VCOSS explains this point further:

"providers are encouraged by the outcomes payment model to put money and time into clients who are likely to become employed and thereby attract an outcome payment for the provider. There is little incentive to risk money and time on hard to place clients who may be unlikely to achieve an employment outcome.

*Further, employment assistance providers rely on their reputation with employers as a provider of quality employees to ensure employers use their services. This reputation will be mainly established and maintained by providing employees that are perceived as being the best available – those unemployed for the least time, without a disability, who are neither 'old' or 'young'."*²⁶⁹

Although the Committee found no evidence to suggest that creaming is taking place among Job Network members, evidence relating to the US market shows that there is a tendency for private employment agencies to concentrate on higher skilled and educated workers, while public agencies have greatest penetration in the low skilled end

²⁶⁷ Ibid, p. 13.

²⁶⁸ Written Submission No. 35, Victorian Council of Social Service, p. 23.

²⁶⁹ Loc.cit.

of the job market.²⁷⁰ The Committee notes that that under the Job Network framework there are a high number of community employment agencies who focus on providing services to the most disadvantaged job seekers.

Mr Gary Pilgram, Managing Director, Australian Mower Company presented the opposing view that disadvantaged job seekers were more likely to be assisted rather than those who are placed more easily. Mr Pilgram indicated to the Committee that Job Network providers tend to attempt to place job seekers who will attract them the highest payment rather than sending the best candidates for interview. He reported to the Committee that although he does use the private employment services companies, he sometimes chooses to advertise vacant positions himself as he feels he is more likely to get the full spectrum of applicants.²⁷¹

The Committee believes that whilst there may be the potential for a small number of providers to attempt to benefit from one group of job seekers over another, the process of becoming a Job Network member, together with the DEWR's monitoring and evaluation mechanisms, ensure that any such instances will be limited. In all cases, the employment service providers that contributed to the Inquiry were professional outfits operating a number of State, Federal and privately funded programs. Any attempt to operate against the philosophy of the system would only put at risk a Job Network member's future contract with the DEWR and hence, the viability of their whole business.

Deadweight Losses

Deadweight losses refers to the cost of placing job seekers who, in the absence of support, would have found work anyway. In this case, job seekers who are more likely to display successful outcomes are placed in labour market programs by program administrators, effectively limiting the amount of assistance available to the most

²⁷⁰ Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working?*, August 1999, pp. 13.

²⁷¹ Minutes of Evidence, 27/08/2001, p. 99.

disadvantaged job seekers.²⁷² As labour market programs are expensive to run, without effective targeting and control, deadweight losses in a framework such as Job Network could potentially be high.

Again, the Committee received no evidence to suggest that problems associated with deadweight losses were prevalent in the current system. The design of the Job Network framework attempts to counteract these problems with a range of administrative rules for eligibility to programs. These include restricting eligibility to the most intensive, and therefore, expensive forms of assistance to job seekers with long prior unemployment, language difficulties and disabilities.

Rural location issues

Due to the competitive nature of market driven employment systems, there is a risk that services will tend to be concentrated in lucrative markets in the metropolitan area rather than in rural and remote locations. This is usually attributed to the high cost of servicing the unemployed in remote areas, and the perceived low prospect of successfully placing them in employment.²⁷³

While the Committee acknowledges the possibility of this problem within the Job Network framework, it would appear that this is less likely to occur in Victoria due to the geographical size of the state and the small number of remote locations compared to other states. Furthermore, the establishment of a corporatised government agency, Employment National, ensures that the Job Network system has adequate coverage in rural and remote areas.

²⁷² Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working?*, August 1999, p. 13.

6.7.4 Job Network Policy Revisions

On 24 July 2001, the Department of Employment, Workplace Relations and Small Business announced policy revisions arising from a departmental investigation into job matching practices within the Job Network framework.

The investigations revealed that there was some ambiguity in relation to payable job matching outcomes, particularly in relation to Job Network providers manipulating placements within their own or related organisations. In addition there was some concern over the potential for 'job splitting' to occur whereby jobs are deliberately split to increase the number of job placements and maximise Job Matching outcome fees. Serial placements were also identified as a potential problem, with Job Network Members theoretically able to receive a Job Matching outcome fee up to twice per month for a placement with the same employer in the same or similar job.

While the Committee did not receive any evidence on the occurrence of these practices, there have been a few incidences reported in the press relating to the manipulation of job placements.

Centrelink in a public hearing with the Committee on 3rd September 2001 were questioned with regard to their knowledge on the potential for job placement fee manipulation within the Job Network system:

Mr Theophanous – *“Are you aware of any of the rorts by these private providers that have been reported in the press? Have you seen evidence of these rorts in your dealings and are you aware of any of them?”*

Ms Ross - *I haven't seen any evidence, and I have certainly seen the press reports so I am aware of the reporting of them, but once again that is a DEWRSB matter in terms of management of the contract of the job network members.”*²⁷⁴

²⁷³ Committee for Economic Development of Australia, Information Paper No. 64, *The Job Network Is it Working?*, August 1999, p. 27.

²⁷⁴ Minutes of Evidence, 3/9/01, p.232.

As a result of the internal investigation by DEWRSB and the reported practices that have arisen in some areas of the job matching fee structure, the following policy revisions were subsequently implemented:

- ◆ If a Job Network provider is involved in 'job splitting' then no Job Matching Outcome fee will be payable
- ◆ No fee will be payable when a Job Network provider places job seekers in its own organisation
- ◆ A job matching outcome fee will only be payable for employment of at least 30 hours over more than 10 consecutive days
- ◆ A strengthening of the Job Network Code of Conduct.
- ◆ Creation of a Fraud and Compliance Committee chaired by the Secretary of DEWRSB

6.7.5 Coverage of Employment Services

Following the introduction of Job Network, there was a significant increase in the number of employment service providers throughout Victoria. This increase was spread throughout Victoria, including metropolitan, regional and rural areas.

In the first contract period, there were around 1,400 Job Network sites across Australia, and since this time the number has increased to over 2,000. In regional Australia, the number of sites has almost doubled, with an increase from about 600 to around 1,100. Nearly 150 locations gained a Job Network site for the first time.²⁷⁵

In Victoria there are now 490 Job Network providers contracted to provide employment services. This represents a 43 per cent increase from the number of sites delivering services at the end of the first Job Network contract, and includes an increase in non-metropolitan sites from 137 to 197.²⁷⁶ Table 6.5 provides details of Job Network services and the number of Job Network sites for each of the Department's regions in Victoria.

²⁷⁵ Written Submission No. 21, Department of Employment, Workplace Relations and Small Business, p. 6.

²⁷⁶ Loc.cit.

TABLE 6.5 JOB NETWORK SERVICES AND SITES IN VICTORIA BY REGION

REGION	JOB NETWORK SERVICES				
	Job Matching	Job Search Training	Intensive Assistance	NEIS	Project Contracting
Melbourne	250	81	156	37	0
Eastern Victoria	66	32	41	18	2
Western Victoria	99	33	69	17	3
VICTORIA	415	146	266	72	5

Source: Department of Employment, Workplace Relations and Small Business, Written Submission to Economic Development Committee, 30/04/2001, p.6

Prior to structural reform, job seekers were required to access their local Commonwealth Employment Service (CES) in order to seek assistance with job search. Under that system, however, there were only 42 CES offices servicing the whole of the Melbourne metropolitan area and just 27 offices servicing the remainder of Victoria. Of the non-metropolitan CES offices, there were 12 offices covering Eastern Victoria in large centres such as Bairnsdale, Morwell, Sale, Shepparton, Traralgon and Wangaratta and 15 offices covering Western Victoria in places such as Ballarat, Bendigo, Colac, Geelong, Hamilton, Horsham and Warrnambool.

Currently, with 286 Job Network sites in the Melbourne metropolitan area, job seekers are much more likely to have a local employment services provider that is conveniently located. There is at least one Job Network provider in every suburb that had a CES office under the old system, other than at Caulfield which had one Job Network provider under the first Job Network but did not have a provider as at 30th June, 2001.

Furthermore, the majority of suburbs that were serviced by one CES office prior to 1998 now have a multitude of Job Network providers, offering individual job seekers the ability to choose a provider that is most able to deliver outcomes that are suited to their own unique circumstances. Whilst suburbs such as Box Hill, Dandenong and Frankston have ten or more Job Network providers, many others have anything from four to seven providers (for example, Brunswick, Camberwell, Cheltenham, Cranbourne, Epping, Glen Waverley, Greensborough, Heidelberg, Lilydale, Melton, Moorabbin, Mornington, Preston and Richmond). There are also a further 47 suburbs in the metropolitan area that did not have a CES office under the old system but that have at least one Job Network

provider under Job Network two, with 13 of these suburbs having multiple providers (for example, Airport West, Broadmeadows, Essendon, Fitzroy, Flemington, Hoppers Crossing, Narre Warren and South Yarra).

Outside of the Melbourne metropolitan area, there has been an even greater percentage increase in the number of employment service providers, with 196 Job Network sites located in rural and regional Victoria as at June 2001. Following the introduction of Job Network in 1998, 13 towns gained employment services for the first time (including Cobram, Kyabram, Lakes Entrance, Leongatha, Maffra, Castlemaine, Charlton, and Kyneton) whilst a further 27 towns gained services under Job Network two (for example, Buchan, Corryong, Korumburra, Mallacoota, Nagambie, Ballan, Boort, Heathcote, Sea Lake, Wedderburn and Wycheproof). Many rural and regional towns now have between four and six Job Network providers, including some which previously did not have a CES office. Appendix 11 lists the number of Job Network providers contracted in each suburb or town in Victoria under the first and second contract periods, together with the location of old CES offices.

FINDING 6.2

The Committee finds that following the introduction of Job Network in 1998 there has been a significant increase in the number of employment service providers in metropolitan Melbourne, regional centres and country Victoria.

FINDING 6.3

The Committee finds that the increased number of employment service providers has resulted in job seekers having a greater choice of providers and better access to employment services, with some suburbs and towns gaining employment services for the first time under the Job Network system.

6.7.6 Access to Centrelink

Consistent with the experience with Job Network, Centrelink has also expanded its services considerably in comparison to the level of access to referral services under the

old CES system. For those who are job ready, each Centrelink customer service centre has self-help facilities where people who do not need special assistance can prepare resumes, access the AJS database, print off information about job vacancies and telephone prospective employers or fax them their resumes.

In addition to a greater number of sites, Centrelink has also introduced alternative methods of access. These include:

- ◆ visiting services to many smaller towns;
- ◆ home visits or telephone services for certain groups of customers not able to access a service centre;
- ◆ electronic access points; and
- ◆ agency arrangements (for example, in partnership with Rural Transaction Centres).

Appendix 12 lists the location and type of service offered by Centrelink in metropolitan Melbourne and country Victoria.

FINDING 6.4

The Committee finds that structural reform of employment services has had a positive impact on the range of services and the mode of service delivery offered to job seekers by Centrelink in comparison to the previous Commonwealth Employment Service.

6.7.7 Impact of Increased Access to Employment Services

The majority of evidence heard in relation to employment services indicated that the increase in availability of Job Network and Centrelink services has been of benefit to job seekers, whether they are essentially job ready or whether they require special assistance to overcome some level of barrier to employment.

Ms Joanna Casey, Coordinator, Cobaw Community Health Service:

“We are really sitting on a bonus, I have to say, because Centrelink is now coming to Cobaw two days a week, so people can come into the office and actually see someone. This has been the best thing ever.”²⁷⁷

Mr John Ackland, General Manager, Workco Ltd:

The Chairman – *“Correct me if I am wrong, but it seems to me that over the period of time we are looking at, employment services have developed considerably, there is a wider provision than there was before and most of the things you are doing are bigger and better than what used to be there.”*

Mr Ackland – *“One of the reasons is we have been able to combine a lot more services...We have been able to operate a successful group training company, new apprenticeship centre and job pathways program. There are savings in the fact that we can offer a one-stop shop in our whole community. If we only had 50 per cent of those services we would struggle to have the office capacity and the staff to offer a range of services.”²⁷⁸*

Mr Keith Lovell, Chief Executive Officer, Latrobe Valley Supported Employment Services explained in a written submission some of the flow-on benefits associated with the increase in the number of employment and training providers in a town:

“While in the days of the CES there was one provider in such towns as Traralgon, Morwell, Moe and Warragul for instance; today the CES and a raft of other employment and training services are provided by members of the Job Network...Today instead of one, Morwell has five strong successful and well respected employment services providing for government employment initiatives.

Competition is furious and service outstanding. Television, radio and newspapers have benefited by competitive advertising. Signwriters, painters and shop fitters have benefited by the number of office and billboards. Banks benefit from the diversity and amounts handled in the community. Real estate and landlords see employment services as a boom to their livelihood... Local computer and technology trainers and suppliers have had a boom from the diversity of employment services.

The job seeker is a welcome customer or even guest instead of an unwanted chore and employers are serviced in increasingly more efficient ways.

²⁷⁷ Minutes of Evidence, 11/09/2001, p. 258.

²⁷⁸ Minutes of Evidence, 27/08/2001, p. 84.

A new industry has emerged and people with no previous involvement in the profession have joined the best of the CES staff to make this new industry buzz.”²⁷⁹

Mr Ken Thomas, General Manager, Murray Goulburn, provided the Committee with an employer’s perspective, referring to the benefits to employers of the new privatised employment services system.

“... My view of the CES at the time was that it was very bureaucratic; there was certainly a lack of initiative, and there was little effort put in from the CES to service major industries. On a positive note, since the restructure we have been serviced predominantly by three companies ... very keen to service us; they are basically knocking on our door all the time, seeing what they can do to help us in business. The big issue, from my point of view, is that we have been able to obtain a good level of high-calibre applicants at all levels through the organisation.”²⁸⁰

A potentially negative aspect to the increased number of employment service providers is increased fragmentation within the industry. There is no longer one organisation with clear responsibility for assisting the unemployed and therefore, it can be difficult for job seekers to identify and select a suitable Job Network provider. The Department of Employment and Workplace Relations has addressed this by developing a performance rating system to assist job seekers in choosing a Job Network provider.

The Committee heard some concerns from local councils or other organisations that use employment and labour force data that the new, fragmented employment services system makes it difficult to compile data that could be used to assist with planning responses to occupational and skills shortages. It was felt that the large number and different types of employment providers makes it difficult to collect consistent data about job seekers, vacancies, labour force skills and the current and future skills needs of employers. It is true that the element of competition in the market may contribute some level of barrier in terms of organisations being able to freely divulge information.

²⁷⁹ Written Submission No. 1, Latrobe Personnel, p. 1.

²⁸⁰ Minutes of Evidence, 26/11/2001, p. 398.

Mr Andrew Paul, Chief Executive Officer, City of Greater Bendigo:

“Following the abolition of the Commonwealth Employment Service and the creation of a Job Network, there has been a proliferation of employment agencies within this city and the region. This has led to some difficulty in getting a coordinated approach to address issues such as the composition of the local labour market and any level of skills shortages from the thirteen Job Network Service providers.

Council, along with other municipalities and industry groups, have looked at a variety of options to develop a profile of the local labour market but have been deterred by the high costs. The 1996 Census is the last official statement on Labour Force information. Council recently met with the local Job Network companies in an effort to ascertain relevant composition of people to meet new investor requirements. A somewhat cumbersome process of contacting all of these Job Network providers to obtain details on the composition of their clients seeking a job, or a change in employment, has been initiated.”²⁸¹

The issue of industry fragmentation was also raised in the context of the apprenticeship and traineeship system. Specifically, the Committee received evidence questioning the quality and monitoring of the apprenticeship and traineeship systems.

Mr Jeff Bothe, Executive Officer, Community Employment Council Central Victoria wrote to the Committee raising concerns about the monitoring of the New Apprenticeship system:

“Anecdotal evidence suggests that the supervision and quality of the system, which now involves many players (including Commonwealth and State Governments, contracted New Apprenticeship Centres, Registered Training Organisations, Industry Assessors, etc) is an issue. Increased quality control of the system appears to be needed to ensure:

- *training is provided in an effective and responsible manner to develop the skills of trainees/apprentices,*
- *All parties are adhering to the principles of the signed training agreements, and*
- *System abuse is minimised.”²⁸²*

²⁸¹ Written Submission No. 12, City of Greater Bendigo, p. 4

²⁸² Written Submission No. 3, Community Employment Council Central Victoria, p. 1.

The Committee notes that issues such as the above were addressed in the current State Government's Review of the Quality of Training in Victoria's Apprenticeship and Traineeship System (the Schofield Report, 2000). Although the Government adopted many of the Review's recommendations, the fact that the Committee continued to hear comments such as the above during its regional hearings as recently as December 2001, would indicate that the recommendations are yet to be successfully implemented.

The Community Employment Council Central Victoria further noted that *"for some years now, the CEC has endeavored to secure annual data on New Apprenticeship commencements for its region. This data included commencements by occupations and completions. Existing databases appear to be inadequate to provide such data"*.²⁸³

FINDING 6.5

The Committee finds that many small and medium sized towns have benefited from the privatisation of the employment services system. Some of the benefits reported to the Committee include:

- ◆ *many towns gaining employment service providers for the first time;*
- ◆ *increased choice of employment and training provider with multiple providers now in many towns;*
- ◆ *improved service delivery for job seekers and employers; and*
- ◆ *increased initiative and enthusiasm by employment agencies.*

FINDING 6.6

The Committee finds that fragmentation of the employment services market following privatisation has led to some concerns regarding the availability of relevant, timely data on the labour market and the New Apprenticeship system, making it difficult to identify and address regional skills shortages.

²⁸³ Loc.cit.

RECOMMENDATION 6.2

The Committee recommends that the State Government review and report on progress of the recommendations implemented under the Review of the Quality of Training in Victoria's Apprenticeship and Traineeship System.

RECOMMENDATION 6.3

The Committee recommends that the State Government ensure that sufficient, up-to-date, quality, quantitative data on localised skills, skills shortages, apprenticeships and traineeships be available to local councils and other relevant organisations to assist them to plan for regional skills shortages. The Committee recommends that data be available in both electronic and printed form.

6.7.8 Employment and Employment Services in Rural Victoria

As outlined earlier in this chapter, the number of Job Network providers and other access points for employment and related services has increased significantly under the new system. The Committee heard throughout the Inquiry that employment services have substantially improved following structural reform and that communities today, including those in even small Victorian towns are generally very satisfied with the ability of the current system to meet local needs.

Moyne Shire Council, however, noted that small rural towns perhaps do not gain the same level of benefit from the variety of state funded and private training and employment agencies as those in larger regional centres. Specifically, it indicated that some smaller communities may experience the following difficulties in providing the full spectrum of services to its job seekers:

- ◆ There may be an insufficient number of qualifying participants for programs such as Work for the Dole and the Community Jobs Program in remote areas.

- ◆ Any cost differential between the grant available and the costs of running a program or providing resources to facilitate a program may pose a disproportionate barrier for smaller or remote communities.
- ◆ There may be the potential for an employer to attempt to exploit young or disadvantaged job seekers as a source of cheap labour without offering any real long-term employment opportunity.
- ◆ Rural and remote communities may not have adequate linkages between employment assistance programs and access to further education and training opportunities.
- ◆ The tendency for state, federal, community and private industry structures to work in isolation from one another.²⁸⁴

Moyne Shire Council recommended two strategies to the Committee that it felt would address some of the difficulties experienced in rural towns. The first strategy is to target young people while still in secondary school with a partnership approach between industry, government, educational institutions and community organisations. The goal would be to combine a quality education with relevant job skills through structured training and work-based learning experiences.²⁸⁵ While the Committee is aware of the State Government's Pathways Project, it believes that unless the program actively encourages and guides young people into areas where there are existing opportunities or skills shortages, the results of the program will be limited for both employers and young people.

The Victorian Council of Social Service (VCOSS) also highlighted the needs of young people, noting that since the closure of Youth Access Centres, there is no longer a single organisation able to refer young people to the full range of federal and state operated employment programs and education and training opportunities. VCOSS recommends that the State Government establish a common gateway to youth services, including employment assistance, that is outside of Centrelink and is specifically designed to cater for the needs and cultures of young people.²⁸⁶

²⁸⁴ Written Submission No. 17, Moyne Shire Council, p. 6.

²⁸⁵ Ibid, p. 7.

²⁸⁶ Written Submission No. 35, Victorian Council of Social Service, p. 26.

The second recommendation offered by Moyne Shire Council was the establishment of localised Job Clubs. Clubs should involve a range of participants, including the unemployed, youth, mature age and carers wishing to return to the workforce, and would offer a range of job search support services such as resume and job interview preparation, identification of appropriate and realistic options (as employees or being self-employed) and local job vacancy sourcing and networking. Job Clubs could be established in local facilities such as community houses or resource centres, rural transaction centres, local council offices and community enterprise centres.²⁸⁷

FINDING 6.7

The Committee finds that some small rural towns experience difficulty in providing a full range of employment services to job seekers due to low program participation rates, program running costs and/or inadequate education and training linkages.

RECOMMENDATION 6.4

The Committee recommends that the State Government pilot a Job Club Program in disadvantaged labour markets.

RECOMMENDATION 6.5

The Committee recommends that the State Government's Pathways Project be refined to strengthen linkages between industry, government, education and training institutions and local communities and to ensure that work-based learning experiences are centred around local skills shortages.

In the majority of instances, the Committee heard that the main issues in rural Victoria do not relate to the delivery of employment services, but rather to the skills shortages experienced throughout rural and regional Victoria. These shortages go well beyond the well-documented shortages in professions (for example, medical professionals) to

²⁸⁷ Written Submission No. 17, Moyne Shire Council, p. 7.

include generalist management and marketing skills and a number of skilled trades. Evidence put to the Committee below illustrates that population decline in rural Victoria is exacerbating many of the skills shortages.

Mr John Ackland, General Manager, Workco Ltd, Horsham:

“We have very low unemployment, probably about 2 per cent, which is causing some headaches for us in business development and growth and recruiting for these people. Obviously there is an extreme skill shortage because of the low unemployment rate. We are addressing that with the Wimmera Development Association. We have run five forums looking at how we address some of these labour shortages; it is not only a skill shortage but a lack of people as well. The available pool of people in small communities is a growing concern for us to develop business in future.”²⁸⁸

Mr Ivan Surridge, Manager, Rural City Development, Rural City of Ararat:

“As to employment opportunities and the attraction of business, one of the key issues to be examined is in attracting skills into the area. We can certainly provide unskilled labour into manufacturing areas, but there are administrative, marketing and other skills in the professional areas that regional Victoria finds difficult to attract. We are all aware of the common ones – for example, dentists and doctors, and the same applies in other areas – but I think generally our professional tradespeople are doing well.”²⁸⁹

Ms Sue Farham, Manager, Workco Ltd, Warracknabeal:

“Some of the jobs that we have on our books at the moment are very good jobs; we are not talking mickey mouse jobs. There is the community coordinator job that we are trying to fill, and jobs such as mechanical fitters, high-class welders and even a school principal for the local Christain school. They are trying to recruit from South Africa, which indicates how bizarre the situation is. Yesterday we had a forum with the industry training bodies in Horsham. The 12 industry training bodies came to Horsham to look at the skills issue and the labour shortage. All these things were again raised as issues – transport, infrastructure things, low wages in the country compared with the city, and the fact that opportunities in the country are perhaps limited in terms of career paths –

²⁸⁸ Minutes of Evidence, 27/08/2001, p. 83.

²⁸⁹ Minutes of Evidence, 27/08/2001, p. 57.

country placements are often seen as a stepping stone to the next point of employment. The retention is difficult too.”²⁹⁰

A common theme in the evidence relating to skills shortages was the fact that rural Victoria is not just suffering from a skills shortage, but also a labour shortage. Rural Victoria needs to not only attract specific skills into the area, but needs to attract and retain the full spectrum of professional, skilled and unskilled workers.

The Committee asked certain communities how they are attempting to address the issue of skills and labour shortages. Evidence revealed that a partnership approach between all levels of government, education and training providers and industry is required.

Mr Philip Sabien, Executive Director, Wimmera Development Association:

Mr Best – *“My question is tied to the labour market. While you have identified shortages of skilled labour, how is council and how are the education sectors working with you to identify career paths and the message that there is a future for young people in Horsham?”*

Mr Sabien – *“I can answer that question through the work we are doing with Workco. We have held four forums: one with each of local government, industry, community groups, and young people. We are to hold another forum on 5 September with all the VET and career teachers, to give them a snapshot of the skill shortages we have identified in the region and asking them to say what they regard as the issues behind those shortages. It is interesting to note that a number of issues raised by local government have not been raised by industry; and community groups have raised issues not raised by local government. As a result of the five forums we will be addressing the top five or six issues – issues such as child-care facilities, and the shortage of housing in Horsham and Nhill.”²⁹¹*

The Committee heard that local councils can provide a key role in addressing skills shortages by attracting and retaining new people in their communities. Strategies may include producing an information package for potential employees considering moving to a new area or facilitating a newcomers club that brings new residents together, helping them to form networks and integrate within the community. Industry also needs to play a key role in attracting skills by ensuring they pay attractive wages, employing

²⁹⁰ Minutes of Evidence, 29/08/2001, p. 188.

²⁹¹ Minutes of Evidence, 27/08/2001, p. 93.

apprentices and trainees and offering other training and development opportunities for all staff. Other requirements raised during the Inquiry included the need to offer jobs for partners, adequate transportation and a range of entertainment and education opportunities for children and teenagers.

The Committee also received evidence of local businesses recruiting employees from overseas through skilled and business migration programs. The Skilled Migration Unit (within the State Government Department of Innovation, Industry and Regional Development) assists Victorian employers experiencing skills shortages and unable to recruit locally to access skilled professionals and tradespeople from overseas. The Skilled Migration Unit's services include: ²⁹²

- ◆ A database containing the resumes and contact details of skilled overseas professionals and tradespeople who have met migration requirements, have expressed an interest in living and working in Victoria and will be arriving soon.
- ◆ Information on how the Victorian Government can sponsor skilled overseas professionals and tradespeople with an occupation or skill in identified shortage areas.
- ◆ Information on how regionally based employers can sponsor skilled overseas professionals and tradespeople with specialised skills.
- ◆ Referrals to appropriate organisations for employers wishing to employ an apprentice or trainee.

The Committee notes that the skilled and business migration programs could assist rural communities in maintaining population levels and reducing skill shortages.

FINDING 6.8

The Committee finds that many rural communities are suffering from skills and labour shortages, covering the full spectrum of skilled, unskilled and professional employment opportunities.

²⁹² Skilled Migration Unit website, <http://www.migration.vic.gov.au>, 05/04/2002.

FINDING 6.9

The Committee finds that a partnership approach between governments, education and training providers and industry is required for addressing skills shortages.

FINDING 6.10

The Committee finds that the State Government's skilled migration program has been of benefit to some businesses in rural Victoria.

FINDING 6.11

The Committee finds that some rural communities would welcome an increased level of skilled and business migration into their community.

RECOMMENDATION 6.6

The Committee recommends that the State Government, in partnership with local councils and other relevant organisations (for example, Area Consultative Committees) identify the information needs of local communities in addressing current and future skills needs and establish a means of capturing consistent, robust quantitative data to assist communities in addressing localised skills shortages, labour shortages and recruitment difficulties.

RECOMMENDATION 6.7

The Committee recommends that the State Minister for Employment develop a package of incentives aimed at job seekers to encourage them to undertake apprenticeships and traineeships in areas of skills shortages.

RECOMMENDATION 6.8

The Committee recommends that the State and Federal Governments do more to promote the ability to address skills and labour shortages in regional and rural Victoria through local and overseas skilled and business migration and greater access to working permits which facilitate seasonal employment opportunities.

RECOMMENDATION 6.9

The Committee recommends that the State Government address rural labour shortages and recruitment difficulties by promoting the range of professional and skilled positions in rural areas and developing a suite of programs that encourages and assists local employers to recruit and retain skilled and professional employees from metropolitan Melbourne or major regional centres. Such programs would include graduate incentives, rural scholarships and information campaigns in metropolitan areas.

6.7.10 Access to Employment Services for Disadvantaged Groups

The Committee did not receive any evidence from individual job seekers or specific community or action groups representing disadvantaged job seekers. It did, however, receive two written submissions (Victorian Council of Social Service and the City of Greater Dandenong) that highlighted the difficulties certain groups of people may have in accessing employment services.

The Victorian Council of Social Services (VCOSS) provided a written submission to the Committee's Inquiry in relation to the reforms of employment services in the context of the impact on the most vulnerable members of the community. Specifically VCOSS believes that *"...evidence to date appears to confirm that people with high labour market disadvantage have less access to effective support from employment services providers*

and that this change has resulted in poorer employment outcomes".²⁹³ However, VCOSS admits that at the time of making its assessment, the new Job Network model was too new to enable a thorough evaluation.

Mr Keith Lovell, Chief Executive Officer, Latrobe Valley Supported Employment Services Inc. presented a different view regarding the most disadvantaged job seekers:

*"For the many not for profits that have been successful providers in this field a new source of income has emerged enabling them to contribute more to the charitable purposes for which they exist. Some have been able to service other profitable business from the resources and become stronger and of greater benefit to their communities."*²⁹⁴

The City of Greater Dandenong presented a submission to the Committee which focused on the needs of disadvantaged members of the community. The submission was based on the research of South East Development Area Consultative Committee which involved interviewing a number of local community organisations. Results of this research presented a balanced view about the introduction of the Job Network. It revealed that the outcomes included positive perceptions about the changes in service provision, the ability of local community organisations to use their local knowledge and expertise to form new job placement programs and increased effectiveness and efficiency in placing a certain category of job seekers (shorter-term unemployed) into positions.

South East Development Area Consultative Committee did, however, identify some potential difficulties that may be experienced by some job seekers facing particular barriers to employment (for example, language barriers, low levels of literacy and numeracy, disabilities and those with training needs). These difficulties related primarily to the ability to identify and access agencies that offer specialised services and the confusion sometimes faced when required to attend a number of different agencies in order to increase the chance of gaining employment.²⁹⁵

²⁹³ Written Submission No. 35, Victorian Council of Social Service, p. 4.

²⁹⁴ Written Submission No. 1, Latrobe Valley Supported Employment Service, p. 1.

Job Seekers from Diverse Cultural and Linguistic Backgrounds

Given the large migrant population in the City of Greater Dandenong, Council's submission focused on issues facing job seekers from diverse linguistic and cultural backgrounds. Despite improvements to the provision of employment services, some job seekers may continue to experience difficulties stemming from language barriers, inadequate access to interpreter services in some instances and low numbers of staff from diverse cultural backgrounds employed by employment service providers.

Mr Rod Shell, Manager Economic Development, City of Greater Dandenong also illustrated the potential for some clients to be inappropriately classified within the Job Network system:

“Under the privatised Job Network arrangements, people from NESB get letters from Centrelink suggesting that they classify themselves as needing ‘intensive assistance’ which more often than not, they sign not understanding the system or the implications. Agencies often put NESB clients into ‘intensive assistance’ because they are seen as being harder to place. By being classified as ‘intensive assistance’ however, individuals are ineligible to access other formal literacy and numeracy training such as ‘LANT’ which is offered by Centrelink. Once people are into the system and placed in the ‘intensive assistance’ stream, they cannot be released for a year. This does not benefit them or the agency as it often requires them to seek other English language classes, which costs them money. According to one local AMES organisation, it is common that at least two to three people per week seek their assistance on this matter...”²⁹⁶

The Federal Government has identified that some Job Network providers were experiencing difficulty in accurately assessing some job seekers, often because assessment of individual job seeker's obstacles and assistance needs only become clear over time, as a closer relationship with the service provider is established. In response, the Government has introduced a number of enhancements to Intensive Assistance, including better assessments for job seekers and the ability of service providers to determine whether they would benefit from first participating in a complementary program before they commence Intensive Assistance. As examples, job seekers can be referred to a program that addresses literacy and numeracy needs, to a Work for the

²⁹⁵ Written Submission No. 29, City of Greater Dandenong, pp. 2-3.

²⁹⁶ Written Submission No. 29, City of Greater Dandenong, p. 4.

Dole placement to address motivational or work experience needs or to the new Personal Support Programme to address severe personal obstacles such as drug or alcohol addiction.

FINDING 6.12

The Committee finds that despite improvements to the provision of employment services, some job seekers may continue to experience difficulties as a result of language barriers, inadequate access to interpreter services and low numbers of staff from diverse cultural and linguistic backgrounds employed by employment service providers.

Indigenous Job Seekers

With an unemployment rate more than double that for all Australians, Indigenous job seekers often face additional barriers when seeking employment. VCOSS outlined in its written submission some of the issues relevant to this group of job seekers, based on the DEWR's evaluation of the Job Network. These issues included a lower number of Indigenous job seekers registering with Centrelink following the commencement of Job Network; that 40 per cent of those registering successfully subsequently failed to report to a Job Network provider; and that only 57 per cent of Indigenous job seekers referred for Intensive Assistance by September 1999 actually commenced in that program.²⁹⁷

While acknowledging that early assessments of the Job Network revealed that Indigenous Australians continued to be disadvantaged under the new system, the Committee notes the new initiatives of the Federal Government targeted at this group. For example, whilst Indigenous Australians continue to have full access to services available to all Australians as well as to existing services aimed specifically at Indigenous job seekers, the Federal Government will spend an additional \$82 million over four years on additional services for Indigenous Australians. Initiatives include:²⁹⁸

²⁹⁷ Written Submission No. 35, Victorian Council of Social Service, p. 24.

²⁹⁸ Written Submission No. 36, Department of Employment, Workplace Relations and Small Business.

- \$48 million (including new funding of \$31 million) to assist up to 10,000 CDEP participants in getting a job through Indigenous Employment Centres.
- \$32 million for Community Participation Agreements and capacity building in remote communities.
- \$9 million for Centrelink's remote area servicing strategy.
- \$10 million in increased education and training assistance for 1,600 Indigenous secondary school students and 2,300 Indigenous students in vocational education and training.
- Better assessment for Indigenous (and other) eligible job seekers.

In light of the unique difficulties experienced by many Indigenous job seekers, VCOSS recommended to the Committee that:²⁹⁹

- The government assess whether mainstreaming of Indigenous employment services has offered an appropriate and quality service to Indigenous job seekers and consider alternatives including supporting the development of additional agencies that specialise in Indigenous employment.
- The government support community education to challenge discrimination against employing Indigenous Australians.
- Centrelink increases the numbers of staff from the Indigenous community.

The Committee is reluctant to make further recommendations in line with those proposed by VCOSS without having fully investigated the needs and experiences of Victorian Indigenous job seekers, which may be very different to those in Indigenous communities in other states of Australia.

The Economic Development Committee is currently conducting a separate Inquiry into the Incidence of Youth Unemployment in Victoria which specifically requires an examination of youth unemployment in Aboriginal communities. This report should be tabled in Parliament by the end of 2002. In the meantime, the Committee feels there is

²⁹⁹ Written Submission No. 35, Victorian Council of Social Service, p. 24.

merit in the Government reviewing the specific needs of all Indigenous Victorian job seekers and the current level of employment services specifically targeted at this group.

RECOMMENDATION 6.10

That the Government investigate and address the specific needs of Indigenous Victorian job seekers and the current level of employment services specifically targeted at this group.

6.7.11 *Training Opportunities Under Job Network*

According to DEWR's February 2000 evaluation of the Job Network, 19 per cent of Intensive Assistance recipients received some type of vocational training. VCOSS directed some level of criticism at this result, suggesting that vocational training was more readily available under the former system. The Committee notes that a number of recent improvements have been made to the Intensive Assistance program and other employment services and that training opportunities are now more accessible for a range of job seekers. Some of these improvements include:³⁰⁰

- 40,000 Intensive Assistance assessments resulting in referrals to complementary programs (\$23 million).
- 42,000 Personal Support Programme participants to be assessed by Intensive Assistance providers (\$11 million).
- 30,000 extra Job Search Training places (\$19 million).
- 16,500 extra Work for the Dole places (\$43 million).
- 35,000 Community Work placements assisted under Community Work Coordinators (\$11 million).
- Training Credits of up to \$800 each for 64,500 job seekers being assisted by Community Work Coordinators (\$50 million).
- Training Credits of up to \$800 each for 69,000 mature age and Indigenous job seekers in Job Search Training or Intensive Assistance (\$59 million).

³⁰⁰ Written Submission No. 36, Department of Employment, Workplace Relations and Small Business.

- Assistance with resumes, references and job seeker skills for 60,000 job seekers in their last week of Work for the Dole or equivalent hours of community work.
- Working Credit to be available from September 2002. This initiative costing \$506 million over four years rewards income support recipients for undertaking paid work and ensures they will be better off financially from accepting part-time or casual work (which can often lead to full-time employment).

The City of Greater Dandenong also reported to the Committee that there has been some level of shift in the use of local services since the introduction of the Job Network. Specifically, it noted that Local Neighbourhood Houses have reported an increase in the number of referrals and contacts from local employment providers to access English classes and other programs that develop personal and professional skills, compared to the level of such contact made by the former CES.³⁰¹ Whilst this may be an indication of improved quality of service and advice from the Job Network provider and/or either real or perceived improvements to quality of these courses, it may also indicate some level of cost shifting to the Victorian Adult and Community Education sector.

The Committee notes that the Federal Government has announced an extra 3,600 Literacy and Numeracy Training places, at a cost of \$9 million, commencing in July 2002. The Literacy and Numeracy Training Supplement, due to commence in September 2002, will further assist those on income support by giving extra financial help to people attending approved literacy and numeracy training. The fortnightly supplement of \$20.80 will assist participants to meet the incidental costs such as travel expenses of attending training.

FINDING 6.13

The Committee finds that recent improvements to the Intensive Assistance program are likely to enhance the opportunities provided to job seekers in accessing and participating in this program.

³⁰¹ Written Submission No. 29, City of Greater Dandenong, p. 5.

6.8 Conclusion

The employment services market has undergone significant structural reform since 1998. The Committee heard evidence that the increased availability of Job Network and Centrelink services has been to the benefit of job seekers, giving them a greater choice of specialist providers and better access to employment services. This is particularly the case in rural and regional Victoria where many towns gained one or more employment service providers for the first time.

Investigations reveal that some small rural towns continue to experience significant skills and labour shortages due to declining populations. The Committee believes these areas need to be addressed by the State Government.

In conclusion, the Committee also believes it is both necessary and timely for the State Government to re-evaluate its role in delivering employment services to ensure there is no unnecessary duplication with other employment service providers in the marketplace.

Chapter 7

Information Technology and Telecommunications

7.1 The Need to Address Information Technology and Telecommunications

Throughout the Committee's Inquiry, the issue of information technology and telecommunications was raised as a major concern when considering the impact of structural changes in the Victorian economy. Although the Committee's Terms of Reference did not specifically require an examination of this area, the importance of adequate IT and telecommunication services in rural and regional Victoria in light of the withdrawal of various services warrants consideration by the Committee.

Each area of the Committee's investigations; banking, local government, public transport, employment services and postal communications, has changed to such an extent that communities are increasingly relying on telephone, email, Internet and teleconferencing services. The growth of rural and regional economies is now dependent on businesses' ability to use various forms of information technology without connectivity problems and at an affordable cost.

Chapter 2 of this report noted that one of the major structural changes to banking services in recent years is the growth of telephone and Internet banking. The Committee has highlighted the extent to which small and medium sized towns have suffered from the withdrawal of banks over the past ten years and now require adequate telecommunications to perform banking services.

Whereas the Committee did not find any diminution of postal services throughout Victoria, the availability of email now means people, and particularly businesses, are increasingly utilising the benefits of electronic mail over standard mail delivery services. Again, the advantages of email are only evident if the cost and reliability of the service is appropriate.

The Committee heard from remote communities that are disadvantaged due to a lack of suitable public transport. Where other services such as banks, employment office and local council offices have been withdrawn from or are not available in a small town, the need for public transport to access these services in another town has increased. However, the ability to use suitable teleconferencing facilities would assist in overcoming transport barriers by allowing people from remote communities to deal with a bank manager or conduct an employment interview without having to leave their town.

Local government has also made good use of the Internet in recent years with most councils now having their own web site providing details of services, recent council decisions, economic development activities and other useful community information.

This chapter summarises the evidence received in relation to information technology and telecommunications and notes the existing work being undertaken by Telstra Country Wide to improve services in regional Australia.

7.2 Concerns Raised by Rural Communities

The major concerns raised in evidence presented to the Committee focussed on problems with information technology and telecommunications service delivery and cost differences between regional and metropolitan areas. Some of the evidence received is illustrated below.

Ms Lydia Wilson, Chief Executive Officer, Macedon Ranges Shire Council, commented on the cost differences between metropolitan and rural areas:

“The costs associated with telephone services in rural areas compared to those in metropolitan areas are exorbitant and serve as a disincentive to families and businesses to relocate to rural communities. In particular, the local call charges and the area defined as a local call area results in significant increases in costs to rural communities. This impact will be felt more extensively, as more business, banking and personal services are required to be accessed through the Internet. For many households in

*rural areas it is not a local call to access an Internet Service Provider (ISP). This results in a significant increase in costs”.*³⁰²

Mr Bruce Evans, from Wuk Wuk near Bairnsdale, also referred to telecommunications costs in his written submission:

“Country subscribers have been severely disadvantaged by the cost of telecommunications, which have been a major factor in retarding development in the country.

*The whole of the metropolitan area is a local call area but country subscribers have local call access to just several hundred rather than several million subscribers. Even the area to which local calls apply is very much smaller in the country. This anomaly is explained away on the argument of economies of scale”.*³⁰³

Poor connectivity to the Internet and email services as well as mobile phone ‘black spots’ were seen by witnesses as being attributable to inadequate telecommunications infrastructure. These issues were of particular concern to rural and remote businesses who are experiencing frustration with poor connectivity.

Mr Phil Pearce, Chief Executive Officer, Shire of Campaspe:

*“Telecommunications infrastructure has also fallen behind the metropolitan areas. While once touted as the answer to isolation, poor infrastructure has seen rural areas falling further and further behind in the technology stakes.”*³⁰⁴

Mr Geoffrey Gray, Economic Development and Tourism Officer, Pyrenees Shire Council:

“Looking at the total communications picture, you could start by looking at some of the basic telephone services; cables have not been replaced for years. Mobile phone services are a joke out here. If you are trying to do business you find the line continuously drops out...”

We came to realise the need for information technology centres here and at Beaufort, or wherever. The biggest problem is line speeds; they are basic copper wire. In these areas we call ‘www’ the ‘world wide wait!’ We

³⁰² Written Submission No. 24, Macedon Ranges Shire Council, p. 203.

³⁰³ Written Submission No. 8, Mr Bruce Evans, p. 4.

³⁰⁴ Written Submission No. 25, Shire of Campaspe, p. 2.

*have addressed that and are looking at getting satellite capacity with broadbanding and landline out at both Avoca and Beaufort.*³⁰⁵

Mr Malcolm Smith, President, Advance Edenhope:

*“As you have heard today, even public telephones, let alone mobile phones, drop out. I live 22 kilometres from town at Patyah. Even our landlines occasionally drop out, although that has been happening only since the new service has been attached to the telephone exchange here. It was fine prior to that. Telstra installed a new service, and we started to have problems.”*³⁰⁶

Rural and remote businesses have suffered as a result of the withdrawal of banks and other services in recent years. Lack of telecommunications infrastructure is seen by some witnesses as further impacting on businesses and hindering the establishment of new services.

Mr Wayne Manton, Small Business Operator in Jeparit, spoke of the problems associated with inadequate mobile phone coverage:

*“We cannot get a mobile phone tower in Jeparit because the town has less than 500 people – how fair is that? The farmers need that service. A mobile would be handy for a farmer who is working on his header, for him to be able to ring up and say, ‘Where can I get the best price for my grain?’ because we have several ways of getting rid of our grain now. We can store it on our farms or give it direct to the Australia Wheat Board at Dimboola, which is good for the area, or you can sell it direct to the old Grain Elevators Board. Prices fluctuate daily, particularly the price for canola. Recently the wheat price dropped \$30. You need to make instant decisions when you are talking about selling hundreds of tonnes; you may lose \$30 per tonne simply because you could not contact your agent. That is hardly fair and not good for productivity.”*³⁰⁷

The Committee heard many examples of how broadband facilities would assist remote communities.

³⁰⁵ Minutes of Evidence, 29/08/2001, p. 197.

³⁰⁶ Minutes of Evidence, 28/08/2001, p. 130.

³⁰⁷ Minutes of Evidence, 28/08/2001, p. 158.

Ms Jennifer Tod, Chief Executive Officer, Shire of Yarriambiack:

*“We have a pharmacist who would like to consider remote dispensing. At the moment a person drives 30 miles to their local doctor at Minyip, for example, gets their script and then the script has to come up here to Warracknabeal to be filled out and taken back down to Minyip, and the person comes in the next day to pick up the script, but only if the pharmacy has been able to get it down there. If we could have the broadband to facilitate the development of remote dispensing it would make life in those communities far more livable. It is such a simple thing.”*³⁰⁸

Ms Tod also commented on the potential benefits of videoconferencing that could be realised with sufficient broadband communications:

*“Videoconferencing is something we will start to use up here. The new community banks in Minyip and Rupanyup put in videoconferencing facilities, recognising that those branches would probably not have access to a manager or financial advice on a regular basis. Naturally they thought that videoconferencing would solve that, but people find it easier to drive to Bendigo than to sit trying to catch the voice and the face in a discussion because we do not have sufficient broadband. The service is sitting and waiting, but we do not have sufficient broadband frequency to use it.”*³⁰⁹

Further evidence from Macedon Ranges Council commented on the benefits of videoconferencing for Centrelink or Job Network requirements.

As previously mentioned, structural changes to essential services such as banking, has forced customers to rely on the Internet. Access to the Internet and email was seen as a problem by many witnesses who particularly commented on costs, speed and reliability which were seen as being significantly worse than in metropolitan areas.

Cr Geoffrey Carracher, Shire of West Wimmera:

“Here in country areas if you are not close to an exchange your Internet services are terrible and mostly not available to people. You have to be

³⁰⁸ Minutes of Evidence, 29/08/2001, p. 169.

³⁰⁹ Loc.cit.

*very close and have a good coaxial cable to do any good with Internet phones.*³¹⁰

Mr Bob Holschier, Member, Stanhope Chamber of Commerce and Industry:

*“I suppose our biggest problem with communications is with the Internet. ... We have the problem that because of this local call business, we are locked into Shepparton as far as Internet service providers are concerned. If we are not satisfied with an ISP in Shepparton we cannot go anywhere else because of the fact of this local call set-up. There are more now than there used to be, but a couple of years ago there were only about two ISPs available to us, and so they virtually had a bit of a monopoly and could charge considerably more than, say, for example, if we had been in Melbourne or if we lived in a larger centre.”*³¹¹

FINDING 7.1

The Committee finds that some remote rural communities throughout Victoria have inadequate telecommunications and information technology infrastructure and would benefit from increased coverage of satellite and broadband capacities.

FINDING 7.2

The Committee finds that some rural residents and communities do not have sufficient knowledge or training to make optimal use of existing information technology and telecommunications capabilities.

FINDING 7.3

The Committee finds that where remote rural businesses are unable to access suitable telecommunication services at an affordable cost there may be a corresponding negative impact on economic development in regional Victoria.

³¹⁰ Minutes of Evidence, 28/08/2001, p. 105.

³¹¹ Minutes of Evidence, 12/09/2001, p. 280.

7.3 Telstra Country Wide

At present, 50.1 per cent of Telstra is owned by the Federal Government. The Federal Government has stated that any consideration of selling the remainder of Telstra would not occur until such time as the telecommunication needs of rural and regional communities are fully met.

Telstra Country Wide was established in June 2000 with the aim of providing *'high-quality and constantly improving communications and information technologies for use by regional businesses and customers'*.³¹² Representatives from Telstra Country Wide presented evidence to the Committee in a public hearing on 19th November 2001, outlining the achievements in rural Victoria to date and future plans to improve infrastructure and access to telecommunications.

In its presentation to the Committee, Telstra Country Wide noted some of its first year achievements:³¹³

- Local call access to the Internet and most BigPond services now available throughout Australia
- ADSL broadband technology available through 100 regional exchanges
- Rural telecommunications exchange upgrades
- CDMA coverage to more than 13% of land and 97% of Australian population
- \$50 million Internet Assistance Program
- Community visits and field days
- 28 area and 6 sub-offices established across Australia

In addressing the concerns raised by rural communities over poor telecommunications infrastructure, Telstra Country Wide believed significant progress has been made in recent years but acknowledged there is still some work to do, particularly with upgrading infrastructure, in order to ensure rural Australia has a comparable service to

³¹² Minutes of Evidence, 19/11/2001, p. 374.

³¹³ Minutes of Evidence, 19/11/2001, pp. 374-375.

metropolitan areas. A combination of existing and emerging technologies that will provide the products and services into the future are currently being examined. TCW believes that as technologies continue to advance at a rapid rate, the gap between services in metropolitan and country areas will diminish.

Mr Chris Doody, Area General Manager, South-West Victoria, Telstra Country Wide commented:

“We cannot simply say we are going to put optical fibre everywhere, because in a large number of rural areas that may not be the best way to provide service to the customer in a cost-effective method, and it may not be the best way to take up with the new technologies that are continually evolving within telecommunications. We are not locking ourselves into any one product. We will use a combination of methods to deliver the products and services that the customers are looking for.”³¹⁴

Mobile Phones

As stated earlier, many witnesses raised concern over poor mobile phone coverage in some areas throughout Victoria. In response to these concerns, Telstra Country Wide advised that 98 per cent of the Victorian population and 70 per cent of landmass in Victoria has CDMA digital coverage. Telstra Country Wide acknowledged that some ‘black-spots’ still exist in remote and mountainous areas and is working with local governments and community groups to secure funding from the Federal Government’s Networking the Nation program to expand the existing mobile phone network.³¹⁵

As part of TCW’s field visits, it has been proactive in assisting customers to maximise the capabilities of their CDMA mobile phones.

Internet

Telstra Country Wide has stated that it ‘is making the Internet more accessible and affordable for people in regional Australia.’ However, despite the claims of a high speed,

³¹⁴ Minutes of Evidence, 19/11/2001, p. 381.

³¹⁵ Minutes of Evidence, 19/11/2001, p. 381.

affordable service, many people in rural and regional Victoria continue to experience problems with connectivity and are paying a higher rate than in metropolitan areas. Telstra Country Wide believe this does not have to be the case and that regional customers can have a comparable service to metropolitan customers.

Mr Chris Doody, Area General Manager, South-West Victoria, Telstra Country Wide outlined details of a new product called Megapop:

“...in about April of this year Telstra came out with a wholesale product called Megapop, which allows any ISP to buy a product that will give anyone local call access to the Internet. Telstra Country Wide has adopted the wholesale Megapop product, and has a couple of specific products such as Big Pond Home Essentials, which is a local call access to the Internet anywhere in country Australia. There are a couple of key components. It gives unlimited hours and a maximum of 300 megabit download before you incur additional charges.”³¹⁶

Telstra has also rolled out Asymmetric Digital Subscriber Line (ADSL) broadband technology to a large number of regional areas in Victoria which will provide significantly faster Internet speeds than normal dial-up connections. At present, the broadband satellite is only via the upwards link with normal telephone services required for the downwards link. Telstra has future plans to introduce the BigPond broadband two-way satellite.

Other Telstra Country Wide initiatives aimed at improving Internet access are the rural exchange upgrades throughout Victoria and the \$50 million Internet assistance program that will allow customers to self-diagnose issues surrounding their Internet performance. Mr Robert Lomdahl, Director of Public Affairs, Telstra Country Wide noted the benefits of the Internet assistance program:

“...our experience of many customers who say they have Internet problems is that when you look at their Internet performance there is a wide range of reasons for their problems. I know, for example, when I have set up my PC at home sometimes I have done it in an incorrect way, sometimes it depends on the Internet service provider's (ISP) configurations, sometimes it is the line, sometimes it is a repair that might

³¹⁶ Ibid, p. 379.

need to be made. There is a wide variety of possible causes for poor Internet performance so we established the Internet Assistance Program, which is really a structured way in which we can help customers of any carrier. You do not have to be with Telstra, but if you have a problem with your standard Internet over the telephone service you can ring up this help centre and they will guide you through a process to get you up to a reasonable Internet.”³¹⁷

Pricing

Given that the Committee had received evidence highlighting the cost differences in using the Internet and telephones in rural areas compared to metropolitan areas, members of the Committee pursued this matter with Mr Robert Lomdahl, Director of Public Affairs, Telstra Country Wide in a public hearing:

“To be precise, we think for most services and most consumer needs we are able to provide broadly comparable services at broadly comparable prices. Where the limitations of that occur are, for example, in the case of mobile services, there are some very sparsely populated areas where it is unlikely you are going to see mobile coverage. In the case of high-speed Internet the technology of choice depends on the location of the end customer. So, for example, in a regional centre, in a town, we would use similar technologies to provide you with high-speed Internet in that regional town as we would in Frankston, Mornington or so on. Outside those areas we would have to use another technology like the high-speed Internet satellite, but again we would contend that the pricing of those services and the utility of those services is not vastly different between one area or another.”³¹⁸

Education

The Committee accepts that Telstra Country Wide has made significant advances in improving the level of telecommunications services to regional Australia, however many of the concerns raised by witnesses may be alleviated if there was a greater level of awareness of the full range of services and pricing structures on offer. Mr Chris Doody, Area General Manager, South-West Victoria, Telstra Country Wide admits that it there is a need to improve the flow of information to regional areas:

³¹⁷ Minutes of Evidence, 19/11/2001, p. 378.

³¹⁸ Ibid, p. 386.

“Can I suggest to you that from the perspective of an area general manager we place a lot of emphasis on education, on telling people about what we have available now in those particular locations. The perception is that in country areas in most cases people are inhibited from buying or having access to the latest products or services. The reality is in the vast majority of cases the products and services are there now, but we as Telstra have not given them the information to take up those products and services to benefit their business.”³¹⁹

FINDING 7.4

The Committee finds that the Telstra Country Wide program is a worthwhile initiative that is likely to lead to improved access to information technology and telecommunications and alleviate many of the concerns raised by witnesses throughout the Inquiry.

RECOMMENDATION 7.1

The Committee recommends that the Minister for Information and Communication Technology highlight the concerns raised by witnesses throughout this Inquiry with the Federal Minister for Communications with a view to ensuring Telstra continue with the roll-out of improved telecommunications infrastructure in remote Victoria. The Committee recommends that priority be given to meeting the needs of rural and regional businesses and education providers.

RECOMMENDATION 7.2

The Committee recommends that greater publicity regarding existing telecommunications and information technology services, and what systems are required to utilise these services, be provided throughout rural and regional Victoria.

³¹⁹ Minutes of Evidence, 19/11/2001, pp. 384-385.

RECOMMENDATION 7.3

The Committee recommends that the State Government consider the need to increase the availability of computer terminals (including Internet access) and video conferencing facilities throughout rural communities in places such as Rural Transaction Centres, Community Enterprise Centres, council offices, libraries and post offices.

7.4 State Government Initiatives

The Committee also notes a number of State Government initiatives within the *Connecting Victoria* strategy aimed at enhancing information and communications technologies throughout Victoria.

While the Committee did not receive evidence on the progress and outcomes of these programs, given the issues raised by many rural based witnesses in relation to accessing information technology, it is worth noting some of these key programs.

Under the *My Connected Community Program*, \$3.5 million in funding has been allocated to assisting community groups with the training and support they need to set up a website and communicate online. The second round of funding for this program took place in March 2002. This program combines with other initiatives, including Skills.net and Libraries Online, to ensure greater Internet access, more user-friendly resources and Internet training and support is available where needed.

The State Department of Education and Training has been allocated \$1 million funding to enable schools in regional and rural Victoria to provide their local communities with access to the Internet and to their information and communication technology (ICT) facilities. The program, titled *access@schools*, aims to provide members of the public with free or affordable access to, and training in the use of, computers and the Internet.

A total of 145 schools in rural and remote Victoria took part in the *access@schools* pilot during 2001, providing over 73,000 hours of computer and Internet access. The

program has recently been expanded to an additional 279 schools across Victoria through the Commonwealth Government's Networking the Nation program.

7.5 Conclusion

The withdrawal of services from rural and remote towns has placed an increased dependence on the use of information technology and telecommunications. The Committee's investigations highlighted the importance of suitable Internet, email, teleconferencing facilities and mobile phone coverage in non-metropolitan Victoria.

While evidence suggests many remote rural communities continue to experience inadequate information technology infrastructure or are unaware as to how to optimise existing services, the Committee anticipates that these problems should decrease as telecommunications infrastructure improves and as IT technology continues its rapid growth.

The Committee notes the progress of Telstra Country Wide in improving communications and information technology throughout regional Australia, together with State Government initiatives to enhance information and communications technologies throughout Victoria.

Chapter 8

The Challenges Ahead

Technological advancement, globalisation and the rise of the information age have changed dramatically the way in which individuals interact within their communities and the way in which many services are delivered. While governments attempt to reverse the trends of centralisation, populations in small and medium sized towns continue to decline.

Many different structural changes have occurred over recent decades, including changes at the Commonwealth, State and local levels of government and within the private sector. This Inquiry has touched on only a select few of the many issues that have contributed to the challenges now faced by small and medium sized towns in country Victoria. Many such changes have been inter-related and have each added a cumulative impact.

The Committee's investigations clearly revealed that there is general concern about the cumulative impact of continued reform on an already declining population base and the continued viability of service delivery in many small and medium sized towns. The aim of the following chapter is to draw together the cumulative impact of various structural changes, including those examined throughout this Inquiry, and to highlight more generally, the overall picture of decline and challenges ahead presented by many rural communities during the Committee's investigations.

While accepting that structural change is both inevitable and constant, many communities are seeking greater recognition of their plight, better planning for the change and more support in addressing these issues for themselves. The Committee believes that the State Government has a core responsibility to provide assistance in building and strengthening local communities so that those communities that wish to survive can embrace the change, take advantage of it, and prosper into the future.

8.1 Withdrawal of Services

The Committee heard that two of the key drivers of structural reform are demographic and social/cultural trends and technological advancement. Certainly, these factors have had a pivotal influence on the delivery of banking services, postal communications, municipal services, public transportation and employment services in Victorian communities over recent decades. It is also apparent that neither of these drivers will reduce in impact over time, so the challenge now is to be creative in developing new solutions to changing community needs.

Perhaps the most consistent concern raised throughout the Committee's investigations was the significant and continued withdrawal of banking services from communities, both in rural Victoria and smaller centres within regional and metropolitan areas. Chapter 2 of this Report is dedicated to the impact of changes within the banking industry, including the closure of bank branches and the effects on customers forced to adopt alternative ways of conducting their banking transactions. The Committee consistently heard that some level of face-to-face banking services is essential within a community. A key challenge is ensuring that the banking industry accepts and adheres to their community service obligations. Where banking services have been withdrawn, there is a need to support communities in attracting and retaining alternative banking services.

The local post office is a core service in any rural town or smaller community, providing an important service to business and individuals and, often contributing to the social fabric of the community. The Committee found that there has not been any withdrawal of postal communication services, although there is an increasing trend for post offices in small rural towns to become a mixed business. Post offices also provide the only banking services in many of these towns. This has made the continued viability of post office mixed businesses, in a time of traditional postal services being impacted by the growth of electronic communications, even more critical.

The Committee heard that following council amalgamations, some towns that became the centre of the new municipality experienced a positive impact, while some that lost their former council offices experienced a negative impact. Many councils have worked hard to overcome this problem, some by relocating certain council services away from the main office town and others by rotating their meeting venues to ensure equal opportunity for participation in council activities is provided to communities throughout the municipality.

Concerns regarding the current provision of public transport in rural Victoria were also consistent throughout the Committee's Inquiry. However, it was quite clear that many people feel that services have failed to meet the needs of local communities for many years. While some communities are set to benefit from the resumption of country rail passenger services and the Regional Fast Rail Project, the key challenges will be to ensure that passengers can access the services, supporting infrastructure is sufficient to attract an appropriate level of patronage and the different services and modes of transport are well-integrated to ensure efficiency within the system.

8.2 Managing Population Decline

The Committee heard from many communities about the changing composition of the local population. Higher socioeconomic groups tend to leave a town with a declining level of services in search of the full spectrum of employment, education, health, recreation and social opportunities which might be found in a larger centre. As services decline, however, the cost of housing in a town becomes more affordable, and members of different socioeconomic groups are attracted, including social service beneficiaries and self-funded retirees. Consequently, a different mix of services is required by that community.

Mr Paul McKenzie, Manager, Aged Care and Disability Services, Campaspe Shire Council commented on the changing composition of the local population:

"I think I should probably be saying that a lot of these things are inevitable – the shifting of populations, the high costs of delivery of service in these

areas – but I think I should be putting forward that it is a matter of federal and state governments supporting communities through this time of change. At the moment it does not appear as if communities are getting a very sympathetic ear to some of their problems. It is not going to last forever. Many of these communities will slowly wither away whether we assist them or not, but it would be really nice if we were able to support them through that time of change as families grow up and shift away over the next 20 or 30 years.”³²⁰

Technological advancement is obviously a key driver of structural change and consequently, of the changing composition of local populations. New technologies allow services to be delivered in new ways, often resulting in efficiencies and cost reductions. For example, Korumburra used to act as a postal depot for the whole region, but now serves only part of the region and may not continue this function into the future. Yet there has been no deterioration in the delivery of postal services to the community. In the case of banks, there has been a significant decline in the delivery of traditional face-to-face banking services which have been replaced with new technologies such as Internet and telephone banking, automatic teller machines and EFTPOS facilities.

The impact of new modes of service delivery is greater in rural areas where rising agricultural productivity, meaning that fewer farms produce our agricultural products, contributes to the decline of the traditional population base of rural towns.

Cr Jeanette Harding, Mayor, South Gippsland Shire Council described this phenomenon:

“...the change in employment structures in the dairy industry provides a key to understanding the overall changes taking place across the Shire. In South Gippsland the dominance of the dairy industry is such that it penetrates all parts of the local economy.

In the early sixties the average dairy farmer was milking 50-60 cows on 100-150 acres. A farmer lived reasonably comfortably having a new car every few years and a yearly holiday etc. This has all changed as farm size has increased and the industry has restructured. The small labour intensive family unit has all but disappeared. There are relatively few unskilled jobs available on the farms and very few opportunities for young people who aspire to farm work as a career.

³²⁰ Minutes of Evidence, 12/09/2001, p. 276.

The sons and daughters of farmers are moving off the farms and the average age of the small farmer is increasing. Those young people remaining in the area are staying on at school longer but there are still no jobs for them locally when they leave school. Young people have virtually no tertiary education opportunities in the Shire and have very few job opportunities with prospects. In these circumstances they are moving to the cities in pursuit of work and education.

The financial incentive is then for them to stay in the city.”³²¹

There is obviously no turning back to the old methods and technology, creating a significant challenge for communities to arrest population decline. With declining opportunities within their own town, rural youths are drawn to larger regional centres and Melbourne in search of education, training, employment and social opportunities. It is very difficult to justify the continuation of a critical mass of services without an adequate population base to support those services, yet, as services are increasingly centralised, the trend of population decline is perpetuated. Previous chapters in this Report noted that the withdrawal of face-to-face banking services and the decline in public transportation are a result of a decline in usage.

Despite the enormous challenges facing small communities, the Committee’s investigations highlighted many positive experiences and growth in some communities.

Cr Jeanette Harding, Mayor, South Gippsland Shire Council:

“Problems arising from the withdrawal of services need to be balanced against a range of positive factors. Rural business is coming to grips with the economic reality that nothing stays the same and there is a need to adapt to change. There is no real evidence that local business has suffered irreparable harm by these reductions in service, and there are clear local examples of successes by business people with get up and go.

It is also important to note that regardless of service cutbacks and industry changes there is growth beginning to occur in various parts of South Gippsland Shire. For example there is massive growth in Inverloch, Waratah Bay and Sandy Point. This growth derives from lifestyle expenditures flowing out from Melbourne and Council considers it vital for the future growth of the Shire to harness this activity. Consistent with this objective we consider it is necessary for the future to look to subdivision

³²¹ Written Submission No. 32, South Gippsland Shire Council, pp. 5-6.

and development of areas where the land cannot be utilised for prime agricultural purposes.”³²²

Nonetheless, the Committee acknowledges the concerns of some large rural shires about their declining population base and the consequent difficulty in meeting community demands for a full range of services. These issues were outlined in Chapter 4. Two keys for future viability of rural towns and centres will be the ability to attract new people into the community and the need to engage and retain youth.

8.3 Attracting New Community Facilities

As a result of new technology, population decline and other drivers of structural change, communities need to adopt new modes of service delivery. Some examples heard throughout the Inquiry include:

- ◆ New banking technologies.
- ◆ Increasing use of Internet and videoconferencing to conduct business and personal transactions.
- ◆ The trend towards mixed businesses, including post offices expanding into new areas and other businesses expanding into delivery of banking services.
- ◆ The rise of mobile or visiting services, including business banking, Centrelink and employment services.
- ◆ Community ownership and involvement in delivery of services, including banks, post offices, Rural Transaction Centres and enterprise centres.

The role of Rural Transaction Centres was discussed in Chapter 2. Many rural towns have attracted a Rural Transaction Centre as a solution to diminishing service levels. Perhaps the greatest benefit of the Rural Transaction Centre program is its flexibility, with different towns and communities rarely requiring exactly the same mix of services. The advantage is that each Rural Transaction Centre is able to select only those services that will be supported by the community. The Committee also heard that Rural Transaction Centres not only replace some of the services lost to rural towns, but can

³²² Written Submission No. 32, South Gippsland Shire Council, p. 2.

also make a contribution to the social fabric of communities. For example, Mr Allister Gray, Chairman, Dunolly Rural Transaction Centre, observed as follows:

*“One of the other things that has happened because of our rural transaction centre is that the kids ... are now being productively used inside the centre in the Internet café. For the month of July, the latest figures I have, we had 245 people register in the Internet café for regular use of the computers. It is interesting to note that out of those 245 people 237 are actually on concession cards of some sort of another and they get the cheap rate of \$2 an hour to use the computers. I want to point out that this is something that is radically changing the lives not only of the young but also the old people. If only you could have been with me the other night to see an 80 year old sitting down in front of the computer and being taught how to use it by a 17 year old boy! I think it is an amazing story, which shows we are trying to break down some of the generation barriers.”*³²³

The Committee also heard about the work of enterprise centres and other facilities that are providing support to communities in adapting to new technologies.

Ms Belinda Healy, Knowledge Navigator, Ararat Community Enterprise Centre:

*“The community enterprise centre is essentially an information technology training centre. It was established through funding from Networking the National, Multimedia Victoria, state and federal government funding as well as local support in terms of staffing requirements. I am employed full time to basically assist the Ararat community and the smaller communities like Willaura, Lake Bolac and Elmhurst to establish their IT skills, get online, use the Internet and other facilities to try to counteract some of the absence of service. We are looking at teaching people to use online banking and e-tax and things like that. That way we can help to counteract some of the distance problems and some of the things Jenny was talking about in terms of not having Centrelink there.”*³²⁴

Generally, communities giving evidence to the Committee were not seeking major infrastructure or service investments, but rather, some additional support in accessing programs, grants and advice that will assist them in building their communities. The Committee acknowledges the significant investments of time, effort and energy that a small group of individuals contribute to many of the successful, thriving communities

³²³ Minutes of Evidence, 29/08/2001, p. 209.

³²⁴ Minutes of Evidence, 27/08/2001, p. 74.

that it visited. Nonetheless, accessibility to and the effectiveness of development grants were raised in a number of written submissions and also discussed in some of the Committee's public hearings. Some of the concerns raised were:

- ◆ Lack of a single point of contact with specialist knowledge of the range of funding and grant programs offered at the federal, state and local levels as well as within the private and not-for-profit sectors.
- ◆ Too many schemes with too little money.
- ◆ Bureaucratic application processes that require significant amounts of time and effort even for small, once-off grants, take a long time to be decided and which provide only short-term funding which is insufficient for achieving a real difference.
- ◆ Lack of coordination at the shire level.

Cr Jeanette Harding, Mayor, South Gippsland Shire Council provided an example of some of these problems:

“Korumburra has been attempting for some 9 years to fund a development involving the Post Office site. There have been at least three reports – all funded through grants – but the actual development has not yet commenced. Contrast this with the unsought for appearance of a set of traffic lights costing around \$160,000 in the main street.”³²⁵

Ms Sue Curtis, Secretary of the Tongala District and Advisory Group also discussed some of the difficulties with the various grant processes, identifying a need at the shire level for a single point of contact with specialist knowledge of funding and grant programs at all levels. She also felt there was a need for this person to be able to provide assistance in putting together submissions.³²⁶ This view was supported by others who find the submission process complicated, requiring increasing levels of detail and a professional level of presentation that is beyond the experience of many of the volunteers attempting to acquire support.

³²⁵ Written Submission No. 32, South Gippsland Shire Council, p. 16.

³²⁶ Minutes of Evidence, 12/09/2001, pp. 280-281.

8.4 Encouraging Community Leadership and Volunteerism

Throughout its Inquiry, the Committee heard many examples of communities working together to create innovative solutions to today's challenges. The lessons from these communities would suggest high levels of community spirit, involvement and leadership are essential. In particular, it was obvious in communities that have been successful in establishing a community bank or Rural Transaction Centre that there was a high level of commitment among a group of community leaders and volunteers. It is also evident that the most successful communities are not those who have a small number of dedicated volunteers that commit their time year in, year out, but rather those that have involvement across the various sectors of the community, particularly business owners and younger leaders.

Ms Sue Curtis, Secretary, Tongala and District Advisory Group:

"The Commonwealth Bank closed its doors. The National Australia Bank drastically reduced its hours. The community voted in favour of a community bank... We do not muck around in Tongie. Tongala senior citizens wanted a home of their own. The Shire of Deakin under the old system offered great support. Deakin was one of the few shires to operate in the black, and in fact had reserved funds; not so much the Shire of Campaspe. Deakin funds were amalgamated and disappeared, as did the support for senior citizens. Despite great difficulties, the senior citizens got to work, purchased a building, refurbished it, and it was opened officially by Jeanette Powell on 4 September.

*... the impact is totally relevant to the attitude and determination of the community. A positive community will grow no matter what you throw against it."*³²⁷

The Country Fire Authority (CFA) provided the Committee with a written submission detailing its experience with a declining number of volunteers, with annual rates of decline within the CFA at between 4.4 and 4.8 per cent over the last decade. Its evidence suggests that many of the factors associated with the decline are attributable to changing availability of employment accompanying structural change. Factors

³²⁷ Minutes of Evidence, 12/09/2001, pp. 290-291.

identified by CFA volunteers as making it difficult for them to commit or continue their services included:

- ◆ Increased working hours.
- ◆ Increased stress at work.
- ◆ Reduced job security.
- ◆ Increased family demands, especially where both partners are working.
- ◆ The need to leave the area for life style, work, family or retirement reasons and the resulting disruption to social networks and links to the CFA.
- ◆ The taking up of other interests such as sports, clubs and Internet.
- ◆ The bureaucratic attitudes and requirements of CFA Headquarters to volunteers (as perceived by the volunteers).³²⁸

Many of the above factors were also raised in the Committee's public hearings as factors impacting on the ability to attract and retain volunteers in other community organisations. Also raised consistently was the significant impact that health and safety legislation and the potential threat of liability suits against individuals or community organisations is having on the willingness of people to be involved in community activities.

The CFA also outlined for the Committee some of the areas that volunteers serving in the fire and emergency services sector identified as key areas where support from the government would be helpful. Again, many of these factors are more broadly applicable across the volunteer sector. They are:

- ◆ Recognition by governments at all levels and the community generally of the contribution made by volunteers to the community.
- ◆ Better levels of legal protection of volunteers against claims of negligence during the conduct of their volunteer work.

³²⁸ Written Submission No. 61, Country Fire Authority, p. 9.

- ◆ Better access to training (especially through the TAFE system), more facile and consistent processes for recognition of prior learning and less requirements on volunteers for record keeping.
- ◆ Some form of monetary support for volunteers through tax concessions to employers of volunteers and the out-of-pocket expenses of volunteers in connection with their volunteer activities. (It is noted that volunteers are strongly opposed to direct payment for their services.)

The CFA made some specific recommendations to the Committee, namely: ³²⁹

- ◆ that some form of support for volunteers in the fire and emergency services is warranted;
- ◆ that the issues of volunteer recognition, training, legal protection and monetary support be addressed; and
- ◆ that new initiatives for ongoing community development be considered.

The Committee is very aware of the contribution that volunteer organisations in the fire and emergency services area make to their communities. It has also heard from many other volunteers and volunteer organisations and recognises that without these vital elements, many communities would not be as successful as they are today. However, it is not within the Committee's Terms of Reference to examine these issues specifically. Nonetheless, the Committee endorses the recommendations specified by the CFA.

8.5 Investment in Rural Communities

The Committee received evidence from many rural communities concerned over the flow of funds from their town. The West Wimmera Shire Council indicated that the majority of wealth achieved from agricultural industry is invested into the transport, processing and marketing of raw materials, with little of the profits invested back into the rural sector.³³⁰ Representatives of a number of other rural and regional councils were also

³²⁹ Written Submission No. 61, Country Fire Authority, p. 31.

³³⁰ Minutes of Evidence, 28/08/2001, p. 104.

concerned about the amount of money from insurance, investment and superannuation funds that leaves rural and regional communities to benefit those in the city.

Mr Derek DeVries, Manager, Regional Equity Market, Bendigo Bank addressed the Committee on this issue during a public hearing in Bendigo:

*“Consider the impact of superannuation, particularly compulsory superannuation, on our towns. It also has an impact, with large capital outflows going to Melbourne, Sydney and overseas, creating employment opportunities everywhere but in our own regions. Those same towns have good businesses that need investment capital, capital-beyond-debt funding, capital to buy new machinery, capital to expand new markets nationally and internationally, and capital to employ more people. Without that influx of new capital, business stagnates. People, including young people – potential town leaders – leave to seek employment opportunities everywhere but in the town, and of course that town stagnates. You may ask why super funds do not invest in those markets. The answer is that generally they will not invest sums of less than \$10 million. Regional businesses generally need less than \$5 million to actually kick them off and help them grow”.*³³¹

Work by the Bendigo Bank Group suggests that from a country town such as Swan Hill (approximately 9,000 people), \$20 million is exported to Melbourne, Sydney and overseas each year. Similarly, Bendigo exports approximately \$80 million and Gippsland \$180 million. If even a small amount of this money could be retained within the town or centre, there would be a substantial positive impact on the local community. The result of the Group’s research was that there was a need for a more liquid method of trading shares in local businesses and hence, the Bendigo Stock Exchange was established.

The Bendigo Bank Group also initiated two strategies to redirect capital to regional Victoria (and regional Australia). First, it developed a traditional superannuation plan with an option whereby people can actually nominate from 1 to 25 per cent to be invested in regional investment structures such as its regional development fund. It also developed the regional development fund as a mechanism to collect capital and invest in

³³¹ Minutes of Evidence, 12/12/2001, p. 421.

regional businesses. That process assesses the business and may result in a partnership with the Bendigo Bank Group.³³²

Again, the above issue is beyond the Committee's Terms of Reference and without further investigation, it is not in a position to make specific recommendations. Nonetheless, the Committee was very interested to hear of the beneficial initiatives of the Bendigo Bank Group and the strategy of the New South Wales Government in hosting regional investment tours, allowing venture capitalists to visit regional centres and hear presentations from businesses looking for equity capital.

³³² Loc.cit.

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Department of Employment & Workplace Relations	www.dewr.gov.au
Department of Infrastructure	www.doi.vic.gov.au
Employment Programs Division	www.employment.vic.gov.au
Multimedia Victoria	www.mmv.vic.gov.au
Municipal Association of Victoria	www.mav.asn.au
Public Transport Users Association	www.ptua.org.au
Rural Transaction Centre Program	www.dotrs.gov.au/rtc/
Skills.net	www.skills.net.au
Telstra Country Wide	www.telstra.com/countrywide/
Victorian Local Governance Association	www.vlga.org.au

Appendix 1

FUNCTIONS OF THE ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee is an all-party Investigatory Committee of the Parliament of Victoria. It was originally established in 1992 under section 4EC of the *Parliamentary Committees Act 1968* as a Joint Investigatory Committee.

In the 54th Parliament, the Committee was reformed under section 37 of the *Parliamentary Committees Act* as a Select Committee of the Legislative Council.

The Committee consists of seven Members of Parliament, all of whom are drawn from the Legislative Council. The Committee carries out investigations and reports to Parliament on matters associated with economic development or industrial affairs.

Section 38 of the *Parliamentary Committees Act 1968* prescribes the Committee's functions as follows:

- ◆ The functions of the Economic Development Committee are to inquire into, consider and report to the Parliament on any proposal, matter or thing connected with economic development or industrial affairs, if the Committee is required so to do by or under this Act.

Appendix 2

ECONOMIC DEVELOPMENT COMMITTEE INQUIRY INTO THE IMPACT OF STRUCTURAL CHANGES IN THE VICTORIAN ECONOMY INTERIM REPORT

1. Background

On 29th February 2000, the Economic Development Committee received a Terms of Reference through Governor-in-Council, to inquire into and report on the impact of structural changes in the Victorian economy.

Specifically, the Committee is required to assess the impact of structural changes in:

1. Banking
2. Postal communications
3. Municipal services
4. Public transport
5. Employment Services.

The Committee is also required to assess the impact of the withdrawal of the above services (including the reduction in the number of municipal outlets due to the recent municipal amalgamations) on small and medium sized towns.

The Terms of Reference requires the Committee to table a report by the first day of the Spring 2001 Parliamentary session.

2. Purpose of Interim Report

Over the past 12 months, the Committee has been involved in conducting separate inquiries into the GST and Workcover Premiums. Investigations into these inquiries has precluded the Committee from advancing with its Structural Changes Inquiry to a

position which would enable a final report to be tabled in line with the reporting deadline of the first sitting day of the 2001 Spring Session.

It is therefore necessary for the Committee to table this Interim Report which provides a brief overview of the Committee's activities to date. It is anticipated the final report will be completed and tabled during the 2002 Autumn Session.

3. Progress Report

The Committee advertised its Terms of Reference in November 2000 seeking written submissions. To date 35 written submissions have been received.

Informal meetings have also been held with key organisations in Canberra and Sydney including the Australian Bankers' Association, Department of Employment, Workplace Relations & Small Business, the Australian Prudential Regulatory Authority and Rural Transaction Centres.

The Committee is planning a series of public hearings in Melbourne and throughout regional Victoria during the second half of 2001. Particular emphasis will be placed on obtaining evidence from communities in small and medium sized towns.

The Committee's final report will be tabled in the 2002 Autumn Session.

13th August 2001

Appendix 3

LIST OF WRITTEN SUBMISSIONS RECEIVED

Submission Number	Name of Individual/Organisation	Date Received
1.	Mr Keith Lovell, Chief Executive Officer Latrobe Valley Supported Employment Service Inc.	4 December 2000
2.	Mr Andrew Calder Resident of Finley (NSW)	5 December 2000
3.	Mr Jeff Bothe Executive Officer Community Employment Council	5 January 2001
4.	Senator the Hon. Ian Macdonald Minister for Regional Services, Territories and Local Government	17 January 2001
5.	Ms Vicky Davison Manager Economic Development Boroondara City Council	29 January 2001
6.	Mr Barry Rochford General Manager Corporate Delivery Bendigo Bank Ltd	30 January 2001
7.	Ms Jennifer A Tod Chief Executive Officer Yarriambiack Shire Council	31 January 2001
8.	Mr Bruce Evans Resident of Wuk Wuk	21 February 2001
9.	Ms Georgina Meadows Retail Promotions & Marketing Consultant Georgina Meadows Pty Ltd	13 March 2001
10.	Mr John Costello Chief Executive Officer Indigo Shire Council	12 April 2001
11.	Ms Jill Baird Contract Manager Greater Melbourne Employment and Training Services	14 April 2001

12.	Mr Andrew Paul Chief Executive Officer City of Greater Bendigo	19 April 2001
13.	Mr Michael Kennedy Chief Executive Officer Mornington Peninsula Shire Council	26 April 2001
14.	Mr Gerry Ryan Secretary Australia Post	26 April 2001
15.	Ms Trixy Allot Chairperson Welshpool & District Rural Transaction Centre	26 April 2001
16.	Ms Noelene Duff Chief Executive Officer City of Whitehorse	27 April 2001
17.	Mr Graham Shiell Chief Executive Officer Moyne Shire Council	30 April 2001
18.	Mr Neil Jacobs Chief Executive Officer Hindmarsh Shire Council	30 April 2001
19.	Mr Paul Hickey Deputy Chief Executive Officer Business Capability Centrelink	30 April 2001
20.	Mr Neil Armstrong Chief Executive Officer Local Government Professionals	30 April 2001
21.	Ms Dianne Hawgood Group Manager Regional and Indigenous Employment Support Department of Employment, Workplace Relations and Small Business	30 April 2001
22.	Ms Meredith Jones Research Officer Finance Sector Union of Australia	2 May 2001
23.	Mr Kevin Shade Chief Executive Officer Horsham Rural City Council	2 May 2001

24.	Ms Lydia Wilson Chief Executive Officer Macedon Ranges Shire Council	2 May 2001
25.	Mr Phil Pearce Chief Executive Officer Shire of Campaspe	3 May 2001
26.	Mr Colin Jordan Chief Executive Vic Roads	8 May 2001
27.	Ms Mary Lu Amos Executive Officer Community Economic Development West Wimmera Shire Council	10 May 2001
28.	Mr David Bell Chief Executive Officer Australian Bankers' Association	11 May 2001
29.	Mr Rod Shell Manager Economic Development City of Greater Dandenong	14 May 2001
30.	Mr Malcolm Reid Executive Officer Royal Australian Planning Institute	14 May 2001
31.	Mr David Gazard Head of Government Relations Westpac Bank	18 May 2001
32.	Cr Jeanette Harding Mayor South Gippsland Shire Council	18 May 2001
33.	Cr Robert Larocca Mayor Moreland City Council	18 May 2001
34.	Ms Jane Nash Head of Government and Regulatory Affairs ANZ Bank	7 June 2001

35.	Victorian Council of Social Service	12 June 2001
36.	Dr Peter Shergold Secretary Department of Employment, Workplace Relations and Small Business*	6 August 2001
37.	Ms Prue Digby Executive Director Department of Infrastructure - Local Government Division	13 August 2001
38.	Mr John McMillan, Deputy Director of Public Transport Mr Ray Kinnear, Director Public Transport Planning Department of Infrastructure - Office of Public Transport	13 August 2001
39.	Ms Prue Digby Executive Director Department of Infrastructure - Local Government Division*	23 August 2001
40.	Professor Lyndsay Neilson Secretary Department of Infrastructure - Office of Public Transport*	23 August 2001
41.	Mr Phillip Jones Secretary Wimmera-Mallee Rail Service Association	27 August 2001
42.	Mr Philip Sabien Executive Director Wimmera Development Association	27 August 2001
43.	Mr Tom Curtis Ms Heather Curtis Residents of Kaniva	28 August 2001
44.	Mr Stephen Cornish Chief Executive Officer Pyrenees Shire Council	29 August 2001

45.	Mr Peter Haney Resident of Minyip	29 August 2001
46.	Ms Kerry Willcock Acting Corporate Secretary Australia Post*	5 September 2001
47.	Cr Marion Riley Councillor Shire of Campaspe - Southern Ward	12 September 2001
48.	Mr Bob Holschier Stanhope Chamber of Commerce & Industry	12 September 2001
49.	Ms Jenny Wilson Willaura and District Community Development Group	25 September 2001
50.	Mr John Taylor Acting Secretary Department of Infrastructure - Office of the Director of Public Transport*	8 October 2001
51.	Mr Eric Kinsella State General Manager - Victoria/Tasmania Commonwealth Bank	11 October 2001
52.	Ms Jane Nash Head of Government & Regulatory Affairs ANZ Bank*	19 October 2001
53.	Ms Prue Digby Executive Director Department of Infrastructure - Local Government Division*	31 October 2001
54.	Mr Terry Millett Head of Regional Delivery Direct Retailing and Distribution National Australia Bank	1 November 2001
55.	Ms Erica Manh Kaniva and District and Action Association Inc.	12 November 2001

56.	Mr Graeme Ludbrook Acting General Manager Employment Programs Division Department of Education, Employment and Training	27 November 2001
57.	Mr Mark Genovese General Manager - Financial Services & Sales Credit Union Services Corporation (Australia) Limited	27 November 2001
58.	Mr Rob Spence Chief Executive Officer Municipal Association of Victoria	4 January 2001
59.	Mr James Tuckerman Senior Corporate Affairs Officer Telstra	8 January 2001
60.	Mr Graeme Ludbrook Acting General Manager Employment Programs Division Department of Education, Employment and Training*	14 February 2002
61.	Mr Bob Seiffert Chief Executive Officer Country Fire Authority	11 April 2002

* Supplementary Submission

Appendix 4

LIST OF PUBLIC HEARINGS

13th August 2001 (Melbourne)

Australia Post

- Mr Gerry Ryan, Corporate Secretary
- Mr Terry Stephens, National Manager, Financial Services

Department of Infrastructure - Office of Public Transport

- Professor Lyndsay Neilson, Secretary
- Mr John McMillan, Deputy Director, Office of the Director of Public Transport
- Mr Ray Kinnear, Director, Transport Planning

Department of Infrastructure - Local Government Division

- Professor Lyndsay Neilson, Secretary
- Ms Prue Digby, Executive Director
- Mr John Watson, Director, Governance and Legislation,

22nd August 2001 (Melbourne)

Public Transport Users Association

- Mr Paul Mees, President
- Ms Anna Morton, Vice-President

Department of Education, Employment and Training

- Mr Arden Joseph, General Manager, Employment Programs Division

27th August 2001 (Ararat)

Rural City of Ararat

- Cr Peter O'Rorke, Mayor
- Mr Bill Braithwaite, Chief Executive Officer
- Mr Ivan Surrige, Economic Development Manager

Ballarat Adult and Further Education Centre

- Ms Angela Hunt

Willaura and District Community Development Group

- Ms Jenny Wilson
- Ms Heather Fleming
- Mr Peter Strom

Ararat Community Enterprise Centre

- Ms Belinda Healy, Knowledge Navigator

27th August 2001 (Horsham)

Horsham Rural City Council

- Cr Bernie Dunn
- Mr Peter Brown, Acting Chief Executive Officer

Workco Ltd

- Mr John Ackland, General Manager

Wimmera-Mallee Rail Service Association

- Mr Phillip Jones, Secretary

Wimmera Development Association

- Mr Philip Sabien, Executive Director

Australian Mower Company

- Mr Gary Pilgrim, Managing Director

28th August 2001 (Edenhope)

West Wimmera Shire Council

- Cr Bruce Meyer, Mayor
- Cr Geoffrey Carracher
- Cr Ron Hawkins
- Cr Warren Wait
- Cr Linda Guthridge
- Ms Mary Lu Amos, Executive Officer

Goroke District Advancement Committee

- Mrs Bev Mitchell, Secretary
- Ms Chloe Dines

Kaniva Progress Association

- Ms Lynne Powell
- Ms J Thring

Harrow Promotion and Development Group

- Mr D Hunt, President
- Ms M Watt

Advance Edenhope

- Mr Malcolm Smith, President

Apsley Post Office

- Ms Margaret Farrelly

Resident of Apsley

- Ms Karina Rainsford,

28th August 2001 (Nhill)

Westprint Maps Pty Ltd

- Mr Graeme Ussing

Hindmarsh Shire Council

- Cr Rob Gersch
- Mr Neil Jacobs, Chief Executive Officer

Mulhallen and Sons

- Mr Alex Graham

Small Business Operator, Jeparit

- Mr Wayne Manton

Nhill Traders Association

- Mr Rob Sherwell

29th August 2001 (Warracknabeal)

Shire of Yarriambiack

- Cr Dennis Bell, Mayor
- Cr Kevin Sleep
- Ms Jennifer Tod, Chief Executive Officer,

Rupanyup/Minyip Community Bank

- Mr Darren Chesterfield, Manager

Warrack Taxis

- Mrs Jan Crow

Resident of Minyip

- Mr Peter Haney

Workco Ltd

- Ms Sue Farnham, Manager

29th August 2001 (Avoca)**Pyrenees Shire Council**

- Mr Stephen Cornish, Chief Executive Officer
- Mr Geoffrey Gray, Economic Development and Tourism Officer

Bendigo Community Bank Avoca

- Mr John Moser, Vice-Chairman

Greater Green Triangle Area Consultative Committee

- Mr Pat McAloon, Executive Officer

Dunolly Rural Transaction Centre

- Mr Allister Gray, Chairman

Stoney Creek Oil Products Pty Ltd

- Mr Fred Davies

3rd September 2001 (Melbourne)**National Express Group (Australia)**

- Mr Bernie Carolan, Commercial Director

Centrelink

- Ms Sheila Ross, Area Manager, Area North Central Victoria
- Mr Tony Green, Business Manager, Area North Central Victoria
- Mr Mick Dullard, Business Manager, Area West Victoria
- Ms Diane Major, Customer Segment Leader, Youth and Student Services, Area South East Victoria

11th September 2001 (Lancefield)

Macedon Ranges Shire Council

- Cr Alice Aird
- Cr John Letchford
- Ms Anne McLennan, Acting Director Community Services

Lancefield Post Office

- Mr Simon Thompson

Lancefield Community Bank

- Mr Ian Alexander, Manager

Cobaw Community Health Service

- Ms Joanna Casey, Coordinator

St Luke's Anglicare

- Ms Julie Smith, Financial Counsellor

Lancefield Business and Tourism Association

- Ms Fiona Mackintosh
- Mr Ken Notman

12th September 2001 (Rochester)

Campaspe Shire Council

- Mr Paul McKenzie, Manager Aged Care and Disability Services

Stanhope Chamber of Commerce and Industry

- Mr Bob Holschier

JBEK Employment

- Mr Paul Hodson, Owner/Manager

Tongala and District Advisory Group

- Ms Sue Curtis, Secretary

Community Action Group

- Ms Carmel Pearson
- Ms Katrina Hall

Rochester Chamber of Commerce and Industry

- Mr Peter Anderson, President

Elmore Probus Association

- Ms Thelma Shearer

Rochester and Elmore District Health Service

- Ms Judith Pellas

Tongala Community Bank

- Mr Richard Herbert, President

12th September 2001 (Heathcote)

Heathcote Tourism and Development

- Mr Peter Virgona
- Mr John Hicks

Local Bus Proprietor

- Mr Jim Marshall

1st October 2001 (Rutherglen)

Indigo Shire Council

- Mr John Costello, Chief Executive Officer
- Mr Denis Gallagher, Technical Services Manager

Rutherglen Chamber of Commerce

- Mr Rod Ambrose

WAW Credit Union

- Mr Michael Mack, Corporate Development Manager
- Ms Emma Ashton, Community Development Manager

IGA Supermarket Chiltern

- Ms Barbara Murdoch

24th October 2001 (Melbourne)

Victorian Local Governance Association

- Cr Julie Hansen, President
- Cr Andrew Rowe

19th November 2001 (Melbourne)

Local Government Professionals

- Mr Neil Armstrong, Chief Executive Officer

City of Moreland

- Cr Robert Larocca, Mayor

Telstra Country Wide

- Mr Robert Lomdahl, Director of Public Affairs
- Mr Chris Doody, Area General Manager, South-West Victoria
- Mr Grant Wiltshire, Victorian Account Director

26th November 2001 (Korumburra)

South Gippsland Shire Council

- Mr Geoff Hill, Economic Development Manager
- Ms Robyn Cooney, Shire Development

Prom Country Advisory Board

- Mr Ken Thomas, General Manager, Murray Goulburn
- Mr Graeme Wilson, Windy Ridge Winery

Korumburra Business Association

- Mr Trevor Rickard

3rd December 2001 (Melbourne)**Municipal Association of Victoria**

- Mr Rob Spence, Chief Executive Officer
- Mr Trevor Koops, Senior Economist

12th December 2001 (Bendigo)**Bendigo Bank**

- Mr Derek DeVries, Manager Regional Equity Market

La Trobe University Bendigo

- Dr Graeme Byrne, School of Business and Technology
- Mr Ian Pinge, Centre for Sustainable Regional Communities

Central Victoria Area Consultative Committee

- Ms Barbara Brooks

12th December 2001 (Boort)**Buloke Shire Council**

- Cr Stuart McLean
- Cr Jeanette Corrie
- Mr Mark Amirtharajak, Acting Chief Executive Officer
- Mr Graeme Harris, Manager Economic Development

Appendix 5

BANK BRANCH CLOSURES IN VICTORIA

BANK	TOWN	BANK	TOWN
Westpac	APOLLO BAY	National	MANIFOLD HEIGHTS
Commonwealth	ARARAT	Westpac	MARYBOROUGH
National	APSLEY	Commonwealth	MARYBOROUGH
Commonwealth	AVOCA	ANZ	MARYSVILLE
Westpac	AVOCA	Commonwealth	MEENIYAN
National	AVOCA	National	MERBEIN
Commonwealth	BACCHUS MARSH	Commonwealth	MERINO
Westpac	BAIRNSDALE	Commonwealth	MILDURA
Commonwealth	BAIRNSDALE	Westpac	MILDURA
Westpac	BALLAN	National	MILDURA
Commonwealth	BALLARAT	ANZ	MINYIP
Commonwealth	BALLARAT	Commonwealth	MINYIP
Commonwealth	BALLARAT	Westpac	MINYIP
National	BALLARAT	National	MIRBOO NORTH
National	BALLARAT	SBV	MIRBOO NORTH
National	BALLARAT	ANZ	MITTA MITTA
Westpac	BALLARAT	Westpac	MOE
Westpac	BALLARAT	SBV	MOE
Westpac	BALLARAT	Commonwealth	MOORoopNA
ANZ	BALLARAT	ANZ	MOORoopNA
Westpac	BANNOCKBURN	Westpac	MOORoopNA
Westpac	BARHAM	Westpac	MORNINGTON
ANZ	BARWON HEAD	Commonwealth	MORNINGTON
Westpac	BEAUFORT	National	MORNINGTON
Commonwealth	BEAUFORT	Commonwealth	MORNINGTON
ANZ	BEEAC	National	MORTLAKE
Westpac	BEECHWORTH	SBV	MORWELL
Commonwealth	BENALLA	Commonwealth	MORWELL
Commonwealth	BENDIGO	Commonwealth	MORWELL
Commonwealth	BENDIGO	ANZ	MORWELL
National	BENDIGO	Westpac	MORWELL
ANZ	BENDIGO	ANZ	MT BEAUTY
ANZ	BENDIGO	National	MT CLEAR
National	BENDIGO	ANZ	MT BULLER
Westpac	BENDIGO	Commonwealth	MURCHISON
Westpac	BEULAH	Westpac	MURRAYVILLE
National	BEULAH	Commonwealth	MURTOA
Westpac	BIRCHIP	Westpac	MURTOA
National	BIRCHIP	Commonwealth	MYRTLEFORD

ANZ	BIRREGURRA	Westpac	NAGAMBIE
Westpac	BOORT	Commonwealth	NAGAMBIE
Commonwealth	BROADFORD	ANZ	NANDALY
Westpac	BUNYIP	Commonwealth	NATHALIA
Westpac	CAMPERDOWN	Westpac	NATHALIA
Westpac	CASTERTON	ANZ	NATHALIA
Commonwealth	CASTLEMAINE	Commonwealth	NATIMUK
Westpac	CASTLEMAINE	Commonwealth	NEWCOMB
ANZ	CHARLTON	Commonwealth	NEERIM SOUTH
Westpac	CHARLTON	Westpac	NEERIM SOUTH
National	CHARLTON	Commonwealth	NEWBOROUGH
Commonwealth	CHILTERN	Westpac	NHILL
Westpac	CHILTERN	Commonwealth	NORLANE
SBV	CHURCHILL	SBV	NUMURKAH
ANZ	CLUNES	Westpac	NUMURKAH
Commonwealth	CLUNES	Westpac	NYAH WEST
Commonwealth	COBDEN	National	NYAH WEST
Westpac	COBRAM	Commonwealth	NYAH WEST
National	COBRAM	Commonwealth	OCEAN GROVE
Commonwealth	COBRAM	ANZ	OLINDA
Westpac	COLBINABBIN	Westpac	OMEQ
Westpac	COLERAINE	Commonwealth	OMEQ
National	COLERAINE	Westpac	ORBOST
Commonwealth	CORIO	National	OUYEN
SBV	CORIO	ANZ	OUYEN
Westpac	CORRYONG	Westpac	PAKENHAM
ANZ	CRESSY	National	PATCHEWOLLOCK
ANZ	CRESWICK	ANZ	PATCHEWOLLOCK
Westpac	CRESWICK	National	PAYNESVILLE
Westpac	CULGOA	Commonwealth	PENSHURST
Westpac	DARTMOOR	National	PENSHURST
ANZ	DERRINALUM	Commonwealth	PORTARLINGTON
SBV	DERRINALUM	National	PORTARLINGTON
Westpac	DIMBOOLA	Commonwealth	PUCKAPUNYAL
National	DIMBOOLA	Commonwealth	PUCKAPUNYAL
ANZ	DONALD	Commonwealth	PYRAMID HILL
National	DOOKIE	National	QUAMBATOOK
Westpac	DROMANA	National	QUEENSLIFF
National	DROUIN	Commonwealth	QUEENSLIFF
Westpac	DROUIN	National	RAINBOW
Commonwealth	DROUIN	Westpac	ROCHESTER
Westpac	DRYSDALE	Westpac	ROKEWOOD
Commonwealth	DUNKELD	Westpac	ROSEBUD
Commonwealth	DUNOLLY	Commonwealth	ROSEBUD
Westpac	ECHUCA	National	ROSEBUD
SBV	ECHUCA	ANZ	ROSEDALE
Westpac	EDENHOPE	SBV	ROSEDALE
Commonwealth	EDENHOPE	ANZ	RUPANYUP
National	EILDON	Westpac	RUPANYUP

Commonwealth	ELMORE	Commonwealth	RUSHWORTH
Westpac	ELMORE	ANZ	RUTHERGLEN
National	ELMORE	Commonwealth	RUTHERGLEN
ANZ	EMERALD	ANZ	RYE
Westpac	ESKDALE	Commonwealth	RYE
ANZ	FISH CREEK	Westpac	RYE
National	FLINDERS	SBV	SALE
National	FLORA HILL	ANZ	SALE
Commonwealth	GARFIELD	Westpac	SEA LAKE
ANZ	GARFIELD	Commonwealth	SEA LAKE
Westpac	GEELONG	SBV	SEA LAKE
Commonwealth	GEELONG	Westpac	SEYMOUR
Commonwealth	GEELONG	Commonwealth	SEYMOUR
Commonwealth	GEELONG	Westpac	SHEPPARTON
National	GEELONG	ANZ	SHEPPARTON
National	GEELONG	Westpac	SHEPPARTON
National	GEELONG	Commonwealth	SHEPPARTON
Westpac	GEELONG	National	SHEPPARTON
Westpac	GEELONG	National	SHEPPARTON
Westpac	GEELONG	ANZ	SIMPSON
ANZ	GEELONG	National	SKIPTON
ANZ	GEELONG	National	SPEED
ANZ	GEELONG EAST	Westpac	ST ARNAUD
National	GEELONG EAST	Commonwealth	STANHOPE
SBV	GEELONG	SBV	STANHOPE
	NORTH		
National	GEELONG	Westpac	STAWELL
	NORTH		
Westpac	GEELONG	Commonwealth	STAWELL
	NORTH		
Commonwealth	GEELONG WEST	National	STRATFORD
ANZ	GEMBROOK	SBV	STRATFORD
Commonwealth	GISBORNE	ANZ	STRATHMERTON
Westpac	GISBORNE	Westpac	SWAN HILL
National	GLENTHOMSPON	SBV	SWAN HILL
National	GOROKE	National	SWIFTS CREEK
Commonwealth	GOROKE	Commonwealth	TALLANGATTA
SBV	GROVEDALE	Westpac	TALLANGATTA
Westpac	GUNBOWER	National	TANGAMBALANGA
ANZ	HALLS GAP	Westpac	TATURA
National	HAMILTON	SBV	TATURA
National	HAMILTON	Westpac	TERANG
Commonwealth	HAMILTON	National	THORPDALE
Westpac	HAMILTON	Commonwealth	TONGALA
SBV	HASTINGS	Commonwealth	TONGALA
Westpac	HASTINGS	Commonwealth	TOORA
ANZ	HEALESVILLE	SBV	TOORA
Commonwealth	HEALESVILLE	National	TRAFALGAR
Commonwealth	HEATHCOTE	Commonwealth	TRAFALGAR

Westpac	HEATHCOTE	Commonwealth	TRARALGON
Commonwealth	HEYWOOD	Commonwealth	TRARALGON
Westpac	HEYWOOD	Commonwealth	TRENTHAM
Westpac	HOPETOUN	ANZ	TUNGAMAH
National	HORSHAM	National	UNDERBOOL
Commonwealth	HORSHAM	Commonwealth	VIOLET TOWN
ANZ	HIGHTON	SBV	VIOLET TOWN
Commonwealth	HIGHTON	National	WALPEUP
National	HIGHTON	ANZ	WALPEUP
National	HORSHAM	ANZ	WALWA
Commonwealth	HORSHAM	National	WANDIN NORTH
ANZ	HOTHAM	ANZ	WANGARATTA
	HEIGHTS		
Commonwealth	INGLEWOOD	SBV	WANGARATTA
Westpac	INGLEWOOD	Commonwealth	WANGARATTA
National	IRYMPLE	Commonwealth	WANGARATTA
Commonwealth	JEPARIT	Westpac	WARBURTON
SBV	JEPARIT	National	WARBURTON
Commonwealth	KANGAROO FLAT	Commonwealth	WARBURTON
Westpac	KANIVA	ANZ	WARNAMBOOL
National	KENNINGTON	Westpac	WARNAMBOOL
Westpac	KERANG	National	WARNAMBOOL
Westpac	KERANG	National	WARNAMBOOL
Westpac	KERANG	National	WARNAMBOOL
			EAST
Commonwealth	KERANG	Commonwealth	WARRACKNABEAL
Commonwealth	KILLARNEY VALE	Westpac	WARRACKNABEAL
National	KOO WEE RUP	Commonwealth	WARRAGUL
Commonwealth	KOROIT	Westpac	WARRAGUL
National	KOROIT	National	WARRAGUL
ANZ	KORONG VALE	National	WATCHEM
Westpac	KYABRAM	Westpac	WAURN PONDS
SBV	KYABRAM	Commonwealth	WEDDERBURN
Westpac	KYNETON	ANZ	WEDDERBURN
SBV	KYNETON	ANZ	WELSHPOOL
Westpac	LAKE BOLAC	Commonwealth	WENDOUREE
Westpac	LAKES	Westpac	WENDOUREE
	ENTRANCE		
National	LALBERT	Westpac	WHITTLESEA
Commonwealth	LANCEFIELD	Commonwealth	WILLAURA
Westpac	LANCEFIELD	National	WILLAURA
SBV	LANG LANG	Commonwealth	WINCHELSEA
Westpac	LEITCHVILLE	National	WINCHELSEA
Commonwealth	LEONGATHA	SBV	WONTHAGGI
National	LEONGATHA	Westpac	WOODEND
Westpac	LINTON	Commonwealth	WOOMELANG
Commonwealth	LISMORE	Westpac	WOOMELANG
National	LISMORE	Commonwealth	WYCHEPROOF
ANZ	LOCH SPORT	ANZ	WYCHEPROOF

Westpac	LOCKINGTON	ANZ	YACKANDANDAH
Westpac	LORNE	Commonwealth	YACKANDANDAH
Commonwealth	MACARTHUR	Commonwealth	YALLOURN NORTH
National	MACARTHUR	Commonwealth	YARRAGON
Westpac	MAFFRA	Westpac	YARRAM
Commonwealth	MALDON	Westpac	YARRAWONGA
National	MALDON	SBV	YARRAWONGA
Commonwealth	MANANGATANG	ANZ	YEA
Westpac	MANANGATANG		

**Metropolitan Bank Branch Closures
since 1993**

BANK	SUBURB	BANK	SUBURB
National	ABBOTSFORD	National	HUNTINGDALE
Commonwealth	ABBOTSFORD	Commonwealth	HUNTINGDALE
Commonwealth	ABBOTSFORD NORTH	Westpac	HUNTINGDALE
ANZ	ALBERT PARK	ANZ	HURSTBRIDGE
Commonwealth	ALBERT PARK	Commonwealth	IVANHOE EAST
Commonwealth	ALPHINGTON	Westpac	KEILOR EAST
National	ALTONA	ANZ	KEILOR EAST
Westpac	ALTONA	ANZ	KENSINGTON
Commonwealth	ALTONA EAST	Commonwealth	KENSINGTON
ANZ	ALTONA WEST	Commonwealth	KEON PARK
Commonwealth	ARMADALE	Commonwealth	KERRIMUIR
ANZ	ASCOT VALE	ANZ	KEW
Commonwealth	ASCOT VALE SOUTH	Commonwealth	KEW
Commonwealth	ASHWOOD	Commonwealth	KEW
Commonwealth	ASHWOOD	National	KEW EAST
Commonwealth	ASHWOOD	Commonwealth	KEW NORTH
Commonwealth	ASPENDALE	Commonwealth	KILSYTH
Commonwealth	AUBURN	Commonwealth	KILSYTH
Commonwealth	AUBURN SOUTH	Commonwealth	KINGSBURY
National	AVONDALE HEIGHTS	National	KINGSVILLE
Commonwealth	BALACLAVA	ANZ	KINGSVILLE
ANZ	BALWYN	National	KNOXFIELD
Commonwealth	BALWYN	Commonwealth	KNOXFIELD
Commonwealth	BALWYN	Commonwealth	LALOR
Commonwealth	BALWYN EAST	National	LANGWARRIN
Westpac	BALWYN NORTH	National	LAVERTON
Commonwealth	BALWYN NORTH	Commonwealth	LAVERTON
Commonwealth	BALWYN NORTH	Commonwealth	LOWR PLENTY
Commonwealth	BALWYN NORTH	Commonwealth	MACLEOD
Commonwealth	BALWYN NORTH	ANZ	MALVERN
Commonwealth	BALWYN NORTH	ANZ	MALVERN
Commonwealth	BALWYN NORTH	ANZ	MALVERN
Commonwealth	BEAUMARIS	National	MALVERN EAST
Westpac	BELGRAVE	ANZ	MALVERN EAST
ANZ	BELGRAVE	Commonwealth	MALVERN EAST
Commonwealth	BENNETTSWOOD	Commonwealth	MALVERN EAST
National	BENTLEIGH EAST	Commonwealth	MALVERN EAST
Westpac	BENTLEIGH EAST	Commonwealth	MALVERN NORTH
ANZ	BENTLEIGH EAST	Commonwealth	MALVERN NORTH
Commonwealth	BENTLEIGH EAST	Commonwealth	McKINNON
Commonwealth	BENTLEIGH EAST	National	MELBOURNE
National	BLACK ROCK	National	MELBOURNE
Westpac	BLACK ROCK	National	MELBOURNE
National	BLACKBURN SOUTH	National	MELBOURNE

Commonwealth	BLACKBURN SOUTH	National	MELBOURNE
Commonwealth	BLACKBURN SOUTH	National	MELBOURNE
Commonwealth	BORONIA	National	MELBOURNE
Commonwealth	BORONIA	National	MELBOURNE
ANZ	BOX HILL	National	MELBOURNE
ANZ	BOX HILL	Westpac	MELBOURNE
National	BOX HILL	Westpac	MELBOURNE
Commonwealth	BOX HILL	Westpac	MELBOURNE
Westpac	BOX HILL	Westpac	MELBOURNE
ANZ	BOX HILL SOUTH	Westpac	MELBOURNE
Commonwealth	BOX HILL SOUTH	Westpac	MELBOURNE
Commonwealth	BRAYBROOK	Westpac	MELBOURNE
ANZ	BRIGHTON	Westpac	MELBOURNE
Commonwealth	BRIGHTON EAST	Westpac	MELBOURNE
Commonwealth	BRIGHTON EAST	ANZ	Melbourne
National	BRIGHTON NORTH	ANZ	Melbourne
Westpac	BRIGHTON NORTH	ANZ	Melbourne
Commonwealth	BRIGHTON NORTH	ANZ	Melbourne
Commonwealth	BRIGHTON NORTH	ANZ	Melbourne
Commonwealth	BROADMEADOWS	ANZ	Melbourne
Commonwealth	BROADMEADOWS	ANZ	Melbourne
Commonwealth	BROADMEADOWS	ANZ	Melbourne
National	BRUNSWICK	ANZ	Melbourne
ANZ	BRUNSWICK	ANZ	Melbourne
ANZ	BRUNSWICK	ANZ	Melbourne
Commonwealth	BRUNSWICK	ANZ	Melbourne
Westpac	BRUNSWICK EAST	ANZ	Melbourne
ANZ	BRUNSWICK EAST	ANZ	Melbourne
Commonwealth	BRUNSWICK EAST	Commonwealth	MELBOURNE
Commonwealth	BRUNSWICK EAST	Commonwealth	MELBOURNE
National	BRUNSWICK WEST	Commonwealth	MELBOURNE
Commonwealth	BRUNSWICK WEST	Commonwealth	MELBOURNE
Commonwealth	BRUNSWICK WEST	Commonwealth	MELBOURNE
Commonwealth	BRUNSWICK WEST	Commonwealth	MELBOURNE
Commonwealth	BRUNSWICK WEST	Commonwealth	MELBOURNE
Commonwealth	BULLEEN PALAZA	Commonwealth	MELBOURNE
National	BUNDOORA	Commonwealth	MELBOURNE
Westpac	BUNDOORA	Commonwealth	MELBOURNE
ANZ	BURNLEY	Commonwealth	MELBOURNE
Commonwealth	BURNLEY	Commonwealth	MELBOURNE
Commonwealth	BURNLEY NORTH	Commonwealth	MELBOURNE
Westpac	BURWOOD	Commonwealth	MELBOURNE
Commonwealth	BURWOOD	Commonwealth	MELBOURNE
ANZ	BURWOOD EAST	Commonwealth	MELBOURNE
National	CAMBERWELL	Commonwealth	MELBOURNE
Commonwealth	CAMBERWELL	Commonwealth	MELBOURNE
Commonwealth	CAMBERWELL	Commonwealth	MELBOURNE
Commonwealth	CAMBERWELL	Commonwealth	MELBOURNE
Commonwealth	CAMBERWELL	Westpac	MELTON
Commonwealth	CAMBERWELL EAST	Commonwealth	MELTON WEST

Commonwealth	CAMBERWELL SOUTH	Commonwealth	MENTONE
Westpac	CAMPBELLFIELD	Commonwealth	MENTONE
Westpac	CANTERBURY	National	MENTONE EAST
Commonwealth	CANTERBURY	ANZ	MIDDLE PARK
Westpac	CARLTON	Commonwealth	MIDDLE PARK
ANZ	CARLTON	Commonwealth	MITCHAM
ANZ	CARLTON	Westpac	MITCHAM
Westpac	CARLTON NORTH	Commonwealth	MITCHAM SOUTH
Commonwealth	CARLTON NORTH	Commonwealth	MONT ALBERT
Commonwealth	CARLTON SOUTH	ANZ	MOONEE PONDS
Commonwealth	CARLTON SOUTH	Commonwealth	MOONEE PONDS
Commonwealth	CARRUM	National	MOORABBIN
National	CAULFIELD	Commonwealth	MOORABBIN
Westpac	CAULFIELD	Commonwealth	MOORABBIN
ANZ	CAULFIELD	Commonwealth	MOORABBIN
National	CAULFIELD EAST	National	MOORABBIN EAST
Westpac	CAULFIELD EAST	Westpac	MOOROOLBARK
ANZ	CAULFIELD EAST	Westpac	MOOROOLBARK
Commonwealth	CAULFIELD EAST	ANZ	MOOROOLBARK
Commonwealth	CAULFIELD NORTH	National	MORDIALLOC
Westpac	CAULFIELD SOUTH	Westpac	MORDIALLOC
ANZ	CAULFIELD SOUTH	ANZ	MORDIALLOC
Commonwealth	CAULFIELD SOUTH	Westpac	MORELAND
Commonwealth	CHADSTONE	ANZ	MORELAND EAST
Commonwealth	CHADSTONE	Commonwealth	MORELAND WEST
ANZ	CHELTENHAM	National	MORLAND
ANZ	CHELTENHAM NORTH	ANZ	MORRABBIN
ANZ	CLARINDA	ANZ	MORRABBIN
Westpac	CLAYTON NORTH	National	MOUNT EVELYN
Westpac	CLIFTON HILL	ANZ	MOUNT MARTHA
ANZ	CLIFTON HILL	Westpac	MOUNT WAVERLEY
National	COBURG	ANZ	MOUNT WAVERLEY
Commonwealth	COBURG	Commonwealth	MULGRAVE
Commonwealth	COBURG	ANZ	MURRUMBEENA
Commonwealth	COBURG NORTH	Commonwealth	MURRUMBEENA
Commonwealth	COBURG NORTH	Commonwealth	MURRUMBEENA
Commonwealth	COBURG SOUTH	National	NARRE WARREN
Commonwealth	COBURG WEST	National	NEWMARKET
ANZ	COLLINGWOOD	Commonwealth	NEWMARKET
Commonwealth	COLLINGWOOD	Westpac	NEWPORT
ANZ	CROYDON	ANZ	NEWPORT
Westpac	CROYDON	Commonwealth	NEWPORT
National	DANDENONG	National	NOBLE PARK
National	DANDENONG	Westpac	NOBLE PARK
Westpac	DANDENONG	ANZ	NOBLE PARK
Westpac	DANDENONG	Commonwealth	NOBLE PARK
ANZ	DANDENONG	Commonwealth	NOBLE PARK
Commonwealth	DANDENONG	ANZ	NORTH MELBOURNE
Commonwealth	DANDENONG	Commonwealth	NORTHCOTE

Commonwealth	DEEPPDENE	Commonwealth	NORTHCOTE SOUTH
Westpac	DEER PARK	ANZ	NUNAWADING
Commonwealth	DEER PARK	National	NUNAWADING
National	DIAMOND CREEK	Commonwealth	NUNAWADING
Commonwealth	DIAMOND CREEK	Commonwealth	NUNAWADING
Westpac	DIAMOND CREEK	Commonwealth	OAK PARK
Commonwealth	DINGLEY	Commonwealth	OAK PARK
Westpac	DONCASTER	National	OAKLEIGH
ANZ	DONCASTER	Commonwealth	OAKLEIGH
Commonwealth	DONCASTER	Commonwealth	OAKLEIGH SOUTH
Commonwealth	DONCASTER	Commonwealth	OAKLEIGH SOUTH
ANZ	DONCASTER EAST	Commonwealth	OAKLEIGH SOUTH
ANZ	DONCASTER EAST	National	ORMOND
Commonwealth	DONCASTER EAST	ANZ	ORMOND
Commonwealth	DOVETON	Commonwealth	ORMOND
Commonwealth	DOVETON	Commonwealth	ORMOND
Commonwealth	DOVETON	ANZ	ORMOND EAST
Commonwealth	EAST KEW	ANZ	PARKDALE
ANZ	EAST KEW	Commonwealth	PARKDALE
Commonwealth	EAST KEW	Commonwealth	PARKDALE
National	EAST MELBOURNE	ANZ	PARKVILLE
Westpac	EAST MELBOURNE	Commonwealth	PARKVILLE
Westpac	EAST MELBOURNE	Commonwealth	PARKVILLE
ANZ	EAST MELBOURNE	ANZ	PASCOE VALE
ANZ	EAST MELBOURNE	Westpac	PASCOE VALE
Commonwealth	EAST MELBOURNE	National	PASCOE VALE SOUTH
Commonwealth	EDITHVALE	ANZ	PINEWOOD
Westpac	ELSTERNWICK	Westpac	PINEWOOD
ANZ	ELSTERNWICK	Commonwealth	PRAHRAN
Commonwealth	ELWOOD	Westpac	PRAHRAN
Commonwealth	ELWOOD	Commonwealth	PRESTON
ANZ	ESSENDON	National	PRESTON EAST
ANZ	ESSENDON	ANZ	PRESTON EAST
Commonwealth	ESSENDON	ANZ	PRESTON EAST
Commonwealth	ESSENDON NORTH	Commonwealth	PRESTON EAST
Commonwealth	ESSENDON WEST	Commonwealth	PRESTON EAST
Westpac	FAIRFIELD	Commonwealth	REGENT WEST
Commonwealth	FAIRFIELD NORTH	Commonwealth	RESERVOIR
National	FAWKNER	National	RESERVOIR
ANZ	FAWKNER	ANZ	RESERVOIR
Commonwealth	FAWKNER	Commonwealth	RESERVOIR
ANZ	FERNTREE GULLY UPPER	Westpac	RICHMOND
Commonwealth	FERNTREE GULLY UPPER	ANZ	RICHMOND
ANZ	FITZROY	ANZ	RINGWOOD
Commonwealth	FITZROY	Commonwealth	RINGWOOD
National	FITZROY NORTH	Commonwealth	RINGWOOD

National	FITZROY NORTH	Westpac	RINGWOOD
ANZ	FITZROY NORTH	Commonwealth	RINGWOOD EAST
Commonwealth	FITZROY NORTH	ANZ	RIPPONLEA
Commonwealth	FITZROY NORTH	Commonwealth	RIVERSDALE
Commonwealth	FITZROY SOUTH	Westpac	SANDRINGHAM
Commonwealth	FLEMINGTON	ANZ	SANDRINGHAM
National	FOOTSCRAY	Commonwealth	SANDRINGHAM
ANZ	FOOTSCRAY	Westpac	SEAFORD
ANZ	FOOTSCRAY	ANZ	SOMERVILLE
Commonwealth	FOOTSCRAY	Commonwealth	SOUTH MELBOURNE
Commonwealth	FOOTSCRAY MARKET	Westpac	SOUTH MELBOURNE
Commonwealth	FOOTSCRAY NORTH	Westpac	SOUTH MELBOURNE
Commonwealth	FOOTSCRAY SOUTH	ANZ	SOUTH MELBOURNE
ANZ	FOOTSCRAY WEST	ANZ	SOUTH MELBOURNE
Commonwealth	FOOTSCRAY WEST	ANZ	SOUTH MELBOURNE
Commonwealth	FOOTSCRAY WEST	ANZ	SOUTH MELBOURNE
ANZ	FOREST HILL	Commonwealth	SOUTH MELBOURNE
Commonwealth	FOREST HILL	Commonwealth	SOUTH MELBOURNE
Westpac	FOREST HILL	ANZ	SOUTH YARRA
Commonwealth	FRANKSTON	Commonwealth	SPOTSWOOD
Commonwealth	FRANKSTON	Commonwealth	SPOTSWOOD
Westpac	FRANKSTON	Commonwealth	SPRINGVALE
Westpac	FRANKSTON	Commonwealth	ST ALBANS
ANZ	FRANKSTON	National	ST KILDA
ANZ	FRANKSTON	Westpac	ST KILDA
ANZ	FRANKSTON	ANZ	ST KILDA
ANZ	FRANKSTON	Commonwealth	ST KILDA
Commonwealth	FRANKSTON	Commonwealth	ST KILDA
Commonwealth	FRANKSTON	Commonwealth	ST KILDA WEST
Commonwealth	FRANKSTON	Commonwealth	ST KLIDA
Commonwealth	FRANKSTON	Colonial	STRATHMORE
ANZ	GARDENVALE	National	STRATHMORE
Commonwealth	GARDENVALE	ANZ	SUNSHINE
Commonwealth	GARDENVALE	Commonwealth	SUNSHINE
Commonwealth	GLADSTONE PARK	Commonwealth	SUNSHINE NORTH
National	GLEN IRIS	ANZ	SUNSHINE WEST
Commonwealth	GLEN IRIS	Commonwealth	SUNSHINE WEST
Commonwealth	GLEN IRIS	ANZ	SURREY HILLS
Commonwealth	GLEN IRIS UPPER	Commonwealth	SURREY HILLS
ANZ	GLEN WAVERLEY	Commonwealth	SURREY HILLS NORTH
Westpac	GLEN WAVERLEY	Commonwealth	SURRY HILLS NORTH
Commonwealth	GLENFERRIE SOUTH	ANZ	SYNDAL
ANZ	GLENHUNTLY	Commonwealth	SYNDAL
Commonwealth	GLENHUNTLY	Commonwealth	SYNDAL
Westpac	GLENROY	Westpac	SYNDAL
Westpac	GLENROY	Westpac	TEMPLESTOWE
Commonwealth	GLENROY	ANZ	TEMPLESTOWE
National	GREYTHORN	Commonwealth	TEMPLESTOWE

ANZ	HADFIELD	National	THOMASTOWN
ANZ	HAMPTON	Westpac	THOMASTOWN
Commonwealth	HAMPTON	ANZ	THOMASTOWN
Commonwealth	HAMPTON EAST	Westpac	THORNBURY
Commonwealth	HAMPTON NORTH	ANZ	THORNBURY
Westpac	HARTWELL	Commonwealth	THORNBURY
ANZ	HARTWELL	Commonwealth	THORNBURY NORTH
Commonwealth	HARTWELL	ANZ	THORNBURY WEST
ANZ	HAWKS BURN	Commonwealth	THORNBURY WEST
Commonwealth	HAWKS BURN	Westpac	TULLAMARINE
Commonwealth	HAWTHORN	ANZ	TULLAMARINE
Commonwealth	HAWTHORN	Commonwealth	UPWEY
Commonwealth	HAWTHORN	Commonwealth	UPWEY
Commonwealth	HAWTHORN NORTH	Commonwealth	VERMONT
ANZ	HAWTHORN WEST	National	VERMONT SOUTH
Commonwealth	HAWTHORN WEST	ANZ	WANTIRNA SOUTH
ANZ	HEATHMONT	National	WARRANTYTE
Westpac	HEIDELBERG	National	WATSONIA
Commonwealth	HEIDELBERG	Westpac	WATSONIA
Commonwealth	HEIDELBERG	ANZ	WATTLE PARK
Westpac	HEIDELBERG WEST	Commonwealth	WATTLE PARK
Commonwealth	HEIDELBERG WEST	National	WERRIBEE
ANZ	HEIDELBURG WEST	Westpac	WEST MELBOURNE
National	HIGHETT	National	WHEELERS HILL
ANZ	HIGHETT	Westpac	WINDSOR
Commonwealth	HIGHETT	ANZ	WINDSOR
Commonwealth	HIGHETT	Commonwealth	WINDSOR
National	HUGHESDALE	National	YARRAVILLE
Commonwealth	HUGHESDALE	Westpac	YARRAVILLE
ANZ	HUNTINGDALE	Commonwealth	YARRAVILLE

Appendix 6

LIST OF ORGANISATIONS THAT HAVE RECEIVED BUSINESS PLANNING FUNDING FOR THE ESTABLISHMENT OF RURAL TRANSACTION CENTRES

Funded Organisations	Location(s)
Dunolly Goldrush Committee	Dunolly (O)
Heyfield & District Community Bank	Murrindindi
Shire of Yarra Ranges	Warburton
Mount Alexander Shire Council	Newstead (A)
Southern Grampians Shire	Glenthompson (O)
Heyfield & District Community Bank	Heyfield
Mirboo North Community Support Co-operative	Mirboo North
Ultima Progress Association	Ultima (A)
Leitchville & District Development Group	Leitchville (O)
Shire of Strathbogie	Violet Town, Avenel
City of Greater Shepparton	Dookie
Loddon Shire Council	Boort (A), Wedderburn
Colac Shire Council	Beeac (O), Birregurra (A)
Macedon Ranges Shire Council	Lancefield, Woodend
Glenelg Shire Council	Dartmoor, Heywood
Lexton Progress Association	Lexton
Pyramid Hill Traders & Development Committee	Pyramid Hill (A)
Lockington Community Care Committee	Lockington
Cardinia Shire Council	Bunyip, Garfield, Gembrook, Koo-wee-rup and Lang Lang
Mallacoota Community Association	Mallacoota
Inglewood Tourism and Development	Inglewood
Northern Grampians Shire	Clunes, Rupanyup, St Arnaud, Minyip, Avoca, Hopetoun, Edenhope, Rainbow, Nhill, Halls Gap, Pomonal, Wartook, Moyston and Great Western
Nathalia Community Association	Nathalia, Picola, Barmah
Buloke Shire Council	Charlton

Locations marked with an (A) have been approved for the establishment of a RTC and those marked with an (O) have an operational RTC.

VICTORIAN LOCAL GOVERNMENT : KEY STATISTICS SUMMARY

Financial Year	Total Recurrent Expenditure \$	Capital Expenditure \$	Rate Revenue \$	Average Rate Revenue				Total No Of Staff	Total Council Debt \$
				Per Total Assessment \$	Per Residential Assessment \$	Per Comm/Industrial Assessment \$	Per Rural/Farm Assessment \$		
1992/93	2,273,291,698	634,001,766	1,405,784,095	717.5	551.4	2,419.7	864.0	43,571	n/a
1993/94	2,403,785,827	640,789,520	1,444,575,734	852.6	588.2	2,446.2	1,045.4	46,636	n/a
1994/95	2,542,919,533	527,342,083	1,442,925,773	702.9	542.5	2,401.4	915.7	37,611	n/a
1995/96	2,395,899,389	524,192,661	1,191,312,001	584.3	455.8	1,900.0	777.4	33,269	535,042,363
1996/97	2,379,704,208	684,990,199	1,202,419,532	585.2	466.1	1,821.1	765.3	30,463	499,261,700
1997/98	2,314,811,283	589,319,775	1,239,607,098	603.1	474.7	1,881.8	838.5	30,721	538,608,963
1998/99	2,442,738,036	569,089,921	1,337,030,148	641.7	501.0	1,916.6	920.9	31,195	607,425,115
1999/2000	2,577,347,848	612,424,959	1,412,864,151	666.7	529.6	2,058.9	898.4	31,138	616,541,118

NOTES

- * Total Recurrent Expenditure does not include depreciation.
- * Rate revenue is the total rates received for the year, NOT including separate waste management charges.
- * Recurrent and Capital data for 1994/95 was for 9 months only. These figures have been multiplied by 4/3 to allow comparison with other years.
- * Rates data for 1996/97 was for 9 months only. These figures have been multiplied by 4/3 to allow comparison with other years.
- * No. of staff = total full and part-time staff, but not voluntary staff.
- * Council Debt = Long Term Debt at end of year. This information is not available before 1995/96.

Source : Victoria Grants Commission annual questionnaires to councils.

VICTORIAN LOCAL GOVERNMENT : KEY STATISTICS (1999/2000 FINANCIAL YEAR)

Municipality	Population	Area (Sq. M.)	No. of Councillors	Total Recurrent Expenditure (\$)	Capital Expenditure (\$)	Rate Revenue (\$)	No. of Staff
ALPINE(S)	12,665	4,833	5	9,097,000	2,795,000	4,939,000	100
ARARAT(RC)	11,318	4,212	7	10,082,000	2,637,000	4,407,000	138
BALLARAT(C)	81,981	740	9	46,974,600	9,750,229	23,872,500	642
BANYULE(C)	119,206	63	7	54,600,000	12,343,000	25,363,000	881
BASS COAST(S)	23,175	865	7	15,765,000	3,845,000	9,131,000	201
BAW BAW(S)	35,353	4,035	9	22,128,000	5,969,000	11,252,000	263
BAYSIDE(C)	90,717	37	9	37,651,000	4,807,000	22,906,000	398
BOROONDARA(C)	159,701	60	10	79,866,000	12,448,000	44,421,000	778
BRIMBANK(C)	164,503	123	9	57,764,000	14,632,000	34,340,000	791
BULOKE(S)	7,268	8,002	9	7,866,000	3,216,000	3,988,000	156
CAMPASPE(S)	35,574	4,526	7	27,154,000	4,089,000	10,294,000	497
CARDINIA(S)	45,834	1,282	7	22,874,000	11,232,000	10,837,000	164
CASEY(C)	174,911	410	9	55,613,000	17,014,000	34,200,000	713
CENTRAL GOLDFIELDS(S)	12,588	1,535	5	11,523,000	3,379,000	3,261,000	220
COLAC-OTWAY(S)	20,217	3,437	7	18,119,000	5,206,000	7,839,000	219
CORANGAMITE(S)	17,002	4,401	10	18,857,000	2,598,000	7,094,000	215
DAREBIN(C)	129,786	53	9	63,618,425	19,991,684	39,113,478	697
DELATITE(S)	20,109	6,247	8	13,980,000	3,577,000	6,372,000	186
EAST GIPPSLAND(S)	39,083	20,946	6	24,950,000	6,391,000	14,350,000	107
FRANKSTON(C)	113,618	130	7	45,348,000	11,173,000	23,346,000	574
GANNAWARRA(S)	11,807	3,741	7	9,704,398	1,018,000	3,396,000	138
GLEN EIRA(C)	124,593	39	6	53,446,000	14,142,000	27,150,000	645
GLENELG(S)	19,863	6,224	9	17,321,814	5,106,250	8,537,151	246
GOLDEN PLAINS(S)	14,479	2,706	9	8,031,000	2,111,000	3,009,000	90
GREATER BENDIGO(C)	87,918	3,000	7	44,671,000	16,463,000	27,062,000	709
GREATER DANDENONG(C)	131,814	130	11	45,918,000	8,421,000	28,820,000	536
GREATER GEELONG(C)	191,018	1,248	9	90,117,000	27,612,000	51,987,000	1,796
GREATER SHEPPARTON(C)	56,537	2,422	7	36,303,000	10,526,000	17,878,000	280
HEPBURN(S)	14,102	1,471	5	9,091,000	2,415,000	3,690,000	106

VICTORIAN LOCAL GOVERNMENT : KEY STATISTICS (1999/2000 FINANCIAL YEAR)

Municipality	Population	Area (Sq. M.)	No. of Councillors	Total Recurrent Expenditure (\$)	Capital Expenditure (\$)	Rate Revenue (\$)	No. of Staff
HINDMARSH(S)	6,449	7,576	6	6,757,600	2,038,100	2,462,000	119
HOBSON'S BAY(C)	83,562	64	7	41,728,000	10,875,000	27,240,000	474
HORSHAM(RC)	18,162	4,241	7	13,634,000	6,654,000	5,741,000	165
HUME(C)	133,275	504	8	65,503,000	8,356,000	32,995,000	717
INDIGO(S)	14,334	2,051	7	9,449,951	1,938,189	3,621,022	0
KINGSTON(C)	135,251	91	7	56,381,000	5,618,000	29,873,000	741
KNOX(C)	145,873	114	9	57,361,000	12,584,000	30,762,000	925
LATROBE(S)	69,192	1,427	7	39,867,000	10,052,000	23,298,000	579
LODDON(S)	8,665	6,695	6	9,627,000	3,014,000	4,123,000	118
MACEDON RANGES(S)	36,319	1,748	9	18,816,000	3,612,000	11,307,000	224
MANNINGHAM(C)	114,883	113	8	43,941,000	16,842,000	26,232,000	478
MARIBYRNONG(C)	61,296	31	7	43,492,000	9,321,000	28,131,000	454
MAROONDAH(C)	99,325	61	7	43,672,000	6,687,000	20,461,000	695
MELBOURNE(C)	52,023	36	9	149,830,000	30,494,000	94,776,000	1,266
MELTON(S)	50,454	528		26,735,000	4,945,000	14,364,000	401
MILDURA(RC)	48,542	22,093	9	36,579,000	12,168,000	15,054,000	496
MITCHELL(S)	27,283	2,863	7	14,135,558	1,865,427	7,214,000	226
MOIRA(S)	26,317	4,068	7	18,611,000	1,008,000	8,136,000	68
MONASH(C)	163,570	82	8	59,486,000	13,455,000	37,567,000	833
MOONEE VALLEY(C)	112,307	44	7	50,978,000	12,884,000	27,718,000	542
MOORABOOL(S)	24,197	2,111	7	13,241,000	2,725,000	7,178,000	150
MORELAND(C)	136,997	51	10	64,708,000	14,223,000	36,592,000	816
MORNINGTON PENINSULA(S)	127,254	724	9	64,012,000	12,403,000	43,147,000	612
MOUNT ALEXANDER(S)	16,541	1,529	7	10,134,000	3,399,000	4,559,000	155
MOYNE(S)	15,965	5,485	9	16,748,000	6,241,000	5,916,000	163
MURRINDINDI(S)	12,988	3,878	6	11,061,000	2,437,000	4,658,000	138
NILLUMBIK(S)	60,157	433	9	27,766,000	5,841,000	16,030,000	246
NORTHERN GRAMPIANS(S)	13,041	5,732	7	12,750,000	1,934,000	4,397,000	198
PORT PHILLIP(C)	81,540	21	7	64,721,000	12,951,000	39,902,000	679

VICTORIAN LOCAL GOVERNMENT : KEY STATISTICS (1999/2000 FINANCIAL YEAR)

Municipality	Population	Area (Sq. M.)	No. of Councillors	Total Recurrent Expenditure (\$)	Capital Expenditure (\$)	Rate Revenue (\$)	No. of Staff
PYRENEES(S)	6,631	3,434	7	5,880,000	2,185,000	2,565,000	92
QUEENSCLIFFE(B)	3,418	9	7	3,021,000	501,000	1,849,000	31
SOUTH GIPPSLAND(S)	25,525	3,298	9	22,716,000	5,765,000	9,882,000	240
SOUTHERN GRAMPIANS(S)	16,554	6,734	7	19,922,000	4,901,000	6,719,000	225
STONNINGTON(C)	92,558	26	9	53,641,051	19,019,000	29,331,000	546
STRATHBOGIE(S)	9,316	3,302	5	8,839,000	1,121,000	3,531,000	122
SURF COAST(S)	19,935	1,554	9	14,767,000	3,251,000	8,217,000	191
SWAN HILL(RC)	20,755	6,132	7	18,502,000	3,921,000	7,336,000	262
TOWONG(S)	6,156	6,680	5	5,538,000	640,000	2,282,000	52
WANGARATTA(RC)	25,903	3,641	8	17,822,000	3,570,000	7,212,000	212
WARRNAMBOOL(C)	28,960	121	7	23,757,000	4,212,000	7,439,000	340
WELLINGTON(S)	40,766	10,995	7	24,818,000	8,215,000	17,268,000	255
WEST WIMMERA(S)	4,829	9,099	5	6,208,000	2,701,000	2,317,000	84
WHITEHORSE(C)	147,272	64	10	58,486,000	19,371,000	32,496,000	772
WHITTLESEA(C)	115,843	490	5	49,458,951	5,379,000	30,696,000	406
WODONGA(RC)	31,885	436	5	21,457,000	5,666,000	9,328,000	277
WYNDHAM(C)	86,107	542	7	40,421,000	14,361,000	28,739,000	473
YARRA(C)	69,448	20	9	54,724,500	16,301,080	38,046,000	379
YARRA RANGES(S)	143,065	2,472	9	68,259,000	8,747,000	37,602,000	901
YARRIAMIACK(S)	8,357	7,314	9	8,952,000	1,126,000	3,700,000	114
State Totals	4,765,785	227,668	585	2,577,347,848	612,424,959	1,412,864,151	31,138

NOTES

- * Population is the Estimated Resident Population (provisional) or ERP(p) for June 2000 - an ABS figure.
- * Expenditure is total recurrent expenditure, excluding depreciation.
- * Rate revenue is the total rates received for the year, NOT including separate waste management charges.
- * No. of staff = total full and part-time staff, but not voluntary staff.

Source : Victoria Grants Commission annual questionnaires to councils.

APPENDIX 8

CAPITAL EXPENDITURE (Actual and Estimated) \$'000

Council	1993/94 Expenditure (Former Structure)	Mid-point of estimated capital expenditure	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	Average 1995/2001	Average 1995- 2001 Compared to 1993/94	Average 1995- 2001 Compared to estimated
Alpine Shire	3,150	2,914							Data not provided to the Committee		
Ararat Rural City	1,680	1,596							Data not provided to the Committee		
Ballarat City	No data in LGB review		7,811	8,834	7,734	5,864	9,571	16,895	9,452		
Bass Coast	8,116	7,507							Data not provided to the Committee		
Baw Baw Shire	6,053	5,599	3,511	4,399	4,822	3,804	5,969	5,739	4,707	-22.23%	-15.93%
Buloke Shire	1,581	1,478							Data not provided to the Committee		
Campaspe Shire	5,064	4,684	7,796	10,618	3,990	2,648	4,089	5,629	5,395	6.53%	15.18%
Cardinia Shire	No data in LGB review		3,357	5,787	4,322	3,485	11,305	6,094	6,199		
Central Goldfields Shire	1,262	1,167	1,695	2,951	4,943	2,762	3,344	4,774	3,412	170.32%	192.33%
Colac Otway Shire	6,250	5,938	4,933	1,868	2,885	2,656	5,205	8,922	4,307	-31.08%	-27.46%
Corangamite Shire	3,963	3,765	2,334	2,814	5,685	5,102	2,500	4,730	4,166	5.13%	10.66%
Delatite Shire	3,479	3,218							Data not provided to the Committee		
East Gippsland Shire	6,940	6,420	9,558	3,017	2,803	5,492	6,391	5,838	5,517	-20.51%	-14.07%
Gannawarra Shire	1,753	1,639	2,930	3,294	2,612	1,918	2,682	1,743	2,450	39.75%	49.47%
Glenelg Shire	4,444	4,222	2,670	1,793	3,852	6,694	5,100	6,488	4,433	-0.25%	4.99%
Golden Plains Shire	No data in LGB review		2,691	1,731	2,319	2,855	2,110	3,219	2,488		
Greater Bendigo City	No data in LGB review		22,265	22,370	18,886	17,690	16,463	17,184	19,143		
Greater Shepparton City	14,098	13,041							Data not provided to the Committee		
Hepburn Shire	1,957	1,810	1,527	1,371	2,098	2,225	2,415	2,272	1,985	1.41%	9.65%
Hindmarsh Shire	1,231	1,151	1,239	2,045	2,160	1,601	2,034	1,982	1,844	49.76%	60.17%
Horsham Rural City	3,611	3,376	3,403	4,024	3,951	5,135	6,575	2,574	4,277	18.44%	26.69%
Indigo Shire	5,495	5,083	2,932	2,109	1,262	2,154	1,938	2,904	2,073	-62.27%	-59.21%
La Trobe Shire	13,147	12,161	7,003	9,645	8,284	10,238	9,191	11,249	9,268	-29.50%	-23.79%
Loddon Shire	2,033	1,880	3,290	2,230	3,590	3,671	2,769	3,697	3,191	56.98%	69.76%
Macedon Ranges Shire	5,129	4,745	3,515	2,760	3,734	3,234	3,612	4,715	3,595	-29.91%	-24.24%
Mildura Rural City	7,654	7,157		11,400	3,800	7,700	12,400	6,100	8,280	8.18%	15.69%
Mitchell Shire	2,656	2,457							Data not provided to the Committee		
Moira Shire	3,742	3,461							Data not provided to the Committee		
Moorabool Shire	No data in LGB review								Data not provided to the Committee		
Mornington Peninsula	85,446	74,364							Data not provided to the Committee		

Mount Alexander Shire	1,522	1,408	682	2,681	2,367	2,515	3,399	2,082	2,288	50.31%	62.48%
Moyne Shire	4,436	4,214	5,196	6,133	5,076	5,163	6,241	7,535	5,891	32.79%	39.79%
Murrindindi Shire	2,644	2,446	2,446	2,753	2,511	4,307	2,437	3,388	3,079	16.46%	25.89%
Nillumbuk Shire	4,573	4,230		5,030	5,088	5,748	5,462	3,691	5,004	9.42%	18.29%
Northern Grampians Shire	3,825	3,576	2,666	2,730	1,836	1,268	1,934	2,918	2,137	-44.13%	-40.23%
Pyrenees Shire	2,119	2,013									
Queenscliffe Borough											
South Gippsland Shire	4,957	4,585	3,434	1,965	6,340	4,898	5,858	5,387	4,499	-9.24%	-1.88%
Southern Grampians	4,113	3,907	3,468	3,796	1,865	3,777	3,777	4,459	3,524	-14.33%	-9.81%
Strathbogie Shire	1,784	1,650	1,686	1,869	2,827	1,073	1,121	1,343	1,647	-7.70%	-0.21%
Surf Coast Shire	3,063	3,063			1,731	1,837	3,131	3,240	2,485	-18.88%	-18.88%
Swan Hill Rural City	3,467	3,241	4,941	4,532	4,311	4,526	4,195	3,259	4,294	23.85%	32.49%
Towong Shire	1,574	1,456									
Wangaratta Rural City	4,998	4,623									
Warrnambool City	No data in LGB review		2,830	2,304	4,553	3,960	4,211	9,425	4,547		
Wellington Shire	8,297	7,674	4,234	5,985	5,144	7,848	8,215	4,396	5,970	-28.04%	-22.20%
West Wimmera Shire	2,085	1,949	2,191	1,891	1,939	2,544	2,701	2,328	2,266	8.67%	16.25%
Wodonga Rural City	No data in LGB review										
Yarra Ranges Shire	10,979	10,156	4,125	8,898	6,942	7,671	8,747	8,051	7,406	-32.55%	-27.08%
Yarriambiack Shire	2,127	1,988									

Council	1993/94 Expenditure (Former Structure)	Mid-point of estimated capital expenditure	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	Average 1995/2001	Average 1995- 2001 Compared to 1993/94	Average 1995- 2001 Compared to estimated
Banyule City	9,594	8,875	10,534	9,812	6,866	10,207	7,722	7,790	8,822	-8.05%	-0.60%
Bayside City	10,091	9,334	5,793	12,596	7,260	10,343	6,013	5,503	7,918	-21.53%	-15.17%
Boroondara City	No data in LGB review		14,282	12,877	11,220	9,773	12,764	13,298	12,369		
Brimbank City	16,259	15,039	18,740	16,301	10,771	14,834	14,079	10,798	14,254	-12.33%	-5.22%
Casey City	20,570	19,028	11,695	13,364	8,601	11,624	14,710	24,521	14,086	-31.52%	-25.97%
Darebin City	No data in LGB review										
Frankston City	21,668	20,043	6,957	9,184	7,726	9,787	11,152	11,624	9,405	-56.59%	-53.08%
Glen Eira City	11,714	10,835	6,995	6,777	8,684	10,504	13,971	11,219	9,692	-17.26%	-10.55%
Dandenong City	13,435	12,427	1,957	8,444	9,326	6,258	8,421	11,193	7,600	-43.43%	-38.84%
Geelong City	No data in LGB review		21,249	17,770	19,074	22,408	27,612	28,301	22,736		
Hobsons Bay	No data in LGB review		5,868	10,647	7,683	10,023	10,926	10,072	9,203		

Hume City	9,729	8,999	8,719	6,901	12,365	8,568	7,106	4,159	7,970	-18.08%	-11.44%
Kingston City	12,955	11,984	9,827	7,979	3,591	3,808	2,022	3,330	5,093	-60.69%	-57.50%
Knox City	No data in LGB review		16,247	7,900	9,026	12,166	9,576	11,148	11,011		
Manningham City	No data in LGB review		12,075	32,976	22,398	21,459	16,923	26,715	22,091		
Maribyrnong City	53,395	47,608								Data not provided to the Committee	
Maroondah City	55,723	46,700								Data not provided to the Committee	
Melbourne City										Melbourne City Council not included in LGB review	
Melton City	No data in LGB review		5,998	3,902	4,193	5,426	7,022	7,918	5,743		
Monash City	22,974	21,251	9,923	12,658	13,675	15,581	16,364	24,028	15,372	-33.09%	-27.67%
Moonee Valley City	58,062	50,584								Data not provided to the Committee	
Moreland City	10,550	9,759	7,583	8,133	9,962	18,268	14,223	11,569	11,623	10.17%	19.10%
Port Phillip	No data in LGB review		8,561	10,617	10,183	10,146	13,570	13,769	11,141		
Stonnington City	No data in LGB review		15,433	15,887	15,339	20,370	19,019	22,746	18,132		
Whitehorse City	15,552	14,386	14,469	11,174	19,984	20,908	19,372	19,593	17,583	13.06%	22.23%
Whittlesea	No data in LGB review		12,730	7,753	8,754	10,148	6,795	10,616	9,466		
Wyndham City	No data in LGB review		13,663	18,980	14,907	16,924	25,350	17,804	17,938		
Yarra City	No data in LGB review										

Appendix 9

CESSATION OF RAIL PASSENGER SERVICES SINCE 1980

LINE	DATE OF LAST TRIP	COMMENTS
Lilydale – Healesville	December 1980	
Ballarat – Donald	March 1981	
Toolamba – Echuca	March 1981	
Numurkah – Cobram	April 1981	Service restored Dec. 1984
Baxter – Mornington	May 1981	
Melbourne – Yarram	June 1981	Service restored Dec. 1984
Frankston – Stony Point	June 1981	Service restored Sept. 1984
Ararat – Portland	September 1981	
Dandenong – Lang Lang	October 1981	A trial service had been instituted some 3 months earlier but was unsuccessful
Williamstown – Williamstown Pier	March 1987	
Flinders Street – St Kilda	August 1987	Mostly replaced by Light Rail after track conversion
Flinders Street – Port Melbourne	October 1987	Mostly replaced by Light Rail after track conversion
Melbourne – Leongatha	July 1993	Closed for the second time since 1980. To resume in 2004
Sale – Bairnsdale	August 1993	To resume in 2003
Shepparton – Cobram	August 1993	
Ararat – Dimboola	August 1993	
Melbourne – Mildura	September 1993	To resume in 2004
Ballarat – Ararat	May 1994	To resume in 2003

Source: Committee correspondence dated December 2001, from Prof Lyndsay Neilson

Appendix 10

PROPOSED RESUMPTION OF COUNTRY PASSENGER TRAINS

Ararat

The last V/Line passenger train to or from Ararat ran in May 1994. Prior to the withdrawal of the service, two passenger trains ran return services between Ararat and Melbourne from Monday to Saturday, while there was one return service on Sundays. Train services for Ararat will recommence in 2003.

Currently, V/Line Passenger runs a coach service between Ararat and Ballarat that attracts 68,000 passengers each year. The Overland passenger train service also stops at Ararat and runs to and from Melbourne via Geelong.

Engineering studies show that \$5.4 million in works is necessary to bring the line to a level suitable for use by passenger trains. The upgrading of the rail line will allow for a running time of 50 minutes between Ararat and Ballarat, compared with 65-75 minutes for the existing coach service. The total journey time between Ararat and Melbourne is expected to be 2¼ hours, compared with the current trip time of at least three hours. The previous running time for train services was two hours and 50 minutes.

V/Line Passenger operator, National Express, will be invited to run the Ararat service as an extension of its existing service to Ballarat.

The new service is expected to attract 25,700 extra passenger trips each year between Ararat and Ballarat and will include a stop at Beaufort.

Bairnsdale

The last V/Line passenger train to or from Bairnsdale ran in August 1993. Prior to the withdrawal of the service, two passenger trains ran return services between Bairnsdale and Melbourne each day. Train services for Bairnsdale will recommence in 2003.

Engineering studies show that \$14 million in works is necessary to bring the line to a level suitable for use by passenger trains. The upgrading of the rail line will allow for a running time of 45 minutes between Sale and Bairnsdale, compared with 55-60 minutes for the existing coach service. The total journey time between Ararat and Melbourne is expected to be 3½ hours, compared with the current trip time of approximately four hours. The previous running time for train services was 3¾ hours.

Currently, V/Line Passenger runs a coach service for communities east of Sale, including Bairnsdale, that attracts 42,000 passengers each year.

V/Line Passenger operator, National Express, will be invited to run the new service as an extension of its existing service to Gippsland. The new service is expected to attract 26,000 extra passenger trips each year between Bairnsdale and Sale and will include a stop at Stratford.

Mildura

The last V/Line passenger train to or from Mildura ran in September 1993. Prior to the withdrawal of the service, four passenger trains ran return services between Mildura and Melbourne each week. The service ran overnight, took 9¾ hours and departed from intermediate stations at inconvenient times. Train services for Mildura will recommence in 2004.

Engineering studies show that \$7.7 million in works is necessary to bring the line to a level suitable for use by passenger trains.

Currently, V/Line Passenger runs a coach service between Mildura and Melbourne that attracts more than 65,000 passengers each year. The new service is expected to attract

32,000 extra passenger trips each year and is expected to include stops at Maryborough, St Arnaud, Donald, Birchip and Ouyen.

The Government will invite tenders for the operation of the new Mildura service. Feasibility studies have indicated that travel times between Mildura and Melbourne as low as 5¼ hours may be achieved, but this will need to be reviewed in light of proposals received from operators, route options and the detail of the stopping patterns. The travel time for the former *Vineland* service was 9¾ hours and is 6¾ hours for the existing coach service.

South Gippsland

The last regular passenger train to or from Leongatha ran in July 1993. Prior to the withdrawal of the service, two passenger trains ran return services between Leongatha and Melbourne from Monday to Saturday, with a single return service on Sundays. Train services for South Gippsland will recommence in 2004.

Engineering studies show that \$5.6 million in works is necessary to bring the line to a level suitable for use by passenger trains. The upgrading of the rail line will allow for a running time of approximately two hours between Leongatha and Melbourne, compared with the two hour 35 minutes for the existing coach service. The previous running time for train services was 2 hours and 20 minutes.

Currently, V/Line Passenger runs a coach service between South Gippsland and Melbourne that attracts 73,000 passengers each year. The new service is expected to attract 24,000 extra passenger trips each year between South Gippsland and Melbourne.

The Government will invite tenders for the operation of the new South Gippsland service. It is expected that the new service will stop at Koo-Wee-Rup, Lang Lang, Nyora, Loch, Korumburra and Leongatha.

(**Source:** Fact Sheets provided as part of DOI submission)

Appendix 11

LOCATION OF JOB NETWORK PROVIDERS

Labour Market Region	Location	CES	JN1	JN2 30/06/01	
Eastern Victoria	Bairnsdale	✓	4	5	
	Benalla	✓	3	2	
	Buchan		0	1	
	Cobram		1	3	
	Corryong		0	1	
	Drouin		0	1	
	Echuca	✓	4	4	
	Heyfield		0	1	
	Korumburra		0	1	
	Kyabram		1	2	
	Lakes Entrance		2	4	
	Leongatha		2	4	
	Maffra		1	1	
	Mallacoota		0	2	
	Mansfield		0	1	
	Moe	✓	5	4	
	Morwell	✓	6	5	
	Nagambie		0	1	
	Orbost		1	4	
	Sale	✓	6	6	
	Seymour	✓	4	4	
	Shepparton	✓	7	6	
	Swifts Creek		0	1	
	Traralgon	✓	3	5	
	Wangaratta	✓	3	4	
	Warragul	✓	5	5	
	Wodonga	✓	2	3	
	Wonthaggi (see Melbourne LMR)			0	0
	Yarram			2	2
		Total	12	62	83
Melbourne	Airport West		0	2	
	Alexandra		0	1	
	Alphington		1	1	

	Altona		1	1
	Armadale		0	1
	Avondale Heights		1	1
	Bacchus Marsh		1	2
	Bayswater			1
	Boronia	✓	2	1
	Box Hill	✓	7	11
	Brighton East			1
	Broadmeadows		3	7
	Brunswick	✓	4	4
	Bundoora		1	1
	Camberwell	✓	4	5
	Caulfield	✓	1	0
	Chadstone		1	1
	Cheltenham	✓	4	7
	Clayton		1	1
	Coburg	✓	3	3
	Coburg North			1
	Collingwood/Abbotsford	✓	1	1
	Cowes		0	2
	Craigieburn		0	1
	Cranbourne	✓	3	5
	Croydon		1	1
	Dandenong	✓	7	10
	Deer Park		0	1
	Doncaster			1
	Doncaster East		1	1
	Epping	✓	2	7
	Essendon		3	3
	Upper Ferntree Gully			1
	Fitzroy		4	4
	Flemington		1	2
	Footscray	✓	9	9
	Fountain Gate	✓	0	1
	Frankston	✓	6	11
	Glen Waverley	✓	2	4
	Glenhuntly		1	1
	Glenroy	✓	3	3
	Greensborough	✓	3	5

	Hastings		1	0
	Hawthorn East		0	1
	Healesville		1	1
	Heidelberg	✓	2	6
	Hoppers Crossing		2	2
	Keilor East		1	1
	Knox			1
	Knoxfield		2	1
	Lalor	✓	0	1
	Lilydale	✓	5	5
	Malvern		0	1
	Melbourne	✓	11	13
	Melton	✓	3	5
	Moonee Ponds	✓	1	3
	Moorabbin	✓	2	5
	Moreland		1	1
	Mornington	✓	2	5
	Mount Waverley			1
	Narre Warren		2	2
	Newport	✓	2	3
	Noble Park	✓	1	1
	Northcote	✓	3	2
	Oakleigh	✓	6	8
	Prahran	✓	6	4
	Preston	✓	4	7
	Reservoir		0	1
	Richmond	✓	4	5
	Ringwood	✓	7	8
	Ringwood East			1
	Rosanna		0	1
	Rosebud	✓	2	3
	Rowville		0	1
	South Melbourne	✓	0	3
	South Yarra		0	2
	Springvale	✓	5	8
	St Albans	✓	5	8
	St Kilda	✓	2	1
	Sunbury	✓	4	3
	Sunshine	✓	7	8

	Tecoma		1	1
	Thomastown		1	1
	Thornbury			1
	Wantirna	✓	4	2
	Wantirna South			5
	Werribee	✓	4	8
	West Melbourne		2	1
	Wonthaggi		2	5
	Yarra Junction		1	2
	Total	42	190	286
Western Victoria	Ararat	✓	3	3
	Ballan		0	1
	Ballarat	✓	6	10
	Beaufort		0	1
	Belmont		1	2
	Bendigo	✓	6	9
	Boort		0	1
	Castlemaine		2	2
	Charlton		1	1
	Colac	✓	3	5
	Corio	✓	1	3
	Creswick		0	1
	Daylesford		0	2
	Geelong	✓	10	11
	Geelong East			1
	Geelong West		1	2
	Hamilton	✓	3	4
	Heathcote		0	1
	Horsham	✓	3	3
	Inglewood		0	1
	Kerang	✓	4	4
	Kyneton		3	3
	Lorne		0	1
	Maryborough	✓	3	5
	Mildura	✓	3	5
	Murrayville		0	1
	Norlane		1	1
	Ouyen		0	3

	Portland	✓	2	4
	Red Cliffs		0	1
	Robinvale		2	4
	Rochester		0	1
	Sea Lake		0	1
	St Arnaud		0	1
	Stawell	✓	2	1
	Swan Hill	✓	4	4
	Torquay		0	1
	Warrnambool	✓	5	6
	Wedderburn		0	1
	Wycheproof		0	1
	Total		15	69
			69	113

Appendix 12

NATURE AND LOCATION OF CENTRELINK SERVICES IN VICTORIA BY AREA

LOCATION	CENTRELINK SERVICE CENTRE	AGENT / ACCESS POINTS	VISITING SERVICES	VIDEO CONFERENCING
Box Hill	√			
Broadmeadows	√			
Darebin	√			
Epping	√			
Fitzroy	√			
Greensborough	√			
Heidelberg	√			
Lilydale <i>Healsville</i> <i>Shire of</i> <i>Murrundindi</i>	√		√ √	√
Moreland	√			
Newmarket	√			
Richmond	√			
Ringwood	√			
Shepparton <i>Echuca</i> <i>Cobram (AP)</i> <i>Kyabram (AP)</i>	√ √	√ √		√ √
South Melbourne	√			
Wangaratta <i>Seymour</i> <i>Benalla</i> <i>Rutherglen</i>	√ √		√ √	√ √
Windsor	√			
Camberwell	√			
Cheltenham	√			
Cranbourne <i>Grantville</i> <i>Wonthaggi</i> <i>Cowes</i>	√	√	√ √	
Dandenong	√			
Fountain Gate <i>Pakenham</i>	√ √			
Frankston <i>Hastings</i>	√	√		

LOCATION	CENTRELINK SERVICE CENTRE	AGENT / ACCESS POINTS	VISITING SERVICES	VIDEO CONFERENCING
Glen Waverley	√			
Wantirna	√			
Rowville	√			
Belgrave	√			
Mornington	√			
Rosebud	√			
Morewell	√			√
Warragul	√			
Leongatha		√		
Welshpool (RTC)		√		
Oakleigh	√			
Sale	√			√
Bairnsdale	√			√
Orbost		√		
Mallacoota		√		
Omeo		√		
Yarram		√		
Springvale	√			
Ballarat	√			√
Maryborough	√			√
Daylesford			√	
Bendigo	√			
Castlemaine		√	√	
Heathcote		√		
Kyneton		√	√	
Corio	√			
Essendon	√			
Footscray	√			
Geelong	√			
Colac	√			
Horsham	√			√
Ararat	√			√
Stawell	√			√
Warracknabeal			√	
Nhill		√	√	
Kaniva			√	
Donald			√	
Edenhope			√	
Hopetoun			√	
Melton	√			

LOCATION	CENTRELINK SERVICE CENTRE	AGENT / ACCESS POINTS	VISITING SERVICES	VIDEO CONFERENCING
Mildura Murrayville Ouyen Dareton	√	√	√ √	√ √
Newport	√			
Sunbury	√			
Sunshine	√			
Swan Hill Robinvale St Arnaud Kerang Balranald	√	√ √ √	√ √	√ √ √
Warrnambool Portland Hamilton Casterton Terang Cobden	√ √ √	√ √ √		√ √ √ √
Watergardens	√			
Werribee	√			