

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Melbourne – 22 August 2001

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Mr P. Mees, President; and
Ms A. Morton, Vice-President, Public Transport Users Association.

The CHAIRMAN — I declare open this hearing of the Economic Development Committee. The Economic Development Committee is an all-party investigatory committee of the Legislative Council. It is hearing evidence today in its inquiry into structural changes in the Victorian economy. I advise all present at this hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We welcome to this meeting Mr Paul Mees, the president of the Public Transport Users Association, and Ms Anna Morton, also representing that association. We invite you to make an opening statement — you are aware of our terms of reference — and then we might ask some questions. Again, welcome, and over to you.

Ms MORTON — Firstly, I would like to thank the committee for allowing us to give evidence today. We must apologise for not having a written submission. Being members of a volunteer organisation, obviously our time and resources are very short and we have had some very important things to do, but we felt it was important that we make a submission today.

The Public Transport Users Association represents public transport users from all over Victoria. We are basically the peak body in the state for public transport and for trying to improve services and access to services. We are particularly concerned about access to public transport in rural and regional areas, especially with line closures that have happened over the past 20 years or so. We have around 1000 members from all over Melbourne in particular, but also from regional Victoria. This year is our 25th anniversary as an organisation so we have been around for quite a while. I hand over to Paul.

Mr MEES — There are probably four things that we wanted to touch on in our opening comments. The first is a little bit of history; the second is the question of direct employment by public transport, particularly in regional areas; the third is the economic development role of public transport; and the fourth is about looking toward the future. Again, I apologise for the fact that this is not as well researched and statistically quantified as we would like it to be. As Anna said, we have a lot on our plate, and earlier we were talking informally about one of the main things.

Railways, particularly historically, assumed enormous importance in all of the Australian colonies before Federation and probably more so in Victoria than anywhere else. If you look at the works of economic historians — Geoffrey Blainey's *Tyranny of Distance* is probably the most readable example — it is quite clear that very fundamental features of the kind of state we have today are a direct result of the way transport policy was put together.

In contrast with, say, the United States, the Australian colonies tended to start their settlements from a single point and move outwards. The structure of the railway system in the 19th century clearly reflected that with radial lines based on Melbourne and service patterns that reflected the same things — for example, when in 1890 Mark Twain of *Huckleberry Finn* fame visited the Australian colonies, he attempted to travel from Ballarat to Bendigo by train. He describes this in a wonderful book called *More Tramps Abroad*. He had to change at Maryborough, thereby acquiring the opportunity to describe it as 'a railway station with a town attached', an appellation that seems to have stuck to it ever since. They then had to change again at Castlemaine, and Twain comments in the book, 'It has taken us 9 hours to come from Ballarat to Bendigo. We could have saved two by walking'.

That perhaps helps us understand that while public transport, which obviously was originally rail based, has been incredibly important both as an employer and as a structure of economic development, there is — this may be different for other rural services that we are obviously not experts on — a kind of slightly naive image that paints a picture that once we had a really fantastic rail system that served everyone's needs perfectly and then for some inexplicable reason it was closed down. In fact, our view is that we had a system that was not really set up to serve the needs of people in regional areas particularly well except insofar as it connected them with Melbourne, and it probably promoted the centralisation of economic activity in Melbourne rather than promoting economic development in local regions. It is often thought that faster and faster transport must of necessity improve the economic situation for all parties involved. But the evidence is really to the contrary and Victoria is probably a good case. 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.

So, for example, since the very fast train in France was inaugurated and the first line was opened between Paris and Lyons — and Lyons is not a small centre on anything other than a world scale; it is a wonderful city probably about the size of Melbourne, if you took the suburbs into account — all the economic studies seem to suggest that Lyons has declined relative to Paris since the two were connected because it became possible for people to do things in

Paris that they previously would have done locally. Much of the demise of particularly smaller regional centres in the Australian context, and perhaps their failure to develop to the extent that they have in other countries, is generally attributed by economic historians to transport policy. However, it does not always have to be like that. There are contrary models — European examples, most notably Switzerland, where as a result of deliberate policy decisions transport improvements were structured in a way designed to promote regional development rather than to suck development into a single centre. But back to Victoria.

Mr CRAIGE — How did they do that?

Mr MEES — I was going to get to that. That was going to be the looking to the future part. But in Victoria, not just the configuration of the rail system, but also the pattern of services basically was Melbourne-focused. So, for example, if you lived in Ararat, even to this day people are more likely to want to travel to Ballarat than they are to Melbourne, not because Ballarat is bigger, but because it is closer. There is a lot of ‘Why would you travel all the way to Melbourne if you can go to the Myer store in Ballarat?’, for example. Even a century ago it was near impossible to do that because the service was focused on Melbourne, so you would get into Ballarat at 7.00 a.m. in order to get into Melbourne by 10.00 a.m., and the train would leave Melbourne at 6.00 p.m. and get into Ballarat at 8.00 p.m. or 8.30 p.m. So we have never had a regional public transport system that was particularly well focused around the development of regional areas and the local travel needs of regional people. That is one of the reasons we feel why it atrophied in the face of competition from the car and the bus. Prior to the car and bus, people had to use it whether they liked it or not, but once competition came along its inadequacies were fairly manifest and because it did not change in a way that remedied those inadequacies it gradually withered. What tended to happen is that, as patronage declined, services on lines would be cut back to the point where there would be branch lines with services once or twice a week, and never a day return service to the regional centre, because you would have a passenger carriage attached to the end of a freight train which would take you in from some small centre to the regional centre in the afternoon. You would have to stay there overnight and come back the next morning, possibly at 3.00 a.m. in order to suit the convenience of the freight travel. So that helps to account, particularly on branch lines and for local and regional travel, for the virtual complete collapse of patronage as soon as alternative forms of transport came along.

I think it probably also helps to explain the very rapid take-up of car ownership by people in rural areas. The car in Australia was something that achieved mass distribution in rural areas and then colonised the cities later on. You see the same pattern in the United States — rural areas where similarly public transport systems were not planned to serve the needs of local people. You do see different patterns in Europe for reasons I will try to get to in a moment. What you then have is regional bus services springing up from the 1920s onwards as servicemen from the war came back having learnt to drive trucks during the war, and many of them set up as owner-drivers. Many of those regional bus services were established to plug the gap that the rail system was not serving and provide those day return services to local towns.

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.

Mr THEOPHANOUS — That is not true of school buses. I do not think either of those statements is true.

Mr MEES — That is certainly true. School buses are the very notable exception to the rule; that is quite right, because they have captive patrons — schoolchildren.

Mr CRAIGE — After Theo’s report, it will be even more noticeable.

Mr THEOPHANOUS — It will be a much better system.

Mr MEES — I will defer to the expertise of the committee on that point. Back to the history: we have a rail system that does not perform, and what happens is it is progressively cut back and cut back and eventually, from the 1960s onwards, they start shutting lines down completely. For the first 15 or 20 years of line closures, lines were simply closed. The railways department simply said, ‘There is a private company running a bus service along this route. You can use that instead’. What tended to happen, however, was that the private bus service generally closed or was cut back to a point where it did not serve people’s needs very well fairly soon after the rail service was closed down. By the end of the 1970s, however, partly because of the political backlash against rail

closures, but partly perhaps also because at least some politicians of the time understood the social equity implications, the railways were required to provide replacement bus services when they closed rail services down. One of the results of that is that towns that had their rail services closed more recently have much better bus services than towns that had their rail services closed at earlier times. There is no rational basis for that.

So if you go to the Ovens Valley, for example, where you have significant centres like Bright and Beechworth, because those lines were closed in the 1950s and 1960s, the private sector bus services are of appalling quality, generally do not run on weekends and generally do not connect with trains. If you go across to the Yarrowonga route, which is really no larger in terms of population and objectively no more deserving of a service, they have a bus to meet virtually every train all through the week. That is just because the Yarrowonga line was closed later, after this magical cut-off date.

From our point of view that is a very potted history. One of the consequences of the substantial role of the railways was that it was an enormous employer of labour. In fact, until relatively recently I think even we would have to concede that the level of employment in the railways continued to reflect their historical role for long after it had ceased performing that historical role. In the early years of the century, it was traditionally boasted right up until the 1970s that the Victorian Railways was the largest employer in the state of Victoria. And that was the case. In the early years of this century, however, it was not just the largest employer; it was in fact a substantial sector of the economy in its own right. It was so substantial that there was a parliamentary inquiry in the early years of this century into conducting some alteration to the voting system because the fear was that railway employees and their families were so numerous that they could actually govern the political affairs of the state, and there was a serious proposal put forward to put them all in one separate seat, rather like the Maoris are in New Zealand, only for completely different reasons in their case, in order to prevent them from controlling the outcomes in the seats where they actually — —

Mr THEOPHANOUS — Do you want to talk to us about the 1980s and 1990s?

Mr MEES — I am getting there.

The CHAIRMAN — Our reference is to do with changes in the last half of the 1990s. I think we have to try and hone in on that.

Mr MEES — The point is that historically their employment levels continued to reflect that early role until very recently — indeed until really the mid-1980s when an enormous amount of catching up was done in terms of adjusting employment levels in the rail sector to reflect its vastly reduced role. It seems to us that the vast majority of reduction in employment in the rail sector is the result of that process rather than line closures per se, because in the 1980s there was a substantial gain in efficiency across the freight and passenger part of the rail system which led to very significant reductions in employment, but without, by and large, in the 1980s the withdrawal of services. In the early 1990s there was simultaneously an acceleration of that program of efficiency improvement, but together with that also a program of withdrawal of services. We are prepared to concede that in terms of the direct employment impacts, the majority of the employment impacts probably came from the efficiency improvements rather than the line closures per se. So it seems to us that when one is examining the economic developments of service withdrawals, one really needs to turn to the more ephemeral but probably more important effects on economic development in regional areas.

If one looks at the statistics the Department of Infrastructure has been compiling on population trends in regional areas, one notices two particular things. The first is the difficulty regional areas have of retaining their younger population. The second is the difficulty of attracting professionals to live in regional areas — whether they be home-grown professionals who have studied in the city and do not come back or others who have studied in the city who will compete there for scarce jobs even though jobs are going begging in the country. We see that — whether they be doctors, lawyers or town planners.

It seems to us that both of those processes are critically related to the historical failure of the rail system to perform a proper role. I suppose the reason I might have over-laboured that point is that it is not our position that we should go back to what we had before, because what we had before was inadequate. We do not think it should have been withdrawn; we think it should have been improved. However, we don't simply support a return to what we had before. I suppose that is what brings us to the difference between the Australian model of regional transport provision and the modelling of at least some of the efficient European systems of which we tend to use the Swiss as the most prominent example, mainly because our association has good contacts with the people who have been

responsible for the success of public transport in Switzerland, so perhaps we are more convinced by them than we are by other people.

Historically, the pattern in the good European systems has been quite different from that in Victoria. Regional services have been intended to link regional populations to larger cities because people require those links, but they have simultaneously been intended to serve local travel needs and cross-regional travel needs in a way that the rural transport system in Victoria has never adequately served. The reason you would struggle to find a single rail service that has been withdrawn anywhere in Switzerland, even though the Swiss are very keen on being efficient — they did not get to be the richest country in the world by not being interested in efficiency — is that they have provided economies of scale by doubling up on those different travel markets and serving different travel needs simultaneously.

Therefore, in terms of operating your service economically, if you provide a total integrated level of service it is possible to provide a better economic performance, to keep a higher level of service, to employ more people locally — probably never in Victoria to the extent that we did in the past but certainly to a much greater extent than we do now — but also to make the regional areas attractive places for people to live. It seems to us that this is a substantial difference, not just from the historical model we have had in Victoria but perhaps also from the model of the current fast train proposal. I do not think the current government has made a final decision about this, but I am referring to the model that some supporters of the current fast-train proposals to Ballarat, Bendigo, Geelong and the Latrobe Valley have been promoting, which has been a vision of primarily a commuter service to enable somebody who lives in Ballarat, for example, to travel to Melbourne to work every day.

The European model — perhaps ‘European’ is overstating it a little — or the model in Switzerland and other places that have copied it is in a sense the reverse. The service is primarily intended to encourage and enable people to live and work in the regional area while still maintaining access to the bright lights of the city for the sorts of lifestyle advantages which modern research is increasingly showing are attracting people away from the countryside to the city. It might be things as simple as going to fancy restaurants and coming back late at night after having had a few grogs, which you would not want people to do in cars in any event. It might be coming to the city to shop, to visit relatives, to do a whole range of things. The European model provides a total mobility package rather than merely a commuter service into the city for a very narrowly defined range of trips.

Mr THEOPHANOUS — Does your organisation support the fast train project to these regional centres?

Mr MEES — We agree with the Environment Victoria report released by the transport minister, which suggests that while the investment is a fantastic idea it could be leveraged in a way that would produce greater benefits than are currently being proposed. In addition to having a commuter service you could therefore have a total mobility package — for example, you could have used the regional rail service as a catalyst to revive the local and inter-town bus services, which is a kind of European model. Somebody living in Maldon — which perhaps is a bad example because it is a very small town — could take the bus to Castlemaine station, if the train stops there, to catch the fast train into the city rather than driving there. By running that train service all day long rather than just for commuters, you then have to run a feeder bus service all day long. It then becomes available for people in Maldon who simply want to travel around the local area. Because increasing populations in rural areas are living on low incomes and would appreciate not having to have as many cars, you can simultaneously serve different purposes at the same time. You can make it easier for locals to get around — those who do not have cars currently or those who have cars but cannot really afford them.

Mr THEOPHANOUS — Is all that a yes?

Mr MEES — It is a ‘yes, but’ I suppose — a ‘yes, but we would like to see more’ — not necessarily more capital expenditure.

The CHAIRMAN — Have you finished your submission at this point?

Mr MEES — That is the point we are making.

Mr BEST — I have been interested in the history and the work you have put in, and thank you very much. One of the things you have alluded to is that rail lines do not provide the flexibility of connecting with smaller towns. I live in Bendigo and my area goes to Mildura. One of the things that bus travel has provided has been the flexibility to go off the highways to towns such as Nyah to pick up passengers. Where does your group stand on the issue between the flexibility provided by Vicrail bus services and rail services as a purist form of travel?

Mr MEES — We would like to do what the Swiss did in the late 1980s and early 1990s and combine them. We do not believe it has to be a choice. Rail travel offers things that buses can never offer. Not to put too fine a point on it, a bus-only system will probably never attract choice passengers — that is, people who have the alternative of travelling by car. But they do not seem to mind the European experience such as taking a short bus trip to get to the main station to catch the train for the long part of the journey.

Mr BEST — That is what occurs, because we have buses travelling from Mildura, for instance, that connect with the trains at Swan Hill; and, coming down the other highway, buses that come into Bendigo to connect that way.

Mr MEES — Indeed. It is true that there was once a little rail service beyond Swan Hill to Piangil. Probably restoration of that as a rail service would not be high on the PTUA's preferred agenda.

Mr McQUILTEN — Not many people are living in Piangil now.

Mr MEES — And it is also the case, as Mr Best has pointed out, that that rail line was not terribly helpful in connecting up the main part of the population, so it is horses for courses. But it seems to us what has happened at various points, particularly in the early 1990s, was that a kind of ideological view was taken that buses were always best and that it was not a process of examining every route on an individual basis to see whether buses were the best option. Initially there was a proposal to effectively close all but the commuter rail services, even though, oddly enough, the commuter services had a poorer cost recovery than the regional services. What then happened was largely political and some of the services originally slated for closure were saved on a case-by-case basis, and we were very involved in that process. It is really important to combine the advantages of buses for local access and distribution with trains in a way that we have not done in Victoria anywhere near as well as we could, but when it comes to trunk services it is important that they be provided by rail to provide a backbone, if you like, of choice patrons who can then make the system as a whole economically viable, thereby enabling you to provide local services that feed choice patrons to the rail system but also provide a local mobility option for people in the local area who do not have cars.

Mr BEST — You spoke about the fast rail project and your qualified support. As a group representing users of the travel, what is a fair reflection of the price users would be prepared to pay to ensure that the developers of the project get a commercial rate of return? What I am suggesting to you is that there are going to have to be fare increases, I would think, for fast rail travel. Where does your organisation stand on that issue?

Mr MEES — We think for adult passengers the fares are already too high. The problem has been that the great majority of passengers are not paying the full fare. That is what happens when you have a residualised, marginalised system that has by and large lost its choice travellers. That is not the case for the commuter services, but for the regional services it certainly is. The problem is — and I think the government is beginning to find this — 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. While obviously as representatives of passengers we are not keen on the idea of high fares, we also do not believe they will get enough takers for them, because if the fares are increased significantly, effectively the increased travel cost for people will more than outweigh the savings in real estate prices in moving from an outer suburb of Melbourne to rural or regional areas. 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.

Mrs COOTE — Why is train travel so important to your members — the choice patrons, I think you call them? Obviously it is not economically viable, as you have just said. Obviously they find it a struggle for the cost. Why is it that it is so important?

Mr MEES — I would not accept that train travel in general is not economically viable. It is the case that the V/Line regional network overall in 1992 had the highest cost recovery of any part of the public transport system in Victoria — higher than the Met and higher than the V/Line commuter services.

Mr CRAIGE — They still all lost!

Mrs COOTE — Why do they want to use the train?

Mr MEES — They still all required a subsidy. If, however, they had been funded in the way things are in New South Wales and in the way that the profit operators are now funded where concession recoupment payments — the difference between, if you like, the pensioner fare and adult fare — were treated as a social security cost, most of them would have covered their costs; not the Mildura line, but the Swan Hill and Bairnsdale lines would have. Why is train travel more attractive to people? Transport planners have tried to work this out. To be perfectly honest, I do not think they have as yet come to a conclusion. They just know it is. All the evidence seems to suggest that it is. Maybe it is something as irrational as people always feel that a bus is like an inferior version of their own car. A regional bus can never be faster than a car, except on very long trips where you might need to take a meal break, because it drives on the same road as the car, has to stop to pick up and set down passengers, and in general, since rural bypasses have been built, always has to get off the freeway road to travel into the town where people want to go and then get back on to it as it leaves the town. While it is possible for buses to be faster than clapped-out, inefficiently run rail services, in general they cannot be faster than really well-run rail services and certainly cannot be faster than doing the same trip in a car because they are sharing the same road with the car and have to stop more often than the car.

Mrs COOTE — You have around 1000 members. Why do your members want to use the train as it is now?

Mr MEES — I think there are other factors like comfort, being able to get up and walk around, having the opportunity to have refreshment services, and that kind of thing, but I think most of our members have had the good luck to travel overseas and, while they prefer even the current trains to the current bus services, what they would really like to see is trains that are as good as those in Europe. I do not want to sound as if we are against the fast train. It is a fantastic opportunity to create a rail system like that, together with a complementary bus system. It is true we do not have the population density, but that is why we are prepared to concede, for example, that most of the feeder services would have to be provided by bus, whereas in Switzerland, by and large, they are also provided by rail, but we think the model is applicable nonetheless.

Mr THEOPHANOUS — Welcome to the committee. Could you try to answer two questions for me. Firstly, what in your view was the effect of the closure of passenger rail services by the previous government in terms of those country towns and regions that were affected by the closures, and secondly, do you think privatisation insofar as it has occurred in these sectors has worked in terms of improved services for people like your members?

Mr MEES — In relation to the first one, I believe there was certainly a reduction in employment levels, but it was not significant for reasons that I have explained before. We believe, however, that the closures made it more difficult for the regional centres that were directly affected to remain competitive as places for people to live. We think that is the main economic impact. Obviously we feel the passengers involved received worse service. That was more so the case in some situations than others — for example, people beyond Ballarat on the western line suffered a particularly severe decline in service. By contrast, down in Leongatha, while the service did decline, the line had been in very poor condition, so the reduction was not as bad. In the case of Mildura, we think the effect was particularly strong because, although the previous service was used a lot by locals, it was also a significant actual and potential attractor of tourists to the area, so we feel it did inadvertently assist in the process of those towns becoming less viable, both as places for people to live and as places to build up things like tourism which ought to be a growing industry in most of Victoria.

In terms of the second question, we do not have a strong ideological view about the private sector being involved in public transport. The private sector has always been involved in public transport throughout Victoria. It has always run the bus services, for example. But we do believe privatisation where there is not an overall planning and coordinating function does not work, and we feel at least in the case of the two V/Line services that were privatised, the failure of those operators to deliver improved service levels, and on the Shepparton line at least a minor reduction in service levels since privatisation, confirms our view.

Mr THEOPHANOUS — What about Warrnambool?

Mr MEES — In the case of Warrnambool, basically the service has remained the same except that they are using older rolling stock than was the case under the public operator. Every now and again they put a steam engine on the front for the trainspotters, but our members are a little more into the bread and butter side of public transport rather than the fun side, I suppose, so they were not very impressed by that.

We agree with the Auditor-General who a few years ago said he could find no evidence that there had been service improvements or cost savings as a result of that particular measure. We were happy to see it because the original proposal had been to close the line down, so privatisation was the second best alternative. But there seems to be no evidence that that route performed any better than the routes that were retained in public ownership.

Mr CRAIGE — I have two issues. What evidence do you have that you can submit to this committee, after today — we are happy to receive it after today — which clearly substantiates your point in respect of the change in service provider, not necessarily the removal of services where the service mode changed, about places like Mildura, Ararat, Leongatha, Warrnambool, all those regional towns? I would love to have that evidence before the committee.

Mr MEES — So would I, Mr Craige! If you are looking for direct numerical, statistical evidence where you can say, ‘Here are economic development statistics for these places before and after, here are economic development statistics for other towns before and after and here is a clear difference’, unfortunately that is very hard to produce because so many factors affect the economic performance of a regional centre. I was at a talk given by the former head of the Department of Infrastructure, Dr John Paterson, who is no opponent of privatisation as many of you will recall, but even he said a factor as significant as an energetic entrepreneurial local member of Parliament, for example, can make a difference to the performance of a regional centre. In the case of Mildura, there are obviously favourable economic things going on, particularly to do with the types of agricultural industry, Stefano De Pieri, whatever you may care to call it.

Mr THEOPHANOUS — And an energetic local MP!

Mr MEES — Indeed. You did not see the local town going into recession. However, in a sense you are unfortunately stuck with what people think. That is probably the best evidence available because if you paid some economic consultants to go off and do an economic analysis of it I suspect they would be largely making it up.

Mr CRAIGE — Let me cut you short there. You have no evidence, and it is only what you think?

Mr MEES — I am not saying we have no evidence. I am saying that unfortunately the best and only real evidence we have is the opinion of people who understand the local community. If you find that they all agree, then I suppose you have some strong evidence.

Mr CRAIGE — I am happy to accept that you have said that Mildura has prospered since the change to its mode of transport.

Mr THEOPHANOUS — You are joking!

Mr MEES — I certainly would not suggest for a moment that it was closing the rail line that created that prosperity!

Mr CRAIGE — That is a positive thing for Mildura!

Mr THEOPHANOUS — Turn it up!

Mr CRAIGE — Can I then take you to another issue which needs no explanation, certainly to me. The Department of Infrastructure has indicated to us that it is currently working on the fast trains and the way they will operate, and in particular whether time travelled and speed travelled can obtain any real benefit for the commuter. As you know only too well, the integration of the country network into the metro link is a huge problem in Melbourne that needs to be fixed, and that is a significant factor that has been known for many years. Unless they fix that and if the trains do not stop running merely from the regional centre to Melbourne the savings in times could be absolutely wiped off. If you wanted to get to the ideal situation — and let me place on record that I am probably a greater train buff than you are — —

Mr MEES — I am not a train buff at all, Mr Craige.

Mr CRAIGE — I know that, but I am just posing the question. In fact, it is good to see you travel by tram. You were talking about a mix so that you have people coming from Maldon to Castlemaine and then using the rail network locally. It seems to me that unless you have that mix right people are not going to use it. How do you get to the stage where you can have regional use on the one hand and on the other the concept of a fast train which does not even call in or may call in at off-peak times?

Mr McQUILTEN — Why can't you have both?

Mr CRAIGE — That is the question I just asked!

Mr MEES — In an attempt to answer both those questions, that is what we would like to see. We would not want the speeding up of travel times to be achieved by a reduction in service to intermediate stations, because that would exacerbate the historical weakness of the rail system in Victoria, which is that it is very Melbourne-focused and not relevant to local travel. One of our concerns is that one of the options initially proposed — the government has certainly not suggested that it agrees with them but that is why we are keen to place the concern on record — in the case of the Bendigo line was to tear up the second track. It would be almost impossible to provide a mix of express and stopping services that ran frequently over the whole day if the second track was dispensed with on that particular line. So to take that as an example we think that way of achieving the improvement to travel times would not be a favourable one, but in our view it ought to be possible to achieve significant improvements in travel times without having to sacrifice the intermediate stations, because the speeds that are being proposed here are the sorts of speeds that, for example, outer suburban trains in London have been managing since the 1960s and by and large they are able to provide both kinds of service. We are very keen to make sure that the fast train project is used as an opportunity to enhance the local and regional role rather than to sacrifice it in the cause of faster times to Melbourne. That is why we are anxious to be involved in the public participation and discussion stage of those projects, when it eventually starts, to make sure that they create a benefit for everyone rather than that there is a trade-off between one group of passengers and another. Certainly we think it ought to be possible to do that.

Mr CRAIGE — Would you agree that the government must fix this issue of the integration of the country network into the metropolitan network as well?

Mr MEES — That is true, but it is primarily a management problem. It is not an infrastructure problem.

Mr CRAIGE — No infrastructure involved?

Mr MEES — Very little infrastructure is required. It is basically a management problem. The best European systems have no trouble integrating high speed rural services with slow passenger services; it is just a matter of intelligent timetabling. One of the disadvantages of privatisation is you now have three different operators, and possibly four, who are collectively responsible for that integration, which has to make it harder. They did not do it very well when they had only one operator, but it is harder still when you have to get three of them together. In our view it is primarily a management problem. For example, we do not think it is at all necessary to provide completely dedicated tracks for the regional services so they do not have to share tracks with suburban services, which is again one concept mentioned in some of the initial reports, but it would require an enormous improvement in the management skills compared with what we have currently and historically seen in Victoria to bring that about.

The CHAIRMAN — I have a few questions to which I am looking for a short answer. Do I assume from what you said that the major reduction in employment in the public transport area was in the mid-1980s rather than in, say, the last five or six years?

Mr MEES — It started in the mid-1980s and I suspect if you looked at it numerically you would say that the 1980s contributed approximately equally to the reduction in employment, compared with the 1990s. It was a process that started in the 1980s and was basically completed, if you like, in the 1990s.

The CHAIRMAN — The second point was: do I take it from what you said that if you compare changes in public transport in, say, the 1980s with those in the late 1990s, one of the major differences is that the alternative services provided in the 1990s were considerably better than alternative services provided prior to that period because of this requirement that if something is going to be closed you have to provide an alternative service that is equal or better?

Mr MEES — Not quite when one is comparing the 1980s with the 1990s. That requirement came in 1975 so it applies to all closures after 1975. In the 1980s, particularly from 1982 onwards, there were no rail closures in regional Victoria. The thing that is impressive about the productivity gains in the 1980s — I know it is very unfashionable to ever say the Cain government did anything right, but to be bipartisan this was something commenced under, of all people, Robert Maclellan in 1980. The employment reductions in the 1980s were achieved simultaneously with an expansion and improvement in service levels, so while it is a shame that in one sense one can be nostalgic about the lost jobs, the most important thing is that it was a genuine productivity

improvement. For example, the number of trains a day to places like Warrnambool was increased from two to three, the services were speeded up, there was some measure of integration with the local bus services and a very substantial turnaround in the historical trend towards a decline in patronage. All of that was achieved at the same time as there was a substantial reduction in staffing. So it seems to us that that is the kind of productivity gain that we would support, though it still does have consequences on employment levels in rural areas. Our concern about the 1990s was that genuine productivity gains like that were coupled with service closures, and the net result was that the network as a whole became less attractive to passengers.

The CHAIRMAN — Is your answer to me now inconsistent with what you said before in terms of the difference between what happened in Beechworth and Bright compared with what happened on the Yarrowonga line?

Mr MEES — Not quite. What I would say is that people who lost services in the late 1970s and early 1980s, and then again in the 1990s, did better than people who lost them in the 1950s and 1960s because of the requirement to provide replacement services. But our preferred position is not that there is a requirement to provide replacement services when you withdraw something, but that in fact we are expanding in improvement as we were for about five or six years in the 1980s.

The CHAIRMAN — As to the fast trains to Bendigo, Ballarat, Bairnsdale and Geelong, you indicated that the way it appeared to have been set up and promoted was that people in those four towns, and wherever else the train stops, would have the advantage of being able to get to the city quickly — to commute to the city, to work in the city, or whatever. You expressed the view that that could have the effect of sucking the economic activity out of those regional centres and bringing it into Melbourne.

Mr MEES — There is an enormous amount of historical evidence to support that. When I was in Canberra in 1997 there was a lot of delusional cargo cult thinking going on around ‘a very fast train to Sydney will save Canberra’s economy’. I remember asking the chief minister at the time whether she really thought people from Sydney were going to come to Canberra to do their shopping because it was faster as opposed to the reverse phenomenon occurring. I think you are right, and that potential exists, and if you are not careful, what you end up with is rural or regional centres becoming like commuter outer suburbs rather than having economies of their own. That is why we would like to see the fast train investment leveraged upwards to produce a more multipurpose type of service that supports the regional economy by encouraging people to live and work there, but also enables tourists to visit the area and to get around, enables business travellers to come up from Melbourne — that kind of thing. So if it is only a commuter service, it could potentially be of disadvantage. But we think if it is upgraded to be a multipurpose service, it will be a net benefit rather than a net cost.

Mr McQUILTEN — The area I would like to bring up is your suggestion that the government does not have a plan to integrate all of these other services — the buses, et cetera. I believe that is wrong. In the case of Ararat, there are major talks going on now in relation to other buses coming in to Ararat from that entire region and then hooking up on the Ararat line and joining up on the fast rail line. There have already been major discussions to help all of Western Victoria, and the same in Ballarat. I believe you are underestimating the opportunity that this will bring to these bus services who would say, ‘This a great idea. Let’s integrate’. I am sorry. I believe that is already taking place in the bush now.

The CHAIRMAN — Do you want to comment on that?

Mr MEES — I agree with you completely about the great opportunity. It is certainly true that there are discussions going on. The minister launched the Environment Victoria report and commented favourably on it, so I think there is probably a lot of sympathy for that perspective, but I think what we would like to see is a more comprehensive —

Mr THEOPHANOUS — Is he talking to you these days?

Mr MEES — Probably not in terms that would be considered parliamentary language, but —

Mr BEST — You have parliamentary privilege here, so you can say whatever you like!

Mr MEES — I should not allow myself to be tempted.

Mr CRAIGE — You can.

The CHAIRMAN — We have got 4 minutes.

Mr MEES — Seriously, I think that is a step in the right direction. Maybe we are just greedy and would like to see more, but I think what we would really like to see is a planning concept that articulates that over whole regions so that the talks can then be about a concept that is more defined rather than about the general proposition which I think everyone would agree with, that we should get more integrated.

Mr BEST — I am totally confused by your evidence, so I hope you can help me clarify this. On the one hand you are talking about the flexible system that exists in Switzerland and the great benefits of that, but on the other hand you are talking about economic decline because of a removal of fixed rail services. I do not know where your advocacy lies on behalf of the users because I am totally confused that you are in one sense saying to people, ‘If there is a flexible rail system, people are going to come to the metropolitan area at the disadvantage of regional centres’, and in another sense you are talking about the great economic development and prosperity that occurs in Switzerland because of a flexible rail system. I thought your advocacy would have been on the costs associated with travel, the type and mode of travel, and the patronage and service levels of services to people right through and across country Victoria.

Mr MEES — I will try and do it as quickly as possible. A flexible, multipurpose, total mobility public transport package in our submission enhances the prosperity of regional centres and does not cause them to decline. But a commuter only service that is focused exclusively on links to the big centre — Melbourne in this case — may cause them to decline. I had assumed it was sort of self-evident why we think a flexible multipurpose service is also better for passengers because it serves a wider variety of their travel needs, and I suppose we are also trying to suggest that as well as being a good thing for public transport users it is also a good thing for the regional economy. With this fast train project and the substantial capital investment that has been promised to it, it seems to me we have a once-in-a-generation opportunity to create a system like that in Victoria.

Mr THEOPHANOUS — I congratulate you on the fact that you represent, and have consistently represented, your members across all governments, whether Labor or otherwise, and you continue to do that. What is of concern to me in your evidence is this: what Mr Best was saying, it seems to me, was that if you have a system which is faster, sure, it might be multimodal and might bring in people on buses and so forth, but ultimately this system is faster, and if it is faster, it creates the attraction of being able to get into Melbourne quicker. Consequently, what you are saying is it actually does not matter whether it is a single system going up to Ballarat and not doing much more, or whether it is a system going to Ballarat but is fed in. In fact, you could argue that if it is fed in from the smaller towns, even those people get the opportunity to come and do their shopping in Melbourne. So your evidence has some inconsistency associated with it, because if you are saying faster trains can have the opposite effect on regional centres, I think you would need to produce some very significant evidence that that is the case. I do not believe it is because it is tantamount to saying that putting the Geelong Road as a three-lane highway to Geelong is going to be detrimental to Geelong, whereas the argument could very well be that a lot of people might want to go down there to restaurants or places which are outside of the smog, quite frankly. I am not convinced by your argument on that, and I would encourage you, if you have evidence to the contrary that is more concrete, because the committee would be very pleased to have this evidence, from interstate or from overseas experience, and secondly, because our time is short, I think you have not resolved the issue that was raised with you, which is a critical part of what we are trying to achieve, to try to determine whether the closures that occurred in country towns actually did compromise them.

You have said it compromised them economically and in terms of reduced services. That was your evidence. If you are going to make statements like that, I think it is reasonable, as the members of the opposition have asked you to do, to provide some additional evidence to the committee. Again I would urge you to come back to us with some form of substantiation for those claims.

Mr MEES — We will be happy to do that.

Mr CRAIGE — My comment is to do with the same issue, and commuter travel is the term. I am confused. If you increase the fast train service and it is faster and more frequent, I cannot see how you can put something in place that would not necessarily attract people in the regional cities to work in Melbourne. Although I understand having the mix and the other network, if you speed it up and make it the service to the city more efficient then there will be people who will want to go to Bendigo to live and to the city to work. Surely that is the answer to it.

Mr MEES — That is the theory at the moment, but I am not — —

Mr CRAIGE — Is it only a theory?

Mr MEES — It is only a theory. There is no evidence to support it.

Mr CRAIGE — Would Lyons argue that the theory is correct?

Mr MEES — The evidence from Lyons is that that did not happen. All that happened was that people who used to do things locally in Lyons did them in Paris instead. We are not trying to suggest that the project should not go ahead, we are trying to suggest that we have to acknowledge that that effect is a real one, but in our view if the total package is not just a faster service for commuters but a faster, more frequent, more integrated service for everyone then the net effect will be positive. Every net effect is a bit of negative here and a bit of positive there, and you have to look at the total effect of the overall package on the region's economy. But the evidence seems to be that the total overall effect of the integrated multi-purpose package is positive, whereas the total overall effect of the version that is only focused on speeding things up for commuters to the major centre is negative. It is not a simple, black-and-white situation with one thing all on one side and one thing all on the other side.

Mr CRAIGE — I understand that. So in reality it is a package where those other things have to be taken into account?

Mr MEES — Indeed.

Mr CRAIGE — And if it is not and it stands alone, then it will have that detrimental effect?

Mr MEES — I think so, yes.

The CHAIRMAN — Thank you very much. We have run out of time. Mr Mees and Ms Morton, along the way we have put before you our invitation for you to submit some more information to us if that is your wish, and we would be keen for you to do that. Mr Theophanous, particularly towards the finish, articulated some of the things we would be interested in. We will send you a copy of the transcript of your evidence. You will be able to see from that what we want. I thank you both very much for coming along. We appreciate the time you have given us. It is a great advantage for us to have a cross-section of evidence given to us, and we appreciate the evidence you have given.

Mr MEES — Thank you.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Melbourne – 22 August 2001

Members

Mr R. A. Best
Mrs A. Coote
Mr G. R. Craige
Ms K. Darveniza

Mr N. B. Lucas
Mr J. M. McQuilten
Mr T. C. Theophanous

Chairman: Mr N. B. Lucas
Deputy Chairman: Mr T. C. Theophanous

Staff

Executive Officer: Mr R. Willis
Research Officer: Ms Ellingford

Witness

Mr A. Joseph, General Manager, Employment Division, Department of Education, Employment and Training.

The CHAIRMAN — Mr Joseph, welcome. You are aware of the terms of reference we are pursuing here, which in the context of your submissions to us are to do with the availability of employment services across Victoria. We are looking particularly at changes that have occurred in the past five or six years and the effect on Victorians of those changes. We have a particular focus on rural and regional areas. I propose to invite you to make an opening statement to us. I have to say that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act. So, over to you, and then we might ask you some questions.

Mr JOSEPH — I am aware of the terms of reference of the committee, and I have been asked to use the opportunity to also give the committee a bit of an information session on the range of state government programs, particularly, that are currently available. So a large part of my presentation will focus on that. It will certainly touch on many of the things you have mentioned, but perhaps if there are further things that you would like more information on I should reserve the opportunity to come back to you at a later time.

The CHAIRMAN — It is important for us to home in on our terms of reference. I would be particularly keen for you to deal with your evidence having regard to the terms of reference, which means if it is a long dissertation on what is happening at the moment in the state of Victoria in your area, we have to relate that to what was happening five or six years ago and what is happening now and the changes that have occurred.

Mr JOSEPH — I will certainly cover that. Let me start then by talking about the policy context around employment services, which I believe is fundamental to the question. 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. That is just by way of an overall setting. Since the Bracks government was elected in 1999 Victoria has committed \$158 million over four years to implement a whole range of new initiatives. Looking at allocations through the employment area over the past four or five years, in the current financial year the government's allocation is \$64.5 million.

In that second-last dot point I have indicated the allocation for the three years prior to that for employment services. It is fair to say that in this last financial year the commitment and allocation of resources has increased quite dramatically. The policy commitment for all these initiatives flows from the government's employment and skills policy. The key priorities from that are detailed in that second heading I have there — 'Creating opportunities for people who are unemployed; developing pathways for young people'.

The CHAIRMAN — I think we could go through this quickly. I think we will read them and move forward.

Mr JOSEPH — In terms of the labour market, it is important to note that over the past 12 months the employment situation and the unemployment growth in the state have been quite phenomenal compared to the rest of the nation and other states in particular. That is clearly a change that has been evident over the past five years or so, that there has been strong economic growth over the past five or so years. That has resulted in a lowering of the unemployment rate — a trend that is heading downwards. There has also been growth starting to appear now in country Victoria as well, but nevertheless within overall lower trends there are still areas — and this is no different five years ago or even today — in parts of metropolitan and country Victoria where unemployment rates are clearly in excess of state averages. I have identified some there taken from the most recent Australian Bureau of Statistics (ABS) figures for July showing, for example, in the country a range — Barwon Western, 4.8; Loddon Mallee, 8.6 — and similarly in metropolitan Melbourne. The fact remains that despite strong economic growth and improved situations there has still been a need to focus programs and to consider the needs of those communities and those parts of the state that have higher unemployment for a range of different reasons.

I put some statistics there on teenage unemployment. In terms of some of the initiatives that comprise the current suite of programs — and these are, as I said, new ones that have been introduced; they did not exist in the previous

five years — they are programs focused at industry to try to engage industry in being partners in trying to resolve some of the skill shortage and unemployment areas of the state, and there are programs for that.

The public sector has a role to play, and likewise it has a commitment to create new openings for young people to get into the public sector and therefore create new opportunities, particularly for young people. There are also new initiatives to look at some of the emerging industries of the future where at present there are some shortages and where industry bodies, particularly the information technology industries, forecast large needs for skilled people in the future. So in a pre-emptory approach to try to develop some of that skilled work force, there are a number of initiatives around developing young people's capacities to take up information technology traineeships, for example.

One of the other features of the suite of programs is a strong involvement of community organisations. It has been reinforced very strongly through the current community jobs program, which is as grassroots a program as you can ever hope to see anywhere, a labour market program that has a need for strong partnerships at local levels between communities, government, local government, individuals, training providers and others, to look at a regional-based approach to unemployment. This is something that is new. It has not existed previously, this type of program approach to regional unemployment.

Harking back to my earlier comments on pockets of unemployment in certain areas of the state, it is an attempt to try to focus down as much as possible to the local level, to determine what the need is and determine what the opportunities are — most important — and to try to focus an initiative through something like a community jobs program that can help particular groups of people in those particular regions. That is a trend that has been emerging not just in Victoria but in other states as well over recent times.

In addition to that there is a program that resembles the job network system to some extent, called the community business employment (CBE) program, which provides one-to-one assistance for particular groups of people who need assistance. This is a program that, unlike the others, has been in existence since 1994 and has been particularly effective in helping three groups of people.

The CHAIRMAN — I think at this point I would like you to go through each of these programs and tell me when the program started. If we start off with the private sector skills development program, is that a new one or an old one, and how long has it been going?

Mr JOSEPH — I can group the first three, they started on 1 July last year; the Go For IT program, 1 July this year; the community jobs program, 1 July last year; community business employment, as I have indicated, 1994; skilled migration, last year again; the overseas qualification service has been there for quite a while — certainly at least seven or eight years — so the early 90s; and the last one is this year. And the youth employment link as well is this year.

The CHAIRMAN — You have not mentioned the adult employment incentive program in your list of programs.

Mr JOSEPH — Yes.

The CHAIRMAN — You have?

Mr JOSEPH — I have not, and I will explain it. The adult employment incentive program is an initiative that was brought in on 1 July last year. Its implementation started, but very quickly we found out it was not hitting the mark in the way that was intended. The program was in retrospect too narrowly focused on local government and community organisations. The aim was to get those two sectors of the economy to recruit older age people, 45 years and over.

The CHAIRMAN — That is not going any more?

Mr JOSEPH — It is not going ahead.

The CHAIRMAN — When did it wind up?

Mr JOSEPH — It wound up at the end of June this year, and the money was reallocated to the Go for IT program I referred to before.

The CHAIRMAN — How easy would it be for you to give us a list of programs that were run by the state of Victoria in this area between, say, 1995 and the present that are not running any more?

Mr JOSEPH — It would not be too difficult at all.

The CHAIRMAN — Are you happy to send that to us?

Mr JOSEPH — Certainly.

The CHAIRMAN — If we are trying to get into our minds what has happened over the past six years, we need to be able to track the different programs the state governments have run during that time. You have very appropriately given us what is happening now, and you have told us, as a result of my question, how long those programs have been going, but I would be interested — and I will ask you to send us the information — on what was happening before.

Mr JOSEPH — Certainly.

The CHAIRMAN — Going back to that date. I think that would be of value to us.

Mr BEST — Can I clarify that?

The CHAIRMAN — Yes.

Mr BEST — What we are looking at is all the programs from 1996 that were run by the department in each year. Is that right?

The CHAIRMAN — No, I said 1995. Could you also either explain now or provide information later about how the programs are delivered to the community — the places where people can go to obtain information and talk to the public servants responsible for these programs? Do we have a number of points around the state so that if someone is interested in a particular program they can go into an office and talk to a person about these programs? Do we have centres in Bendigo, Ballarat, Geelong and Bairnsdale, or does everyone have to come to Melbourne? How does the physical location of people who can talk about these programs work?

Mr JOSEPH — There are a number of points to be made in reference to that question. Can I start by saying that the employment division department itself does not have a regional infrastructure, a Bendigo employment officer or a Geelong employment officer. There are 54 staff based at Nauru House and they are the central part of all of the division's work. The way that contact can be made varies from program to program, and if I can just sketch very quickly — —

The CHAIRMAN — Before you do, and I take your point, you say they are the central part of the — —

Mr JOSEPH — They are the only part.

The CHAIRMAN — Fine, that clarifies that point. In the last six years were there officers providing programs around Victoria who are no longer there?

Mr JOSEPH — In the early 1990s, pre-1992–1993, the employment staffing was around the order of 200 people positions. A large number of those positions were based in country and metro locations, and they did the case management of unemployed people and made contact with unemployed people and employers. With the changes in 1992, 1993, 1994, the staffing level was reduced to what it is now, around about 50, and the resources were channelled in different ways. Pre-1993 programs had regional public servants delivering the service one-to-one. That funding is now channelled into the community business employment program and it is delivered on a contract basis with community-based organisations, so there are no public servants delivering the service any more; there are people who put in proposals, tender through a proper process and are awarded a contract to assist particular groups of people in a particular area. Under that program there are 48 of those providers servicing particular groups of individuals in particular locations across the state.

The CHAIRMAN — Could you provide us with details of those 48 — what they do, where they are, the areas that they service? Then following on from that I would be interested to know whether there are any other programs which have people out in rural areas who have a similar arrangement as you have under the community jobs program. Are there any others who provide, administer or support programs who have similarly won a tender to do so, or is that it?

Mr JOSEPH — The CBE providers, the 48, are there to deliver that program, which is the placement program; but as part of their contractual arrangement with us they have a strong influence in referring people to other programs the department runs, so if it is not exactly the service that the person needs, they are able to refer them to a community jobs program or a traineeship centre or whatever it is. It can be a mechanism to refer people in different ways.

The CHAIRMAN — Would all of those referrals go to places in the metropolitan area, or would they be referred to places that provide services in rural areas?

Mr JOSEPH — Locally as much as possible.

The CHAIRMAN — Is it easy for you to provide us the locations and details of those other service providers that your 49 would refer people on to in Victoria?

Mr JOSEPH — Yes. Can I explain in more clarity and see how you feel about that? When it comes to traineeships and apprenticeships, the federal government has organisations called new apprenticeship centres. They are contracted to the federal government, and their role is to deliver apprenticeships and traineeships to employers and young people. It has been around for quite some time. Their role also includes a link with the state government to deliver state government employment apprenticeships and traineeships. For example, if somebody came into one of the CBE providers and was interested in an apprenticeship they would refer them to whichever group training companies — in many cases new apprenticeship centres — and these are scattered right across the state. So that infrastructure exists; it is funded through a federal mechanism, but there is a link at local levels with state providers.

With the community jobs program there is not an infrastructure as such; it is a system that delivers projects of 16 weeks duration, so they are not long projects for which there is a lot of opportunity to make a lot of preplanning, if you like, to refer people on. A lot of local information happens around community job programs — local councils are the key to it, and providers are often able to contact local councils and say, 'I have such-and-such a person who might fit a community jobs program if you have one going', but in that program the best referral point is usually centrally.

The CHAIRMAN — You can, I hope, see from my questioning and by thinking through our terms of reference that the Premier has asked us to assess the impact of changes that have occurred. We need to understand not only where we are at now but where we have been in the six years we have decided to look back at, to see the changes that have occurred to get to where we are now and to assess the impact of those changes. An important part of that is to look at what has happened in rural areas, so my questions are getting towards that, and so will all the other questions.

Mr BEST — My point follows straight from that. Particularly given the Victorian labour market statistics you have provided us with and the fact that the government has continued many of the outsourcing programs that were established, did the structural changes that occurred during the 1990s, particularly the mid-1990s, lay the foundation for the sound economic position we are in today?

Mr JOSEPH — In terms of overall economic growth?

Mr BEST — In terms of the economy as we enjoy it today, where we are getting strong employment growth — the fiscal responsibility — has the way in which the money is being outsourced to local communities to interact with local people been more successful than having a centralised system?

Mr JOSEPH — I could agree with that in some part, clearly. In terms of overall economic growth, it is very much the fact, as you would understand, that national measures and national levers that operate play a significant role.

Mr BEST — Interest rates?

Mr JOSEPH — Interest rates, taxation policy — a whole heap of things like that. To that extent the state has an influence and has had an influence, and the policies and practices of that period would have been leading to the good times we have had and are having. But equally there would be other pressures as well that would have perhaps contributed to that.

Mr CRAIGE — I was wondering if you could also provide the committee with details of the department structure regionally: the locations in which there were employees and the number of employees in those locations. You did say that changed in 1992, 1993 and 1994?

Mr JOSEPH — It was in that period.

Mr CRAIGE — So I can put the picture together even better, I would like to go back and look at the regional offices that existed and how many staff there were, even if you have to do it for 1991, 1992, 1993, 1994 so you can show the progression of where there was a build-up in the numbers and where there was a drop-off, and we can then look at what has replaced it and the involvement.

The CHAIRMAN — And where they were.

Mr CRAIGE — Yes, in particular the location.

Mr THEOPHANOUS — I think one of the central issues with all these programs is assessing the performance of each of the programs. That is important both in terms of accountability and in terms of whether the programs are in some measure successful. The department must have performance measures in relation to each of these programs. You do not need to outline them here and now, but are you able to provide assessments to the committee in relation to performance of each of the programs that has been identified?

Mr JOSEPH — Yes, certainly.

Mr THEOPHANOUS — Is that possible?

Mr JOSEPH — It is possible. I can talk to you now, but I am equally happy to send it to you. Budget paper 3 lists a number of performance measures that relate to each of these programs. I can give you a report on the achievement of those up to the end of June this year, which is the first year.

Mr THEOPHANOUS — The other issue I wanted to raise with you is that our terms of reference are about assessing the impact. What we are talking about here is about assessing the impact on the Victorian economy of structural changes in employment services. There are two lots of employment services that we are talking about. One is the changes that have been identified by you in the state-provided employment services, and that includes the move from using public servants to using the private sector in the CBE providers — the introduction of new programs to replace old programs. We need to get a handle on all of those, particularly as they affect country Victoria.

The second range of issues relates to the changes that the federal government brought about, in particular the closure of the CES offices and their replacement by some other services by the federal government. What sort of impact that had on regional Victoria is one of our issues, and to what extent the CES offices and their role were taken up by the state. Because these changes occurred in 1994, some of that would have been taken up under the previous government and some under the new government. Are you able to give us any handle on that at all?

Mr JOSEPH — My preference would be to suggest that the level of information and detail you are looking for there is best sourced from the federal government's employment department. I do not have as a state, or even personally, information on the impact or the number of closures that took place of CES offices, for example. I have a broad understanding, from reading commonwealth budget papers, for example, of changes that have taken place in allocations. I have seen press releases and things like that, but to get to the nub of your question, in the same way as Mr Chairman has asked me about changes in programs from 1995 to 2001, that question would best be directed, I would suggest, at the federal employment department.

Mr THEOPHANOUS — That is true. But these closures occurred in 1994, and my question was, back then, as a result of the closures, did the state government put in place some measures in regional Victoria to compensate for it?

Mr JOSEPH — The CBE program was the one that linked most closely to the federal job network system. The federal job network system came into play in 1996, from memory, so the CBE program had already two years of operation before — —

Mr THEOPHANOUS — I think the closures of CES offices commenced in 1994.

Mr JOSEPH — But the new job network system, as I understand it, which is the contracted-out arrangement similar to the CBE model, did not commence until 1996. To answer your question directly, the state did not increase its CBE program as a result of those changes. As a result of those changes the state did not put more money in to compensate for changes that the federal government had made. The \$158 million and those programs I talked about just before came in last year.

Mrs COOTE — I have a couple of questions here. I know we are being more retrospective than looking into the future, but I am surprised at the regional unemployment figures that you have given. I think anecdotally, and particularly when you back them up with the teenage employment, et cetera, I do not think there is any room in the teenage examples that you have given for the fact that they are leaving the country, and I am a little concerned about that, but obviously you keep that data fairly closely — but could you give me some idea of the predictions of the particular growth within the labour market into the future, particularly in rural and regional areas?

Mr JOSEPH — I am sorry, I cannot, simply because it is not something that is clearly available. I can only reflect some of the views of some of the economic commentators around — the Saul Eslakes and others — who link regional and economic growth to some of the national and international trends, and they are suggesting in the last few reports I have seen that there is in fact a slowing down of the economy. Reading some of the budget papers, federal and state as well, you get a sense that there is ahead of us a period of slowing economic growth, with consequent unemployment issues falling out of that.

Mr CRAIGE — But those same people predicted when the Malaysian crisis hit that we would also follow, which was not truly correct.

Mr JOSEPH — That is right.

Mr THEOPHANOUS — The federal Treasurer this morning said that we would have a reduction.

The CHAIRMAN — Mrs Coote has the floor.

Mrs COOTE — I think Mr Theophanous asked about these programs being accountable.

Mr JOSEPH — Yes.

Mrs COOTE — So presumably you are doing some modelling into the future about how that is going to impact on these programs that you have. Is that correct?

Mr JOSEPH — That is correct. To give you an example, in the private sector skills shortage program, for example, that process relies on skills shortages being identified and the program money then working into those skills shortage areas. There is an annual process we undertake with a range of other data that the commonwealth and others have available to try as accurately as possible to forecast where a skills shortage might exist, continue, get worse, improve — whatever the scenario — and then finetune whatever the resourcing needs to be. So in that scenario, certainly we do that. The employment area of the state government does not do the high-level analysis of labour market figures that the ABS or some of the other economic places do. We rely on outside advice and expertise on that.

The CHAIRMAN — Indigo shire does have not an employment service provider, as I am advised. That is Beechworth, Rutherglen and through that area. Did it ever have such a service? Do you have any plans to give it such a service in the future?

Mr JOSEPH — I do not know the situation in past times with Indigo shire. In terms of community business employment provision, there is quite a large provider that covers a large part of north-east Victoria with offices and outposts certainly at Benalla and Wangaratta and, I think, Wodonga as well. It is not physically possible or even economically feasible to have an employment service under CBE in every single shire and city. So regional coverage in the north-east would be, in my understanding, for Indigo shire covered by the provider who covers a large part of north-east Victoria.

The CHAIRMAN — Which would be out of the shire?

Mr JOSEPH — Yes.

The CHAIRMAN — As long as you have the coverage then, you do not necessarily have the provider in each municipality?

Mr JOSEPH — That has certainly been the trend over time. They just depend on population numbers and a clear need for that type of service. It can be done quite cleverly with outposting, so that rather than having a provider set up a building, an office and infrastructure and staffing arrangements, they can have a service where they share another community facility and have an outposted arrangement where once or twice or three times —

whatever the frequency or the need demands — there is an opportunity to come in and provide whatever service is needed.

Mr CRAIGE — In view of Neil's question, can you provide the committee with a list of the councils you can identify that do not have a provider within the shire?

Mr JOSEPH — Do you mean in a CBE program? I can do that.

Mr CRAIGE — Yes. It would be interesting from our point of view, because the tyranny of distance still exists, whether you like it or not. I would argue, as some of that touches my electorate, that if you start placing services too far away it then becomes a natural barrier, therefore you have to weigh up local communities and so on. I can understand the economics.

Mr JOSEPH — I can certainly do that. Can I clarify the point, though. I can give you the information on CBE services in particular shires. It will show you where the CBE provider has an office and where the CBE provider has perhaps a sub-office. They may be in different municipalities, and there will be others who will not have an office but will still provide a service.

Mr CRAIGE — We might be able to follow through, then, to say, 'Hey, listen, do they provide that for them?'.

Mr JOSEPH — Yes, and equally, just to add the second part to that, there may be other employment services like the commonwealth services that maybe do have a presence in the Shire of Indigo, for example.

Mr CRAIGE — That is true.

The CHAIRMAN — We might send you a letter asking for some more information if we may. That saves us having a multitude of hearings such as this, and it certainly saves a bit of your time and our time. You can probably expect that letter from the committee in the next day or two asking you a few questions on some information that we would be interested in. Thank you for coming along today. We will send you a copy of the transcript of our discussions. You can look at that to see that it is correct. We will send you a letter asking for a bit of detailed information it was not practical to ask for at the hearing. Thank you for coming along.

Mr JOSEPH — Thank you.

Committee adjourned.