

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Bendigo – 12 December 2001

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Mr D. deVrieze, Manager, Regional Equity Market, Bendigo Bank.

The CHAIRMAN — Welcome to the Economic Development Committee, which is an all-party investigatory committee of the Legislative Council. Today we are hearing evidence in relation to our 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 the hearing Mr Derek deVrieze. I thank him for coming along and also for the submission which we have in front of us, signed by Barry Rochford. Thank you for the interest that you have shown in our inquiry. I invite you to make an opening statement, and then we might ask some questions. We have half an hour to do that.

Mr de Vrieze — Thank you for the opportunity to speak with you. I would like to cover not just community banking but also the impact of superannuation on regional communities and the endeavours to get those sorts of funds flowing back into regional areas — and I suppose, in the end, what governments can do to assist that process.

From the Bendigo Bank's perspective structural changes in the Victorian economy have created opportunities for the entire group to increase its regional and suburban presence. It is more than just banking, which is commonly seen as a provider of financial capital. Our view is that banking is wider than just that and that it is about creating sustainable issues — not just for suburban areas and country towns but on an overall perspective. When a bank branch closes in a country town local people lose their jobs, and when the last standing bank in a town closes people take their banking outside that town, and with that outflow of both financial and human capital, it all gains momentum. Because when people taking their banking away they take their shopping, and with that local businesses close and employment opportunities are lost.

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.

Understanding the needs and concerns of our towns and local businesses, the Bendigo group researched regional capital flows. We travelled with the Bendigo Stock Exchange to various regional towns and centres and spoke to the economic development units of councils, business people, town leaders and, of course, regional development people from government. It is understood that from Swan Hill, a country town with about 9000 people, \$20 million is exported to Melbourne, Sydney and overseas. Likewise, Bendigo exports \$80 million and Gippsland, \$180 million. Just imagine if just 5 per cent of that was retained — because that is an annual thing. Add to that the voluntary portion and you will find that every person in the town exports more than \$1000 per head — and that is not just the working people but everyone, from the babies to the retired, those in nursing homes, and so forth. That is \$1000 per head per annum leaving the town. Just imagine if we retained a small portion of that capital fund in a town to invest in regional businesses. The result of the research was that there was a need for a more liquid method of trading shares in local businesses — if only they could. Hence the Bendigo Stock Exchange was established.

The group also initiated two strategies to redirect capital to regional Victoria and, indeed, regional Australia. 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 our regional development fund. It also developed the regional development fund as a mechanism to collect capital and invest in regional businesses. That process assesses the business: it goes through various key ratios — diagnostic checks and so forth — to assess the business. It is a partnership that we form with that business.

Since the regional development fund was launched in June 2000 the people running the fund have spoken to more than 200 businesses seeking capital. They have looked at some 50 business plans of varying quality. To date we have an investment in a business in Pakenham and a business in Lismore, New South Wales. Last week we signed a term sheet to invest in a business in Ballarat. Yesterday I was in Horsham looking at a very good business over there that is looking for capital. So the momentum is gaining. We have a number of other businesses we have dealt with that could come to Bendigo and so forth, so things are happening.

You might ask how we heard about the business in Lismore. That was due to the regional investment tours of New South Wales hosted by that state government — and in particular the minister for regional development, Harry Woods, is part of that tour. In fact we saw that business on our first tour. We understand that over the past four years there have been six regional investment tours, and this is the first business to be invested in from those regional investment tours. It is staggering that the government flies out people who are looking after our capital, such as the venture capitalists and the intermediaries who are trying to assist those businesses, but we are the only ones that have done something to date. We have had some significant issues with the business in Lismore. It was a partnership — it was not a company; it did not have a business plan; and it had a \$300 000 stamp duty issue. All those were by and large overcome with assistance from the state government. To my mind it was an exceptional process, and it had strong support from the state government. Knowledge about the fund has spread to the regional development departments of Queensland, New South Wales, South Australia and, of course, Victoria. They are all doing something different and using unique ways of bringing capital to the regional areas, but I think there is more.

It is worth covering the issues for small businesses seeking capital to expand. Those issues can be dealt with or minimised with the right type of government assistance. The real issue, I think, has been those businesses becoming investor ready — getting their business plans processed, understanding what it is to have a business partner with them to help their business grow, and also trying to identify the best partner for them to help them grow. There are probably various tax issues that they could be assisted with as well. Other issues that we have seen on our regional tours include the fact that governments tend to pay their bills to businesses generally in 90 days. That has a huge impact on the capital flow of that business. It can actually bring a business under if governments are not paying in the time frame. That is something that really should be looked at. I do not know if it is happening in Victoria, but I do know it is happening in New South Wales.

This is an opportune time for questions. I have brought along one regional development fund brochure and some information on the success of the community bank. I think that story has been told well and truly by now, but the success of those communities in reinvesting their profits in their communities, and the impact of local businesses improving some 20 or 25 per cent on their business turnover, has increased. I welcome questions.

The CHAIRMAN — The committee's terms of reference are to examine the structural changes to the Victorian economy. We are all aware of those structural changes in local government, banks, post office franchises and a lesser number of service organisations in rural and regional Victoria. The committee has also been looking at public transport — more buses and less trains — and the potential for trains to come back into Bendigo and Ballarat, as well as employment services. The committee has travelled around Victoria and heard about changes in that context.

Today we have asked you to talk mainly about the concept of superannuation. Contributions are made throughout Victoria, and they go off to funds in the city and are used mainly for big business investments, shares and all sorts of things. You have talked about the concept of getting that back, which is very interesting. We have not heard that from any other witnesses. You have suggested a way of turning around some negative effects to create positive effects, which is good to hear, because the committee is responsible for coming up with some findings. It is in a position to make recommendations to the Parliament, which will be passed on to the government, about what should happen in the future. Homing in on the issue of funding being directed back into rural and regional areas, do you believe that the state government should do something to assist the program you are suggesting in terms of getting super funds back into investment opportunities? Do you think the state government would be able to assist you or assist others who might have a similar program but who have not got one at the moment, and how could it best assist you?

Mr de Vrieze — In a broader context, and not just the bank, the regional development fund or the Bendigo Stock Exchange, I refer to the regional investment tours of New South Wales. They are an excellent example of getting capital flowing to regional areas and making people aware that there are good businesses seeking capital. They just need a helping hand to become investor ready. Through that process they flew 15 or so venture capitalists around to three regional centres on that particular tour, and at those centres around about 10 businesses presented their cases, looking for equity capital.

Not everyone is looking for a \$200 000 investment — indeed we are not — but they need help too. We are looking for an investment that goes from \$1 million to \$5 million. It is necessary to make those businesses understand and accept that venture capital is a willing partner to help them grow and is not necessarily the wrong approach to take, because they will not grow without some additional capital. It is about making people aware and getting State and Regional Development within, say, Horsham and Ballarat to educate and involve local businesses so that they become investor ready, to get them to do a number of mock presentations and then move through. I understand

that New South Wales would be willing to assist in the first tour if Victoria wanted to do that. Harry Woods, the minister, conducts the regional investment tours on non-political grounds. Obviously the minister is running it so he will get the kudos, but he does not politically grandstand about what he is doing. That is an excellent process. Having been involved in dinners and so forth where various local politicians speak, it is clear that the locals do not want to see political issues raised as the reason behind this. The reason behind getting investment capital is broader than just politics.

Mr BEST — Will you explain the process involved in and the benefits associated with borrowing from Bendigo Bank?

Mr de Vrieze — The regional development fund?

Mr BEST — Yes, rather than going to another financial institution and seeking a commercial loan.

Mr de Vrieze — Generally they are small to medium enterprises that have already borrowed up to the hilt. The business has secured all its properties to fund its growth. It has borrowed from its grandparents or its aunty, and so forth, and cannot go any further without some additional capital. We put somebody on the board of that company to help the business grow and to help them understand the real process of managing a business. We are bringing new markets to that business. So banking is just banking: 'Here is the money; go and spend it and hopefully you can make your repayments', whereas the regional development fund venture capital is about saying, 'Here is some money. We will help and guide you and watch what you are spending it on'. We do not want our money spent on a Lamborghini; we have investor funds to think about. My superannuation fund will go into something like that, so we have to be careful how money is spent.

Mr BEST — Are you becoming a lender of last resort?

Mr de Vrieze — No, certainly not. I have seen more than 200 business plans, and we cannot help them all. The ones that we see are looking to grow and expand, with a good product and a good business, and they just need to move that next step.

Mr BEST — I am coming to terms with the commercial reality. How do you pick that winner? What are the criteria and the fundamentals?

Mr de Vrieze — We go through nine key ratios that are scaled and worked through and then weighted at the end so that we can make a conclusion on whether the business will succeed or not. You also have to have a gut feeling about the people. These things are happening in the cities. Venture capital funds and super funds are investing in businesses in the city; why can't we do it in the country?

Mr BEST — I am happy to support anything that assists country people.

Mr de Vrieze — That is what I am saying. We are just adopting the same model that is used in the city for the country.

Mr BEST — When I speak to people I want to know how they can access the funds you are talking about. That is the reason I sought clarification on that. Will you explain the involvement of the Bendigo Stock Exchange and give some background and history on why that was rejuvenated?

Mr de Vrieze — On the first question, the Bendigo Stock Exchange, so far as the regional development fund is concerned, is seen as part of the exit strategy for our investment. When we have had the investment for three to five years and it is time to let the fund leave that business because it should not be left there forever, we need an exit strategy, and that exit is listing on the Bendigo Stock Exchange or alternatively putting the page on the Bendigo Stock Exchange and looking for an equity partner. Listing is clear as an exit opportunity. If it was not it would make it more difficult, because the Australian Stock Exchange clearly does not look at smaller to medium enterprises. You need that alternate market to help those businesses have a more liquid form of share trading.

Mr McQUILTEN — A problem with banks is that they only lend on bricks and mortar.

Mr de Vrieze — That is right.

Mr McQUILTEN — That does not happen in other countries. There are partnerships in new technologies, ideas and concepts. What are your thoughts on that?

Mr de Vrieze — The bricks-and-mortar status has made banking in Australia probably one of the safest in the world. There have to be other opportunities to enhance that and to put funds into those businesses. I think it is fortunate that banking is so secure in Australia, but the guidelines put on us by the Reserve Bank say what we should do and that if we lend beyond that we have a higher risk profile.

Mrs COOTE — Will you elaborate on those 50 business plans? You said there was a variety of them. Can you give an example of who is putting in business plans and the scope you are dealing with, and are there any patterns out of those 50 business plans?

Mr de Vrieze — There are no real patterns. Some are four pages of handwritten notes, and clearly they need the help I have been talking about. Others are in the early stage of business development — that is, they have a good concept and they want to bring it forward. The regional development fund cannot do that. Business can be from a wide range of areas. The fund looks at not only businesses in regional areas but those that provide benefit to regional Australia and regional Victoria. If they are based in Melbourne we would consider them if they are providing a regional benefit, because it makes our fund more diverse. If we just concentrated on businesses in the country I think we would miss out on the opportunity of other businesses in the industry providing benefits.

Mrs COOTE — Could you give me an indication of the ramifications of the falling interest rates in this area?

Mr de Vrieze — I believe it has increased the amount of available cash to expand business. It has reduced the cost, and it has enhanced, I suppose, the repayment capabilities of businesses or individuals to make those repayments.

Mrs COOTE — So has there been an injection into small businesses? Have you seen that as a positive effect?

Mr de Vrieze — I think that businesses have less debt because they are making more repayments. As opposed to making more interest repayments, they are making principal repayments. Once they have they have made that repayment, they have more capital for the business.

Mr CRAIGE — In respect of the superannuation funds, what has been the response from the funds that you have spoken to about the issues that you indicated, like \$80 million out of Bendigo?

Mr de Vrieze — We have obviously made presentations in the early stages of the regional development fund to super funds, and their response has been, 'Look, you haven't got a track record in doing this, and we don't know the type of business that you're going to invest in. Perhaps come back to us in a few years time when you've got a track record'.

Mr CRAIGE — I know of super funds that invest in plays, ski resorts and heaps of other areas.

Mr de Vrieze — And technology stocks that went backwards.

Mr CRAIGE — Yes. That is the sort of response I thought you were going to give me. That leads to the next question: if they are saying that and their track record indicates something, shouldn't some sort of collective minds be put together? Because without any direction the funds are going to continue to do this. If there is no direction and no-one is telling them, 'Listen, you've got to be realistic about this issue', they are just not going to do it.

Mr de Vrieze — The local authorities have made presentations and requests to the super funds to consider the regional development fund. They have come back and said, 'It's your superannuation money, this is the risky end of the market. What do you think? Would you invest in X, Y and Z business?'. I know they are out there; they just need that helping hand.

Mr THEOPHANOUS — I am sorry I was not here earlier. I was just looking through your submission, and I want to congratulate you and the bank on what you are doing in the community banking sphere. I wonder if you could explain what you mean by 'demand side strategy'.

Mr de Vrieze — From our perspective demand side strategy is demand driven from within a community. For example, we do not go to a community and say, 'Do you want our community bank model?'. They come to us and they create the demand. They understand that by creating that demand profits will flow from that business back into that community. We have put that model into community banks and community telcos. There will be some

other initiatives that will follow on from that and will enhance regional communities and capital flows from demand aggregation — demand side economics is what we call it — rather than supply coming from Melbourne and Sydney or even Bendigo, with people saying, ‘Here, take this; you’ll do it our way’. We are not doing that. People come to us and say, ‘How can you help us? We need a bank here — our last bank is closing’. So it is driven from within rather than from outside community.

Mr THEOPHANOUS — Why do you think that the other major banks have not been able to see the commercial possibilities involved in that kind of demand? Why has it all fallen apart for them?

Mr de Vrieze — I think it is too hard for them.

Mr THEOPHANOUS — There is more money to be made elsewhere?

Mr de Vrieze — Yes. I am cautious about speaking about our competitors.

Mr THEOPHANOUS — I understand that. It is just that there has been a significant effect with the withdrawal of banking services in regional Victoria.

Mr de Vrieze — Absolutely. It has created an opportunity for us, I must say, and for those communities to enhance themselves by saying, ‘If we have a community bank model here and we adopt that, then we can have profits flowing in to our community and we can do some other things in the community with those profits’ — and that is what they are doing.

The CHAIRMAN — Just on that point, you have said in your submission that you believe the reasons for the withdrawal of banking services amount to both the limitations of the traditional branch structure and the economic downturn being experienced. We can understand the economic downturn angle. What do you mean by the limitations of the traditional branch structure?

Mr de Vrieze — I must apologise; I have not seen that submission.

The CHAIRMAN — But that is what it says.

Mr de Vrieze — I think the limitations are that they do not involve the community within their model. They are, again, supply driven from Melbourne or Sydney. They are told, ‘Here you are, here’s our banking structure, and you’ll accept it the way it is’. People just do not want that. Does that answer your question?

The CHAIRMAN — Yes, thank you.

Mr THEOPHANOUS — Given the way this is operating, are you getting any government assistance of any sort?

Mr de Vrieze — No. We are not seeking government assistance.

Mr THEOPHANOUS — Are you open to further communities coming to you?

Mr de Vrieze — Yes, we have had over 1800 communities approach us for a community bank branch to go to their area. There are limitations; you cannot do every one of them; some of them just would not be self-sustaining for their own benefit. In the next 12 months we have plans to roll out another 50, and we have increased our community bank team to do that.

Mr CRAIGE — Are they basically rural and regional focused?

Mr de Vrieze — And suburban Sydney and Melbourne — and areas of Brisbane as well. The model does not work just in the country, it works in the city as well.

Mr CRAIGE — Is the focus in areas of the major cities different from the way you would apply it in the country?

Mr de Vrieze — You go through the same approach.

Mr CRAIGE — Do you get the same community support and input?

Mr de Vrieze — Surprisingly, yes.

Mr CRAIGE — I suppose a lot of us would have a perception that there is closer community networking in country towns than in a suburb in Melbourne, but I do not know whether it is real.

Mr de Vrieze — We have found that there is a sense of community in the suburbs — a sense of ownership of the local park and things like that. Trying to keep the bank open in their strip shopping centre means that they do not have to employ someone while they go down the road for 5 minutes to do their banking — so while they are travelling down the road and trying to find some parking and things like that, they do not have to employ an extra person. It just helps to make those businesses more sustainable.

Ms DARVENIZA — I apologise, too, for coming in late. You may have covered this, but how many branches have you already set up?

Mr de Vrieze — Fifty.

Ms DARVENIZA — You have set up 50, and you estimate you will do another 50 in the next 12 months?

Mr de Vrieze — Yes. As I say, in the last six months we have increased our community bank team; and of course we have the model, and we have enhanced that model. Once you have a template, it can go on forever.

Ms DARVENIZA — You said that when the community bank is set up profits begin to flow because of the establishment of the bank and because communities are able to do things with those profits. Can you tell us some of the sorts of things communities have been able to do with those profits that they would not have been able to do without them?

Mr de Vrieze — I have brought some information on the rural community bank story. One local supermarket's turnover increased by 20 per cent, and a local pharmacist's turnover increased by 23 per cent — and that is just one instance. The grocery store in Minyip has actually extended the shop because turnover has increased and there has been a demand for more products. There is a series of things that they have done to enhance that community business. There are other communities where they have created a business centre and where an accountant and solicitor come from the next town. They rent the premises so people do not have to go out to have their tax or legal work done outside the town. Numerous steps have been taken.

Mr THEOPHANOUS — What proportion of the profits go back to the community and what proportion does the bank get?

Mr de Vrieze — Branch revenue is shared fifty–fifty. We are responsible for the back office and the loan approvals, and the local community is responsible for the front office and making sure it is all happening.

The CHAIRMAN — Mr de Vrieze, thank you for coming today. The Bendigo Bank story is interesting and exciting, and the committee has heard about it in a number of areas. We congratulate the Bendigo Bank on what it is doing. Thank you for your time. We will send you a copy of the Hansard transcript so you can look at what you have said.

Witness withdrew.

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Dr G. Byrne, School of Business and Technology; and

Mr I. Pinge, Centre for Sustainable Regional Communities, La Trobe University, Bendigo.

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I welcome Dr Graeme Byrne and Mr Ian Pinge from La Trobe University, Bendigo. The committee has set aside 1 hour to hear from you and to then ask you questions.

Dr BYRNE — I will make a start on this. The evidence I have brought along today is the result of a collaborative project between Bendigo Bank and the university. It was a three-stage project. The first stage involved travelling to communities in which a community bank was set up and interviewing local residents in focus group format; the second stage, which I will talk about today, involved a residential survey of some 250 households in five areas — Henty, Lang Lang, Rupanyup–Minyip, Toora and Upwey. They were the first five areas in which community banks were established.

Although some of this brief report refers to perceptions about how the bank is run within the town, much refers to what the community thinks and what it expects of banks within its community. The last section deals with the direct financial impacts of having a bank within a community, or at least having a bank branch. The survey involved about 250 respondents from the five localities. We got a reasonable response rate of 41 per cent. I would have liked a little better than that, but that is not possible from something that does not grab the heart. Half the respondents were Bendigo Bank customers; the rest were spread among the major banks and a few minor banking concerns.

Page 2 of the document I have just passed around contains a brief summary of some of the findings. The one that initially surprised me was the one about Bendigo Bank customers being about half as likely as customers of other banks to use technology such as ATMs, the telephone and the Internet to do their banking. Table 4 on page 6 shows that nearly 76 per cent of Bendigo Bank customers preferred the branch teller as their main method of banking, whereas just under 40 per cent of customers of other banks stated that as their first preference. That surprised me, but when I looked at the age distribution of the customers I saw that those at community banks tend to be older. I would not say ‘less educated’, but because they are older they have had less opportunity for education. Less than 40 per cent of those with some university or trade school education preferred the bank tellers. There is a relationship between education and age and also the fact that the community bank comes into a town when there is a bit of a crisis, so there is a lot more loyalty towards the branch and the people who work within the branch. One of the reasons you want a community bank in your town is so that you have a local branch and you are likely to want to use it rather than those other methods.

The study looked at value for money. Page 6 looks at perceptions. There is a bit of dispute as to whether banks offer value for money. When you look at the general respondent population — that is, across all banks — you see that under 60 per cent agree that banks are good value for money, with something like 30 per cent disagreeing and 12 per cent strongly disagreeing. There tends to be much higher agreement among Bendigo Bank customers on their own. That is shown in figure 5 on page 7, with something like 83 per cent agreeing or strongly agreeing on the issue of having a bank. Figure 4 on page 6 and figure 5 on page 7 are on the same subject, except figure 5 is Bendigo Bank customers only.

Mr CRAIGE — Did the Bendigo Bank customers understand about fees and charges, or did they base their decisions on customer service as value for money?

Dr BYRNE — The question posed to them was: considering the fees paid to the bank for services, do you receive good value for money? How they interpreted that is another issue. I suppose people look at their statements, look at the fees stamped on their statements every month or every time they get them, and then try to weigh that up against whether they are getting good value for their dollar.

Mr THEOPHANOUS — How many respondents?

Dr BYRNE — Two hundred and forty-one.

Mr THEOPHANOUS — Was it a random sample?

Dr BYRNE — A random sample within these areas. The areas were chosen beforehand, and we randomly sampled within those six communities.

Mr THEOPHANOUS — Was it a random survey of bank customers, or just community members?

Dr BYRNE — No, the total population.

Mr THEOPHANOUS — I am surprised at the figure of 50 per cent or so for people who think that banks give value for money. I know it is higher for Bendigo. I doubt if you would get 50 per cent in metropolitan regions.

Dr BYRNE — That is right. I guess to some extent these communities are special, in the sense that they have been in crisis. To an extent I guess they would view themselves as being saved or pulled out of the fire by having a community bank come in, so perhaps their minds are focused more on the value of having the bank in their immediate area. I am not sure why there is such a high agreement with that question. This is just one that has come out of the survey. As I said, it is a random sample. I would not claim it to be representative of the entire population in Victoria. It is a pilot study of those five communities, so I am reasonably confident that it would translate to other small communities. I am not sure about the metropolitan area.

Mr THEOPHANOUS — Does figure 4 include the respondents in figure 5, and is that why it is up?

Dr BYRNE — Yes.

Mr THEOPHANOUS — So if you extracted out the 80 per cent or so of Bendigo Bank customers who are saying they are happy with the service, that figure would be a lot lower for the remaining ones that were not Bendigo Bank customers?

Dr BYRNE — That is right. I did not want to set up a competition between other banks and Bendigo Bank, so I compared Bendigo Bank to the general survey data.

Mr THEOPHANOUS — Do you know how many in each category were Bendigo Bank customers and how many were general?

Dr BYRNE — Not off the top of my head. I would have to do some more serious analysis to cover that. I know that overall 47 per cent of those surveyed were Bendigo Bank customers — that is, of the total sample, so about 135 or.

Mr BEST — So theoretically it could be 3 per cent of the other 50 per cent?

Mr THEOPHANOUS — That means that about the half the sample is contained in figure 5 and 100 per cent of the sample is contained in figure 4.

Dr BYRNE — That is right. I draw your attention back to page 5 and table 2, which gives a breakdown of the numbers and the percentages and the different banks involved in the survey. There were 113 Bendigo Bank customers; Commonwealth Bank, 58; National Australia Bank, 25; ANZ, 18; and the rest were scattered among other, minor banks. When you look at the location table — table 3, just below that previous table — you can see that Upwey is the main contributor to the 'other banks', except if you look in Toora. You will see that 34.3 per cent were Bendigo Bank, 28.6 were Commonwealth and 31 were National Australia Bank. So Henty, Rupanyup, Minyip and Lang Lang tended to be majority Bendigo Bank customers, whereas Upwey and Toora are spread further about.

Mr BEST — Where you have that breakdown in the percentage of the support for other banks, are there bank branches in those particular areas?

Dr BYRNE — No.

Mr BEST — So there is no ANZ or Commonwealth Bank?

Dr BYRNE — No. These localities were bankless until the community bank was established, so it is the only show in town as far as a presence on the ground goes. As to trying to explain why people stay with banks, they stay with banks because that is what they have done for most of their lives.

Mr McQUILTEN — Or it is too hard to change and also too expensive.

Dr BYRNE — And also the technology enables people to stay with their original bank, even though there is no local branch. Upwey, I guess, is in closer proximity to other branches in parts of Melbourne. I think it is the technology use and the proximity to something that is reasonably close that keep people with the traditional banks.

For Bendigo Bank, whose share of the market is quite small, to be up around 50 or 60 per cent in some localities is not all that bad, I guess, in terms of market achievement.

Mr CRAIGE — Where you have the Commonwealth Bank, is that where it could be an agency with the post office?

Dr BYRNE — I am not sure about that, to be honest.

Mr CRAIGE — That is fairly consistent across the board, when you look at the figures.

Ms DARVENIZA — Sometimes they have ATMs but do not actually have a branch. That applies to some of the others too: the Bank of Melbourne often has ATMs without a branch, as does ANZ.

Dr BYRNE — As far as I am aware, in these towns there is just the Bendigo Bank branch. There may be an agency, but it is not easy to find that out.

Ms DARVENIZA — So in all these towns there would not be branches of the bank; they are either agencies or ATMs?

Dr BYRNE — Or they are using EFTPOS in the supermarket. That is reflected in the technology use. Customers with other major banks tend to be higher technology users.

Ms DARVENIZA — Would that be because of the use of EFTPOS in shops?

Dr BYRNE — More or less, I think — or what people claim to be ATMs. Internet and phone use is quite small. 'Other methods' is 6.2. People tend to list the two together.

Ms DARVENIZA — Where is that?

Dr BYRNE — It is on table 4, at the top of page 6. There is a breakdown there.

The CHAIRMAN — Henty, page 5, is in New South Wales?

Dr BYRNE — Yes. These were the first five community banks that were established.

Mr CRAIGE — And there was no other bank in town?

Dr BYRNE — That is right.

Ms DARVENIZA — It is interesting that table 4 shows that Internet banking is higher than phone banking. I imagine that that is a fairly recent change, because a lot of people who would have been doing phone banking have been slowly moving over to Internet banking. Would that be right?

Dr BYRNE — Possibly. For this sample, that is true, but I would not find that to be a significant difference. With the percentages and the sample sizes, we are looking at probably about a 5 per cent real difference before we can claim a significant difference — that is, one that I would claim would persist in the general population of the next towns. I think that implicit in that is that Internet banking requires access. I think that one of the things that stops people using the Internet is reliable access to a service provider at a speed that is useable.

Mr CRAIGE — To explain that, Bendigo Bank is not pushing like the other banks are for its customers to use either Internet or phone banking. There is certainly a deliberate policy with the other banks. You would get the stuff in the mail like I do. It is there every month; it just piles in on top of you. Bendigo obviously has a different policy and does not throw that to its customers.

Dr BYRNE — The Bendigo Bank does not make that the only option, for a start. They do advertise their Internet phone banking, which is just the same as any of the other banks. It does not tend to be a priority, I agree, especially in the towns where the priority is to get a bank on the ground and to use that bank so that the people working in that bank still have a job at the end of the year, because that is one of the main issues.

Figure 6 is about bank lending and its impact on creating jobs. In this the respondents were simply asked whether they agreed or disagreed that banks lending to business was important to creating jobs. As you can see, 71 per cent agree or strongly agree with that statement, which is what you would expect. When you look at the next statement, that banks are supportive of businesses in their community, percentages drop off a bit. There is not that much

more disagreement, but 17 per cent disagreed and 4 per cent strongly disagreed, so there is a marginal shift away from the agreement categories in figure 6. People seem to believe that banks are important for promoting jobs and keeping businesses running, especially when they support businesses by lending to them. They are reasonably sure, but not so sure, that banks really are doing that, and that is probably not a major issue at the moment.

Mr THEOPHANOUS — So with the change in the ‘strongly agree’ to ‘agree’ category, that is all that is. It seems that people in the second one say that banks are supportive. It must be that 17 per cent have had a direct experience of banks supporting them and that is why they have strongly agreed, whereas the other one is a more general question.

Dr BYRNE — Yes, I would agree with that.

Mrs COOTE — How long have those banks been in Henty and Rupanyup, et cetera?

Dr BYRNE — Since 1996, 1997 and possibly early 1998. The next set of statements in figure 7 shows the community support by banks. There was general support for the statement ‘It is important that banks be involved in civic activities in their communities’. There was a bit of polarisation with ‘Banks care about their communities’, in that 26 per cent disagreed and another 9 per cent strongly disagreed. There is some further analysis below that. Forgive my labelling here, but I could not work out a way of fitting in the statement ahead of the column.

Table 5 relates to the three statements in figure 7. Figure 7 covers the entire population, and I have broken it up into Bendigo Bank and other banks. The left-hand side of the table is Bendigo Bank customers only, and the right-hand side of the table is the rest. That does not include the entire population. Looking at the figures which show who agrees and who disagrees with the statement that banks care about their communities, it is not so evident with Bendigo Bank, with only 4.5 per cent disagreeing compared with about 44.2 per cent for other banks and 16.3 per cent strongly disagreeing. The polarisation in the chart in figure 7, headed ‘Banks care about their communities’, tends to come from customers of other banks. It looks as if the community bank customers are in broad agreement with their bank caring about their community, which I guess is what you would expect.

There is broad agreement with the third statement about the objectives of banks in their decisions about granting loans. A few feel disgruntled, but a large chunk have no opinion, perhaps because they have had no experience of being granted a loan or applying for a loan. The picture that emerges when we look at the table as opposed to the figures is that the Bendigo Bank customers tend to be much happier with their particular bank. It is simply that they feel they have been to some extent rescued by Bendigo Bank.

Mrs COOTE — Were those people involved in the setting up of the bank, so they had a proprietary interest in setting it up?

Dr BYRNE — Not necessarily. This was a random sampling of the population. It is likely that many in the survey were involved in the set up, but it is not necessarily the fact. That was not a question we asked. Possibly it could have been useful; possibly it could have been an excluding criterion. It has been sometime. So I decided not to ask that question because it was a phone survey, and if you clutter it up with too many questions you discourage respondents from answering.

Mr THEOPHANOUS — It is really only question 2 that discriminates.

Dr BYRNE — Yes. It is really what people feel, that banks should be involved in their communities, and banks are generally objective. Everyone seems to agree with that. Where people are asked, ‘Does their bank really care about their community?’, there is a split which tends to run along the lines of: ‘Which bank?’.

Mr THEOPHANOUS — It is a pity you did not ask the question, ‘Do you think your bank cares about the community?’. I think you would have split it up even more. If you were a Bendigo Bank customer you might say banks generally might not care, but my bank does.

Dr BYRNE — I think I did ask the question about your bank caring about your community, but I have not put it on there. I will check that for you.

Mr THEOPHANOUS — That would explain the discrimination.

Dr BYRNE — The next set of charts on page 9 deals with bank employees and their commitment to meeting financial needs. I do not want to discuss those in any depth, unless someone has some questions. They are

not so relevant to what we are on about today, because they are more to do with how the employees of the bank are perceived by the customers than with the bank and the general situation.

Mrs COOTE — Is there any difference between that and the results if you do the same survey in the city?

Dr BYRNE — I have not done that in the city, but I have looked at other surveys that have been carried out, such as one by the American Banking Association. I cannot get my hands on any that have been done in Australia, but the results seem to be consistent with what I have looked at. Their surveys have been done across all demographics, both large cities and smaller towns. Looking at the American experience and trying to translate that here is not such a good idea. I really could not hazard a guess on what sorts of responses I would get in metropolitan Melbourne or Sydney. I suspect they would be very different.

Mrs COOTE — That is what I wanted to establish.

Dr BYRNE — In the metropolitan areas of Sydney or Melbourne or other major cities people generally have not had their bank taken away and put back. They have not had the experience of feeling, ‘What do I do now because I have not got a bank in my town?’, or, ‘If I want to use the branch teller where do I go?’. If they have not been subjected to that, you will not get the same pattern of responses. These people have gone through a minor crisis in their town where the structure has been taken away.

Mrs COOTE — A town is different. In my electorate elderly people who have relied on a bank that has been closed have certainly felt the same impact. I agree it is not quite the same impact as in a rural town where there is nothing, but there has been an impact.

Dr BYRNE — This is a city electorate.

Mrs COOTE — Yes.

Mr THEOPHANOUS — Are you able to provide a breakdown of figure 8? The figures are not very helpful unless you break them down in terms of Bendigo Bank and other banks, because really this is an evaluation of or a comparison between community banking and other sorts of banking. Is it possible to provide a breakdown?

Dr BYRNE — It is possible. I refer to table 6 at the top of the next page, page 10

Mrs COOTE — Did Bendigo Bank fund or put money into this survey?

Dr BYRNE — The university and Bendigo Bank jointly funded the survey.

Mr McQUILTEN — What is the main thing you learnt from this study?

Dr BYRNE — The main thing is that people in these communities value Bendigo Bank’s presence pretty highly and are reasonably happy with their experience thus far.

The other main point, which leads on to Ian’s point, is what the effect would be of removing the bank, in financial terms. To do that, we asked the respondents a series of questions on their current spending habits and came back with the question: ‘Put yourself in the situation where there was no bank in your town. What would you do now? Would you still buy this particular item locally, or would you have to do it non-locally?’. That is the direct financial impact section on page 12. I will not spend a lot of time on this, because obviously Ian has done a lot on it.

The two tables are 9 and 10. The percentages in table 9 include the percentage of respondents who said they would change from local buying to non-local buying for particular expenditure items like food and non-alcoholics, alcohol and tobacco, clothing and so forth. The right-hand column is the average weekly expenditure on those items as given by the ABS in the 1998–99 household expenditure survey. Using those percentages and adjusting for the fact that not everybody smokes or drinks, we calculated some dollar impacts, which are presented in table 10. For food and alcohol we can look at the total impact across all five survey places. For instance, in Henty, for just food and alcohol, the change from local to non-local buying would mean that \$416 440 would not be spent in Henty; it would be spent in another location where presumably people could also do their banking. So the first table is the percentage who would change from local to non-local buying if the bank were removed, and the second table is the dollar impact for each of those items. If you look at the total annual impacts for each location, Henty is about \$780 000; Minyip, \$484 000; Rupanyup, \$370 000; Toora, \$97 000 — quite small; and Upwey, \$2.6 million. The numbers on their own do not mean all that much, although they are fairly large.

The very last table, table 11, looks at the amounts from table 10 in terms of the annual income for the postal area. In many cases you can line up the postal area with the area you are talking about. Quite often the postal areas are a bit larger. The taxation department gives data for total income and average income and several other variables for each postal area in the country. Using those for the 1998–99 tax year, I used the annual amounts going out of the town and expressed them as a percentage of the total income. For Henty the effect was that about 5.3 per cent of the total taxable income earned would be leaving the town if the bank were to be closed or moved out. Those smaller, more isolated communities like Minyip, Henty and Rupanyup tend to have a much larger effect if the bank goes. The logic behind it is that if there is no bank branch people will tend to move out to do their banking and at the same time do their grocery shopping, fuel buying, and so forth.

I have run over time, so I might call it a day there. This particular piece of work leads on to what Ian is going to say, so I will hand over to Ian and answer any other questions later.

Mr THEOPHANOUS — Just before you do, I want to make a point and see if you agree with me. In relation to table 6 on page 10, I consider that to be basically an indictment of the banks, if you look at the non-community banks. Because if you compare the statements and look at the disagree and strongly disagree components, they are saying that, for example, 32 per cent of people do not think that banks are committed to meeting their financial needs compared to 8 per cent for the Bendigo Bank, or that 32 per cent do not think that banks are flexible, compared to 7 per cent for the Bendigo Bank. Even on the other one, whether employees explain their services, 24 per cent are saying that they do not, whereas there is only 1 per cent in the other case. It is a complete indictment, is it not, of the banks in terms of providing services?

Dr BYRNE — It does not look good, does it, for the other banks? They really do need to get their act together in these communities, anyway. When I say it is an indictment, I do not disagree with what you say, but I am trying to stay a bit more objective in what I say. I think that the customers of other banks are indicating that on these issues they are not that happy.

Mr PINGE — Taking three surveys — that is point 2 on the opening page — we did a survey of businesses. We found that local businesses increased by an average of 8.7 per cent following the opening of a community bank. That was the question we asked. I regret that we did not ask the same question as in the consumer survey, which is the one Graeme has just spoken about. If we average those figures out crudely, it looks like consumers are saying that expenditure would drop by 11.7 per cent if the community bank closed. There was an earlier focus group — just people in a group — which preceded both our studies and which suggested that expenditure would increase by 16.4 per cent once a community bank had been established. So there is the range, if you like, of opinions about how spending is going to change.

I set up subregional economic models for each of the six areas — remembering that Rupanyup and Minyip share a bit of a branch between them, so we took those separately. In setting up the models, this is the first time we have taken modelling down to such a small micro scale as that. I suggest somewhere in the report a little bit of disquiet that we may be within the range of 20 per cent only of accuracy with our modelling, just because of the nature of trying to use top-down data to sort of replicate what is happening in a small town.

The selection of businesses in a small town is very random by the time we get down there. Therefore if we are talking about the retail sector, it does not mean we are going to have a department store or a clothing or footwear store, et cetera. That becomes hairy. We did some survey work, and we had to adjust quite severely some of our sectors on the basis of the survey. So please keep that in mind as I start talking about the results. This is the first time we have gone down to such a small community, and we still have some feeling of disquiet. I am much more confident modelling somewhere like Bendigo or Mildura.

Basically we put the changes described in the consumer survey by Dr Byrne into the models as decreases in retail spending and medical health spending and then tracked the flow-on effects of that as it rippled through the community. It means a slightly smaller purchase of inputs in the local economy and a small reduction in employment, and therefore consumption effects are also likely to go down to some extent. This can be countered a little bit by saying that if somebody loses a job they do not stop consuming entirely — whereas the model is suggesting that — because they may go onto social security or a retirement income of some kind. We may well have slightly exaggerated the effect, but the multiplier or flow-on effect is very small in these communities anyway, so the chances of overestimation are reduced by that. I am happy to answer questions, because it is a little hard to explain quickly. Once we did that we found that retail trade, including the flow-on effects, was likely to go down by 36 per cent. As I said, take this with a plus or minus with model inaccuracies, but to me it looks high.

I have called this a preliminary report. We were assembling final figures on Monday just to get this ready on time. We took the flow-on effects of medical and health expenditure. Obviously if people are going to another town for their banking they may well — as was suggested in Dr Byrne's survey — change their retail habits, and the flow-on effects amounted to 5 per cent within the region. We took all these flow-on effects to retail trade and expenditure and looked at how that affected purchases of inputs and also employment, as well as the effect on the economy. Taking that through to jobs, we see that the closing of a community bank averaged across the six areas would be a 3.5 per cent drop in employment, simply because more expenditure is allowed to leak out of that small regional economy and that costs jobs in the region. That is saying that a local bank, whether that be a community bank or another bank — we are not sure at the moment — will be responsible for generating further employment. If it closes, we would expect on average that employment would go down by something like 3.5 per cent in that local town. If we take 3.5 per cent, it is not a big number; but add that on to existing unemployment rates and suddenly the number looks more serious. Take 3.5 per cent of the Victorian work force: that is a large number of jobs.

That is the summary. Beyond that there is the full report and the effects on each of the towns; and as Dr Byrne suggested, depending on the extent of the isolation of the town, the effects will vary. We have not had time to look closely at the variation between the towns to explain those, but in some isolated communities — Henty, for example — 45 per cent predicted a drop in retail trade. I still find that hard to comprehend. Do not forget this is not the initial change predicted by the survey but the flow-on effects. If the bank closes, people have to go to another town to do their banking, so they will do their shopping elsewhere. That means local trade may well be either forced out of business or caused to cut back severely, resulting in fewer jobs and therefore less consumption in the town. Fewer jobs may well mean that people of a working age may well have to leave the town, so the effects of that are quite serious.

We used to monitor what was called the bastard rating of the banks and how that was going up or down week by week. There is no doubt that in the towns where the last bank left those towns were feeling distraught and knocked around. These sorts of figures suggest why, because the bank has a very important role in keeping the people in the town for their consumption habits. Showing the details of the various towns is as far as the analysis has gone.

The CHAIRMAN — The committee has taken evidence in many rural areas in Victoria. It is good to have some research to confirm the sorts of things we have heard. You have, from my point of view, confirmed a lot of that. It is good to have a research-based analysis to prove this up in respect of both studies. Your document is a preliminary report. Would you be happy to send the committee the final report when it comes to hand? Is that imminent or is it a bit down the track?

Mr PINGE — It is not too far away, and we are here with the permission of the Bendigo Bank. There were restrictions on the publication, but it allowed the whole thing up and allowed us to present this. It has not seen this report, so it was not as if the bank was thinking it was all going to be good. I suspect it would be happy for me to pass it on to the committee.

The CHAIRMAN — Subject to that, do you think it will be within the next few weeks?

Mr CRAIGE — Before Christmas?

Mr PINGE — No, not before Christmas. January is the fishing month, so it will be February.

Dr BYRNE — The expected completion date of the project was February.

The CHAIRMAN — It would be great if the committee could get a copy.

Mrs COOTE — The committee has to make suggestions about some ways forward. Do you think it would be helpful if the state government funded another, broader survey to look at these specifics? Given the methodology you have come up with and the way you have presented this excellent report, do you think it would be useful for the government to take it to the next step and look at the impact on the larger towns and perhaps do some comparisons with community banks in city areas?

Mr PINGE — Yes, that would be excellent to consolidate the figures we have, and to then look further at the way we get the variations between the various areas would be most interesting.

Mr THEOPHANOUS — How many were included in the sample?

Mr PINGE — Basically it is based on Dr Byrne's survey.

Mr THEOPHANOUS — So it is the same people.

Mr PINGE — Yes.

Dr BYRNE — We would like to introduce some controls into a survey such as this and look at towns where there are no banks at all.

Mrs COOTE — That seemed to me to be the issue in reading this report, because they are already well established. Mr Pinge, we have seen the anger you have spoken of about the fact that there are no banks. It would be interesting to see the difference between those statistics.

Dr BYRNE — That is the statement of intent we are getting to, and it is nice to have a base level to compare. It would require a much larger study to incorporate enough localities to give enough power to detect these differences in perceptions and attitudes.

Mr THEOPHANOUS — I am a bit concerned about the methodology that is employed and the conclusions that are reached. I know it is tempting to accept them. There are a couple of points that need to be made, one being that the flexibility of 20 per cent plus or minus is a very substantial range.

Mr PINGE — Yes, it is.

Mr THEOPHANOUS — Which means you would have to use the figures with a great deal of caution. Secondly, in looking at retail trade as the measure, what happens to that when it shifts out of a particular location, if that is what you are suggesting as a result?

Mr PINGE — It is what the survey result suggested, yes.

Mr THEOPHANOUS — If that is what occurs, you cannot draw the conclusion from that that retail trade would disappear. The fact that there is actually a geographic shift and the extent to which it is a geographic shift would need to be factored in. In looking at Henty, \$672 000 is the amount that you are saying is a reduction as the base figure. Those people would still buy those goods; they just would buy them in a different place. Presumably that is what your survey is saying.

Mr PINGE — To a regional economist interested in the region — and in this case, a small town — it is a concern to me if it shifts out of that town and goes out to another town.

Mr THEOPHANOUS — I understand that, but you are not saying that that expenditure is lost completely from regional Victoria?

Mr PINGE — No, I am certainly not saying that. I am saying that to the town itself it is very real and very important.

The CHAIRMAN — You would have the feeling in that case that the shift of funds to other places would be to bigger towns and not smaller towns.

Mr PINGE — That is how the banks are moving, yes. I have put another statement out there. We have not had time to deal with it, but I will leave that with you. It is looking at structural change in Bendigo over the 10 years.

Mr BEST — About which I would like to ask some questions at a future date.

The CHAIRMAN — That is noted. Thank you very much for the time you have given. I would like to express appreciation on behalf of the committee through you to whoever at the bank allowed you to make this information available to us. You might pass that on to whoever it is. This information is extremely interesting to us and we appreciate the time you have given in coming along to present it and the way you have answered the questions, too.

Mr THEOPHANOUS — Just one final question: have you generated any correlation coefficients between the variables you have used because it is a lot easier to comprehend, particularly the attitudinal ones —

Dr BYRNE — Not yet. As I said, we have had the data for about 10 days.

Mr THEOPHANOUS — I would be very interested in the correlations expressed as coefficients between some of those variables.

Dr BYRNE — That will come in the major analysis that will be done over the next seven or eight weeks.

The CHAIRMAN — We will send to you a copy of the Hansard record of our discussions for you to have a look at to see if we have got it right. Thank you again for your time.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Bendigo – 12 December 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
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Research Officer: Ms K. Ellingford

Witness

Ms B. Brooks, Central Victoria Area Consultative Committee.

The CHAIRMAN — The Economic Development Committee is an all-party investigatory committee of the Legislative Council. 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.

Welcome, Ms Brooks. If you would like to make an opening statement, we will then ask some questions. Sadly, we have only 20 minutes to do all that.

Ms BROOKS — I am from what is now the Central Victoria Area Consultative Committee. We changed our name to represent the area that we cover, from the Macedon Ranges right through central Victoria to Sea Lake. Am I safe to assume that you understand the role of the area consultative committee (ACC), or do you want me to cover that?

The CHAIRMAN — Probably, yes, but if you want to cover it for our record briefly, that would be great.

Ms BROOKS — ACCs have been the responsibility of the Department of Employment, Workplace Relations and Small Business but with the latest reshuffle of federal cabinet we have now moved to the Department of Transport and Regional Services. So the role I will outline very briefly now may change; we just do not know.

Currently we have responsibility to work in partnerships with business, communities and government, particularly local government, to find local solutions to local problems and, using a well-used term, to capacity build the community: to help communities identify their needs and find ways to fill those needs. We have responsibility to try to stimulate economic growth through job creation and we have a number of programs that we promote at federal level to do that, particularly the regional assistance program. Again, we are not sure whether that will continue under our new portfolio.

We are currently working closely with small business. We have a key role with small business to ensure that they are aware of and have access to government services and programs and to foster cooperation and promotion between small business. We have a very key role in providing feedback to government about what is happening on the ground, and on the other side to inform community and business. We are part of a national network of 58 ACCs. We are run by a committee of local people. The chair is appointed by the secretary of the department — it is actually a ministerial appointment — but the committee are all local volunteers. I am a paid employee of a committee.

The CHAIRMAN — Maybe if we could get on to the issues of structural change. We would be keen to hear your evidence on the changes that you have seen occurring, both good and bad. We are particularly interested in anything that you think a state government could do to assist with the concerns and issues that your area comes up against.

Ms BROOKS — I should qualify whatever I say by letting you know that I have been in the job only since August, so I am a new kid on the block. I have had a long history in the Commonwealth Employment Service and I have been a volunteer in Sri Lanka in the past two years prior to starting in this job, so I have even been out of the country for a couple of years and my knowledge is a little bit thin on the ground. I thought that because the ACC had put in a written submission it should be represented today. Using our written submission, my predecessor has highlighted an issue that keeps coming up whenever I am out in the community about questions about the quality of training, particularly in traineeships. Terms that are used are ‘tick and flick’ against the competencies, rather than assessment. We get that both from business and from trainees. There is still concern out there that the training is not always quality training. I do not know how you fix that.

Mr CRAIGE — Do you mean that there are questions about the delivery of that training?

Ms BROOKS — Indeed, both in terms of whether it is actually delivered or the competency is just ticked or flicked off, and the actual quality if it is delivered. Those concerns are still being expressed.

Ms DARVENIZA — What sorts of places are expressing concerns? You talk about quality apprenticeships, so I assume you are saying that apprentices are not being trained properly and that they are doing their apprenticeship and it is just being ticked off. There are also traineeships and there are probably more private providers set up to deliver those than apprenticeships. What sorts of places? It is a real concern that you are saying this is not new and is coming up all the time. Can you give the committee more details?

Ms BROOKS — It is predominantly in the traineeships.

Ms DARVENIZA — What sorts of traineeships?

Ms BROOKS — I have only been doing it for the past four months, but I have been speaking to staff who have been hearing it for the last 18 months to 2 years, which is the longest we have had a staff member. It is mostly in the area of office skills, white-collar type traineeships. We are not hearing it to a large degree in the apprenticeship training.

Ms DARVENIZA — That is not what the statement says.

Ms BROOKS — Let me put it this way — the old apprenticeship. The terminology is a bit confusing.

Ms DARVENIZA — Your written submission says that many of these issues were raised at the conference, so it was more to do with traineeships.

Ms BROOKS — Yes. I understand at a federal level that they are called new apprenticeships. The terminology is a problem. In using traditional apprenticeships and new traineeships, we are not hearing it so much in the traditional apprenticeship area.

The CHAIRMAN — So the plumbers, welders and electricians are coming out okay, but it is with some of the traineeships, to use that word instead, in the areas of office training et cetera.

Ms BROOKS — Office skills, retail skills, those sorts of areas.

The CHAIRMAN — When the employers take on someone with that traineeship, they find that the skills they are meant to have learnt are not as adequate as they would have expected for somebody with that qualification.

Ms BROOKS — Yes, we are getting that feedback. We are getting feedback from trainees themselves that they feel they were not given the training but the competencies were ticked off. We are getting feedback that even though trainees go off to training, they are not coming back able to translate that training into skills on the job.

The CHAIRMAN — You are saying that the change in the delivery structure is a cause of this happening, are you? The committee's reference is to look at the effect on rural and regional Victoria as a result of structural change. You should make it clear whether you believe structural change has caused the problem so that we can determine how relevant that is to our reference. It is a pretty basic sort of a question.

Ms BROOKS — It is a dilemma of cause and effect.

Ms DARVENIZA — Or are you saying that because people are not as competent as they are supposed to be, or should be, at the completion of particular courses, that that has had some sort of impact on or led to structural change taking place in a particular way?

Mr CRAIGE — Before you go to that, is it not also about the delivery? Has the form of delivery changed in a structural way resulting in that outcome?

Ms BROOKS — I am not aware of changes in delivery that have caused the problem. One of the changes that I think has contributed is that in the old days there was a government organisation such as the Commonwealth Employment Service which had a monitoring role on the ground. It was regionalised; it was all over the place. That is no longer there.

The CHAIRMAN — Did the CES as it was monitor the quality of training that was being provided?

Ms BROOKS — The CES was an avenue where people went to lodge complaints and where feedback was passed through.

Ms DARVENIZA — There is a whole training system in place with state training boards, national training boards, and accredited training programs. You do not get to set up traineeships unless they have been approved and accredited, and you have to be an accredited provider as well as having curriculum that is ticked off and competencies that are ticked off. There are still government organisations at a national level that have responsibility for overseeing. There is a whole training system out there. Are you saying that has changed or is failing?

Ms BROOKS — I am not sure, and I am guessing here — I will qualify that. I suspect that from a trainee's point of view, rather than a trainer's, access to an avenue where you can say that things are not going

right is not as good as it used to be. I suspect the local learning employment network (LLEN) will fix that. That is a state government network through the Department of Education, Employment and Training, and it is very close on the ground, very connected with young people.

Mrs COOTE — How does that relationship work?

Ms BROOKS — DEET funds and manages the LLENs.

The CHAIRMAN — I am particularly keen to hear from you on your point 3, if you could move into that area.

Ms BROOKS — This is a difficult area. I am not sure how competent I am to say anything definitive about that. I did a little research on the availability of data on national, state and regional labour skills shortages. I have my doubts that it has ever been available at regional levels except through CES data which is now available through Job Network. What is different is that it is much harder to gather because you might be dealing with 10 Job Network providers in Bendigo alone where previously that was dealt with by one provider, so you have to gather it 10 times. It is an area where consultative committees are doing a lot of research in skill shortages.

Mr CRAIGE — People argue, on the other hand, that because there are more Job Network providers that the competition is more fierce and therefore there is a greater awareness at the coalface and working with employees, and that it has improved. It might be harder to get data but you hear both from employees and employers that that has been a positive move.

Ms BROOKS — It could very well be — it is just that it is harder. I was looking at it from the point of view of gathering the data. I have only been here four months but my dealings with Job Network are such that I believe it is pretty switched on in terms of knowing what is going on on the ground. It is pointing to occupational and skills shortages, but I do not know that you can say those shortages have been caused through structural change.

Mr CRAIGE — Collecting the data is certainly a change that has occurred from a single authority now through to anything from up to 5 or 10?

Ms BROOKS — Yes, so it is harder to collect the data.

Ms DARVENIZA — So it is harder to get a fix on exactly where the shortages are and what they are and maybe even on how you might go about developing a strategy for dealing with that; would that be right?

Ms BROOKS — Yes. In fact the very issue I am grappling with right now is how do you deal with it — that is, what do you do about it once you do get a fix on it. Certainly, the evidence is that skills shortages are getting worse.

Mrs COOTE — I was going to ask you just that question. You said there is evidence that it is getting worse in the region. What sort of evidence is there; is that just anecdotal?

Ms BROOKS — Anecdotal, feedback from the job network, with people saying there are more vacancies that they cannot fill. I prefer to think of it in terms of a labour market imbalance and what you can do to balance it — rather than looking at it only as skills shortages — and who are the players you have to involve. But that is a whole different discussion.

Mrs COOTE — Is it just a particular area of skills or is it right across the spectrum?

Ms BROOKS — Some of it is in terms of hard skills, whether you are a plumber or electrician. Some of it is in terms of the soft skills. There is certainly a perception that the available pool of labour does not have the skills to match the available pool of jobs. Whether that is reality or perception I cannot be sure because there are certain perceptions about people who do not have work.

Mr BEST — I think it is borne out — and Brian Gould who is coming shortly might be able to help us on that — that one of the things that restricts us in attracting business, for example, in metal fabrication, is that we do not have sufficient skills to assist in attracting that sort of business to Bendigo. We have a number of companies that have to go outside the area to get staff.

Ms BROOKS — But then metal trades are a national skills shortage.

Mr CRAIGE — Is it a matter for you as an organisation and as an employee to really hone in on this and say, 'We have these issues' and then take it further? We can talk about it but somebody has to start taking the bull by the horns, so to speak, and say, 'We have this issue in Bendigo' and then ask, 'What are we going to do about it?'. Somebody has to start moving in a proactive way in trying to match up the people and the jobs. We have heard this story before in many of the country towns we have been to on our visits — that there is this real issue. I would like to feel there is somebody saying, 'Yes, we are going to look at it, and we certainly will be trying to look at solutions'.

Ms BROOKS — We have a role in looking at solutions and doing research and passing back that information. But these sorts of skill imbalances are not new. I remember arguing in 1983 with industry about training more apprentices in metals and saying that the problem was going to get worse, not better, but 20 years later we are still discussing the same issue.

The CHAIRMAN — Thank you very much, Ms Brooks. We appreciate your time. The fact that we have had a submission is great. We will send a copy of the Hansard record for you to look at.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Boort – 12 December 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 K. Ellingford

Witnesses

Cr S. McLean;

Cr J. Corrie;

Mr M. Amirtharajah, Acting Chief Executive Officer; and

Mr G. Harris, Manager, Economic Development, Shire of Buloke.

The CHAIRMAN — The Economic Development Committee is an all-party investigatory committee of the Legislative Council. 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 Parliamentary Committees Act and the Constitution Act.

I thank the Buloke Shire Council for making these facilities available for the committee today. We appreciate that very much, and we are pleased to be at Boort. We have travelled extensively around Victoria seeking information and advice from a whole range of people. We have spoken to quite a number of shire and city councils and have found that experience worth while. I invite you to make an opening statement, after which committee members may ask some questions, within the time available.

Cr McLEAN — I should clarify that we are from the Buloke Shire Council, but this building belongs to and is part of the Loddon shire, so that gives some indication of what the amalgamation and boundary changes have done up here.

Briefly, for those who are unaware of Buloke, its location is on the Calder Highway and Sunraysia Highway in a corridor that is 240 to 400 kilometres north-west of Melbourne, with Bendigo approximately 90 kilometres from the southern boundary. Swan Hill is to the north and Horsham is to the south. The shire is approximately 145 kilometres from its southern to its northern boundary and 90 kilometres from its eastern to its western boundary and covers an area of 8004 square kilometres. There is no regional centre, but its major centres are Birchip, with an estimated population of 800, Charlton, with 1000, Donald, with 1400, Sea Lake, with 700, and Wycheproof, with 730. The population data is listed on the sheet we have given to the committee. The population trend shows that the region is obviously a declining population area, which is of major concern to Buloke shire and its ratepayers, residents and businesses. The ability to sustain key services in some towns is coming under threat. A higher proportion of low-income households exists in this area compared with Victoria generally, and that depends a little on the seasonal conditions. There are a few other statistics, such as the various age groups, but we are an ageing population as well as a declining population.

The major industries include broadacre agriculture — we do not have irrigation areas, so we do not have those highly intensive horticulture industries — retail, health and community services and education, and there is some processing manufacturing, which we will look at a little later. Buloke shire has been informed by the grants commission that it has the largest road network of any municipality in the nation, not just in Victoria. So we have a large road network to maintain, which is a constant challenge for the council. The area is one of the largest cereal grain areas, with legume and pulse producers of export quality bringing export earnings into country Victoria. Approximately 20 per cent of Victoria's grain is grown here. The area has the greatest population per municipality decline in Victoria. That has been well documented, and no doubt the committee has seen the latest from the bureau of statistics regarding that. The figures on the population change over the past five years are self-explanatory.

Buloke is a little unique, and that is always a challenge for the council. Before council amalgamations there were five offices. Wycheproof had two offices — one at Wycheproof and one at Sea Lake — and each of the other councils had their own offices, which have been retained, certainly at an expense. But the ratepayers say they want that access, so that is currently the situation. Some other issues include the lack of water quality and quantity, which is one of the inhibitors, as we mention a little later, in attracting the value-adding-type industries. We have already mentioned that the area has one of the lowest per capital incomes. We have lost more than 10 stand-alone banking facilities and 30 staff. A lot of professional people are leaving, so some of the potential leadership is leaving the community.

Many other banks have been reduced to agency status. To give an example, a town of Wycheproof's size, with 730 people, has access to a trading bank for 12 hours a week. There are other banking facilities, but that is through a post office or something similar. In the past these banks have provided many training jobs to first-up job seekers and have also provided treasurers and secretaries for many clubs and other people who add value to the community. Hospitals are amalgamating and services are being downgraded. I do not know whether it is 'downgraded' so much as 'rationalised'. At the moment, under the East Wimmera health service plan the Shire of Buloke will not have an operating or acute facility. The current plan is that that will happen in a different area. Hospitals will still be here, but we will not be able to have an operation unless some of these things are changed.

I refer to some of the infrastructure that has obviously come along with amalgamation. When you put all those things together councils have a lot of infrastructure. Some of the simplest to explain are the public swimming pools that were built in the 1950s, when every shire put their own in. They are now approaching the end of their useful life, and we are being forced by regulation to upgrade them to various levels. There are also all sorts of

regulations on their operation. They are a continual impost on our budgets. Some of the community groups that run the pools are becoming more concerned about raising money than about providing a good recreational service. We certainly do not want a situation where we have people back swimming in dams and channels, and we do not envisage that happening. The council is doing its best, but that is one of our challenges with ageing infrastructure.

I have spoken to some government people in the past, and they have suggested that we should just build one good pool and aquatic centre and bring everybody to it. That just does not happen in a municipality like ours, where we have people all over the place, and in hot weather they just cannot travel.

The CHAIRMAN — We are going to run out of time, Cr McLean, the way we are going. I will leave it to you to work it out.

Cr McLEAN — We have talked with the infrastructure planning council about some of the infrastructure, pointing out some of the things to do with energy.

The CHAIRMAN — Are you referring to wind-generated power?

Cr McLEAN — No, we are talking about solar power. There is also an opportunity to get into green energy through Green Mallee. In the new year we will be investigating that, together with a couple of other authorities, and looking at growing oil Mallee for activated carbon and some other issues.

Mrs COOTE — What is oil Mallee?

Cr McLEAN — It is a type of tree. They are growing it in Western Australia. It becomes a continual cash crop; you can harvest it every three years. You grow them in three rows and each year you harvest one row. There can be normal farming between the alleys. The idea is to grow the oil Mallee, which is then put through a process. When it goes through the furnaces the oil is taken off and it is environmentally friendly. As you are probably aware, Australia is a net importer of eucalyptus oil, so we would have some of that — although we do not see that as the major benefit of it. The activated carbon which is used in a lot of industry is something we would be able to use. It has a very tuberous root system, so there are great carbon sequestration opportunities. When you are burning the stuff you produce steam. The idea of that is to drive turbines and sell the power back into the national grid. There is an opportunity to do it in this region. Solar power is obviously something in which we believe there needs to be more research and development.

One of the issues we have with the power network is that currently the evidence is that there is very little money being spent on the infrastructure to keep it maintained. So we may have power available to put down the powerlines, but if the network is not sufficient to do it through proper substations — we are suggesting that Charlton needs to be upgraded — if we were to attract a major industry into the area now we would probably find it hard to find enough power for it to run the industry.

You have probably heard this in many other places, but we certainly support the piping of the Wimmera–Mallee stock and domestic system. Part of that plan is for water to be coming from the Waranga Basin across to Charlton and going right across to Birchip. That would certainly create some opportunities for us in the Charlton feedlot, which could double in size if we could get enough water. It is a niche industry, it is the biggest feedlot in Victoria and it has just won a national award for its produce. Water is the issue currently. The cost of doing business in rural areas is noted, and I will leave you to read that. There are a few other issues in the paper.

On housing, in these small towns, even though we have a declining population, it is nearly impossible to rent a house. So public housing is becoming a real issue. The main reason is that in the past a lot of elderly people would move out of their homes and into nursing homes. With the current health service a lot are encouraged to stay at home. That takes up a lot of our housing stock — and there are probably other reasons for that.

I will slip right over to the conclusion, to give us an opportunity for some other comments. We are desperate for our towns to survive and grow. We need assistance from the government to develop some incentives to actually encourage companies to come into the area. One of the ways that I believe we can do that has been addressed: Buloke shire has written to the federal government offering Buloke as a pilot study for an enterprise zone. It is a unique area. It has no major centre. We have the declining population versus the increase in primary production, which is essentially for the export market. Just recently over the last couple of years we have had major investment by the Australian Wheat Board and by the Australian Bulk Alliance at Nullawil. In the last two or three years almost \$30 million has been spent on putting that infrastructure into our shire. That is certainly going to provide better terms of trade to our local producers and obviously to the companies when they are exporting. The next

logical step from here, as we see it, is to encourage the further enhancing of that. My view is that instead of exporting the commodity we should be exporting the product. I would like to see us now explore anything that can be done to value add, such as flour milling, starch extraction or getting into oilseed crushing. They are the sorts of opportunities we see if the climate is right for these people to come and invest.

The CHAIRMAN — Thank you, Cr McLean. Does the council have an economic development unit?

Cr McLEAN — Yes, that is Graeme.

The CHAIRMAN — I would be interested to know what the council is doing through the economic development unit to enhance local commodities, as the shire is suggesting, in terms of trying to encourage people to get involved in those industries. What work have you done in that regard?

Mr McQUILTEN — Have we heard from Mr Lee? You can explain the connection.

Mr HARRIS — John McQuilten was on a parliamentary committee that went to China, where we looked at oil crushing. There was a strong interest in a Chinese consortium setting up an oilseed crushing mill in Donald. Stuart and myself did the presentation. We really believed they were industrial tourists and they were playing with us a bit. It is certainly something we have to follow up again now, because the planning issues are in place. They found it hard to work with planning and with Australian standards in production. It is something that we should follow up again. We were trying to attract Chinese investment into the oilseed crushing business. We appreciate the government's help in that effort. That was among other things. We are working with people to develop markets, as in your study. We are working with the department of agriculture. We are trying to interest farmers cooperative groups to value add to their grain. We have a pulse cooperative of 400 or 500 members. We have small grain cooperatives that we are encouraging. We are working with our Birchip cropping group, which is looking at making our farmers more productive, growing different products and giving them the research in that area.

Buloke shire works extensively on the industrial estates to get the infrastructure in place and to make the climate right for industry to come to our area. We feel there are impediments to doing business in the country. We feel that the government should get an incentive package in place that takes away some of those impediments and encourages industry to do business in small rural areas like ours.

The CHAIRMAN — Have you got a list of the impediments that you consider to be of greatest concern to you and a list of the specific incentives that you think the government could initiate?

Cr McLEAN — We have listed some of the impediments in the submission. If you wanted us to give you some more detail, we would be happy to do that.

The CHAIRMAN — If it was your desire to that, we would be very interested in receiving it.

Cr McLEAN — Graeme can organise that.

The CHAIRMAN — Does the Shire of Buloke have any rural transaction centres within its boundaries?

Cr McLEAN — No, currently there is no rural transaction centre in place, but there are four applications that I am aware of. Some of those have already been funded for the business planning phase. Those applications go in before Christmas, and there will be an decision early next year as to whether they are successful.

The CHAIRMAN — The amalgamation of municipalities meant that four councils were amalgamated into one. I would be interested in your comments as to the advantages or disadvantages as a result of that amalgamation to create the Buloke shire.

Cr McLEAN — I am happy to start, and I invite the others to comment also. The major advantage in the early stages — and I had nothing to do with local government when this all happened, so I am the new kid on the block — was that there were some major savings of the order of half a million dollars in the administration area. Apart from that, no other savings could really be identified. In that regard, in actual cash, I guess the sharing of the resources of the various councils came together, which was of benefit.

Buloke's various communities like to fight for themselves, and councils try to instil in them that they do that, but not at the expense of other towns within the shire. We try to promote that. Each town is certainly fighting for itself, and if you followed the debate with the East Wimmera health service right now you would see that it is a

replication of what happened when local government amalgamations were on, so it is another rationalisation or amalgamation of the service across the region.

The Buloke community is slowly getting there, but there are certain comments that you hear. I was at a recent public meeting, and during a discussion over a facility someone said, 'This was being done a certain way before amalgamation; since amalgamation it has gone downhill'. People still have that in the back of their minds about amalgamation. I was not involved in local government before amalgamation, but looking at it from where I sit now, it is working okay. It is just the sheer size of the place — and we will not get any smaller, let's face it. It will probably remain at least that size. The area does not have a major centre, so it does not have a real identity. There are a lot of good benefits. We have managed to keep the offices open, so people still have that interaction with their local government office in their own area. That is continuing to be reviewed by the council. The corporate plan states that we will keep those offices open, so they are here to stay.

The CHAIRMAN — Cr Corrie, did you want to comment on that?

Cr CORRIE — Yes, thank you. I am also new to the council and was not involved in local government before amalgamation. There are a lot of benefits for a very large shire in having more ratepayers to contribute financially, but I have also noticed some lingering financial problems and liabilities. We still have loans that we are repaying from the amalgamation of the four shires. That makes it difficult to have a clean start, and it takes a long time to repay loans that are picked up from an earlier time. I agree with Stuart that there are definite benefits. Because the towns are still so far away from each other, they individually do not see a lot of benefit in combining with each other to do things. Economically, however, with the scale of the place we really need to operate as a whole.

Mr AMIRTHARAJAH — I have been with the shire for the past five months. Following what Cr McLean said, I think the biggest benefit to the shire has been the aggregation of resources and being able to provide the services it has. We have difficulties because of the ageing infrastructure, and Stuart has already mentioned that. It is an issue we have to address, given that we have a very limited rate base, if you would like to call it that. Unlike some of the other regions with increasing populations, where they can subdivide and extend the rate base or attract new industries, we rely predominantly on an agricultural rate base, so there is a ceiling or maximum level to which we can get. We are aware of that, and it limits how much we can increase the rates and continue the services. The community has come to expect that level of service. As Cr McLean mentioned, we have tried to maintain the five offices and continue the services. The health service in particular is extremely difficult to maintain, given that the level of funding is falling each year. That is a difficult issue for us to grapple with.

Mr BEST — How will you attract health professionals to your communities?

Mr HARRIS — There are some impediments. We have our health services reasonably well serviced by doctors. Nurses are a real problem throughout the state. We are thinking of starting a nurses fighting fund. We would love some help from government, even in the form of direct subsidies to build houses. It is very hard to get houses, and a doctor needs a certain quality and standard of house. If we could get some assistance to build a quality doctor's residence, or if we could get assistance to offer nurses a package to come to our towns, I am sure that once they got here they would enjoy the quality of life and service in our hospitals. With the East Wimmera health group, council is working hard to attract those types of professionals to our area.

Mr BEST — What is the doctor situation in Charlton, Donald and Birchip?

Cr McLEAN — Currently they all have doctors. For example, at Wycheproof the current doctor has a young family. His wife is now going back to Melbourne with their children as they move into secondary education, so the writing is probably on the wall that the doctor will look to relocate himself over the next couple of years. The community put a magnificent effort into building a magnificent house worth \$350 000 to put the right things in place, but we still may be without a doctor within 12 months, so the fight goes on to get another doctor. That is not easy, and it is a continuing problem.

Mr BEST — What about at Donald?

Mr HARRIS — We have one doctor — Bradford has left — and he is a foreign doctor who provides an excellent service, but he needs the backup of the second doctor in the town.

Mr BEST — What about the doctor at Charlton?

Mr HARRIS — Dr Walklake is back in harness. He is an ageing doctor, and there is a problem with the ageing practitioner.

Mr BEST — What would he be, about 70?

Cr McLEAN — He has retired about four times, and as every doctor leaves he has to come back into business. He is getting to the stage where he will not be able to continue that.

Ms DARVENIZA — Did the amalgamation have an impact on employment opportunities for people in the area?

Cr McLEAN — Within local government?

Ms DARVENIZA — Within local on government, or even spin-offs into the community.

Cr McLEAN — There is a bit of history to that. 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 working, so we did not do a lot of outsourcing. One of the issues in the region is that we do not have major contractors to drive competition. We put a submission into the competition commission — Mr Cosgrave and Mr Plain — and we talked about the national competition policy and said that it is basically flawed for areas like ours, where competition is not possible because there is no market to drive the competition. When you have a limited market, competition does not work.

Ms DARVENIZA — Why have you determined to keep the five offices open? Is that job related at all?

Cr McLEAN — Probably not job related, but there are two reasons. One is service to the community, and we do not have a major centre that has a building that would fit them in in any case. If we were to do that we would be looking at spending massive amounts of money. Because of the size of the shire, we would have people driving all over the place. We have put certain services in certain offices, and the main administration office is in Wycheproof.

Ms DARVENIZA — You talked about the number of banks that have closed and the impact of that in terms of staff losing their jobs. What other impact, if any, has the closure of the 10 banks had on the community?

Cr McLEAN — We did go to the David Hawker inquiry as well, and we put quite a lot of that to them. One of the issues is that as bank services reduce people tend to look for other options. People tend to leave town to find that option, so they may well bank in another area altogether, and that means people leaving their towns. One of the other things that has certainly been of concern is the increasing use of EFTPOS. Now local stores have large amounts of cash on the place so that people can get money through an EFTPOS machine, and that has created some security and social issues.

Ms DARVENIZA — Has it had an impact on business in the smaller towns?

Cr McLEAN — It is hard to tell. In some towns I think it has had an impact on some small businesses that would have used that service, although people have left the town to do business elsewhere. I think it is pretty much established that as banks remove their services about 10 per cent of all your local businesses go with them. That has been pretty much our experience.

Mrs COOTE — On the federal government's first home owners grant, have you got enough young people to avail themselves of that? Is that something you can capitalise on to address the housing shortage that you talked about?

Mr HARRIS — It has not been actively picked up in our shire. We give a rate-free incentive for three years. We are encouraging housing to be built, so we give an incentive with a holiday from shire rates for three years. The first home owners scheme has been picked up in the purchase of houses, but as far as building new housing stock goes, it has not been picked up.

Mrs COOTE — There are two, with \$14 000 for new houses and the \$7000 for established houses. Is that something you can actively encourage among young people?

Mr HARRIS — We see it as a magnificent incentive, and we hope that young people will take advantage of it to build some houses. But it is very hard to get young people to commit \$150 000 to a new house, even with the \$14 000 in place, when other areas are booming.

Mr CRAIGE — I want to touch on the very important issue of roads. I notice that you recognise the successful commonwealth government's Roads to Recovery program and the roads of national importance program of the state and federal governments. But you are left with a dilemma with respect to your infrastructure, in that the majority of the roads are local roads which fall under your jurisdiction and which provide an important network for your primary producers. The reality is that there is no way in the world you can get out of it without assistance, isn't it?

Cr McLEAN — That is the reality. Mark might want to comment on that. We are developing a road hierarchy plan to try to rationale how we do that. It continually creates resistance within the ratepayer base, because people can see a road going somewhere and they have to get there. It is a problem. The new Australian Wheat Board sites are going to test our local roads, because they are bringing in massive trucks from all over the place at fairly high speeds. They will really test out our local road infrastructure.

The CHAIRMAN — Thank you for coming here today. We appreciate it very much. We will have another good look at the document you have provided for us. We wish you well at Buloke. I know it has been an interesting time up there — and it was interesting prior to the amalgamations, as I am aware, being a former local government person. We will send you a copy of the Hansard record of our discussion.

Cr McLEAN — Thank you, Mr Chairman, and thank you for the opportunity to be here. Graeme will get the information we talked about earlier. If you require any further information, we will be more than happy to talk to you and provide whatever we can, if it is going to be of benefit to our region as well as our municipality.

Committee adjourned.