

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Rutherglen – 1 October 2001

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Witnesses

Mr J. Costello, Chief Executive Officer; and

Mr D. Gallagher, Technical Services Manager, Shire of Indigo.

The CHAIRMAN — I declare open this hearing of the Economic Development Committee, which is hearing evidence today in relation to its inquiry into structural changes in the Victorian economy. I advise all

present at this hearing that all evidence taken by this committee, including submissions, is subject to parliamentary privilege and is granted immunity from judicial review pursuant to the Constitution Act and the Parliamentary Committees Act.

We welcome Mr John Costello and Mr Denis Gallagher. Cr Don Chambers is on the list.

Mr COSTELLO — We had him down for 1.45, after us.

The CHAIRMAN — We will see him shortly. We have all met you. We want to welcome you. How we usually run our hearings is for the witnesses to make an opening statement and then we ask some questions, so I propose to do that now and when Cr Chambers joins us we will continue on. Again, welcome and over to you.

Mr COSTELLO — Following on from the letter we wrote back in April — —

The CHAIRMAN — And we thank you for sending that to us.

Mr COSTELLO — No problems. It specifically addressed the issues raised in the information you sent out at the time, and I thought we would quickly add a little bit to that. The first section dealt with the impact on banking. Certainly the Shire of Indigo has gone through the issue of having the banks pull out. We have also had the opposite to that, where we have taken certain actions to overcome that situation. You asked before what WAW stands for. That was an amalgam of credit unions between Wodonga–Albury–Wangaratta, and the council has worked with WAW to try to restore banking services. We were probably doing that before Bendigo Bank started its community banking, so we have a community bank in a couple of our locations.

The downside of banks being closed has had a big effect. For example, the banks pulled out of Yackandandah and no banking facility at all was left in that town. We then did a deal with WAW, which has come in as part of the council service centre and helped the structure of the service centre as well as providing banking facilities. To give some anecdotal evidence, the local newsagency used to bank with WAW. The gentleman who owned the newsagency sold his business to another fellow who banks with the National Australia Bank and now takes all his money to Wodonga. That means the local town does not have any small change, WAW has had to get change delivered to the town. So a private guy is taking it out and the organisation has to organise to bring it back in, which is an interesting twist to it all. That is a basic example of what other problems within the community changes to banking can lead to.

The effect of the closure of the Commonwealth Bank in Rutherglen about two and a half years ago was thought to be worse than it ended up being in that there was only one automatic teller machine (ATM) in Rutherglen. A lot of tourists come here and they are very much used to accessing ATM facilities. After a lot of talk it was decided to leave the ATM here. The bank sold its premises to a plumber, of all people, who now leases the ATM and its area back to the Commonwealth Bank, so that has helped out on that side of things. The other downside of that is that a number of businesses I am aware of in Rutherglen now bank with the Commonwealth Bank branch in Corowa, so they drive over to Corowa. It is not that far — it takes 15 minutes to drive over there — and while they are there they do their shopping. So there is the flow-on effect of people no longer wandering down to do their banking here and buy their groceries or whatever. It is certainly a wider issue than having one type of facility closing. There are flow-on ramifications. In our letter we called it the multiplier effect. It is difficult to quantify but we certainly know it exists.

On postal communications, again in our letter we said we are delighted that postal services throughout the shire have increased as a result of the introduction of better business practices and even the privatisation of some operations. The council uses a lot of postal agencies for the collection of rates and other payments, so collectively that has strengthened perhaps not the mailing services but certainly other services operating out of those agencies. The downside is that by offering greater avenues for people to pay their council services through agencies such as the post office the council's collection costs have increased, so we are probably subsidising some of those agencies to provide that service.

The shire has very good freight logistics. Many small freight companies are operating out of the major centres of Wangaratta and Wodonga and picking up freight in this part of Victoria, so we are probably not disadvantaged by any downturn in freight services through postal outlets. Rather the converse is the case in that private industry has picked it up and we probably get a better service coming through our towns several times a day.

There is considerable anecdotal evidence around about the problems caused by council amalgamations. Four councils — Rutherglen, Chiltern, Yackandandah and Beechworth — were amalgamated into one. Our main

headquarters are at Beechworth and a large office operates out of Yackandandah because the council operation is split into two. We run a provider and client service, which many councils have stopped doing. It was born out of the amalgamation and the compulsory competitive tendering (CCT) process. We have kept it going and — probably unusually — we have a service arm that will provide about \$10 million or \$11 million turnover this year. About \$5.5 million of that comes from council services and the rest comes from private business, so out of adversity we have, probably by setting that up, expanded the work force in Indigo shire.

We have some economies of scale. For instance, in waste management our normal waste is collected by Cleanaway as part of a large contract involving five other councils, but our own group does a certain amount of that. It also does waste management at Falls Creek and Mount Buller. Our group used innovative technology to do the contract up there better, and that technology has now been introduced into a new transfer station here in Rutherglen. So out of the necessity to establish that provider arm we have gone from strength to strength. A lot of people in the community do not appreciate what is going on there, but when you sign 300 group certificates for an organisation you realise it is very different from a normal council operation. One day when you have more time I will tell you more about it and give you the sales pitch. We might be able to do something for you in your backyard! The council offices in Chiltern and in Rutherglen were closed as a result of amalgamation, and the community sees having no council presence here as a real downside. We would argue that there is a strong council presence here, but the community certainly thinks there is not.

The other impact, which is becoming a much more vocal issue in the shire, is that the council no longer purchases locally. We certainly purchase some things locally, but to use Rutherglen as an example, a lot more at the very small level was purchased locally when the shire office was here. The morning tea would have been bought down at the supermarket or a bit of stationery at the newsagency and things like that. We certainly do not do that any more. We tend to bulk purchase our stationery and printing needs. Morning tea — well, the office is in Beechworth so we do not run down to Rutherglen to buy the cakes, we buy them at the Beechworth Bakery rather than at Rutherglen. At a very low level you can see the impact of not having our municipal office here. Because we are a bigger operation we tend to deal with bigger companies and get bigger economies of scale through that, so there is a downside in that council does not spend locally. We try to mitigate that by giving locals the opportunity to quote on goods, but unfortunately quite often they are too far out of the ball park for us to look after them versus looking after the whole community. That places pressure on the council and is an outcome of having a bigger body operating.

The other interesting point — I do not know whether anyone else has mentioned this to you — is that because we now have a larger, centrally-located municipal office most of our staff seem to travel a lot further to get to work. Many of our staff live in either Wodonga, Albury, Wangaratta or Myrtleford instead of in our shire. Part of that has come out of the municipal amalgamation process where people took a breath and said, 'Blow it. I will stay living where I am and I will travel to work', rather than shifting to the town where they work, which was probably the case in the older days when there were many more councils around. Whether it is because of issues to do with job security, family or whatever, people prefer to travel to their offices rather than move to live where their offices are. Again that has a negative multiplier effect. If they are not living and working locally they are spending the money they earn in the town where they live.

The public transport issue is again not a big issue because public transport has not changed much in recent years. We lost our railway services in what I will call the southern part of the shire across Beechworth and Yackandandah — they went way back in the 1950s and 1960s — and we were faced with a very small level of bus service. I must admit that the bus service for Beechworth is quite good; it is not so good for Yackandandah. The main Hume corridor runs through this side of the shire and the train service stops at Chiltern — you can hail the XPT or the other train services there if you want to. Bus services also come up through Wangaratta, Rutherglen and Corowa.

The problem we have with public transport is that it is very difficult to get from Rutherglen to Beechworth. Because of the way our towns are situated you do not go across the Hume Freeway, you run parallel to it. For instance, if you want to come to an appointment in Beechworth from Rutherglen you go either to Wodonga and down to Beechworth or to Wangaratta and back up to Beechworth. That is an issue. If we could get V/Line or one of the bus services to operate across the shire it would have a positive effect on our communication..

On employment services, again we do not have any Commonwealth Employment Service office or anything to replace it. We go to Wangaratta or Albury-Wodonga for those services, which again is very much linked to public transport. Quite often the people who want to avail themselves of those services might be the same people who want to avail themselves of public transport so they have the problem of physically getting to those services

because they run parallel to the Hume Freeway rather than cross it, so that is a downer. The council has not attempted to get an employment service operating in the shire, but it has attempted to help people access the public transport system by having volunteer driver services, with which I think you would be familiar. We fund about five cars across the shire. They are based in various communities and we have volunteer drivers for them. That goes some way towards helping people access the transport services they need. That is just a quick outline, running through what we wrote back in April and adding a bit of anecdotal comment.

The CHAIRMAN — Thank you very much. You have mentioned a few downsides of amalgamation; what are the upsides? You mentioned economies of scale and I am wondering if you are into the area of economic development; could you talk about those two issues?

Mr COSTELLO — I am a firm believer that local government restructure has brought benefits to the state. I do not resile from that comment whatsoever. I have worked in local government for nearly 30 years. I went right through several attempted amalgamations way back plus what has happened now, and I have seen the impacts before and after. On economies of scale, our administration costs are less than they were with the four previous councils. Interestingly enough, though, while they might be only marginally less, the standard we are operating at is a lot higher than the previous administrations' standards were in the area.

We went through a difficult period of public relations because of the amalgamation issue but my staff and I have worked very hard, certainly in the two and a half years I have been up here, cementing a stronger relationship with the community and we are seeing the results on the board through the customer satisfaction surveys, et cetera. It is probably a little bit easier now to go out and do bigger jobs. We have a regional waste management contract and now with Cleanaway having to deal with only one council instead of four that will be reducing their contact costs with us and vice versa. That would be a very simple example of economies of scale.

We have a full recycling service now through that arrangement. We have just this year extended our waste management recycling service into the rural areas. Some people have had a little bit of angst about that over the extra money they have to pay because it is run on a user-pays concept, but from an environmental point of view it is working very well. Previously, with the four councils, they would not have even attempted to do that. Mr Gallagher might like to comment on that, because he was the engineer here at Rutherglen at the time.

Mr GALLAGHER — I was at Rutherglen for 16 years, which is dobbing myself in, but I remember that 15 years ago I came to realise it was uneconomical for small councils to develop landfills and the like and run them according to the proper standards. I remember trying to get support from Victorian municipalities for a joint collection service because I knew that was the only way we could afford mobile bins, for instance. I could not get anybody to get their head out of the sand. I finished up with a joint contract between the shires of Corowa and Hume over the river and Rutherglen. It is interesting to note that our current contract relates to the shires of Albury, Wodonga, Hume, Corowa, Towong and Indigo — that is, three from each state. I think that since amalgamation they are a little more broad-minded in their views in terms of what they will and will not consider.

Mr COSTELLO — Another issue is town planning. None of the previous municipalities that made up Indigo had a qualified town planner or board. We may be a bit luckier than some municipalities because we have three operating in Indigo at the moment. They operate under our service arm. We actually provide planning services for Towong and a little bit for Moira, so we are spreading ourselves out. We have the ability because of our size and our methods of operation, et cetera, to attract very good staff. Planning is a very good example of that because a lot of councils cannot attract town planners to rural areas, and we have three.

The CHAIRMAN — Can you mention economic development, which was the second part of my question?

Mr COSTELLO — Yes. We run an economic development unit which deals with economic development and tourism because in this part of the state tourism is economic development — not on its own, but it makes up a large part of it. We have about five people working in that department, and they work very much as a cohesive unit. They spread themselves across the whole of the shire. We have a very strong relationship with the Alpine shire. The Murray to Mountains Rail Trail, for instance, is one of our pet tourism projects at the moment. We do a lot of work with Legends, Wine and High Country as part of the Jigsaw Puzzle marketing operation. Five people are now dedicated to that work across the four former shires; the previous shires did not have that sort of ability.

We now have a cohesive unit operating and spreading themselves wider into Wodonga and working with Investment Albury Wodonga over the river there, and also working with legends wine and high country. Working

with Wangaratta and the Alpine shire directly is a great benefit. We can put better resources into that than we could previously because there are dedicated people doing dedicated tasks. We do not have a jack-of-all-trades and master of none; we now have some masters in there.

Mr BEST — You mentioned community perceptions a couple of times. You have spoken about the benefits of and some of the issues associated with amalgamation. How has the community perceived amalgamation?

Mr COSTELLO — I think they perceive it negatively. Again, the presence of the council is one issue we keep hearing — that is, that the council does not have a presence any more. We can prove it does have a presence, but people perceive that they have not got someone on their back doorstep all the time whereas they might have had before. Road maintenance is a good example. We do road maintenance in selected areas on a rotational basis. We probably put more hours of grading now than was done before but we are not in an area all the time; we are there for two months and then we do not go back for four or five months. The community's perception is the biggest issue. If you went to the community and said, 'Give us some real live examples of where there has been a disadvantage', what you would be hearing about is more that perception than hard and cold facts.

Mr BEST — What about rate notices on rateable properties? How has issue affected your constituents? Have rates gone up or have they come down?

Mr COSTELLO — Rates have gone up. We had a 10 per cent drop across this shire after the time of amalgamation. The shires were a very low-rated area in the first place and the commissioners argued that they could not give a 20 per cent cut and they got away with a 10 per cent cut. The rates were all over the place, and we have only just got back to the average rate being more this year than it was in 1994. It has taken seven years to get back that 10 per cent. I was not here at the time, but certainly looking back we should never have given a 10 per cent rate cut because a lot of work and services did not get done. That was the downside of the amalgamation process — not the fact that the office or the depot might have been consolidated and that sort of thing. We just could not afford to give the 10 per cent rate cut when things were not getting done anyway.

Mr GALLAGHER — Indigo shire was, to my knowledge, the only amalgamation that occurred under a last-minute proposal. As I understand it there was never any economic viability study done. What happened was that the last three lines of the report were changed. The major economic study into Indigo was done in combination with the study of Wodonga, which is why parts of Beechworth and Yackandandah were lost to the Alpine and Wangaratta shires. Economically, we were a bit of an unknown.

Mr COSTELLO — I did make the comment in the last little section of our submission that, as Mr Gallagher said, no economic study was done on the existing Shire of Indigo. We were part of Wodonga. Local political pressure saw the "historic towns shire" get up. I would love to go back and do an analysis of the prior situation and the situation now but it might be a futile exercise.

Mr BEST — The federal regional solutions program document you sent us mentions the high and growing proportion of single parents with government benefit dependency, and a declining population for Chiltern. Is that reflected elsewhere?

Mr COSTELLO — No. Chiltern has some particular issues and it is probably the only town in our shire that is losing population; all the rest are gaining. We have just under 1 per cent total growth across the shire. It will be interesting to see the statistics from the census that has just been done when they come out next July; I think they will prove the point. Chiltern is the town that has probably suffered the most in the last few years from the withdrawal of business and general services. What we are now seeing there is very cheap housing which is being taken up by single-parent families, et cetera, who are looking for a place to live. That again comes back to public transport issues. Chiltern has no chemist shop. It has problems with the hospital and the council is working very hard with the hospital committee to try to keep that open. The local doctor retired recently and we were able to get doctors from Beechworth to come down to service the town. Chiltern is a very small town that is struggling to survive. Barnawartha, for instance, which is only a few kilometres further up the Hume Freeway toward Wodonga, is going quite well. A lot of people are commuting to Wodonga to work.

Mr BEST — As they are from Yackandandah, with the house prices there.

Mr COSTELLO — Yackandandah is going very well. I call it the professional syndrome. You are all welcome to take me up on this one. A lot of people are realising their house prices in Melbourne. They are sick of working 22-hour days for large multinational companies or whatever they have to do to earn their \$400 000 a year.

They are saying, 'I have had enough of this! I'll come and live out in the beautiful hills at the back of Yackandandah. I'll work in information technology 22 hours a week over three days and I'll have the other four days off'.

Mr THEOPHANOUS — In the report you sent us you said, referring to loss of services and so on, that if councils were not faced with the cost-cutting exercise of the Kennett government in the reduction of rating levels then perhaps this would not have happened. Are you saying that those artificial reductions in rates had a detrimental effect on the council and the communities here?

Mr COSTELLO — Certainly. As we just stated, there was no economic study at all done on Indigo surviving on its own. Mr Gallagher mentioned the fact that two large and I would say fairly high-rated portions of the former Beechworth and Yackandandah shires were handed over to Wangaratta and to Alpine shire. When the map was redrawn cutting Wodonga out and leaving the balance as Indigo, there was no new study done on the economics of it, no handing back of the small section that was to go to Wangaratta, et cetera, so that certainly put a dint in the volume of the shire and its rateability.

Mr THEOPHANOUS — You also say here that perhaps a bigger impact has been the compulsory competitive tendering regime, which was also introduced by the previous government, where in many instances councils have been forced not to use local contractors. Did the loss of those contracts with the council result in some of the local businesses either closing down or having to reduce the number of people they had working for them?

Mr COSTELLO — I have no personal evidence of that; Mr Gallagher may have something.

Mr GALLAGHER — The tendency in rural shires was to do mostly day-labour work, and if the local councils were not on the ball and did not round up their blokes and work out how they were going to go about it and start to win road maintenance contracts and the like, a lot of depots closed. It did not happen in Indigo because we were fairly entrepreneurial and we won our own road maintenance contract which is a base from which to work, but in places where that did not happen the shire depots were closed. If you look at towns like Rutherglen, Yackandandah or whatever, if you take the 20 blokes who were in the shire depot out of the town, it has a substantial impact. We were able to prevent that from happening by the way we went about it. Had that not been the case it would have been not so much a loss of local contractor work but more a total loss of employment in the towns. As it was, we rationalised employee numbers and depots.

Mr THEOPHANOUS — And other businesses would have suffered as a result of that?

Mr GALLAGHER — Yes. I think John mentioned before that if the builders wanted a kilogram of roofing nails and they were half a kilometre way from the Rutherglen depot then they went to the local hardware store. That is just how it was. Even the average worker could sign a chit and walk out with his kilo of nails and it would come across someone's desk a while later and council would pay for it. But it is a different outlook when you are buying centrally for a bigger job.

Mr THEOPHANOUS — Going through the town I noticed quite a few businesses, even in the main street, were not operating. They had shut down. I am trying to fit that in with what you said earlier that things were on the improve. Is what we saw today something that has been happening over a number of years that you are hoping to address and somehow bring back over the next little while?

Mr COSTELLO — I suggest that is not as a result of any one thing in the list of issues you are studying. It is more the general economic downturn. It is the issue of everything getting bigger. When I say 'everything', I mean the farming community especially. The farmer now travels to a centralised location to buy a tractor. There are no longer outlets in every town. It is what I would call economic rationalism or globalisation that is affecting everything. On the other hand, a couple of large shops in the town are empty. Tim McNamara, who has his new rural Combined Rural Traders store down the road, found it inefficient to operate out of the old-fashioned shop and too-small yard he had in town so he bought a cheaper block out on the road and put up a \$300 000 shed with yards, and he has a great business out there. But as a result there is a large vacant shop in the middle of town.

I think Mr Best mentioned he had a pie for lunch at the bakery. He went to the wrong bakery because there is a new bakery just over the road that came out of a small shop that is now vacant. The proprietor has taken over two other vacant shops on the opposite side of the road and turned his business into a much better operation. Beechworth has one vacant shop at the moment whereas two years ago it had four to five vacant shops. In fact three computer shops have opened up in the past six months. I hope they all survive! They have all come into that niche market at the one

time. We have had five new shops develop there. Yackandandah has a couple of vacant shops, but a nursery established in the last 12 months seems to be doing quite well.

Mr THEOPHANOUS — We have to make recommendations as part of this inquiry. Is it important that governments talk about the need for rural and regional Victoria to get a fair share of the economic dollar? Has that been an important factor in changing people's view of this slow recovery? Is putting more dollars into public transport, health and education helping to pick up the local community?

Mr COSTELLO — I will say a couple of things about that. We use a term that used to be around a fair bit — rural adjustment. As I said, the way you operate in rural areas has changed a lot and that has had an economic impact. It is very hard for government to put in place programs that can address that, but a lot of commercial activity can do it. Where I think the government can take a greater role in rural areas is to support the level of basic services that should be available — hospitals, education, transport.

During the last couple of years with the Bracks government we in this area have certainly seen a fairly good emphasis on support. Wangaratta is getting a new hospital that should have been built 10 years ago. Beechworth is about to start a new hospital next year which should have been built years ago. I am not just having a go at any one political party because we have a very mixed bunch here, but the emphasis on rural areas was lacking previously and that has turned around for whatever reasons, which is a very good sign for us.

Mr THEOPHANOUS — Thanks to Mr Best for the money, too!

Mr BEST — That's okay. I am only here to help!

Mrs COOTE — I have three questions on banking issues. The first one concerns aged people in this shire and how they have adapted to changes in banking, particularly in some of the smaller towns where you say there is a lack of banking services. You spoke before about community cars. Do they enable elderly people to do their banking somewhere else? Is that a pressure that is being addressed?

Mr COSTELLO — I do not know of examples of the cars being used for that. People are taken to a location for a range of services; they might have to visit a specialist and while they are there they may do some banking, et cetera, so that is probably part of that. Yackandandah and Chiltern are both very good examples of where there were banks so we made a deal with WAW. The local people now bank with WAW and not with whomever they banked with previously. When the Commonwealth bank shifted out of Rutherglen many smaller accounts shifted from the that bank to the National Australia Bank because the National is still here. However, those with business accounts jump in the car and go over to Corowa.

Mrs COOTE — That was the next question I wanted to ask. Have the business accounts in Chiltern with the WAW been transferred to support local communities?

Mr COSTELLO — I am not quite with you.

Mrs COOTE — Because there are no banks in Chiltern and Yackandandah, are the businesses coming to those areas or are they still continuing to go to the larger centres?

Mr COSTELLO — No, The businesses tend to go to the larger centres for their banking. For example, the newsagent takes his money to Wodonga.

Mrs COOTE — As a local council can you give WAW business? Is the council able to support it in those areas?

Mr COSTELLO — We can now borrow from it. We used never to be able to but we can now, so that is an important change in regulation. We do not do our normal banking with WAW; we bank with the Commonwealth. We get a very good service from the Commonwealth bank but it has only the one location in our shire and that is at Beechworth where our principal office is, so we tend to have a bit of additional cost because we are transferring funds. For instance, people in Chiltern pay into Chiltern WAW. We then have to transfer funds from WAW into the Commonwealth bank. As I mentioned before, we use the post office network extensively for collection of funds. We also use deposit electronic funds transfer (DEFT) through Macquarie Bank, again resulting in a high level of transfers, which incurs a charge for us. We have had to wear that charge because not every bank, or even a bank, is in every town.

Mrs COOTE — You said you have many professionals coming to live in Yackandandah, so obviously if they are doing information technology (IT) work for 22 hours or so a week they are switched in to Internet banking, et cetera. What about the rest of the community in some of the more isolated areas of the shire? Do they understand electronic banking, or are they calling for the old systems to come back or using the post offices more as a result?

Mr COSTELLO — I think they are accessing a combination of everything. For instance, Westpac, now the Bank of Melbourne, closed in Beechworth late last year but it set up a subagency at the local newsagent. It is interesting when you go in there to see that the majority of people accessing the across-the-counter services would be the elderly. It makes me think that more IT-literate people are using Internet services or are travelling to other banks. An enormous number of those in our population work out of the shire. We have very little manufacturing in the shire and many of our population access jobs in Wodonga, Wangaratta or Myrtleford, so evidence could be led that they would be doing a lot of their banking at those sorts of agencies.

The CHAIRMAN — What was the background to the credit unions getting together? Did somebody ask them to do that? Were they subsidised in any way?

Mr COSTELLO — I was not here at the time, but I could use the Goulburn-Murray credit union around the Shepparton area as an example. It is hard to operate small credit union operations so the Goulburn-Murray credit union was an amalgam of about four different credit unions. They got together through necessity — economies of scale again.

The CHAIRMAN — And locally it was the same situation?

Mr COSTELLO — The same as up here. IT is the biggest cost for those sorts of groups. To try to run an efficient IT system you need a certain size, and I think that sort of thing would be dictated not so much by government policy as by the issue of what percentage of your overheads you can put into running the system properly.

The CHAIRMAN — And their presence in various towns — we saw one here and another one in Yackandandah today. Was it their decision to go into those towns or were they already there through the previous credit unions?

Mr COSTELLO — No, Yackandandah is a good example. There were no banks there and the council actively pursued WAW to go to Yackandandah. It cost the council about \$20 000 to renovate the building to accommodate WAW. We were to have a deal that the WAW person would be assisting with our administration and service centre in return for free rent. We do not get much assistance but WAW still gets the free rent, so it is costing council a direct subsidy to WAW to have that facility in Yackandandah for the community. In Chiltern it works a little bit differently. Again the council chased WAW to establish there and operate as part of the council service centre. WAW in Chiltern runs the service centre there so economically the deal in Chiltern is much more economical for the council than the deal in Yackandandah.

Ms DARVENIZA — You say in the written submission that one of the big issues is the impact of the withdrawal of health services from some of the smaller towns. Which health services were withdrawn?

Mr COSTELLO — Some were private health services — the doctor's surgery operations. For instance, in Denis's time the former Rutherglen council spent a couple of hundred thousand dollars renovating the old courthouse to become a doctor's surgery. A subsidised rental arrangement was put in place to keep the doctor there. He left 18 months or 2 years ago. The council put an enormous amount of effort into trying to attract another doctor to take on that surgery. We ended up doing a deal with the surgery in Corowa, which has a number of doctors operating out of it, and those doctors now come across and utilise the facilities.

The previous doctor paid a rental for the use of that facility. He reneged on payments towards the end of it because he was not surviving and he made a decision based on economics as well as other issues to quit the surgery. When the council renegotiated with the new doctors it had to allow no rent to start with and now they are on a very nominal rental. It is costing council because we are still paying off the loans we took out to rejuvenate the surgery, which is costing council dollars that have to come from somewhere else. But if we did not do it the chemist would pull out of Rutherglen, the people would then go over to Corowa for medical services, therefore the supermarket would suffer, and so on. We see economic development as our role, just as we see providing community services as our role.

Ms DARVENIZA — Is the doctor's surgery the only medical service you were talking about?

Mr COSTELLO — No. The Chiltern hospital is under threat of closure. It is one of the remaining bush nursing hospitals in the bush nursing scene in Victoria. We have spent a lot of time trying to get it to trade in a better way, to take on additional services, to cross-subsidise its operations. That has been a real battle. Again it is a commonwealth issue with the way it has tie-ups with the private health funds. If the commonwealth could put a rubber stamp on Chiltern hospital and say it is a public hospital and not a private hospital it would solve a lot of problems locally. It might not solve problems at the head office of Treasury in Canberra because it might have to pay out more subsidy, but that is what is needed. You have to change some of the rules.

Ms DARVENIZA — Have other health facilities closed? Does the shire take in Beechworth?

Mr COSTELLO — Yes. We mentioned quickly before you came in that Beechworth Hospital is about to be redeveloped. We have an acute section and an aged section there. The state government has already put up \$6 million for stage 1 and it will take about \$11 million or \$12 million to consolidate it all on the one site; it will be excellent when that comes off. I am trying to think of medical services that have actually closed.

Ms DARVENIZA — May Day Hills Psychiatric Hospital; that would have been a big one for you.

Mr COSTELLO — Yes, that is going back quite a few years now. That was part of the whole change in the structure of how to deliver mental health services across the state. The outcome of that was the closure of the big institutions like Aradale and May Day Hills.

Mrs COOTE — May Day Hills has become part of the La Trobe University — we are all staying there — and I was interested in how many people it brings in to do the course. Does it bring in a number?

Mr COSTELLO — I understand that May Day Hills had 1000 patients and at least double that number of employees working there to service them. When that downsized and eventually closed, it took an enormous number of jobs out of the area. A small number of the patients there went into other institutions, but most went out into supported accommodation, so other staff then came to look after the supported accommodation in the new units that were built and the houses that were purchased. There was a change in the way the service was delivered, but it certainly had a big impact.

La Trobe University, which took it on, has spent \$7 million or \$8 million there in the past couple of years and turned it into a very good corporate training centre. It is not a university like the one at the Clayton campus, where there are heaps of students running around; the only students up there are hospitality students doing the hospitality course, and they actually service the hotel and the dining rooms and other things they have there. They are now attracting quite a lot of private, local government and La Trobe corporate training. The department of Infrastructure has organised a big conference up there on 1 and 2 November, which will be good. A lot of people go up there. They also hire the centre out for weddings and other private functions. It has very good accommodation there and it has a lot of capacity yet to take up; that is a real challenge for them.

Ms DARVENIZA — You mentioned before that a couple of new hospitals or extensions have been built; is that in Wangaratta and Beechworth?

Mr COSTELLO — Yes, and Myrtleford also has a new one going on there. That is, again, very good for the region but it is well overdue.

The CHAIRMAN — Do I take it from what you said before that the post office businesses in your shire are all going pretty well now they have changed to franchise services and that they are providing a wider or better range of facilities than under the traditional model?

Mr COSTELLO — I do not know if they are all doing better, but a number seem to be surviving okay. Yes, as far as I am aware the majority are franchise services and they are operating them either as part of their other business or as a stand-alone business. They are selling printing and stationery requisites and other things. They are doing cash collections for councils and they are taking other payments as well. That is getting people in through their doors and they obviously get a transaction fee out of it.

The CHAIRMAN — Would someone at the shire have an idea of the timing of your bank branch closures over the past five or six years? Is it possible to track what has happened there?

Mr COSTELLO — I am sure we could collectively put together a time line of what has happened.

The CHAIRMAN — If you could do that and send it to us we would appreciate it very much so we can track how things have happened.

Mr GALLAGHER — Certainly. At around the time Mr Costello mentioned, council spent a bit of dough and chased WAW Credit Union quite energetically. At that time we were getting anecdotal evidence from Yackandandah that trade had just dropped overnight — 50 per cent at the butchers and places like that — because a major habit in rural areas is to come into town, go to the bank, get the victuals and go home, and if they were not coming to the bank they were not coming there to shop. That certainly inspired council to put a fair bit of work into wooing WAW.

The CHAIRMAN — Thank you very much for the time you have spent with us. It would be good if you could send us that bit of information. We appreciate the shire's work in putting together the submission and the information you have given us today. It has been good to catch up again with Mr Costello, an old colleague of mine, after so many years. We will send you a copy of the Hansard transcript. We thank you for coming to Rutherglen to talk to us.

Mr COSTELLO — Thank you for the opportunity.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Rutherglen – 1 October 2001

Members

Mr R. A. Best

Mrs A. Coote

Mr G. R. Craigie

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

Witness

Mr R. Ambrose, Rutherglen Chamber of Commerce.

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.

Welcome, Mr Ambrose. We invite you to make an opening statement, and then we might ask some questions.

Mr AMBROSE — I am not sure whether I should qualify myself, but I have a Bachelor of Arts degree in economics and political science from New South Wales University and a Bachelor of Laws from Melbourne University. I have been based in Rutherglen for the past 17 years. I grew up in Corowa, but that has no correlation with the fact that I came back to live in Rutherglen. In relation to the brief on this particular matter, I was primarily concerned with banking, although I will touch on the other issues. To do them somewhat in reverse order, I can talk about employment services and say that there are not any, so that covers that issue very distinctly.

The CHAIRMAN — What is your business now, as a matter of interest?

Mr AMBROSE — I am a solicitor. I have been a sole practitioner since 1986. Our public transport system is based on two services. There is the bus that picks up the Melbourne–Sydney train line at Wangaratta, which has not really altered much in the past 20 years. The rail outlet from Wahgunyah through to Springhurst closed in approximately 1991 and has not been open since. It is an old standard gauge line, and it has not been in operation. The line is still declared open, though the tracks are ripped up for the first 200 metres coming out of Springhurst, so it cannot be used. There would need to be a complete re-laying of all sleepers in that line if it were ever to be used again. There is also a publicly funded bus that travels from Rutherglen to Albury and returns. It leaves Rutherglen at approximately 9.30 in the morning and gets back here at approximately a quarter to 4 in the afternoon.

The CHAIRMAN — What time does it leave Albury?

Mr AMBROSE — Given that it comes through Chiltern as well, I would estimate it would have to leave Albury by about 2 o'clock.

The CHAIRMAN — What time would it get there? I am just looking at the window of opportunity.

Mr AMBROSE — At approximately 11.00 a.m.

The CHAIRMAN — So you would have 3 hours to do your business and get back on the bus.

Mr AMBROSE — During school holiday periods one of the school buses is also chartered to take people to and from Albury on that bus line. It is a subsidised bus line under the scheme. It also carries freight for a private contractor, not for public tender.

We have a post office that is now privately owned. I would have to say that the postal communications have improved. We can now get mail out to the post office at 5 o'clock and still have it in Melbourne the next day. Sometimes we have difficulty getting it back the other way. Where we do run into problems is with interstate post. As you would realise, we are 14 kilometres from the border, and if I want to send mail to Sydney and I send it by express post, it will still take two and a half days. The mail from here goes to Seymour for sorting; it then goes back to Goulburn for sorting, and it is then distributed on through Sydney. We cannot get a letter straight from here to Albury. It takes me two days to get a letter from here to Corowa, because it goes to Seymour, to Goulburn, back to Albury and back out to Corowa. I do not know who can control that one. It has been like that forever and a day. I do not know if any change can ever be made to that. Postal employment, on the other hand, is slightly different. In the old days there were three counter staff and one mail delivery officer; now there is one counter staff member, one mail delivery officer and one part-time mail delivery officer. There has been a fairly large decline in postal employment.

Municipal services have dramatically decreased in this area. There is no point saying one thing when you mean another, and but for volunteers we would not have a municipal presence within the old Rutherglen shire. We have an information centre that is staffed by volunteers, and the coordinator is a volunteer. If we as a town had not organised that, we would have no municipal representation from the Indigo shire.

Ms DARVENIZA — You are talking about since the amalgamation?

Mr AMBROSE — Since the amalgamation. I make no apologies about that, and I am happy to answer any questions about that. Basically the shire theoretically contributes — and does contribute — to the wages and

the rent of the building, along with the winemakers of Rutherglen, who also use it as their headquarters for the dissemination of information. It has basically been as a result of a cooperative effort by the townspeople that we have got something, and without that we would have nothing.

Our closest port would be Beechworth. The Indigo Way contractors, where you get your building and planning permits from, are based at Yackandandah. Beechworth is 35 minutes away, and Yackandandah is another 15 minutes from there, but bear in mind that it is 35 minutes up a narrow winding track and back down again. The difficulty with this particular shire is that it stretches from the Dartmouth Dam to the Ovens River, and there is not much continuity in the structure of the shire itself.

What we have lost in the amalgamation is, clearly, jobs. Where there would have been five outdoor staff, there are now one or two; parks and gardens have suffered, because no work is done in parks and gardens. The shire has a budget of \$60 000 to cover the entire area, and given its geographic location it just does not bear discussion. It just does not happen unless, again, volunteer groups can get in and do it for nothing. There is a fine line between volunteers, subsidies and government performance. I know it is the year of volunteers, but there is a fine line between volunteer subsidy and government performance.

In 1993 we had three banks in Rutherglen — the ANZ bank, which employed four members of staff: a manager, an accountant and two counter staff; the Commonwealth Bank had five members of staff: a manager, three counter staff and one accountant; and the National Australia Bank had four members of staff: a manager, an accountant and two staff members. The Commonwealth and ANZ branches no longer exist. The National Australia Bank has three members of staff, none of whom is classified as a manager. None of those can I go to and talk about getting a loan or about my personal business accounts. They are not qualified to talk to me. I must ring Wodonga. If I were a farmer I would not be allowed to ring Wodonga, I would have to ring somebody in Albury, because I would be outside the jurisdiction of the Wodonga branch.

Banking services are available. I am not saying it is hard to get cash, because of the advent of EFTPOS, Giropost and ATMs. The local supermarket has an ATM, and the Commonwealth Bank still holds an ATM. The majority of people in Rutherglen would bank with the NAB, but they are charged extra when they use the ATMs. One is a Commonwealth Bank, so you are charged a service fee for using the ATM; and the other one is a St George ATM, so obviously again you have a service fee problem. Additionally banks have justified their staff cuts by forcing the use of online banking. The trouble with online banking is that we get our bank statement printed out and faxed down to us each Monday, and we had to fight to get that done because otherwise they wanted us to pay \$1.50 for every line we printed off the online banking service — and they could not understand why I thought they were being ridiculous!

I would turn over roughly \$3 million a year in a trust account on which there is no commission. The bank would expect me to then print every one of those transactions at \$1.50 a line. That is part of its management problem. The banks have a structure whereby if your account turns over X dollars then banker A is allowed to talk to you, and if it turns over Y dollars then you are only allowed to talk to banker B. That banker in Wodonga could be dealing with anybody from Corryong through to Yarrowonga. You cannot get phone calls returned, you cannot get appointments and you cannot see them. You cannot walk over the road and talk to your banker; you have to go to Wodonga or get him to come to you, either of which is not practical and does not work.

I had a phone poll from the bank during which I was asked what I thought about this new banking service and what I thought about the banker who was in control of my account. I said, 'I haven't seen him yet. He has been there for two years and I think his name is ...', but I had not met him in the two years. As I said, my account turns over approximately \$3 million a year. That is not to say I am doing a lot, that is just where it is at. I would have thought that account would have been worth talking to.

I recently had the same problem with a client. He purchased a block of land, spoke to his business banker, was told it was right, went to tee up with the local branch to draw down the loan for next week and was told, 'Oh, we don't know who's controlling your account at the moment. You haven't got a business banker. You can't settle'. That happened on Friday. I now have a 30-day extension and we are changing banks. Fortunately that customer is in a better position than I am, because he can change banks; but because I run a trust account and the money must stay in Victoria, I can't. I have to bank with the NAB to put the trust account moneys in. If I bank with the Commonwealth Bank or Westpac or the ANZ at branches at Corowa, I am breaching the trust account rules by placing my money in New South Wales and not in Victoria. Accordingly, I am also incurring the wrath of the Law Society of New South Wales as well.

The CHAIRMAN — We are going to have to get to questions smartly, because we are behind time. Have you just about finished?

Mr AMBROSE — Yes. The only other problem is that businesses that do not have their business accounts with the NAB and who want change have to pay the NAB to change their money, otherwise they cannot do it. In other words, you either drive to Corowa to get your change for nothing or you pay the NAB fee every time you want some change to put in your till.

Ms DARVENIZA — How much for your fee?

Mr AMBROSE — It depends on how much money you want.

Mr BEST — As far as infrastructure is concerned, what is your access to cable and information technology?

Mr MACK — Through the Internet?

Mr BEST — Yes.

Mr AMBROSE — Through the Internet here and now, as it is with anybody, I use a service provider in Wangaratta. You are not necessarily getting 100 per cent accessibility; it is not there 100 per cent of the time.

Mr BEST — It is more speed of access I am interested in.

Mr AMBROSE — I was using an IT provider in Albury, but he could not download quickly enough for us to download the software to run our trust accounts with, so we had to change our provider.

Ms DARVENIZA — You talked about the reduction in services from the shire council since the amalgamation. Can you tell us what services have been reduced and whether that reduction in service has also meant a reduction in either the staff that the shire has been involved in employing or in business in the local community, because it would have been businesses that the shire used.

Mr MACK — Yes, that is a classic example. The shire called tenders for cars. The local new car dealer rang, after tendering for several over the years, and said, 'Why aren't I getting a chance to tender on these cars?'. To which the response was, 'Who are you?'. When told, the response was, 'Where is your business?'. 'Rutherglen'. 'How long has it been there?'. 'One hundred years'. 'Oh, we didn't know you existed.'!

The local hardware shop had a huge account with the shire. Now it only gets bits and pieces, so it has contracted that business. And the other problem is that you do not get paid for from 90 to 120 days.

Ms DARVENIZA — What about the reduction in service?

Mr AMBROSE — Okay, if you want to apply for a building permit you have so go to Yackandandah; so the local builder who wants to put up an extension on your house has to factor in the cost of a trip and for delays in time to get Yackandandah to lodge his building permit application to get it processed quickly. Either he has a cost factor in time travelled or a cost factor in delays. Either way it is a cost factor to that business and therefore a cost factor to the person.

In terms of community services, you do not have parks and garden services. They are very limited unless they are done by volunteers. We have some good parks here, but they are all maintained by volunteers, not by the shire.

Ms DARVENIZA — So that has meant a reduction in jobs?

Mr AMBROSE — Definitely. Within our immediate area, yes.

Mrs COOTE — You spoke very quickly about the lack of local employment and placement services. What impact has that had on Rutherglen? Further to that question, is it something that the chamber of commerce and so on could encourage someone to come in and do?

Mr AMBROSE — Like a volunteer service or an employer service?

Mrs COOTE — An employer service.

Mr AMBROSE — I have had a discussion with Hume Employment Service, which has just set up in Wodonga. With the reduction in the Commonwealth Employment Service, one of the problems with all employment services is that if you want anything you have to pay for it, whereas in the old days a small business person could go down to the CES and see if they had anyone listed and then get somebody in to interview them. If you do that through any of the freelance services you pay a fee.

Mrs COOTE — Is there a need, though? Presumably if there is a need people would probably pay. Is there a need in your opinion to have such a service?

Mr AMBROSE — The services I have run into would have to improve dramatically before I could see that it would be beneficial.

Mrs COOTE — You have a legal service, which is probably a bit more specialised than some of the others.

Mr AMBROSE — People who either write or type would be a good start. I' would not get overly fussy beyond that. My experience has been that in the past 18 months I have employed three trainees. I have gone to ATEL, or Apprentices Trainees Employment Ltd, and to the Hume Employment Service, neither of which could suggest people suitable, let alone find me someone suitable. I was able to do it rather than them.

The CHAIRMAN — We will send you a copy of the Hansard transcript. Thanks for the time you have given us. We appreciate it.

Witness withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Rutherglen – 1 October 2001

Members

Mr R. A. Best

Mrs A. Coote

Mr G. R. Craigie

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

Mr M. Mack, Corporate Development Manager; and

Ms E. Ashton, Community Development Manager, WAW Credit Union.

The CHAIRMAN — Welcome. The committee today is hearing evidence on its inquiry into structural changes in the Victorian economy. I wish to advise all present at this hearing that all evidence taken by the

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 usually run this by asking witnesses to make an opening statement and then we ask some questions. We have about 20 minutes to do that, which unfortunately means we have to be short and sharp, but that is the way it is with time today.

Mr MACK — We wondered what the initial process would be. We have some information to hand out. May we do that?

The CHAIRMAN — Sure.

Mr MACK — Thank you. Good afternoon and thank you, Mr Chairman and members of the committee. My name is Michael Mack, and I am the corporate development manager with WAW, the Wodonga-Albury-Wangaratta Credit Union. I have been with WAW for the past seven years. I am here today with Emma Ashton, who is the credit union's community development manager and who has recently joined us. She has been with WAW about eight months now.

I would like to confirm that the information we will provide you with today will relate to the topic of our experience with the provision of banking services in our region. I should say at the outset that our operational boundary is certainly not limited by legislation. Moreover, traditionally we operate in the areas between Corryong — which is towards Thredbo, if some of you are familiar with that — and as far up as Wangaratta and Chiltern.

I will give a brief background to the WAW Credit Union. WAW has 11 member service centres, traditionally known as branches. We offer a broad range of electronic services that include Internet banking and phone banking. We have our own network of eight ATMs, and credit union members can access about 98 per cent of all ATMs in the country. We have approximately \$120 million in assets, 19 000 members and 65 staff, which equates to about a 44 full-time-equivalent ratio. We are a community credit union, which means it is open to anyone in our region to join our organisation — and certainly we welcome that — whereas traditionally credit unions have either been industrial or community credit unions. Our members are represented by seven local directors who work very hard for our credit union and ensure that the democratic processes are mutual — which is certainly what a credit union is about — and are upheld.

To give you a feel for the approach that WAW Credit Union takes, I will quickly point out our mission: to operate a responsive, values-driven, cooperative financial institution that provides financial and community benefits to members and the region in a sustainable manner. That means that WAW has made a significant commitment to the region by way of the provision of our 11 member service centres. Many of these service centres are located in towns that the banks have either deserted entirely or that have certainly experienced some kind of reduction in banking facilities. I also point out that 60 per cent of WAW's member service centres are located outside the major regional cities of Albury, Wodonga and Wangaratta. That is something we are very proud of.

The CHAIRMAN — Can you run through where they are? Is that easy?

Mr MACK — Certainly, although it might be a test. We have Corryong, Tallangatta, Yackandandah, Albury, Wodonga, Lavington, Chiltern, Wangaratta, Myrtleford, Walwa and Beechworth — that is 11. It is certainly a fairly broad cross-section of where we are located. The member service centres provide a range of access of between 6 and 38 hours per week. We also open in some locations on Saturday mornings, which has traditionally been something that financial service providers have pulled away from. We have established some member service centre network through partnerships with the communities and local business, and a very important aspect of that is our partnerships with local government. Two of the most prominent partnerships we have established are with the Indigo Shire Council and the Towong Shire Council.

I thought an overview of the Indigo shire approach would be relevant for you to get a feel for how we go about that. Basically WAW has had a member service centre in Chiltern since the mid to late 1980s. We provide a range of council services through that member service centre, including rate payments, counter payments, home care payments and animal registration. We field 100 per cent of all shire inquiries, and we also facilitate grant payments and administer the bookings for council amenities and so forth. We offer as best we can the full range of council services through our Chiltern operation.

The CHAIRMAN — Are you online to the council?

Mr MACK — We are online. It is not available for members at this stage, but our staff certainly have access. The approach has resulted, we think, in a win-win situation for WAW members and the Indigo shire and its constituents. Previous to our arrangement the Indigo shire was open for about 11 hours a week; that has increased to 35 hours a week. That is also a win-win situation for WAW, as it has added another dimension to our organisation and helps us maintain a sustainable approach for our Chiltern members.

I will also go over some of the value-adding propositions for the regional communities and in fact any communities where WAW has a presence. You have some information in front of you about the WAW community link program. We are not able to provide automatic teller machines in every town, but certainly in some locations, including small ones such as Tallangatta, we provide a fully maintained ATM facility. We provide sponsorships to local community organisations, and this year alone we have sponsored about 44 organisations for in the vicinity of \$11 000 or \$12 000. We provide special account facilities for groups like Landcare, rotary clubs and other non-profit organisations to allow them to take advantage of very low-cost banking while still receiving full access to all the traditional financial products and services that any member would expect to have access to.

We provide business and institutional banking facilities, and by that we mean to schools, hospitals and the local corner store. We also employ local people where we can, and we provide towns with access to local professionals as well as other professionals who can help them either run their businesses or their private dealings with WAW. Most of that is provided through what we call our community meetings. That is a consultation process whereby the credit union will generate interest by providing guest speakers to help our members — and non-members — to access information on, for instance, the GST, which was the topic of a recent community meeting we held. Some 60 or 70 people showed up at most locations to get some value out of a couple of accountants we brought along from KPMG.

An important aspect that was mentioned by your last speaker was that we have local decision makers. We make decisions locally where we can. The furthest away a decision would be made would be Wodonga. We have a local board of directors, and if a decision needs to be made about a loan over a certain dollar value they are in a position to approve and/or decline loan facilities. We make a guarantee to our members that we will have a loan approved within 24 to 48 hours of receiving all the information. We think it is vital, as was pointed out to you, for local businesses to be able to gain access to that sort of service. And we certainly do return telephone calls.

Most of the challenges we are facing relate to engagement processes, and by engagement I mean that of the community in general. We need to turn survey results — that is, when people say they need financial services in their town — into actual support of the credit union. An example would be in Yackandandah, where we recently presented to the local tourism group and indicated to them that we commenced trading in March 1999. We offer 9 to 5 full banking facilities in the town; 20 per cent of residents support WAW by way of an account; and 8 per cent of those have loans and 16 per cent of those have deposits.

The CHAIRMAN — What percentage of businesses support you?

Mr MACK — That would be very reflective of the business contingent, because that is where most of our support is coming from.

The CHAIRMAN — When you say 'residents', that includes businesses?

Mr MACK — Many of them are small self-employed businesses. The level of support is disappointing to our organisation, but some of the strategies we have in place to try to turn that around include a lot of the strategies on the community link A4 document you have there. It involves extensive community consultation and education programs, and it also involves the responsibility of our organisation to provide competitive financial services. Currently our interest rates are at the leading edge of the market. Our facilities — Internet banking and business, personal and wealth management products and services — are certainly at the leading edge of the market. It is all provided to the communities, unlike other community banking approaches, at no individual cost to our members or the towns to get us in there. We go in there, I guess, on a promise and some research that shows we will be supported. That brings my part of the presentation to a close.

The CHAIRMAN — Are there any Bendigo Bank branches in your area?

Mr MACK — Yes, there are Bendigo Bank branches. I think there might be one in Henty, which is their community banking approach, and certainly their commercial banks are located in Albury-Wodonga and Wangaratta, where we operate also. But they do not have their community banking approaches in the smaller towns

where we operate. We are the main non-bank service provider in those towns, although there has been a discussion about that in Beechworth recently.

The CHAIRMAN — You are probably providing the service that Bendigo Bank's community banking is providing in other areas of Victoria.

Mr MACK — Absolutely.

The CHAIRMAN — We have spoken to a number of people whose towns have that service. You are subsidised by the shire to be where you are in a couple of spots?

Mr MACK — Yes, absolutely. We have entered into partnerships with local government. That subsidy comes in the form of a reduced rental for buildings, or it may come in the form of some subsidy for the use of an ATM, as we have in Tallangatta. We need about 3500 to 4000 transactions just to break even. We currently sit on 2000 transactions, so we have an agreement where they help offset some of the cost of that facility. We have certainly had some assistance with the original establishment costs, which are some of the toughest to get past. It has been a shared load, I should say; it is a seventy five-twenty five-type approach with WAW bearing the majority of the costs.

The CHAIRMAN — Are there any towns in the region you cover that used to have a branch of a bank but no longer have a branch of a bank nor a branch of your credit union?

Mr MACK — I am proud to say that WAW has never pulled out of a town where we have opened an office, but there are certainly towns where we have opened a branch and banks have subsequently pulled out. Chiltern, Walwa and Yackandandah would be prime examples of that, and currently Beechworth and others are going through a reduction in services to agency-type agreements.

The CHAIRMAN — Are you involved with any rural transaction centres (RTCs) under the federal government program?

Mr MACK — We have been approached on three separate occasions for a rural transaction centre. We have given 100 per cent support to that. One was not Victorian, it was actually in New South Wales, and that has not gone ahead because one of the conditions with the RTC is that you cannot replicate existing financial services. The most disappointing part about that is that an existing financial service could be classified, for instance, as a Commonwealth Bank service through the post office — a giropost — so we are prevented from offering five-day-a-week full banking services because of the sorts of facilities that are already in town but are probably not a lot of value.

The CHAIRMAN — Do I assume the other two were in Victoria.

Mr MACK — The other one was in Chiltern, just recently. We have not had much feedback from the committee, but we are working with the Indigo shire in examining the rural transaction centre. We have also spoken recently to people in Yackandandah, who approached us for an ATM. We presented to the town about the level of support we are getting there and what we would need to be able to provide those services. They are exploring an RTC approach as well.

Mrs COOTE — First of all, congratulations. It is a really nice, fresh approach. I am very impressed with your community link program, especially some of those older things such as school banking programs to get younger people involved. I think you are really to be congratulated on that.

I asked the council what sort of support they were giving you from a business point of view: from what I gather there was not a great deal. Is that something you are actively encouraging and would like to see a lot more of?

Mr MACK — We have met with the heads of the local councils often. I will cut it a bit short. One of the challenges we face is getting the institutional support, and hospitals and councils certainly have a leadership role to play. Historically legislation has limited credit unions in operating council facilities. That is no longer the case, as most of you would probably be aware, with the new legislation regarding credit unions, building societies and banks. We are now all regulated by the same people, and we are all authorised deposit-taking institutions, which means we can now accept — and have been able to for a little over 12 months — operational accounts for councils, hospitals, trust accounts and those sorts of things. That is something we work very hard to try to provide.

The reasons we are not getting that support I would put down to — how do I say this politely? — the effort on local government's behalf.

Mr THEOPHANOUS — Are there any services that banks provide that you are unable to provide, because of either legislation or any constraints on your operations that do not allow you to provide those services?

Mr MACK — Certainly, but very few. With the changes in the legislation there is a very small percentage of things that have not come across to affect credit unions and building societies. They are generally the fairly obscure things; I would say that 99 per cent of all the legislative barriers have been taken away. With a real estate agent's trust account, for example, the agent has to write to the minister to get approval if they want to operate that with WAW. There are some international transactional facilities that the banks could probably do a little bit easier than we could, but there are very few. I would say 1 per cent of our members would need those sorts of facilities.

Mr THEOPHANOUS — Is it worth us changing legislation to provide that full level of support?

Mr MACK — Yes. We are represented by a group called CUSAL — Credit Union Services Australia Ltd — which actively lobbies government to make those changes and is currently doing that. Any assistance in that form to make it 100 per cent availability would help. One of the things Ms Ashton and I discussed a little earlier before coming in was that when banks pull out of the smaller towns it would be of assistance if there was some pressure on or some legislative requirement for those institutions to allow people to refinance at a limited cost.

They really do make it very difficult for people to refinance their business, and it forces organisations like ours, which have spent the money to come into the town, to waive establishment fees and provide absolutely below market rates to try to pick up the business, because they are paying enormous transfer costs. They are not just banking costs; they include land titles office costs and stamp duty costs, although stamp duty is transferable in most cases now. A number of things could be done to make the transition process easier for people in small communities.

Mr BEST — So if the customer in a small country town was looking to transfer their account from the National Australia Bank to wherever, you are saying that if stamp duty were forgone by the state government it would be of assistance to help a greater transfer of clientele to you at the expense of the bank that has closed?

Mr MACK — Absolutely. In fact, stamp duty is transferable now, and it has had an enormous impact on the business. We can refinance, but there are other on-costs we are trying to keep down.

Mr THEOPHANOUS — I understand you are saying that stamp duty is not an issue because it is transferable. I take it you have identified as a problem the fact that banks charge a kind of fee for winding up the account?

Ms ASHTON — Yes. There might be a window of opportunity for a month or two between when the bank is taking the money and when it actually closes.

Mr THEOPHANOUS — So you are saying that you would like to see some form of government intervention — I do not know whether it is legislative or otherwise — so that when a bank decides to close an office and customers want to transfer to another institution as a result of that, they should not be forced to pay that bank a fee, particularly when there are no other banking facilities available in that area?

Ms ASHTON — Yes, or be penalised for taking their business away.

Mr MACK — Absolutely.

Mr BEST — Probably a similar thing is the proposed regulation to enable Telstra and Optus customers to concede their numbers without facing a penalty.

Ms ASHTON — Yes.

The CHAIRMAN — Thank you very much Mr Mack and Ms Ashton; we appreciate your coming here today. May I say we have been extremely impressed with your presentation. The WAW Credit Union has obviously chosen its staff very well. Congratulations, that was very well done. We will send a copy of the Hansard transcript for you to check. Thank you very much for spending your time with us.

Witnesses withdrew.

CORRECTED VERSION

ECONOMIC DEVELOPMENT COMMITTEE

Inquiry into structural changes in Victorian economy

Rutherglen – 1 October 2001

Members

Mr R. A. Best

Mrs A. Coote

Mr G. R. Craigie

Ms K. Darveniza

Mr N. B. Lucas

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Mr T. C. Theophanous

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Executive Officer: Mr R. Willis

Research Officer: Ms K. Ellingford

Witness

Ms B. Murdoch, IGA Supermarket, Chiltern.

The CHAIRMAN — Good afternoon and welcome. We are looking today at our inquiry into the effect of structural changes on the Victorian economy. I advise all present 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 Murdoch. We understand that you are the proprietor of the IGA Supermarket in Chiltern. Would you care to give us an overview of how you see the changes in rural Victoria, particularly at Chiltern, and then we might ask you some questions. We have just under 20 minutes to do all that.

Ms MURDOCH — Before I start I had better say that I am the Australian Labor Party candidate for Indi as well. So that you are not under the illusion that I am coming here to campaign, I have also given evidence before the federal joint parliamentary committee on the dominance of the chains in supermarkets. I am very passionate about small business, because I have operated supermarkets, hotels and child-care centres over a period of 25 years.

I would probably choose more the banks and municipal services as items affecting Chiltern, although the evidence from WAW Credit Union was very good. It is a really good banking organisation, and I do my banking there. One of the big problems with the credit union is the community perception that the money may not be safe. The credit union has had a big problem encouraging people to use it because people are worried that if something happens, their money might go. So it is a big struggle for the credit union to keep townfolk investing all their savings into that particular place.

We had two banks when I first came to this town about 12 or 13 years ago. But they closed within six months of one another. At the time we did our banking with Westpac and then duly thought we would support the Commonwealth Bank because it was right next door to us and it was staying. Of course, as soon as we transferred our money there it then transferred out of town. That had a huge effect on the town, particularly initially. Businesses went downhill; we had a big slump. We bought the business, built it up and then found we were starting to go back again, which was a bit of a pain for many reasons, to say the least. For a start you lost the people who worked in the bank to jobs outside the community. Many of them had been brought in from elsewhere and had settled in, but when their jobs went they had to follow the work, so we lost people that way. The initial cost of having an account with WAW was pretty good. There were virtually no charges, but those charges have slowly been added to. I think it is partly due to competition from the banking sector that they have to pay their own way, but as a small business I would prefer it if there were no added costs. But they tell me that banks are probably worse.

One of the things we have noticed is the change in the way people do business. They are not using cash as much. We were the first business in town to have an EFTPOS machine. It is rather interesting that when you are in a small business you tend to have to put a lot of money into buying EFTPOS machines, particularly if you want to be ahead of the rest of the community, or even if you want to keep with the rest of the community. We paid something like \$3000 for our original machine, which we threw out after about two years. Small business cannot afford to do that.

We then had another deal — and deals keep coming through as we go down the track, because IGA does try to work out deals with us. But it is constant strain to keep your mind around all those things as well as stock the shelves, talk to the customers and do everything else you need to do, particularly when you are constantly thinking about the best value for telephones, the best value for banking and the best value for whatever. That is probably a good way to run a business if you are a big business; but if you are a small business the one person is doing the whole lot.

The other thing is that after EFTPOS came in — and it was a good way of doing banking, because it did away with the acceptance of a few cheques — we did not have an ATM in town. I doubt very much whether WAW thinks it is worth putting one in. So when we look around town and see that the next couple of biggest businesses are the hotel and ourselves, we look like we will put an ATM in, mainly because it is almost a have-to. But again it is a costly have-to, because to get people to get cash out we firstly have to fill the machine with cash. So we are looking at thousands of dollars that we have to take out of our account to put into the machine so people can take money out.

Many deals are available. The one we are thinking of at the moment may not cost us a lot, but we will have to pay monthly phone rental. So here we are paying for something when people take their money out, and we are paying for them to do so. The transaction rate is about 400 or 500 people in a month using that, and that is a risk. They want you to tie it up in contracts so that once you are tied up, you cannot get out of it. You could be losing money for months, if not years, and not be able to get out of it. The only thing you have in your favour is that if it is not doing enough then maybe they will want to get out of it too, but it is a risk that small business has to take to keep

people in town. The alternative is that if people want money, they go out of town to their banks or to ATMs elsewhere, and that is causing problems in the town.

The effect of council amalgamations on municipal services was a hard blow to us. If you talk to anybody in Chiltern or Rutherglen they will all tell you the same thing: it would be lovely to live in Yackandandah or Beechworth, because they are the people who get all the services and we are the people at the tail end who get nothing. A good example is sweeping the streets. I have given up deciding when they are going to sweep the streets. They used to do it first thing on a Monday morning, which was a bit of a dead loss in a way because they would do it sometimes before I got there. After the weekend you sweep the paths and the street looks just the same five minutes afterwards, so I have to sweep the gutters. But now I could not tell you what day they are going to come. It could be once a week, it could be once a fortnight, and sometimes it is every three weeks. In a small town, particularly a town like Chiltern, where tourism is important, little things like that add to the fact that it is not looking as well as it should.

Small things are annoying. We were going to build a house at one stage. If we wanted to take our plans up, we had to go to Yackandandah or Beechworth. Fine, we have cars. If you are a person without a car, how do you get to Yackandandah and Beechworth? There is no public transport at all. Again, they are small things where you want to drop in for those sorts of council services. We have WAW next door. It is innovative of the council to have WAW providing the service for five days a week, but it is mainly for paying bills and making a few inquiries. As for physically having to hand things over, there is no way you can do it without having access to a car.

I should get on to employment services. We do not have access to any employment services in town. If you live in a small community as we do, you try to employ people from the town. Possibly an employment service is not as important to me because my policy is to keep the employment within the town. We have lost so much with the banks going and with the council amalgamations — all of those sorts of things add to a downturn in business and a downturn in services. That is about all I have to say at the moment.

Mr THEOPHANOUS — My questions relate to public transport, and you did not mention much about that. Do you think public transport around here is up to the mark? Many things have changed over the last couple of years, with some new services going into health and education. What has happened with respect to public transport?

Ms MURDOCH — As far as going to Wodonga is concerned, we are probably reasonably well off in Chiltern compared to many other small towns such as Rutherglen, Beechworth, Yackandandah, Tambangalanga and those places, because we are on the main railway track. We also have a main bus in and out, morning and afternoon, along the river. That is absolutely no use to our young people, because if they happen to get a job — which is not that easy in these areas — in Wodonga or Wangaratta and they are under 18, there is a squeal as to how they will get there and, if they have to board in one of these larger towns, where will they board and how you afford to keep a 16-year-old or a 17-year-old. The same goes for those children at university. We have good TAFEs in Wodonga and in Wangaratta and a university in Wodonga, but again the young ones without cars find it very difficult.

The train and bus services do not really follow the work patterns. The bus leaves at about a quarter to 10, and the train is not much better, unless you want to get up at 7 o'clock in the morning and head towards Melbourne. We do need some form of reliable transport. We have a community car in town that is sometimes used for the elderly if they need to go to medical appointments and things like that.

The CHAIRMAN — Is that a council service?

Ms MURDOCH — The council provides that, yes, and that is done on a voluntary driver basis to keep the cost down as much as possible. Yes, transport is a big issue in these communities.

The CHAIRMAN — I place on the record our welcome to and recognition of the Honourable Bill Baxter, who has joined us. I thank him for having us in his electorate. It is great to see him here and to see the interest he has shown in the activities of our committee by coming along on this second occasion.

Mr THEOPHANOUS — We have been told by the council that there has been a bit of an upturn in business activity in the area over the past couple of years, with a few businesses starting to work towards dealing with all the international and other pressures you are now having to face. Is that what you are seeing out there? Are you seeing businesses starting to cope a bit better than they have in the past?

Ms MURDOCH — I refer you back to Chiltern, which is probably the town this inquiry is looking to me for evidence about. Having the business I have in town, I find it rather interesting that often we have a peak of interest where everybody decides they are going to open a shop in Chiltern. They have wonderful rosy ideas, but as a cynical older business person I look and think ‘Oh’ — and sure enough, within 6 or 12 months, down the drain they go again. Then you wait for 12 or 18 months or two years until everybody has forgotten about that and off they start again.

I am fairly cynical about the support we sometimes get for these small towns. People do try, but on the whole it does not work, and to a degree that probably also applies to Yackandandah, Beechworth and Rutherglen. We have numerous empty shops in our towns. At the present moment in Chiltern we have a bakery that has just shifted but has been taken over by new people, and a couple of craft shops have just been opened. I would love to say they are going to remain, but I do not think that will happen, and it is very sad.

Mr BEST — I will quote from a document called ‘Regional solutions program — application form’, which has been provided to us by the council. It highlights some of the things that are particular to Chiltern, including:

46 per cent of Chiltern retail strip space has become non-performing — ie closed ...

I think the council was looking for some ideas. One of the comments it makes in this document is:

Apart from old buildings, there are very few facilities or activities for tourists.

You come from a box-ironbark area, and we are always sold the idea that the creation of national parks or areas like the Chiltern box-ironbark park will attract ecotourism. Has that occurred?

Ms MURDOCH — No. We do get some tourism into the area, but I think they come more for the historical interest than anything. The constant comment I hear is, ‘Isn’t this a wonderful old town! Aren’t you lucky to live in such a wonderful place’ — and it is a good town. I love living there, and I love living in a small community. However, as far as the forest goes, we get quite a few birdwatchers through, but they are a specific group and they would come anyway.

Mr BEST — They do not value-add enormously?

Ms MURDOCH — They do not value-add; they stay at the motel and have a bit to eat and drink, but on the whole they would have come anyway because the bird life and so on is fairly unique out there. But I do not think people are coming out to have a look at the box-ironbark.

The CHAIRMAN — You do not think so?

Ms MURDOCH — I have not struck anybody who has said, ‘I have come out here to see the box-ironbark forest’. I live next door to it. I walked in it every morning for eight years, and at first I used to think, ‘What a horrible old forest’. That is the first impression you get, because it does not look that good when you first see it, but when you have walked in it for eight years and you have seen the seasons change and those sorts of things, that impression changes. Box-ironbark forests are the sorts of forests where you really have to appreciate what goes on over a 12-month period. The forest is beautiful over a 12-month period, but there is no water there — not in our section, anyway. I am not talking about the Beechworth side.

Ms DARVENIZA — I wanted to ask you about the comments you made about council services after the amalgamation. Others have made submissions here today saying that council services have decreased. You talked about services such as the street sweeping; are there are other services you can tell the committee about that have either decreased or gone altogether? Could you also make some comments about whether that has meant a reduction in staff and whether it has had an impact on the small businesses in the area?

Ms MURDOCH — Yes. As far as the impact on the small businesses goes, we have only one councillor in the area who represents us and he lives out of town, whereas before we had about seven councillors and we saw them around the town constantly. Now that they do not have to be constantly around the town, we do not see them terribly much.

As far as the council workers go, most of those workers who came from Chiltern have retired, so we no longer see those people living in the town. One Chiltern person was recently employed by the Indigo council, and that person is the first person from Chiltern I know of who has been employed by the council. We have had the WAW Credit

Union opening its council office within the bank. The downside to that is that it uses one less building and employs one less person, because that business is done by the people who were already in the office.

I now walk my dog just about every morning through a park just up the road from me which the Lions did. They spent quite a bit of money, time and effort and used a lot of government services to get the paths done; they are now totally overgrown. I can see that in another 6 or 12 months time you will not know there is a path there. With those sorts of little things — the edges that you see around the place not being mown as well as they could be — there seems to be an area that council is responsible for and another area that nobody is responsible for. Those little things are the things that get you, and after a while you do not realise you are missing them because they have been like that for quite a few years.

Mr BEST — There has been a 12 per cent decline in the value of houses in Chiltern. A high and growing proportion of single parents and government beneficiaries are moving in, so you are getting people from a lower socioeconomic scale. Is that impacting on the retail sector of Chiltern?

Ms MURDOCH — Yes and no. Yes, house prices have gone down, which means that if you are walking around you probably would not see as many vacancies as you would see in a lot of other towns because the houses are so cheap. Having the single parents does not impact quite as much; probably in a way it helps the business in that they do not have as much access to private transport.

Mr BEST — They are not so mobile?

Ms MURDOCH — Yes, and that can be a plus. We have been fairly lucky in Chiltern — I will talk Chiltern up — because we do not have as much of the crime that comes with lower socioeconomic groups as we previously had 10 years ago. That may be because we have had a pretty good policeman — and we have just got another one, so that could help as well. As far as business staying in the town goes, our business has gone up a bit lately. I like to think that is because people are supporting me, but it is also because of the IGA name. That improvement is possibly not going over to other businesses; they are all struggling. Our business is probably the central focus, because you can get everything there.

Mrs COOTE — I asked the councillors about employment placement services and the opportunities to get appropriate staff whenever there is a need. Obviously there are not great numbers of placement services in these smaller towns. Has that been detrimental to businesses in Chiltern?

Ms MURDOCH — As I said, my staff is pretty stable, and they have been there for a long time. I am into the business of working with them and not changing them over. I am also into the business of trying to give the work to as many people as I can. I draw them from within town wherever possible and never from out of town, so that does not really apply to our business.

Mrs COOTE — What other businesses are in your town?

Ms MURDOCH — We have hotels and a couple of milk bars, and they all pretty much operate on the same system, unless they can get somebody cheaply through the government. At different times — depending on how hard somebody is cracking down on them — we do have people coming in and saying, ‘Can we have a job? No? Oh good, thank you’, and walking out again, knowing full well that our places are pretty much full to capacity and have waiting lists.

The CHAIRMAN — Thank you very much for coming along the road to speak to us. We will send you a copy of the Hansard transcript of our discussions.

Committee adjourned.