

CORRECTED VERSION

Economic Development Committee

Inquiry into the Impact of Structural Changes in the Victorian Economy

Korumburra – 26 November 2001

Members

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

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

Chairman: Mr N. B. Lucas
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Staff

Executive Officer: Mr R. Willis
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Witnesses

Mr Geoff Hill, Economic Development Manager; and
Ms Robyn Cooney, Manager, Shire Development – South Gippsland
Shire Council.

The CHAIRMAN — I declare open this hearing of the Economic Development Committee. The Economic Development Committee is an all-party investigatory committee of the Legislative Council. It is hearing evidence today in relation to its inquiries into structural changes into the Victorian economy and in relation to exporting goods and services from Victoria.

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. I would particularly like to thank the representatives of the South Gippsland Shire Council for making the facilities available today, and for the more-than-adequate morning tea and a nice warm building to meet in. We thank you very much, everybody concerned with that.

Our two witnesses are Mr Geoff Hill, economic development manager, and Ms Robyn Cooney, manager, shire development. Firstly, I thank you for the submission made by the shire. We have read it and appreciate it. My understanding is you are going to make a presentation to us; then we will ask some questions. We have about half an hour at the very most to do that. Welcome and over to you.

Ms COONEY — Thank you very much for the opportunity you have given us to put our issues before you in relation to the effect of the structural change, particularly in the South Gippsland Shire Council. We will make a presentation in two parts. Geoff and I are going to put the spin on the local government issues that have arisen from structural change; that will be followed by some submissions from our economic development advisory committee later on, which will give you an idea of how the community has been affected.

I guess the first thing we would like to say is that all shires are not the same. South Gippsland is a very different shire with very different problems and very different pluses than other shires in Gippsland. You only have to drive into the place to see it looks and feels different and that it goes up and down and not straight along. Perhaps the best thing for us to do by way of introduction – and it does become relevant when you look at the issues – is for Geoff to give you a profile of the shire.

Mr HILL — Thank you Robyn. The way we will do this this morning is to explain with respect to structural change the issues that have arisen since council amalgamation, as Robyn mentioned; others will then talk about the broader issues.

Before amalgamation the Shire of South Gippsland was divided into four separate areas, which whilst not being equally

divided, were fairly representative across the area.

The CHAIRMAN — You might skip through this pretty quickly.

Mr HILL — Okay. With amalgamation Leongatha became the headquarters – and we are looking at covering the whole area. The area has a population of 26,600 people, rate assessments of 16,703, and an area of 3280 square kilometres. There are four major towns but there are 28 different townships, and that really is the crux of where the issue is. There are a lot of towns across the shire. There are four areas that we see will require readjustments following amalgamation. They involve infrastructure consequences surrounding the provision of support to the community, the social impact of particularly the smaller towns in the area, and budget consequences following amalgamation. I will pass over to Robyn, who will go through a couple of those issues.

Ms COONEY — The first problem the new shire faces and is still facing is the amount we have to cover in terms of infrastructure. As you can see, for a small shire with 26,000 people that is quite a big ask.

In terms of roads – and it is always roads, I know, but they are what cattle go along, milk tankers go along and kids go along to school – we do need some assistance through schemes that will look particularly at the upgrade and maintenance of rural roads. At the moment we have real problems with our bridges. Quite a few of them are old and timber-based. I am not an engineer, so I say 'based', but 'built' from timber. Last week we held an enormous meeting at Outtrim, and there was a great deal of local community angst. It showed the need for assistance, because we just don't have the money to upgrade the amount of infrastructure we have inherited.

With the upgrade, too, comes the maintenance, which is an even bigger problem, I suppose. I will read you a little bit about what my assets department looks after. It covers 2100 certificates of land title; 70 leases and licence agreements; 51 parcels of Crown land; 14 preschools and child-care centres, eight public halls; 7 municipal offices; 5 libraries; 4 senior citizens clubrooms; 8 indoor sports stadiums; 2 depots; 7 swimming pools; 4 caravan parts; 123 other buildings; 7 public toilets, and 15 contracts. Given what Geoff has told you about the way South Gippsland has been built, it is not just a matter of getting into a car and going along a road 5 kilometres; it is a matter of working in 28 small communities in a very interesting and picturesque but often difficult area of topography.

Mr HILL — This is one of the other issues, the sense of community loss within the various townships. The centralisation of facilities and management has meant that townships that previously had involvement in administration are finding things a little bit disjointed from the structure. That matter is being addressed as best we can, but centralisation of activities means there is a much bigger

area to look after.

Ms COONEY — I guess this is probably the most pressing of our issues, that we inherited a superannuation black hole. In our case it is still remains at about \$4.2 million – money we have borrowed at 7 per cent. We do have a debt reduction plan, and we are doing better than most in terms of financial management. However, that is going to take us 15 to 20 years to bring to heel.

The CHAIRMAN — What was the figure on superannuation when the new shire was formed?

Mr BULL ³/₄ Approximately \$5 million.

The CHAIRMAN — So you've brought it down to about .8 of a million.

Ms COONEY — As well as that, we can't just stand still. We can't just handle debt; we have to go forward. We have to cope with new borrowings to build new infrastructure. We are in a growth area. The roads are getting better; we are getting closer to Melbourne. We have great pressure on us to see we bite the bullet and to live up to the expectations of our ratepayers. We need to fund kerbing, guttering, waste-management support, those sorts of things, and it is very hard when we have this black hole hanging over us.

However, we don't want to be whingeing and moaning the whole time. We really do appreciate the efforts of local and state government at this point in time. The return of the rail to South Gippsland both for passenger and freight services is expected in the next three or four years. The shire has developed a proactive response to this, and has developed a number of projects which we will be seeking funding for in the next 12 to 18 months, taking advantage of the government's initiative in this area. I will leave you to look at the papers we have provided. They involve industry-based proposals, such as putting in the sand tray, the sand trucks on the rail off the road from Nyora, doing up old stations, and applying for private place applications to redevelop those rail hubs so that they are synergistic with the rest of the community. You can read that documentation at your leisure; it is something to do in the car.

Mr HILL — This is one of the other issues fairly current at the moment, and it really is as a result of private business structural changes in insurance premiums on public liability of various things that are happening right across the shire. Obviously it is not only in this particular shire, but it has a very significant impact on community groups and on communities being able to hold festivals and local events as a consequence the Shire Council of South Gippsland being increasingly required to attempt to pick up the pieces. I guess what I am trying to say is that community events are a very powerful way of galvanising a community, of developing activating

communities, and it is something we are putting pressure on.

The CHAIRMAN — Are you getting around this problem by bringing these organisations and the events they run under the banner of the council and its public liability cover?

Mr HILL — That is actually being looked at. At this stage that has not been able to happen. A study is being looked at. The costs are fairly significant, but certainly it is an issue that is not going to go away, from what we see.

The CHAIRMAN — I think we might pass over this one, if we may, given that our reference is talking about what has happened from about 1995-96 forward to now, and I want to try to keep away from the very recent changes.

Ms COONEY — Fine. I was going to talk about Rescode.

The CHAIRMAN — We might miss that.

Mr HILL — That is where we are at the moment.

The CHAIRMAN — If you would like to take a seat. Forgive me for sounding as if we are rushing you, but we have to keep moving here.

Ms COONEY — No, that's fine.

The CHAIRMAN — One of the issues that you raised in your submission to us was a comment that it is necessary to reap the benefits of administering a large area. Would one of you like to indicate to us what you see as being the benefits of this new larger shire that you are administering?

Ms COONEY — I think probably if you were to take the old structure and look at the council's individually, you would find that there is a great difference between those that did it well and those that didn't do it so well. I think a lot of that had to do with critical mass. Even though it is very hard to administer services over a wide area, it certainly is easy when you have more dollars in your pocket, so I think the increase in the rate base to one central location certainly has made that possible.

You probably noticed our Prime Country brand. I don't think we could have developed an image and taken advantage of that from an economic point of view had we not had amalgamation. People are now increasingly beginning to see themselves as part of South Gippsland Prime Country as opposed to Korumburra Mirboo North, and bit by bit the old parochialism is dying. It does not take much for it to rear its head, as you would be aware, but generally

speaking there is a fairly good feeling out there, and that has been reflected in our customer opinion surveys.

Mr HILL — Once you actually get a bit of a critical mass with an area that is significant, it is the ability to be able to think strategically to identify the best locations for various things, to be able to apply for significant grants, and I guess to influence development on a regional scale certainly increases. So there is no doubt there have been some significant positives as well as some difficulties with amalgamation.

The CHAIRMAN — One of the comments you made in your submission at page 13 talked about the restoration of balance between towns. You've indicated how many towns there are in the shire, and you've also made the comment that following amalgamations many shires seem to centralise a lot of new services and facilities in the centre that ended up with the municipal office. You've made comment that the shire needs to try to get a balance between the various towns so everybody gets a fair go, and you also, as I recall, raised the concept of spreading particular infrastructure items around those towns. Would you like to comment on how the shire is facing this dilemma of trying to keep everybody happy, trying to give everybody a fair share?

Ms COONEY — We do a lot of public consultation and we respond directly to the issues that the smaller towns give us, because we think that is their patch and they know it better than us in many respects. We have a program that we call Charettes, where council representatives and council officers go to small towns, sit in the halls and make a list of their requirements, and then we work through the priorities.

In terms of service delivery, Leongatha, I suppose, is our capital, our central service centre. We encourage smaller centres to develop agencies, such as the one you are going to see at Welshpool today. We are instrumental in developing the grant application for that community down there, and as a result they have got their centre, which offers quite a number of services to the public. Similarly, we have assisted in Mirboo North, where they have reopened their banking agency and also at Toora, where the post office handles quite a lot of services. There is no doubt that that is probably the thing that the elderly and people tied to their businesses see as the major disadvantage of amalgamation, in that they feel they have got little ownership of the processes that they go through with rates and whatever.

Mr HILL — I think one of the other things that certainly the council is trying to do is that every second council meeting is at a different location. Quite often it is to the point of just being a community hall and not much else, but the council is certainly trying to get out

there and give communities the opportunity, no matter what size, to actually feed into the process.

Ms COONEY — As far as our economic advisory committees, tourism committees and community leadership committees go, the location of the members is always one of the criteria involved in selection, so there is a balance of representation from across the shire.

Ms COOTE — I have four areas of questioning I would like you to address in relation to your submission, and also some questions for you. The first issue mentioned all the way through here is about postal services. I am really interested to get some idea of what the postal implications have been for the region and the shire, because this is something we have looked at right across the state. I would be interested to see what is happening here as far as services are concerned.

Mr HILL — I think the centralisation of the sorting facilities is the issue that is addressed in the document. It is part of the structural change of rationalising.

Mrs COOTE — So it is more a jobs issue rather than access? Because the experience we have had in other parts of the state has been that people felt postal services have increased, because they go to a local agency and pay their bills and do all those things and they are generally becoming accustomed to doing that. Is that your understanding of what is happening here as well?

Mr HILL — I think to a large degree certainly there is general agreement that the postal services are, at a retail level, fairly okay.

Mrs COOTE — The second point I want you to address is young people, which is something you mentioned as well. You mentioned how few advantages there are, because the farms are getting larger and people are leaving and the average age of a farmer is increasing; you also mentioned lack of education opportunities. Please refresh me. How far is it to the Monash University? Is that the closest – not Melbourne – the Churchill campus.

Mr HILL — Being a country person, I probably talk in time rather than kilometres. It is about an hour. There is a very limited ability to get there, unless you have your own vehicle, which is one of the issues. It is an hour from Leongatha. Once you get down and around into the area of Foster and come back, there are significant hills in the way, and there is a loop around, so it would be an hour plus, well and truly, for a lot of the community.

Mr CRAIGE — I am interested in a couple of issues in particular on page 12 in your submission. They relate to communities and local small communities, and how important industries are. The one you

refer to in particular near Foster is the Corner Inlet fishing industry. Wouldn't you put to us that not only would it be a disaster for the Corner Inlet community but the adjoining towns as well throughout the whole region at Welshpool and at Foster, not only from the point of view of the business, but for the kids who go to schools, and it just goes on and on. There is such a huge multiplier within a community, even if you introduce it at Marine Park, it restricts the viability of the commercial fisherman, and the impact is huge on small commercial towns like that.

Mr HILL — It certainly is. It is a flow-on right through the community. The fishing industry is very important to those small towns. The concept of a marine national park is not necessarily a negative, in fact it is not a negative, but it is the impact on the industry and the insurance of keeping it viable.

Ms COONEY — We have a number of projects on the books at the moment which we will be seeking assistance from the state government with: the upgrade of the fishing infrastructure at Port Welshpool, the boating upgrade, the commercial land-based agriculture proposal coming our way, and we also have a fish processing factory that is about to be substantially upgraded and has the potential to export a lot of highly-processed product to America and Japan. We will need some help with small amounts of infrastructure upgrades for us to be able to assist them to get our product in and out of the place. We will also need some help with the social side of things: training, transport, those sorts of things for packers and filleters, and those sorts of things. So there is a lot we are doing to try to combat the downside that is happening in the fishing industry.

We have looked at really practical alternatives that are possible and don't require us to change legislation or move mountains or fight huge factional groups. We will be putting funding proposals together, probably in the next six months, under the umbrella of the Living Suburbs Program for the Department of State and Regional Development and the Department of Infrastructure.

Mr CRAIGE — I notice, Geoff, you said marine parks are not necessarily a bad thing, and that they can be a good thing. I would be interested in you extending that argument in respect of the fishing community and all the sectors associated with it, the families, businesses and fuel. I am trying to imagine how many people are going to be affected. Are you going to run the line that say marine parks are good as they create tourism, and all these people are going to get work from tourism?

Mr HILL — Council's view is that the No. 1 priority is to protect the fishing industry, and whatever is required to do that will be done. The point I am making, I guess, is that with that as a given there are

possibly opportunities for the concept of marine national parks, provided that imperative is –

Mr CRAIGE — I am not against them either, as long as they don't have a huge social and economic impact on these small towns because it doesn't stop there; it is the council which would suffer. It is businesses that go on up into the larger towns that also would suffer as well, enormously, with a lot of the things you are doing. So marine parks are a good thing, but you must take into account the economic and social impacts as well.

Mr HILL — Absolutely, no doubt. That is council's very strong view.

The CHAIRMAN — Sadly we've run out of time. Ms Cooney and Mr Hill, thank you very much for your time and presentation. Can I say again how much we appreciate the shire's submission. You have covered a lot of issues. We will take them into account when we present our report to the Parliament. Again, thank you to the shire for your hospitality today.

Witnesses withdrew.

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Witnesses

Mr Ken Thomas, General Manager, Murray Goulburn; and
Mr Graeme Wilson, Windy Ridge Winery – Prom Country Advisory
Board.

The CHAIRMAN — We welcome Mr Thomas and Mr Wilson from the Country Advisory Board. If you would like to make a short presentation to us, we will ask questions.

Mr THOMAS — I am manager of Murray Goulburn, Leongatha. I have been asked to talk on employment services.

Murray Goulburn is the largest employer in the shire. It employs around about 420 employees, which gives me a wage bill of around about \$17 million a year, plus the multiplier effect, so we are a fairly significant part of the local economy. Of that 420 employees we employ around about 40 seasonal casual employees and service some 820 farmer suppliers in the South Gippsland area. Before the restructure and privatisation of employment services, we dealt basically with the Commonwealth Employment Service and we used our own administrative team for all employee selection. For high-skill level employees predominantly we used Melbourne-based employee agencies.

Some of the problems we had with the CES were that predominantly the CES was based in Morwell. We had a small office at Leongatha, which only opened for about two or three days per week. My view of the CES at the time was that it was very bureaucratic; there was certainly a lack of initiative, and there was little effort put in from the CES to service major industries. On a positive note, since the restructure, we have been serviced predominantly by three companies. Those three companies are now based in Leongatha, open to business Monday to Friday. The three companies are Employment Innovations, Latrobe Personnel and Workways. Occasionally we use Employment National and the Commonwealth Rehabilitation Service for some of our more specialist needs.

We use those three agencies predominantly for all of our employment needs, for seasonals, casuals, full-time employees, skilled employees, and also for tertiary-educated employees. Those three agencies are very keen to service us; they are basically knocking on our door all the time, seeing what they can do to help us in business. The big issue, from my point of view, is that we have been able to obtain a good level of high-calibre applicants at all levels through the organisation.

In terms of advertising, too, each of those three companies uses the Internet fairly heavily, as well as the local newspapers, for advertising on our behalf. On a positive note, as far as I am concerned, with the restructure everybody has been really positive. We are now serviced really well. And in terms of people looking for work in South Gippsland, too, I believe that they have a

far better means of finding employment now being locally based rather than being CES-Latrobe Valley based. Certainly, from my point of view and from an industry point of view, it has been very positive. Thank you.

The CHAIRMAN — Mr Wilson.

Mr WILSON — I am at the other end of the business scale. I run and operate a tiny winery down near Foster, and I guess I also speak on behalf of the wider wine industry in the area. Our particular concerns, and the particular topic I want to cover, is at page 12 of the submission from the council relating to telecommunication services. As a tiny business we really have to be frugal in our use of our resources to try to compete with the larger businesses, which have of course an economy of scale much larger than we can hope for. The Internet and e-commerce and emails are one area in which we can hopefully compete with the big guys – if we can get good line speeds and high transfer rates, which we can't. The unreliability of the lines is a big concern.

For example, last night I was transferring 4 megabytes to a central place up in Churchill, which we were just discussing. There is a business there that has this week put online for the Wine Association group a web site to represent all of our wines; so 14 different wineries now come off the one web page. In the transfer of information to them last night, 4 megabytes was nearly there; I had a drop-out, and had to start again. The whole thing is frustrating. The line speed affects the efficiency with which we can run our small businesses. It could be a huge plus, but at the moment it is a big hassle.

The problem also taps into the whole concept of banking. I can do most of my banking from home, if I can rely on the line. Probably two out of three times I get onto my connection with the bank, I am not connectable, and I think that largely depends on line quality. My concern is with the privatisation of Telstra, I guess, will they be as interested in upgrading or even maintaining line quality in small remote areas?

The CHAIRMAN — Interestingly, we spent an hour with Telstra Countrywide just last week talking about this very issue. We asked them the sorts of questions that I think you would have wanted us to ask, and they have a system, I believe, of responding to people such as you with the issues that you raise. So I would recommend to you to get on to Telstra Countrywide and point out the problems that you are having. I am not an apologist for them, but they were with us just last week saying that they are very interested in hearing back from people with these sorts of issues.

Mrs COOTE — Listening to them, they are going to be able to solve

everything!

Mr WILSON — Technically they can, but will they?

The CHAIRMAN — They certainly have a program of rolling out adequate infrastructure for people to do the sorts of things that you are doing, and they would be, I think, very amenable to hearing from you. If you look back five years, could you do what you are doing now?

Mr WILSON — Virtually there wasn't an Internet five years ago.

The CHAIRMAN — If you look back four years?

Mr WILSON — We did have a web site at that time.

The CHAIRMAN — Would it be fair to say that over the past five or six years the graph, looking at it from your direction, is heading in an improvement situation in terms of what you can do and the speed you can do it and the connectivity you achieve?

Mr WILSON — The effect of the lines, on what we can do, is pretty much flat. The technology we now have is so much better, that sure, we can do more. I think, though, the cities are going ahead faster because they have things like cable modem and they can download at 100 times the rate I can.

Mr CRAIGE — But the demand on you is what you can achieve in services, though, isn't it, or the expectation – and I am not making any apologies for Telstra Countrywide either – but it seems to me there are rural and regional areas which you could argue are serviced very well; there are larger regional towns which are not too bad, but once you start to go beyond that, then the reliability of the service is a real, real issue, and you are dealing in a very international world.

Mr WILSON — That is right, yes.

Mr CRAIGE — How does Murray Goulburn get on; no hassles?

Mr THOMAS — No, we are okay.

The CHAIRMAN — Why is that?

Mr THOMAS — I think because of our links. Most of our international stuff is done through our head office in Brunswick, so basically we are manufacturing sites around the country, and all of our international marketing is done through Brunswick.

The CHAIRMAN — What about your local information that you want to send to headquarters?

Mr THOMAS — That is reasonably under control. The area that we are developing at the moment is the information link between our farmer base where we are running into some difficulties in terms of getting information back quickly to our farmers. That is an area that needs developing, and we are running into the same sorts of issues that Graeme is talking about.

The CHAIRMAN — Fair enough. In the employment area we have had evidence around particularly Western Victoria that if you are looking for skilled employees, they are just not available. What is your experience in that regard?

Mr THOMAS — We have had similar problems. I guess what we are seeing is nearly all of our young people not being interested in staying in the country; there is a lack of opportunities for them. But we are seeing some people return – particularly the people who have gone down the tertiary education road – and moving back into the country, which is not all bad. I think it is a good thing. However, where we have some difficulty is that once they have had a taste of city living, coming back into the country is awfully difficult for some of them. To attract them into a country environment after they have been in the city is fairly difficult, so we do have some difficulties in that area; but in the last 12 months I have seen a subtle change in that area. It is becoming a little bit easier to find tertiary educated people than two or three years ago. I am not sure why, but it seems to me that we are getting more applicants for reasonably high-level jobs than we were getting two or three years ago.

Mrs COOTE — The comment Mr Wilson made but about actual communications, the difference between the city and the country, the rates – and I don't pretend no know enough about technology to understand – but I asked the Telstra people, and I am interested in your opinion: it would seem the city is always going to be that much further ahead because of the scale, and I think Mr Lucas asked you about what had happened in the years gone by, but how realistic is that gap? Do you think it is changing, coming closer in a telecommunications sense between what they are offering in the city and what we are able to get in the city as far as capacity is concerned in comparison? Is the gap actually narrowing?

Mr WILSON — The technologies which cover up, if you like, the inadequacies of the lines are getting better, but you are still going to come back to what Geoff is alluding to, that within about 4 kilometres of the major town your lines are okay. Once you go that 5th kilometre and beyond from in my case Foster, you really start to drop off, and we are about 5.1 kilometres out. They tell me it is really the last half kilometre that slows everything down.

Mrs COOTE — What about satellite technology; is that something you

would consider? They said to us it is not that expensive, it is about \$750. Is that something you would consider? And you with Murray Goulburn, with the farmers, is that something that should be looked at at this stage when you want to get additional development in this area?

Mr WILSON — I don't understand why Australia is not totally satellite; it is such a huge country. A few satellites could cover the whole place rather than thousands of kilometres of wire, but I guess the wire was there, so we use it. I don't know why we don't make the jump to satellite, which is much more efficient and covers everyone.

Mrs COOTE — In your perception the gap is very wide and it is as wide as it has ever been?

Mr WILSON — Particularly when you go out of the town. We have both been nudging at this issue of keeping our school leavers in this area. Anyone who is interested in IT, which is probably half of them, are off to the city where the opportunities are.

Mr CRAIGE — That goes back to the question: where you've got young children who go away for tertiary education, they become absolute proponents and experts in computer technology, and their difficulty will be that whilst they have got the technology and the programs, the interface is through your Internet connection and the reliability on that is then not as good, not as reliable. Businesses and young people who are working with projects and doing things, you can only take on so many times. When you spend so much time, and when you have everything all ready to go and the thing drops off and you have to start again, it is hard yards.

I suppose it does not matter how you convince people that that is okay, but that fits in with the whole picture. If you were making a business decision on setting up a business in rural Victoria beyond our 5 kilometres, would it be one of the things that you would consider in respect of establishing a business? Obviously it would be if you are in a mail-order business on the Internet, you would have to ask, "Should I do it here or shouldn't it?"

Mr WILSON — In our business, from now to Easter is our main marketing and selling time. The rest of the year is spent encouraging reorders through our web site. I would hope over time to have an increasing proportion of our business going through the web site, either ours or through the group's. But it is certainly one of those issues that you would have to consider, as to what style of business you are going to run: "Can I efficiently run a business using the Internet where I am situated?" There are not many options as to where my vineyard has to be.

Mr CRAIGE — It has to be where the grapes grow.

Mr WILSON — That determines where the business is; the line determines what style of business we can run.

The CHAIRMAN — Mr Thomas, before, when we were under a CES arrangement, the CES office was in Morwell.

Mr THOMAS — Correct.

The CHAIRMAN — Were there any other CES offices in this region?

Mr THOMAS — I am not sure, to be honest.

The CHAIRMAN — There is probably one at Traralgon.

Mr THOMAS — Certainly Traralgon, yes. I can't answer that. I am not sure.

The CHAIRMAN — South of the Princes Highway, shall we say, were there any CES offices, to your knowledge?

Mr THOMAS — Only the Leongatha one, as far as I know, but only open for two or three days a week; it was always a bit of an afterthought or part-time office.

The CHAIRMAN — Can you quickly tell us where the private providers are now.

Mr THOMAS — Workways, Employment Innovations – and I can't think of the other one – they are all based in Leongatha. There are three agencies at Leongatha that compete for our business. There is a lot of competition between the three of them, and it is an advantage to us. Quite often those people will have the same person put up to us as a potential employee on each of their books, so there is quite a bit of drive between them to get placements for those people.

The CHAIRMAN — Thank you very much, Mr Thomas and Mr Wilson, for the time you have spent with us. If it comes to your mind that you would like to let us know anything else, feel free to contact us. We will send you a copy of the transcript.

Witnesses withdrew.

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Witness

Mr Trevor Rickard, Korumburra Business Association.

The CHAIRMAN — Welcome. Would you like to make an opening statement and we will ask some questions.

Mr RICKARD — Thank you for the opportunity. I represent the Korumburra Business Association. I had the benefit of attending a full-day community workshop yesterday where representatives of the community discussed a number of issues that bear directly on this inquiry, and I was able to use those thoughts of really the grassroots people. A wide cross-section of people addressed issues not just of a business focus but of a social and welfare focus that concern the community, and I was able to draw on those experiences.

Korumburra has been identified as peculiar in that we have been at the brunt end of government restructure. To give you an example, this very building, this railway line, was a small housing development consisting of 20 houses that were occupied by railway people, but no longer are there any railway employees in this town. The Lands Department housed four families. The shire consisted of 50 employees; there was a water board with 10 employees. Today hospitals have been downgraded. We have Australia Post, but we are about to lose the distribution centre. We had a Telecom office, which has been considerably downsized; the PTMU, the police traffic management unit, is being moved from here to Wanthaggi, but this line has a greater fatality statistic, this highway, than the Bass Highway. Almost certainly the court house will follow that course, despite what they tell us. The court is a designated County Court, but it has not conducted itself as a County Court for 20 years. It is the mentioned court for the region, but with the police going there, the detectives will follow; and almost certainly I can suggest within five years we will not have a courthouse here.

There is a downgrade in the dairy industry. We have four banks, and they offer nothing more than a teller service. The problem with all that is that there has been not just a loss of employment, but also a loss of opportunities for unskilled labour. We had railway gangs and we had shire roads people. There are no employment opportunities for those people in the community who don't have skills and never are going to be able to achieve skills. We also have the more critical issue that there is no skilled employment offered within the community. You talk about small business.

The concern communities like us have is that the government thinks small business and those with multiple employees, say 50 or more employees, such as Murray Goulburn – they are your small businesses – towns like this rely on companies like mine who employ four or five people; or most husband-and-wife businesses have one employee, and take them out of the town and there are no employment opportunities. When I came here 22 years ago we had

six butchers, 13 take-away shops, a white goods store, and a furniture store, but now they are all gone. You see real estate agents, stock agents, lawyers, accountants, people like that, service providers, and that is all we do, provide services. We don't provide retail. We have two clothing stores, and the shoe shop is closing this week. That is what has happened. That is how these towns have lost through various initiatives – not all of the government doing, no doubt. A very recent example, and I became aware of this only last week myself: we haven't got a railway line; it was replaced by a bus service. Fortunately, a local contractor was successful in obtaining that contract. Elders Bus Service has now been replaced by Dysons Bus Service out of Melbourne. This leads into the other issue of the competitive tendering process and the benefits that that has brought to communities like this. We have virtually no benefits.

All the major contracts have gone out of the region, because the small business operator who was dis-employed by the shire and was told, "You can apply for all these tenders", all the work still has to be done; but he is just not competitive, he is not even in a position to go for a tender.

I was at a law conference this weekend, and a notice was put up to go from the government to the Law Institute, that governments should take positive action to encourage major employers, shires, hospitals, water boards, to do away with the competitive tendering process because major services like that are not being provided by local lawyers, accountants, town planners, and so forth, but rather by the major firms because they are in a position to do it, they have the scale to do it. What we have is a brain drain. Lawyers such as myself and others are not able to employ those people because we not able to offer the work that goes with it. I know some of these are federal issues, but the competition policy certainly has not worked to our advantage in rural Victoria. Certainly there are issues about going through good times at the moment, and to a certain extent this area has benefitted from the decentralisation policy, but generally if it was not for the low dollar, the farmer at the grassroots has not benefited to a great extent.

What we have seen is an aggregation of farms, and a lack of employment in farming. My biggest concern – and I see it from a legal point of view – is where are the next lot of farmers coming from? We have a retirement trap where farmers' ages are growing and growing. I can count on the one hand the number of farms that have been bought by young farmers going into farming in the last 10 years. The only people who going into it are fathers and sons, handing it down through the family, and they are not even doing that any more. I know a number of people my age whose sons are not going back on the farm; they are going away to university and are not going to come back. There is no incentive for people to continue in farming. The better farms will get bigger and bigger, and the

marginal country, a lot of it around here – the hill country as we call it – will not be worked.

I came from the Mallee, and I see what has happened in the Mallee; it has got bigger and bigger and the marginal country has become less and less. We are 10 years behind the Mallee in that respect, but I suggest in 10 years time a lot of this hill country will be overgrown by ragwort and thistles; it will not be managed because there is not the incentive or the income return to go with it.

The problem is government's focus on regionalisation; it is all regionalisation. We are told "Think regionally, think bigger", but it has all gone to those towns, and this was adverted to earlier. Leongatha has benefited significantly from amalgamation, but you talk to people in Korumburra, Mirboo North, Foster – the other outlying towns have been significantly disadvantaged. I gave an example before. Just in the shire five years ago, the 50 employees, none of those have been replaced. We don't even have a service office here. You can't even pay your rates here. You have to travel to Leongatha. It is not that big an issue as you can pay through the post office, but we have an ageing population, an old population, and they are not used to that; they don't use the Internet, and some of them don't even drive. It is a real encumbrance on them to have to go to pay their rates in Leongatha. I can see the benefit of it, and I don't argue, it is not necessarily not a good thing, as we might have taken in the whole region, we might have taken in some greater economies. I was there yesterday and heard the people talk about this.

What is the cost benefit analysis? Certainly there have been economic advantages from this. Certainly the shire has become more efficient in the provision of some of its services, but what is the social cost, the welfare cost? Schoolteachers were telling me yesterday – because I specifically posed this question – and you don't get schoolteachers out very often to a Sunday to a community workshop. But schoolteachers were saying the welfare cost, they can measure it; they see it in the school – the single parents – and the problems the teachers are having being able to accommodate all the students on excursions. The economic problems to this community is enormous.

The first homeowners grant is an example. It is a great initiative, a \$70,000 grant which is made available to people buying an established home, a first home, and it has had an enormous impact. I have never seen real estate turn over in 20 years like it has in the last 18 months. To a certain extent it has been because of this economy at the moment. \$70,000 can buy a house at Korumburra, so renters convert to being homeowners just like that; but the \$14,000 grant – I have had one grant go through. I am aware of only one grant, because we don't have people in Korumburra who have the income levels. Even if you put husband and wife together who have

the capacity to build a new home – \$140,000, the land and another \$20,000 maybe – we don't have people who have the income levels to support that sort of borrowing. So that \$14,000 has been useless in promoting or assisting. Very few builders have built houses for people who have used the first homeowners grant. The \$7,000 yes, that has had a direct impact on rural Victoria as against the rest of the economy.

Having said all that, there are some opportunities. However, what concerns me is that all this money has been taken out of the economy but there has been nothing put back. When I first came here the government had a decentralisation policy. We built industrial estates and we took backyard small businesses and put them into industrial estates which were funded through the centralisation policy via the shire, who then on-lent that to the person who built his business up and then he paid it back. We did that here, we did it in Leongatha, Welshpool, Foster, in Toora. There is nothing like that. You won't get private enterprise building industrial estates here. The shire can't afford to do it any longer. We are running out of residential land. We could promote ourselves as a residential dormitory accommodation centre, we are close enough to Melbourne, but there is no incentive for private enterprise to open up residential land.

You can't sell a block of land; or you can't develop it up for under \$30,000, yet you can't get it for under \$30,000, so no enterprise. The shire could do it or the Urban and Rural Land Authority. We get a lot of new homeowners, or people coming into the south eastern suburbs selling their house in Oakleigh for \$300,000 and buying the same house here for \$100,000, and they then have \$200,000 to retire on. There are no burglaries; they have all the benefits, all the facilities, a comfortable lifestyle. We have some opportunities. Gippsland Group Training, a major industry training provider, has just moved into the town. We need to be able to attract business that can feed off that. They will provide whatever training is necessary for business.

We need to attract the business here that they can train; but there needs to be a policy of government to do that, because they won't come to Korumburra, or any regional town for that matter. We have transport costs, road problems. There is no incentive; there are too many disincentives. We have a very good industry here in pea growing; they provide 75 per cent of the snowpeas in Australia, they are all grown in this area, but their distribution centre is in Melbourne. Why? They bring the product here to a depot, put it on a truck and take it to Melbourne because of the cost of transporting and distributing to markets. It is better for them to do it in Mulgrave than to set it up here. That business employs 11 or 12 people all year round, and they could be local people. We have a stable workforce here that can be employed at a lower cost but we can't employ them

here because of those sorts of disincentives, so we need policies for government to encourage that, a centralisation policy to encourage people to come this way.

Tax breaks, rate relief, stamp duty relief, payroll tax relief, the cost to Treasury – and the benefits that would flow back to economies like that – would be minimal. Why not have stamp duty released for first farm buyers? What would be the cost to Treasury of the stamp duty released to first farm buyers, or for that matter, all farm buyers? It costs you \$1 million to buy a viable dairy farm. It is a positive disincentive for people to get into farming. We don't even have a Collins Street cocky any more doing it, because it is not viable, there is no return in it. A lot of Collins Street cockies used to buy the land and lease it out to farmers who are able to aggregate and get bigger. It doesn't happen any more. They are some of the issues, but we have had enormous dislocation.

I can speak passionately about Korumburra; I have the experience. A lot of this has happened over the last five years.

Mrs COOTE — I have looked into what you have said, and you alluded to the rail system. The rail system we have seen; what is your opinion on the rail system? Do you believe it is going to bring more people down here or take more people out of the town, or will people commute from here? How many people were using the service before it actually closed, before you answer that?

Mr RICKARD — My opinion might not be well received by some people. The move to re-establish the railway line along this line seems to have been brought about without an enormous amount of public consultation. As a business association we have never been consulted on it; apart from being made aware of Freight Victoria's efforts to attract major bulk freight users, we have not been consulted. I suspect that for small businesses in Korumburra, very few people were using it. They were not using it because it wasn't efficient, but it was a lot easier to take produce from where you were directly via a truck to the site. Certainly the passenger service was not used, and there were reasons, issues of security and so forth, time-tabling and whatever. My personal view – and it is probably a reasonably well-received view – I don't believe that the passenger service would be a viable option. In any event, we have got a bus service that has the capacity to employ at least as many people as the railway service would. I mean, we have a bus service that goes to Melbourne four times a day at the moment with four drivers being employed, presumably, and that is a seven-day-a-week service. We wouldn't have four trains going to Melbourne, and we wouldn't have four local people employed.

The freight service will depend on major bulk users, sand, timber, whatever, and I am not aware of how they are going in

terms of tracking those. I believe there has been some interest, but there have been other major users they have not been able to interest.

Mrs COOTE — Thank you.

Mr CRAIGE — To continue on that rail issue, the reality is the cost to improve the rail network for freight is much higher than for passenger, so there is going to be an enormous cost associated with bridge upgrades and rail infrastructure, which is huge, and as you quite rightly say, unless you can attract that major freight, then passenger in itself really does not drive any economic outcomes.

I want to ask you though very importantly, you talk about incentives, tax relief, stamp duty, payroll, and that point is taken. In respect of the local bus contract for that, you had it here but it has been lost to Dysons; do you think that the government should have a proactive policy on rural bus services, so in fact where there is a rural provider or providers, that they should be given the first opportunity at that contract irrespective of the cost?

Mr RICKARD — Certainly there have to be some initiatives to make them more competitive. Dysons are obviously on such a big scale that they have so many economies that are not available to the rural contractor. This rural contract is a fairly big contractor. Apart from the fact that he has the contract for VLine and he has charter buses and school buses, he obviously is not on the scale, so he is at a significant competitive disadvantage. I don't know where Dysons are employed, and I only became aware of this last week, but the profits of that are no longer. It is like a multinational, like Safeway; they take the profits. Those profits of Elders would have stayed in there.

Mr CRAIGE — Should a government adopt a policy that actually takes that issue into account when awarding bus contracts?

Mr RICKARD — Bus contracts and every other government contract, yes.

The CHAIRMAN — Unfortunately time has flown. You've given us an extremely interesting presentation and we appreciate that very much, right across all the issues. Thank you for your time today. We will send a copy of the transcript from Hansard for you to have a look at.

Witness withdrew.