

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Melbourne — 6 December 2012

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Mr M. Butera, Executive Director, NORTH Link (sworn).

The DEPUTY CHAIR — I welcome you, Mick, to this public hearing of the joint parliamentary Economic Development and Infrastructure Committee's Inquiry into local economic development initiatives in Victoria. We have introduced the members of the Committee here today, and we just need to explain that the evidence given at this hearing is protected by parliamentary privilege, but comments made outside the hearing are not afforded such privilege. I introduce you to our Chair, the Honourable Neale Burgess, Member for Hastings. Mr Chair, having administered the oath, we are just about to ask these questions.

The CHAIR — Beautiful. Would you mind stating your full name, the position you occupy and whether you are appearing on behalf of an organisation or yourself?

Mr BUTERA — My name is Mario 'Mick' Butera. I am the Executive Director of NORTH Link, the trading name for Melbourne's Northern Economic Wedge Inc. I am appearing on behalf of that organisation.

The CHAIR — Thank you. All evidence you give will become part of the public record. I now invite you to make an oral presentation.

Mr BUTERA — I have submitted a whole lot of information to the Committee. I have brought along some hard copies as well to show you what it looks like. These are some of the things that the region has achieved by joining together on the basis that the sum total is greater than the individual parts. The term of reference I am seeking to address, as expressed in the submission, is term of reference (b).

I will briefly list some of the collaborations and then perhaps some of the things that NORTH Link and the region are interested in presenting to the Committee as things we would like to see happen with the support of the State Government. We exist for two reasons. We are a business network that aims to bring people together — industry, education and local government — for the purposes of achieving the aim of economic growth of GDP for Melbourne's north at a rate at least equal to the rest of Melbourne, Victoria and Australia. Everything we do is towards that aim. Expressed another way, it is making sure that the north does not get left behind. In the past, when it was a more industrialised region, it may not have necessarily been the premier place in Melbourne that people thought of when they were making decisions about lifestyle.

We have been able to bring together the seven local governments, the two universities and the two TAFEs and major infrastructure providers, including Melbourne Airport, which is also on our board, hospitals et cetera, to investigate and bring joint activities to the region that serve to work towards that aim. We run regional business awards; the Northern Business Achievement Awards grand finale is tomorrow actually. This brings together councils in turn for each of the functions so that they may nominate businesses for the awards. We have produced a major socioeconomic study, which I have sent you, but I have run out of hard copies, so I could not bring one, called *Melbourne's north — The new knowledge economy*.

The CHAIR — Do you take up the function of economic development for those councils?

Mr BUTERA — Each of the councils has an economic development director, and we work on the bigger picture matters for the region, and things that either are too — —

The CHAIR — You are the 'federal government' in respect of overviewing?

Mr BUTERA — No, no. We overview, but we are not funded by any one particular organisation.

The CHAIR — No, that is not what I meant. They do the smaller stuff locally and you do what it is that is required for the overall view, much like the Federal Government

Mr BUTERA — A socioeconomic study of the region needs a central point, and we accomplished a very major study through small contributions — and quite a contribution from the Victorian Government. It probably contributed about 25 per cent of the funds for that study. We multiplied that into 100 per cent. In the end we spent about \$80 000, and that is the power of collaboration. That is now sort of the bible, if you like, for submissions where submissions relate to or require economic data or evidence.

We have recently facilitated delegations to Canberra of the seven mayors and the seven CEOs, together with the RDA — because we are a very inclusive body — on matters relating to regional growth, including a proposition we have put called 'NBN and Melbourne's north — the perfect connection', providing evidence of the productivity increases that a rollout of NBN can deliver to Melbourne's north.

We have looked at manufacturing. I have been able to bring a hard copy of that along, because manufacturing provides 60 000 jobs in the region. Manufacturing is a key value add for the region. A manufacturing revenue statement is very different from a retail revenue statement in terms of the value it provides. So that is quite a strong study of that.

We have engaged in advocacy. We have developed the regional case, and then supported the Whittlesea case, for the relocation of the Melbourne wholesale market. The decision was made back in 2005. We spent — —

The CHAIR — The ballot was on today.

Mr BUTERA — Was it? That would be an interesting place.

The CHAIR — Yes, it will be.

Mr BUTERA — We spent many mornings down at the wholesale market talking to the wholesalers, identifying what their needs were and what they were really after. My Italian background served me quite helpfully there. What we discovered was in fact that they actually did not want to move — that was their first position — but if they had to move, we established that they would only move to the north. They endorsed that proposition based on the support we provided them. So it was quite an important thing for the region — a very major piece of infrastructure.

We work directly with firms as well. We have a couple of large Commonwealth contracts called Enterprise Connect. I am not sure if you are aware of what they are, but it involves working very intimately with individual manufacturers on improving productivity, employment and revenue outcomes. We have been doing that for six years. We have worked very intimately with probably 140 manufacturers in Melbourne's north, so we know them well. They are examples of how we work either at the micro level through firm-to-firm business awards or at the macro level, producing research that provides the evidence for our activities and advocacy for Melbourne's north. I can pause there if there are any questions before I go on.

Mr FOLEY — You are on a roll, Mick.

Mr BUTERA — I am on a roll — okay!

The CHAIR — Could not have said it better myself.

Mr BUTERA — I think I have gone through the collaborations and made the point that individuals working together produce a greater outcome, but it is not all rosy; it is not all perfect out in the north. We can produce good evidence and good ideas, but they cannot be implemented by us in isolation. We are part of a state. We are part of a city, and we need the support of the Victorian Government to implement some of those ideas. Lack of infrastructure is a key regional problem. Infrastructure includes not only the obvious transport, hospitals and schools but community facilities as well. In fact we are about to engage in a process to draw a line in the sand for regional infrastructure, hard and soft. With that line in the sand, we will demonstrate with evidence the value that that infrastructure provides to the State; compare that infrastructure to other parts of Melbourne; and compare the value Melbourne's north provides and the gaps that exist as a basis for advocacy and developing future vision and needs.

Again, there is a great partnership happening there. It will be all seven councils contributing money, the RDA contributing money and La Trobe University contributing money. This will be a very large project — probably the most important project the region has undertaken because it will serve as a future document for advocacy as evidence of what the situation in regard to infrastructure is.

Mr FOLEY — What was the timeframe for that?

Mr BUTERA — We probably will have a consultant appointed by around the end of January. We will be having information developed by March. We hope to complete it by May. We have discussed it with the Metropolitan Planning Strategy's advisory committee, so it will coincide with and be part of that. They are putting out some draft strategies and outcomes in May. We have been assured that we will be in time for that. The importance of this work is that it will be a regional effort, so it is not going to be one organisation or one prejudice; it is going to be a document representing the region's views. We will be inviting a number of

consultants to tender for the work who are obviously capable of this work — there are not that many of them who are — and taking it from there.

Another concern is that there are going to be over 300 000 extra people in Melbourne's north over the next 10 years. It is going to deliver a large slab of Melbourne's population increase, and without infrastructure we have a joint problem — it is not Melbourne's north that will have the problem, it is the whole metropolitan area that will have the problem. We are concerned about increased integration between State Government departments that have investment and business responsibilities on the one hand and residential and liveability on the other. Sometimes we see them as not entirely acting in sync. Houses are being zoned without worrying about jobs. Investment is being located without worrying about the skill requirements. Again, I am presenting the views of a region here, as emphasised at our board meeting and annual general meeting this morning, which is representing the regional view. We are concerned about that.

We are concerned that the good intentions of government on employment or innovation or productivity are linked to funding that expires after 12 months. Just when something good is happening, it is the end of the line. One of our board members described it. I am not necessarily saying it should be on the record, but he described it as 'drive-by funding' — funding that is there one day and not the next. There are examples of that in relation to employment programs, where there are major differences between the private sector job providers, JSAs, and NORTH Link where employment programs should not be centred on a bounty for each job; they should be centred on helping SMEs which do not have HR corporate structures that can provide good employment outcomes.

Jobs are not actually a black-and-white proposition. A job does not exist until a firm decides, 'I will employ somebody.' They can postpone that decision if it is too hard or too risky or not likely to pay a dividend. SMEs — manufacturers especially — with 20 or less employees are in that position. They often cannot afford to pay for the best HR services and they make the decisions themselves. They might sometimes postpone jobs for fear of making mistakes. Either way you get productivity and jobs not being met. We have had employment programs running along those lines over the past two years, and we think we have a model that can deliver on that. Often employers will not necessarily advertise jobs. Lots of jobs now, probably 60 per cent, are not actually advertised; they are filled in different ways. Sometimes we ring employers up and say, 'Do you have any vacancies?', and they will say, 'Yes' when the job has not even been advertised or appeared. Perhaps they trust us to help with the process in a way that will meet their needs. But sometimes jobs are there and they are not even posted or advertised.

We are also concerned about the need for government departments to decentralise and relocate into these growth areas. The north is going to have a number of very major activity centres — Broadmeadows being one, but not the only one. The decentralisation of government departments is something that we would be really keen to support and may help make happen.

The NORTH Link board is also interested in understanding where this committee's inquiry is actually going to go with its findings and evidence, because there have been a number of similar inquiries; I have appeared before three of them. There is the outer suburban one, the liveability one and the growth one. We are interested in what is going to be done with the effort and the evidence that is gathered here. What sort of tangible use might we expect that it will be put to? I will pause there and expand on any of those if you would like me to.

I will finish on one thing. CEDA published a survey today on the big things, which all impact on the region — whether they are Asia, infrastructure or the dollar. We would like the Government to help local people find local solutions to those big issues. This is the document I am referring to, released today by CEDA, which I am sure you are familiar with. I will stop there.

Mr FOLEY — Thank you, Mick, for that presentation. We had a presentation from the Moreland City Council this morning. We heard from its CEO and its economic development strategy manager, whose title was a bit flashier than that. They set some of the background. We also accepted a submission today from the Northern Melbourne Regional Development Australia Committee.

Mr BUTERA — The RDA, yes. Both of those organisations are on our board.

Mr FOLEY — Yes. There seemed to be a fair degree of alignment within your organisation's submission and theirs. In terms of what you and others have identified, where do your instincts tell you that the

infrastructure deficit that you are referring to will end up, from the analysis you are about to undertake, and where do you think — without pre-empting it of course — that will head for a submission about unleashing the economic potential of the north? What is needed, and how, if it is delivered, will that meet the long-term goals of all the participants for the north we have heard from today?

Before you answer that I will just say that a lot of us have sat on various committees of different parliaments, and yes, there is a bit of a continuity of themes. The obvious answer is that this committee will submit a report to government. Government has six months in which to respond to that report and its various recommendations. That is at one level. The other level is a bringing together of the leadership of the economic development community in this state to try to gain enough common ground, and if possible, the finer workings of the Parliament on a bipartisan basis to establish a consensus as to what the roles of all the parties are and how they fund them.

And, yes, the interface committee and the various ones that you have no doubt submitted to in the past, have all considered these items. Having said that, the issue is how government of any shape, with its limited resources and its multiple demands, prioritises those. My own view is that this is part of the complex process of influencing those priorities. Can we give you a guarantee that all of our no doubt worthy recommendations will be picked up? Of course we cannot. But can we give you a guarantee that yours and other parties' submissions will be comprehensively wound together into what we would hope to be part of a broader argument as to where the economic future of this state, which is made up of a lot of local regions, is heading, then we are confident that that is the path of not just us but you, other regions, the private sector and key public institutions. We are all in a complex conversation to try to reach common ground.

The CHAIR — Well said.

Mr FOLEY — That was in answer to your question; you can now answer mine.

The CHAIR — Time is up!

Mr BUTERA — Thank you for that. I think your question sought my views on the really key issues, notwithstanding that a very major study is going to deliver even more information than I can provide today. Transport is obviously one of them, and it takes many shapes.

There is the transport issue to Melbourne Airport and some of the solutions that have been mooted which cost billions and billions of dollars, from tunnels to heavy rail to whatever. Could some innovative thought and attention be given to the form of transport that Melburnians seem to have an aversion to — that is, bus. The SkyBus takes 9 per cent of Melbourne Airport's passenger traffic. Spin doctors can make all products more attractive than they otherwise could be, and that might cost a fraction of some of the other solutions. I am not saying do not consider the other solutions — especially in the long term, but they are not going to happen in the short term. So in the short term we have SkyBus. It transports 9 per cent of the passenger traffic from Melbourne Airport.

Melbourne Airport currently handles about 26 million passenger movements. Very shortly it is going to be 40 million. Heathrow airport at the moment handles about 35 million. That is how big an airport it is. It employs close to 14 000 people. It is a city within a city. Melbourne Airport is a major piece of infrastructure for the north. Obviously it has no boundaries; it serves the whole state. Maybe some thought should be given to what can be done to enhance its activities. We all complain about some of the charges that the airport makes, especially parking, but the fact of the matter is that it is not owned by the private sector; it is owned by five super funds, which is probably something that we all can relate to. Melbourne Airport is both privately and publicly owned — five super funds represent millions of Australians. So SkyBus is something to think of in addition to the other solutions.

There is also the east–west transport problem. All transport radiates from the CBD. But we have developing areas in Melbourne's north where we require east–west traffic, and again at the moment it is buses. People have a problem with buses. How can that problem be overcome? What is the nitty-gritty of the problem? I can guess at some of it. Bus systems are not quite as visible as tramlines. There is a fear of irregularity. If they are the fears, identify what can be done to overcome them.

We think there are opportunities in energy and climate change, and the industry developments there. I am not sure if I submitted the report, but we work with 20 companies each year using final-year and master's program RMIT University engineering students. This serves two purposes: invariably the firms end up saving lots of dollars as a result of the investigations, and secondly, we are creating a new breed of engineer. These engineers are using their skills, not just for mechanical engineering in terms of setting up plants and operating plants but in terms of the impact of plants on energy usage and how that might be improved. So a small firm will not have to hire a technical person specifically for energy issues, which may not be able to afford anyway. It will have an engineer who will be broader. We feel there are opportunities there as well. I do not think I submitted any of those reports, but I can if the Committee is interested in them.

Education, especially at the secondary school level, is still an issue in Melbourne's north. It is still suffering from the legacy of an industrialised region which had lots of good technical schools, and with the secondary schools, there are a few good ones, but resources need to be put into those to create better access to quality secondary education in Melbourne's north.

Mr CARROLL — Thanks, Mick, for your presentation. When NORTH Link puts together, say, an economic development strategy for the seven councils you present, what role does the State Government have in that, if any, and how could the State Government assist you more with local economic development for those seven councils?

Mr BUTERA — All of our research augmented with consultation. It is not just desktop research. *Melbourne's north* — *The new knowledge economy* was a combination of ABS stats and analysis of that in consultation with over 80 organisations, many of whom were from the State Government — everyone from DBI to DPCD. We work as closely as possible to use the resources of the State Government in drawing up those plans. With the infrastructure study, the same thing will be happening there. The consultants will be examining the vast resources of local government and what they have dedicated to planning and economic development in drawing up the infrastructure requirements. Melbourne Airport has just done a massive economic impact study in relation to the third runway. It will be providing us with that information for the consultants. The answer is that a very intimate role is what we hope for from the Victorian Government.

What we would like from the Victorian Government to help us with local economic development is to place additional trust and resources in finding local solutions through organisations that have a track record in doing so. Organisations such as NORTH Link and the groups we work with can cut through an enormous amount of red tape when implementing government policies relating to jobs, innovation or economic development, because through our links we can pick up the phone and put a proposition in relation to a state government policy rather than having to write a letter and go through a number of hoops. We do that with DBI. We have run a number of DBI group programs, but we have other ideas in terms of how we might better implement innovation-type activities with firms.

In regard to employment issues, we have some projects working on local skills shortages. We have been doing that for two years. The funding ends in February, so we are now looking around to augment that to provide the sort of solutions for small SMEs, which would not be going to a private sector HR-type group because they cannot afford the fees and which may not necessarily interact as well as they would like with JSAs.

Mr CARROLL — You mentioned decentralisation. Have you identified areas of government that you think could be decentralised out to the north? Will there be an appropriate fit within — —

Mr BUTERA — We have not done any work on it, so any suggestions I make would just be my opinion, but we can certainly identify those.

Mr CARROLL — That would tap into the knowledge economy that you are building out there and things like that.

Mr BUTERA — Moving them just for the sake of moving them is not a good idea either. There has to be a case and a sound reason for it. I think that the way the economy is moving and the use of high-speed broadband makes it a lot easier for that decentralisation to take place. I can certainly submit some to you if I could take the question on notice.

The CHAIR — Of all the achievements of your organisation, what would you rate as the most practical?

Mr BUTERA — The most practical?

The CHAIR — Yes. In the economic development field, obviously.

Mr BUTERA — Well, as one-offs, the two one-offs would probably be the Melbourne wholesale market submissions, advocacy to support the AgriBio centre at La Trobe University and the northern health precinct. Those are the sort of specific one-offs. In terms of research, at the moment, it is *Melbourne's north — The new knowledge economy*, which is actually the second version. We produced the first one, *Growing Melbourne's north — Developing an integrated economy* back in 2005. I think that this infrastructure work, in terms of its practical use and the range of uses it will be put to and in terms of its innovativeness, will be the document.

The CHAIR — Thank you.

Mr SHAW — You have talked about education in the north. Where I live is further out than the north, and we seem to have pretty good education down there — a university and a TAFE. What are you suggesting for your area?

Mr BUTERA — We need to develop two things. On the academic side, we need to develop a couple of University High or Balwyn High-type academic schools. That might happen on the outskirts of La Trobe with the new Charles La Trobe Secondary College. The plan is to support that in such a way that it becomes a high-achieving academic school. It has its own ulterior motives — it wants to beef up its maths and science student effort.

The CHAIR — That is fine.

Mr FOLEY — A feeder school — that is perfectly legitimate.

The CHAIR — All to the benefit of the State.

Mr BUTERA — It will provide lectures to them, that sort of thing. We need a couple of those. That is on the academic side. On the practical side, we do not think that the abolition of technical schools was of great benefit to the State, because technical skills are really important. You just have to look at places like Germany. Cleverness of the hands is just as important as cleverness of the mind.

The CHAIR — Absolutely.

Mr BUTERA — The federal opposition back in 2005 had as one of its offerings of about \$500 000 or \$600 000 of support to every secondary school to develop technical education and skills. The amount was not going to cut the mustard on a per school basis. What we did when there was a change of government and that program become a reality was we quickly grouped schools together, so we got five or six schools together —

The CHAIR — Feeders for a tech college.

Mr BUTERA — Yes. We have helped establish one at Northland Secondary College, which is really thriving, and we have helped with one that is about to be established at Peter Lalor Vocational College at Thomastown. The region needs about seven of those, spread either side of Sydney Road and south, north, east and west.

The CHAIR — They are very important institutions.

Mr BUTERA — Very, very important. So that is the issue with education. There is a background to the problem with education. Melbourne's north was one of the areas where the influx of post-war migrants were settled. The purpose of that, given our technology at the time, was for labour-driven mass production in factories. That has all changed. The factories now have much higher output. If you go to Ford, you see it is very highly roboticised. The children of those post-war migrants in Melbourne's north actually live in Melbourne's north — and like the area because it is a highly liveable area — and they are starting their own businesses that are becoming big economic drivers. As an example, in the food industry we have salami makers and cheese makers and the like that are becoming big employers. We have Chris' Dips. Chris started making dips on his mum's kitchen table. He got big and so he graduated to the garage. He got bigger, so he got some run-down

external garage. Now he has five or six factories dotted around the place which will eventually be corporatised and consolidated eventually into a corporation that moves to another level. It employs 300 or 400 people.

The trick here is advanced manufacturing, meaning not just game breakers and new discoveries but really advanced ways of doing simple things — for example, a hamburger. So McDonald's has been able to take a hamburger that anybody can make and become a large, very sophisticated corporation driven by sophisticated systems. That is another form of advanced manufacturing, not just a technology breakthrough. That is what will distinguish the high-achieving manufacturers — it does not matter what they make — from the low achievers.

Mr FOLEY — So far as you see the structures of local government and regions and the State Government and regions and the Federal Government and regions, does your organisation have any view as to the coordination and physical structures of each of those? I am not asking you for an amalgamation of local government strategy, but do you have views on how you can structurally make the regions operate more efficiently at an advocacy for economic development level?

Mr BUTERA — Provide NORTH Link with more funds and we will do it. We are sort of blessed in the region because of the seven councils at the CEO level or operational levels. You met this morning with Peter Brown. I work very closely with Peter. We are working very closely on the infrastructure project that I mentioned. I do not know if he mentioned it.

Mr FOLEY — He did.

The CHAIR — You seem to be very cooperative with each other.

Mr BUTERA — Yes, there is a certain level of trust — and that is one of the secrets: doing things that build those collaborations and trust, because that hastens the implementation of initiatives. What those requirements are will vary from region to region. In our region it historically dates back to individuals who got on with each other and saw solutions to problems by working together, and that trust and working together have continued.

I cannot really give you an answer other than doing things which get people to genuinely work together. That will vary from region to region, but I would guess that every region has certain people who are acting in their own way to create meaningful links. It is a matter of the State Government identifying those. If you want to identify them in the region, I think they are very apparent. I think Melbourne's north has a reputation for being a region where people collaborate and where people in the various moving parts actually talk to each other. Some of them are in competition, but they work together quite well. We have a number of people on our board who at another level are in competition — in universities, TAFEs, local government — but they see the ability to create a bigger cake by working together so that they have a smaller share of a bigger cake.

The CHAIR — We might cut it there. Thank you very much for your presentation. You will get a transcript of today's proceedings. Feel free to make any grammatical or punctuation changes and let us know, but no changes can be made to the substance of the document. Thank you again for being here. We really appreciated and enjoyed your presentation.

Mr BUTERA — Thank you for the opportunity to present to you and we look forward to your report.

Witness withdrew.