

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Ballarat — 24 January 2013

Members

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Mr M. Valance, Director, University of Ballarat Technology Park (sworn).

The CHAIR — Good afternoon. Welcome to the public hearings of the joint party Economic Development and Infrastructure Committee's Inquiry into local economic development initiatives in Victoria. The evidence that you give today will be protected by parliamentary privilege, but anything you say outside this meeting will not have the same protection. Could you state your name and title and the organisation you are appearing for, if you are appearing for an organisation.

Mr VALANCE — I am Mal Valance, the Director of the Technology Park, University of Ballarat.

The CHAIR — And you are appearing on behalf of the organisation?

Mr VALANCE — That is right.

The CHAIR — Thank you. I now invite you to give a verbal submission.

Overheads shown.

Mr VALANCE — I have a presentation; you have access to that obviously.

The CHAIR — Your evidence also will become public evidence.

Mr VALANCE — I thought I might provide a profile of the Park initially. It is located about 7 kilometres south of the city towards Buninyong. It was established in 1995. Currently we have something like 1500 employees across 30 organisations. We know from work that we have done around economic impacts that for every job we create there is a multiplier effect and it creates another job in the region.

In terms of physical assets, there are nine buildings, \$100 million in capital assets, 25 000 square metres under roof, and then there are the economic impacts: \$300 million per year in terms of outputs — direct and multiplier; \$180 million in value added; and in terms of household income, about \$100 million. So the Technology Park is a really significant contributor to the economic base of the city. It is the largest regional technology park in Australia.

I will not labour this. I will not go through all this, but a strong focus of the Park is around business incubation. Obviously, as you are probably aware, we have IBM out there, a major player, but we also have lots of little players as well, so our focus is on supporting those smaller players. As I said, I will not go through all that, but it is around things like providing discounted grants for coaching and mentoring and business planning support, and so on. It is about helping them, particularly in those first two or three years of their operation. IBM, as I said, is a major tenant of the Park. It has been with us since 1995. It started with 80 people in 1995; it now has 650 people there. It is a major company; it has 15 000 employees across Australia. It undertakes a range of functions within the Park — and I will not go through that in detail — everything from call centre activities to software development to business processing. It also has a data centre out in the Park. As I said, it has been there since 1995.

That is a little bit of an introduction and profile on the Park. The business model that operates is one where all land and buildings are owned by the University of Ballarat. We construct and develop the buildings in response to market demand, in response to approaches we receive. Buildings and infrastructure have traditionally been financed by the University, so we have put skin in the game ourselves, but a major player in that has been the State Government as well. The reality is that the University's capital investment, our contribution, has recovered over time through long-term leases with the major tenants. The State Government's contribution has essentially been grants. I could not quantify what its contribution has been over the last 17 years — I have been there only five years — but I suspect there would probably not be a building in the Technology Park that has not had some sort of assistance from the State Government, and that assistance has been critical to the success of the Technology Park.

In terms of where we are headed, we are opening up — I am not sure whether that plan on there means anything to you, but on the right of your screen is the Mount Helen campus; I assume you have been there.

Mr FOLEY — Yes, with the regional sitting of Parliament.

Mr VALANCE — Okay. You have the Technology Park on the left-hand side, and then you have this area that we have designated for development. The State Government has recently — as late as May last year —

approved the rezoning of that land from public use — education, to business zone 2. We are opening up another 22 hectares for development because the existing Technology Park is largely built out. We did not want to get to a point where we were constrained by the fact that we did not have any land for development. We are pushing on with that. We are in the process of getting a development plan finalised. Ballarat City Council has been very supportive in that regard, and that will be approved in the next month.

If we move forward to the next slide, that is an example of how it is going to open up. We are looking at 11 lots of land for development, or 11 development sites. To go further, if we develop that fully — if you look at 10 to 15 years out — we are looking at another 1500 employees within that space. If you think about what we have there currently — about 1500 people within the existing park — we are effectively doubling the space.

In terms of economic outputs, it is another \$400 million, so again we are doubling the outputs for the region. It is important to acknowledge the support we have received again from the State Government in terms of infrastructure. To open up that land, that 22 hectares, is going to cost us about \$5 million in headworks. The State Government has already — I cannot recall the time frame; it was late last year — approved, through the Regional Infrastructure Development Fund, \$2.5 million of the \$5 million to assist us to get that under way. I might say that that is conditional upon us finding a major anchor tenant for that space, and that is a little challenge, a little KPI, for me this year. We have a focus on attracting companies working in ICT, biotech, renewable energies — those sorts of activities. Like I said, that will be a challenge for us, but there are huge opportunities, all the same.

I should acknowledge that we are also looking at expanding back to the CBD in Ballarat. That photograph there is the brewery building in Lydiard Street South. I do not know whether any of you are familiar with that building, but it is part of the TAFE campus of the University of Ballarat. As a result of some funding cutbacks last year, we are going to change the use of that facility. The Vice-Chancellor has very generously given that building to me for a development as part of the expansion of the Technology Park. We are working on that project at this very moment. Again the State Government has been very supportive through the Regional Infrastructure Development Fund.

Mrs PEULICH — Very generous.

Mr VALANCE — We work hard at it, though — with \$500 000 towards the refurbishment. The overall refurbishment cost is \$1.3 million. It is a really major asset in the CBD; it is important that that building is not vacant. With 2400 square metres of space — it is quality space too — we believe we can get another 220 people into the CBD of Ballarat, which is really important in terms of maintaining the vibrancy of the city. It is probably an unfortunate word I put in that slide, saying the building will be ‘guttled’, but that is basically what we are going to do, and we are going to create quality office space. That will provide us with lots of flexibility, in terms of having a Mount Helen operation, having a CBD operation. I think in terms of attracting enterprises and organisations in — particularly from Melbourne — the concept of having those options available will be really attractive, based upon the experience I have had over the last five years in the Park.

Just one last slide: why have we been successful? And I think we have been successful; if you think about the fact that in 1995 we started with 80 people and now we have 1500 heads out there. It is about vision. If you do not have vision about where you want to go, it is hard work. But we have always had a vision, we have always been strategic and that has been important. The financial and moral support from successive state governments and Ballarat City Council has been critical — not just because I am here in the council’s building — but the council through the CEO and the economic development portfolio, the collaboration there to get investment into the city has been really important.

Effective development and management of partnerships — it does not matter whether it is with IBM or with the State Government, or whether it is with the smaller tenants — and to be able to establish and maintain those partnerships has been critical. We have been fortunate in the organisation that we have had leadership and entrepreneurship. If you do not understand how business works, it is pretty hard to attract business. We have leaders within our organisation who have been supportive and empathetic to what we have been doing in the Park. The other player is — I have to acknowledge IBM; they have been a great corporate citizen within the region. They have honoured everything they have said they would do. They have 650 people there currently; their numbers will probably go to about 950 within three years. Having a major anchor tenant within the precinct has been critical to its success. That is my contribution. I am happy to field any questions.

The CHAIR — Thank you very much, and thank you for being here today. I just have a quick question. Do you have prospects for an anchor tenant?

Mr VALANCE — We are currently working with an existing agency that wants to expand. They are currently within the precinct. They have about 2500 square metres and they want to go to 4000 or 5000 square metres, so we are currently working with them, but we are not just assuming that that is going to be successful, so we have a strategy to talk to other players as well.

The CHAIR — The council seems to be expanding, so maybe they would like to take on some.

Mrs PEULICH — Just a quick question if I may. IBM is committed to the region in which capacity?

Mr VALANCE — IBM is committed to the region in which capacity?

Mrs PEULICH — Yes, what is the nature?

The CHAIR — In which aspect of their business?

Mr VALANCE — They lease three buildings off us. They would lease 12 000 square metres off us. They have been here since 1995. Like I said before, they have everything from business processing through to call centre activity to a data centre. I was in Melbourne with them yesterday. There is no press here, is there?

Mrs PEULICH — You are only being recorded.

Mr FOLEY — You are on a Hansard transcript. You will be on the internet within a fortnight.

The CHAIR — No-one is listening.

Mr FOLEY — Only insomniacs read our evidence.

Mr VALANCE — We are exploring some opportunities in e-health to get — —

The CHAIR — Do not give away any commercial-in-confidence stuff, though.

Mr VALANCE — We are exploring some other opportunities with them.

Mr FOLEY — Thank you for your presentation. Having seen the precincts over a number of years, I say you are right; it is definitely the linchpin to that vision that we have heard consistently today about building on the existing vision and what a new future for Ballarat would look like in terms of high tech, high skills, high value, high wage jobs. There is a critical role for all levels of government in facilitating and developing where you have got to date. Given the changing landscape of the city and the precinct's plans, how would you see all levels of government — state, federal and local — assisting in the next stages of the project?

Mr VALANCE — If you look at one of the challenges the city has at the moment — and I am not sure whether Jeff or others have touched on it today — but there is a lack of quality office accommodation in the city.

Mrs PEULICH — He did. It was mentioned.

Mr VALANCE — I suspect it may be common to other regional centres as well, and it comes back to the question of: can a developer get a return on their investment through building that sort of facility? I think the great thing about what we have done out there with the support of government is, if you look at the building we put up for IBM in 2009, that cost us \$2.4 million. Of that cost the State Government contributed something like \$5 million. Essentially what I am saying is that that contribution has enabled us to then come up with a business formula for our tenant that was commercially acceptable and commercially viable. If we had attempted to recover the full \$10 million through a long-term lease with IBM, it would not have worked. They would never shift out of Melbourne or Sydney. Unless government is prepared to continue to assist reputable major players within regional centres with capital and infrastructure, it is problematic as to whether you are going to get the sort of development to occur.

I think that assistance that we received last year out of the Regional Infrastructure Development Fund for the CBD as well as the second stage was fantastic, and I would hope that future governments — whether they be state or federal level — continue to do that sort of thing, because that initial investment and support enables players with particular track records to make further progress. It is up to us now. Initial assistance has been provided. Let us take the brewery building in Lydiard Street. That assistance has been provided. It is up to us now to refurbish that building. It is up to us to market, promote and business develop that facility. We do not expect the state or federal government to have any involvement ongoing; we are just meant to make it happen now. But you need to get that initial assistance with the big questions around capital and infrastructure. You do not want the lot, but you would expect the University of Ballarat or someone to have skin in the game; they have to have a commitment to it as well. I am not expecting huge handouts from government, but that assistance does make the business equation work. I hope that makes sense to you.

Mr CARROLL — Thanks, Mal, for your presentation. You rightly acknowledge the State Government's role. Former premiers Bracks and Brumby, as you would be aware, were very big spruikers of the industry, and I know John Brumby was always calling Ballarat a 'Silicon Valley', which I thought was an apt term in many respects. It is good to see you are expanding. The last slide talked about the secret of your success. Regarding your expansion, you have IBM as an anchor tenant and you mentioned that you have a data centre there. With the growth in cloud computing, would you be looking at trying to attract another data centre, almost making Ballarat a data centre hub?

Mr VALANCE — I think there is a tension there, to be honest with you. I certainly would not discount that; we would certainly be encouraging that. There are a few challenges with data centres. They take up a large area of land.

Mr CARROLL — Space, yes.

Mr VALANCE — We were talking to one from the United States eight months ago, which went nowhere. They wanted something like 12 hectares of land. They also consume large amounts of power. There were a range of issues.

Mr CARROLL — The way you do it.

Mr VALANCE — The other challenge too is that what we are really on about here is creating jobs, and if I commit 10 hectares for a data centre through the Technology Park, how many jobs is it going to create for the city? You might get 20 if you are lucky. So that is the tension. Certainly I would not discount it, and we would certainly talk to an investor who wanted to go that way, but probably our priority is around creating quality jobs.

For example — this again is going to come out in the next couple of months — we have a business investor, a publicly listed company, that will be coming into the Technology Park which works in the e-health space and will be creating 50 software development jobs. These are quality jobs, which is fantastic for the city of Ballarat. It means that more students and graduates from the University of Ballarat will be employed. They will not have to head to the city, the metro or elsewhere to get work. It just has so many things going for it.

Mr CARROLL — Yes. With regard to taking the Technology Park to the world, we all know about it because we are in government and we follow things. But do you advertise in certain journals? Is it word of mouth? How do you attract businesses? There is spruiking and all that sort of thing, but is it through trade and technology fairs and things like that?

Mr VALANCE — There are a whole range of strategies employed. You have hard copy literature and you use all your online means — websites like Twitter and LinkedIn; you do all of that. We use a whole range. The other thing is through partnering, so we work closely with Colliers nationally. We are about to start a national campaign with them. Government is good for us too. We have contacts in the Department of Business and Innovation, the State Government, that have been really helpful and beneficial. We cultivate those; there is no doubt about that.

Mr CARROLL — There must be spin-offs as well. I presume one company establishes itself there and then there is almost a spinoff into a different area and collaboration. Is there a lot of that going on at the Park?

Mr VALANCE — It does, through leveraging; there is no doubt about it. Actually the publicly listed company that is coming in, which we are negotiating with at the moment — it is almost a done deal, we are developing up agreements to lease and lease documents; it has taken us 12 months to do it by the way — heard about us through existing players. So success breeds success if you can get critical mass. We are now at a point where we have some momentum. I am not sure whether I would have liked to be there in 1994 or 1995, because starting from scratch can be a lot harder.

Mrs PEULICH — It was pretty visionary under the first minister for ICT, so it was a great thing.

Mr VALANCE — Yes.

The CHAIR — I am grateful that Ben mentioned the support that came from the previous government, because clearly it is the current government's regional development fund that has assisted greatly in this, and it was also established under the Kennett Government. I think those things are worthwhile noting as well.

Mrs PEULICH — Showing the support of successive governments.

The CHAIR — Yes, that is right.

Mr VALANCE — Yes, I will not get into that.

Mrs PEULICH — Just putting it on the record, that is all.

The CHAIR — We were. I would like to thank you for being here. It has been very educational listening to what you have had to say about the Technology Park. I think not only have you clearly made the point that the Technology Park is an incubator for business but the fact that the State and the Commonwealth Governments can put those incubators in place in technology parks is really important, so we accept the evidence that you have provided. You will also receive a transcript of the evidence you have given today. Please feel free to make any corrections of a typographical nature but none to the substance of the document. We are very grateful for your time and evidence.

Mr VALANCE — Thank you very much for allowing me the opportunity to speak.

Mrs PEULICH — Good luck.

Mr VALANCE — Thank you.

Committee adjourned.