

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Mansfield — 13 February 2013

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Mr P. Baenziger, Director, Mansfield Constructions (sworn).

The DEPUTY CHAIR — Welcome, Peter, to this public hearing of the joint-party Economic Development and Infrastructure Committee's Inquiry into local economic development initiatives in Victoria. Whilst at this hearing any evidence you may give is protected by parliamentary privilege, comments made outside the hearing are not afforded such privilege. Could you indicate for the record in what capacity you appear today and your full name and address?

Mr BAENZIGER — My full name and address is Peter Baenziger, 169 Monkey Gully Road, Mansfield, 3722 — Monkey Gully Road, as opposed to Dead Horse Lane.

The DEPUTY CHAIR — And you are the boss of Mansfield Constructions?

Mr BAENZIGER — I am replacing the late scratching director/partner. Steve Bell was originally going to be here; he sends his apologies.

The DEPUTY CHAIR — No worries. Perhaps we could ask you to present your submission, and we might ask you a few questions at the end of it.

Mr BAENZIGER — Just briefly, I suppose it would not hurt if the Committee knew what our business does and how it developed. Mansfield Constructions commenced business in 1982 with one machine and one staff member doing mostly farm/civil works. Business has steadily grown to now include quarrying, contract crushing, civil works, emergency services works and hire of plant and equipment. We are a Mansfield-based business, and our business skills are reasonably unique, which allows us to compete for business beyond the regional boundaries. In fact the majority of our turnover is now sourced and performed outside of the immediate local region. We travel to Melbourne, regional Victoria and interstate as far as the Northern Territory and northern Queensland. So on face value I suppose, as the majority of our works are sourced and performed outside of the immediate region, one would ask: do we offer and provide any benefit to the local community or the local region? We believe we do. All our employees have been sourced and trained locally, live locally; they travel to our mobile remote site locations. We purchase the majority of our material needs locally, and all our community engagement activities and contributions are still made locally. Therefore we consider that we still have a significant impact within our local region even though the majority of our works are no longer conducted in our immediate region.

The reason why we have had to expand past our immediate region is obviously that the local community has limited growth opportunities for the type of construction business that we are operating. Our plant tends to be very capital intensive, and therefore it requires a considerable amount of work to justify that sort of expenditure, and for us to grow it requires capital. So it is a hungry machine that has gone way past the needs of just the local region. We still operate locally — we operate the local quarries and we do civil works and a considerable amount of emergency services works when required, still within this local region.

We employ between 30 and 50 staff depending on economic activity. We have currently 35 on the payroll and they have all been sourced and trained locally. The majority of our staff are 45 years old and over, which is of concern to us. The average employment time in our company is over eight years. We too find it increasingly difficult to source, train and hold young employees; I do not think that is an uncommon trend amongst any industry. The majority of training is done locally and in-house. One of our biggest problems, like most industry sectors, is retaining our employees, but this is particularly so in a region like Mansfield where we have the effects and impacts of seasonality. Wet winters mean no work, or it is difficult to find work, so we are forced to move out of the region if possible, which increases logistics and the cost of operation. What we have found traditionally over the years is that in order to hold our key staff we have had to fund them and hold them as employees over the 365-day period even though during the winter months there may be zero work for many weeks on end. It is a huge cost for businesses like us.

Of course we suffer from the constant drain of human resources to the mining sector, which seems to be able to afford absurd pay rates of pay. As it stands at the moment we pay between \$10 and \$20 per hour above federal awards to hold and retain the staff we do. That cost has to be passed on both to the local community and wherever else we are working, and the impacts are felt as a result of that.

Because of the seasonality of our business, we have spikes in business. This last financial year we had a spike towards the end of the financial year which meant we employed more people. Ordinarily you would think you would be applauded for doing that, but unfortunately we underestimated our payroll to the State Government

and it fined us \$22 000 for the privilege of employing too many people, which we did not think was a great incentive for providing ongoing employment. It was an actual fine.

The DEPUTY CHAIR — Through payroll tax?

Mr BAENZIGER — Yes, we just underestimated it. I thought that was a bit silly.

The thing that most affects the viability and ongoing development of our business — top of the list — is availability of human resources and training. I think that is a common issue everywhere, but particularly in regional Victoria we tend to have a good pool that we can draw from — the farming community — but that takes away from the farming community. A lot of the kids who come off the farms are talented, skilled people. They learn how to use machines, but then they are dragged out of the farming industry. We have in the past used 457 visas unsuccessfully — well, we have successfully had them, but they have not proved to assimilate very well within the local communities, and it really goes against our grain to do so. We believe in community-based employment.

Infrastructure spending by government authorities obviously has a great impact on our business activity. The cost of compliance is just growing out of control and — probably from a business point of view — has become all consuming. We have very little time to concentrate on our business nowadays by the time we go through compliance and training and OH&S.

With planning, obviously complexities and delays cause issues through development. We rely on development projects to create the demand for our type of work. The cost of capital, again, goes way beyond local, state or federal control, and the dollar has had a big impact on us. There is the issue of land availability for people to develop businesses; there is not a lot of industrial land available or allocated in regions like Mansfield. Access to transport is an issue for us. It is easier for me to have a taxi come up from Melbourne every day and bring parts than it is to get them through alternative means.

Probably the thing that hurts us the most is the inconsistency in the decision-making process and the interpretation of often vaguely worded legislation between local regions and also within states. I will use the example that the licences and tickets for our operators are not recognised in New South Wales, so every time we do a job in New South Wales I have to reapply for tickets and licences. The last job cost me nearly \$50 000 to re-ticket my men who have had 30 years of experience and could teach the teachers in New South Wales how to operate a machine, but because I crossed over a border they were not recognised. When we do an OH&S course we use a Queensland manual, but it is not allowed to be used in New South Wales or Queensland. There is no federal consistency with truck licences. We do find that to be a considerable hindrance on our business operations and cost, and I think that there should be a more seamless cooperation between the states in regards to licensing, ticketing and OH&S rules and regulations.

On the last job we did we had an OH&S officer up in New South Wales stop us and we had to put \$20 000 worth of additional bits and pieces on our machines in order to get a go-ahead to work in New South Wales. We came back to Victoria and the Victorian OH&S officer said that if we used that additional equipment, we would not be allowed to work, so we had to take it off. You sort of scratch your head. But every one of those is a \$100 000 blow-out in costs and it has got to be passed on somewhere.

To me, consistency and seamless flow between states is of paramount importance. This is Australia. We should not have walls up; otherwise we could put a rabbit-proof fence up and we all live individually. It is a growing concern. There is talk of cooperation and consistency but we do not see it yet, and logistically it makes it very hard for us to grow outside of the State of Victoria; the costs associated with doing so and the logistics involved in doing so are just too prohibitive. We could triple our turnover — triple our business — tomorrow if we did not have such complexities always pushed in front of our faces. It just takes the desire and the heart out of it.

I think, generally speaking, what we find is there is an automatic ‘no can do’ culture that has developed amongst the authorities. It is an automatic, ‘No, you cannot do this’, rather than, ‘How about we look at this?’ and, ‘How can we help you?’ I think that has been developed over a number of years and for a number of reasons, but there is probably a fear of accountability and taking on responsibility, and to some degree, it comes from listening to small minority vocal groups. It seems the smaller you are and the louder you are the more you get a hearing. This is an issue in local communities, through to state and federal, that there is an automatic ‘no, can’t do’, and you seem to have to justify expensively to get anywhere.

We find the cost of business tends to be proportionately higher for regionally based businesses right across the board in all regards. We tend to struggle to find services. Transportation costs and all those sorts of things are proportionately increased. There are no fewer obligations on a Victorian-based business than there are on a Sydney-based business in terms of complying with all the rules and regulations, but the cost for us to engage the services of consultants — human resource specialists or accountants or lawyers — to meet all these new rules and regulations is exponentially more expensive in regional areas. I suppose there are so many complex layers of compliance that have been generated by the various authorities that we do not know whether we are Arthur or Martha sometimes.

In the quarrying industry, for us to develop a quarry business, before we can even consider our internal business model we first need to deal with, consult with and receive approval from state planning, local planning, DPI, DSE, water catchment authorities, the EPA, unions and the public. Everyone has a different, often conflicting, view and interpretation and guidelines and policies and procedures. It is very hard to pull a plan together and receive approval. It usually ends up in VCAT, which of course is a costly and lengthy delay. It seems that we automatically end up in VCAT and we are on the tail end of it and have to prove everything we do, rather than the objectors having to prove why we cannot. It is a growing concern.

Some time ago we engaged consultants to look at the economic impact our business had on the local community. We wondered about that as a local business. We engaged the National Institute of Economic and Industry Research to do an input–output model of the Mansfield region in particular, because that is where we are based. The results showed that the Mansfield region has a high flow-on effect multiplier factor — higher than most other regions and also higher than most city-based regions — for every economic dollar generated, compared to the same in other regions. What we found was that for every million dollars of economic activity our business generated, there is an additional \$1.77 million direct and indirect flow-on effect on the community; for every million dollars of economic activity our business generated, there are 23.12 local jobs created; and for every million dollars of economic activity we generate, there is \$900 000 assigned to value-added gross regional product.

That is whether we do it inside the region or outside the region. Just the sheer fact that we are based in Mansfield and we employ Mansfield people and we source locally causes that direct and indirect impact. So the value add is significant, and if you are looking for bang-for-your-buck to invest or contribute or develop businesses in regional Victoria, and in particular in a region like Mansfield, you get the best bang for your dollar. That is what we think and believe and we hope you guys see.

It shocked us because we did not realise that we had such a significant impact on the local community. As you say, if you are in the city of Port Phillip, you can wander around all your life and never have an impact on anything. Here the local milk bar is directly affected by how well our business is doing or how the local hardware store is doing. It is immediate. You go down the street and you hear it immediately, or they know it immediately, when you are not doing well. We believe every dollar spent on encouraging and developing regional businesses is a good dollar spent. It does not mean the operations need to be limited or sourced or performed locally; they just need to be based regionally.

Capital works projects, from the smallest house developments to major developments in infrastructure, and money spent on employment and training initiatives will have the greatest and most immediate impact and net flow-on effect for the community as a whole. We have seen it happen. Attracting businesses to regional locations is key, and this goes beyond relying on the local council. Councils need the funding and cooperation, and we need to streamline the system and the compliance mechanisms that facilitate easier growth. We just all feel like we are hitting a wall nowadays, and I think you lose the enthusiasm. That is about the summary I have.

The DEPUTY CHAIR — Thank you very much for that submission, Peter. If you are up for a couple of questions, we will see how we go.

Mr BAENZIGER — Yes. I am up for questions all afternoon, if you like.

The DEPUTY CHAIR — And hopefully a couple of answers. Given those last figures you spoke about — for every \$1 million dollars invested there is \$1.7 million generated locally — and in light of all the other complexities that you outlined, why are you a business based in Mansfield if you work all over Australia? If you

have opportunities all across regional Victoria and metro Melbourne et cetera, why are you a business based in Mansfield?

Mr BAENZIGER — We should not be. If the growth and profit of our business was our primary objective in life, then we probably would no longer be based in Mansfield. We are based in Mansfield for a number of reasons. The first is family and history. Multiple generations of my business partner have lived in Mansfield, and I think that is a key. We find that there is still a strong desire to live in regions like Mansfield, and generation after generation. We worry about the next generations losing that desire and feeling that they have to depart from family and history in order to earn a dollar. I guess there are the spin-off effects of lifestyle, enjoyment and accessibility. It is a lot less fast up here than it is in Melbourne, and a lot more enjoyable, but technically from a pure business analysis we should have moved our business a long time ago.

Mrs PEULICH — I thank you also for your evidence. Your comments about — and I am not sure whether it is just specifically Victoria or Australia-wide — there being a no-can-do culture at various levels was summarised to me by an intern from the University of Utah, who came and spent some time with me in the Parliament. Actually there were two of them, and they were both commenting how an anti-business culture appeared to be very deeply embedded at various levels of life here in Australia — at the community level, at the local government level, at a state government level and at a federal government level. I am interested in teasing out what is at the basis of that.

You mentioned a range of contributing factors, and honestly from what you have outlined, and I certainly understand and concur, I am absolutely astonished that you are still in business — the cost of compliance, the mayhem that is our planning system, the cost of capital, the cost of construction and the licences and licensing. You say that what would assist would be greater consistency across the states, but if it is a consistently bad and more onerous standard, a more deeply anti-business standard, surely that is not the only objective. The objective has to be that it has to be consistent, streamlined and efficient. Would you like to comment about what you see as really being the basis of this deeply embedded anti-business culture that is somehow becoming so accepted?

Mr BAENZIGER — I do not know that it is a deeply embedded anti-business culture; it is an anti-anything culture. It is an automatic no to anything, not just business. Mansfield is not anti that at all.

Mrs PEULICH — I am glad to hear it.

Mr BAENZIGER — We do not like any bad decisions, and we are all for streamlining and efficiency. What we find here in Mansfield is faced with a great diversity of business activities ranging from ecotourism through to logging and quarrying, and it is very hard to blend all those business activities when there is a natural opposition. Quarrying and construction are dirty words to ecotourism, yet they are an essential part of the development for this area. But quarrying and ecotourism do not go together; there are very loud vocal minority groups that have one view in life and tend not to have an understanding or a desire to understand other groups of business activities. That makes it hard for local councils to blend all of those wishes, desires and attitudes and come up with solutions that deal with all those sorts of issues. I do not find this particular area anti-business whatsoever.

Mrs PEULICH — Let me say that we did hear this morning — and it is no reflection on the current council — that it took three years for one of the local businesses that we visited to begin construction. That sounds like an inordinate delay to me.

Mr BAENZIGER — That may or may not be just council. It may be — —

Mrs PEULICH — No, it was partially them securing the finance once they actually had all those permits in place — but three years.

Mr BAENZIGER — That is a personal matter. For us to get our quarry up and running it took three years, three-quarters of a million dollars in VCAT hearings and employment of specialty consultants. The only people who supported us were from Mansfield Shire Council. We had one private objector, and he was able to work this out through the system. It ended up taking three years and \$750 000, despite council being proactive and supportive of us.

It may be of interest that what we have found and what we are slowly learning within our own business is that a lot of the problems are ones of communication. We do not understand the systems that the council is faced with — the regulations, the policies, the procedures, the difficulties and the boundaries that they have to operate in. It is not until you understand those that you start to be able to work with them and develop business plans, presentations and discussions with those councils to help develop and progress your plans.

We have found that one of the issues — which we always thought was anti-council — is often a lack of communication that has driven complications, delays, complexities to planning approvals. What we have found is that with better understanding and better communication we have better dealt with a lot of our business issues over the last 12 months, and in particular the last 6 months, where in fact we have needed council to greatly assist us in some of our business development business changes. That was primarily about us having a better understanding of the process. We are just normal people out in the street; we do not know what councils or governments are faced with within departments, policies and regulations and all that sort of stuff. Perhaps communication needs to be improved.

By streamlining and by consistency, I am just talking about the interpretations of the law, they should be consistent. It should not be that I can do something in one state and it not be right in another state. Licensing should be the same throughout the states. Whether they are efficient licensing systems or not I do not know, but I am just saying they should be consistent. We as a business should not have to spend hundreds of thousands of dollars on compliance because we move around geographically — not within Australia.

Mr CARROLL — Thanks, Peter, for your presentation. In your presentation you spoke about your workforce — that it was predominantly local, it was over-40 and that you pay quite a bit above the award wage. I would have thought for a young person in Mansfield your sort of industry would be quite attractive in many respects. I wonder if you take on apprenticeships in your company — do you take on apprenticeships?. In a country like Australia we have mining booms happening in WA and Queensland. Are you losing people to WA or Queensland, or are they hopping into agriculture? How could that be addressed? I would have thought that doing an apprenticeship with a company like yours and coming out with a certificate in earthmoving equipment, bulldozing — all those sorts of skill sets — in a country like Australia is quite an attractive apprenticeship to have. It might be something Paul will talk a bit about later. Can you comment any more on that?

Mr BAENZIGER — Yes, it is. It is very sexy for a young kid to go out and get an apprenticeship with us and learn about it, but the issue we have is that we do all the training, we spend all the money and ultimately it leads to less productivity. They get their ticket and they dash off.

Mr CARROLL — They are going to mining, and that is their ticket in?

Mr BAENZIGER — Yes. We lose a lot to the mining sector, but it has slowed down recently. I think what has happened is that it is not all that it is geared up to be. Yes, they are earning huge dollars, but they are also paying huge dollars to live and eat, and on transport and commuting.

Mr CARROLL — And the lifestyle that Mansfield presents — —

Mr BAENZIGER — The mining lifestyle is not the lifestyle that they had hoped for. When they get old enough and enter into the more sensible period of marriage and mortgage, then they realise it is not as attractive up there. We always employ for attitude, and if you are married and have a mortgage, you are perfect. We are finding that a lot who have gone have come back. You have to be young, you have to be single and you have to have some commitment to go to the mines. You earn money, but to bring it home is another matter. What we have found is that the mining sector has driven the prices up for labour so it has had an impact all the way through. I wish I could stick to the federal awards, but for us to have anyone remotely interested in either entering our industry or staying within our industry, we have found the impact of mining is that we are paying well above award wages. The difficulty we have with the apprentices is the general attitude of kids today: they come out of school, jump in an excavator and they are all experts. They should all earn the big dollars and all be line managers, or dash off to make money up north.

Mrs PEULICH — Or project managers.

Mr BAENZIGER — Yes, they are all experts, and because our industry is so driven by costs, margins have become limited. We do not have the capacity and there is no longer the slush fund in our businesses to carry the

inefficiencies of teaching or have inefficient operators working with plant equipment. It is so finely margined today, and it is not just our industry, it is right the way through the construction industry. There is not the luxury of affording that unproductive time for both training and retaining inefficient staff. What we have found is that that 45-plus age group is the most consistent.

Mrs PEULICH — I think a lot of employers are finding the same thing. May I have one more question, Chair?

The DEPUTY CHAIR — Go for your life.

Mrs PEULICH — I am not sure whether it was you, or perhaps the Mayor, who mentioned TAFE cuts. Just to set the record straight, in actual fact there has been an overall increase in funding, but there has been a shift in subsidies from areas that were considered to be in oversupply and where there were not enough jobs in areas of national skills shortage in particular, one of which is construction. Do you anticipate that perhaps lifting the subsidies for various construction-related courses might actually improve your labour supply?

Mr BAENZIGER — I think we have to do something. It is so lean, the human resource pool. All I am doing is stealing from other industries, rather than creating additional skilled people to work in any of those industries. I see that as a problem: I am just stealing from other people.

Mrs PEULICH — There are just not enough of them?

Mr BAENZIGER — And training them for my particular skills. Yes, I think any initiatives that are creating new trainees and also regionally-based ones, encouraging the kids to stay here and seeing that there is a life outside of the city, are good initiatives and important initiatives. They may be school-based. We do find the school-based initiatives are very informative, but it is just the starting point. The next stage is the mason, the next stage of the more formal courses.

The DEPUTY CHAIR — Thank you very much for your time and the evidence you have given to us today. In a week or two you will receive a copy of the transcript, and whilst it is open to you to check that for errors and typographical matters, it is not open to you to change the substance of your presentation here today. On behalf of the committee I thank you very much and wish you all the best.

Witness withdrew.