

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Geelong — 13 March 2013

Members

Mr N. Burgess
Mr M. Foley
Mr B. Carroll

Mrs I. Peulich
Mr G. Shaw

Chair: Mr N. Burgess
Deputy Chair: Mr M. Foley

Staff

Executive Officer: Mr S. Coley
Research Officer: Dr K. Butler

Witness

Mr D. Peart, Executive Officer, Geelong Manufacturing Council (sworn).

The CHAIR — Welcome to the public hearings of the joint-party Economic Development and Infrastructure Committee's Inquiry into local economic development initiatives in Victoria. Evidence given today will be protected by parliamentary privilege, but anything you say outside the hearing will not have the same protection. Today's transcript will become a public document in the future. For the record, please state your name, the position you hold and whether you are appearing on behalf of an organisation or on behalf of yourself.

Mr PEART — My name is David Maxwell Peart. I am the Executive Officer of the Geelong Manufacturing Council, and I am appearing on behalf of the Geelong Manufacturing Council. I would like to thank you for the opportunity today and declare that, through marriage, I have a relationship with the Chair.

Mrs PEULICH — I was going to say that you look nothing like him.

The CHAIR — He is the nice one.

Mr PEART — Also, Martin Foley, who is not in the room at the moment, assisted me about 15 years ago, which he has probably forgotten, but I have come into contact with Martin as well.

The CHAIR — We invite you to make an oral presentation, as briefly as you can possibly make it.

Mr PEART — I appreciate that members of the Committee have had a big day today and visited some important parts of our economy. What I have been asked to do today is to take you through manufacturing in and the importance of manufacturing to the Geelong region and also some of the key challenges and some of the key responses to those challenges that we are undertaking today.

Overheads shown.

Mr PEART — I will be addressing those four items, and I will try not to bore you too much with the slides.

The CHAIR — It will not bore us.

Mr PEART — Manufacturing in our region accounts for 43 per cent of economic output, and therefore it has a key role in the region. It is an engine of the economy. As Elaine mentioned earlier, whatever happens in manufacturing has repercussions right through the economy, and it needs to be understood that manufacturing has long been an important part of the economy and today remains a very important part of the economy. There is over \$10 billion of economic activity. There are 18 000 jobs, 18 per cent of jobs directly and 40 per cent of jobs in total; 550 companies, 100-plus of which are exporting; and 14 000-plus people employed in manufacturing in the region, which speaks to the credentials of the previous graph.

I have listed some examples of some of the things that are manufactured in Geelong every day. You have 20-plus kilometres of carpet being manufactured, 250 motor vehicle engines, 1000 kilograms of textiles — I will skip a few of these — 16 500 tonnes of petroleum and 250 tonnes of polypropylene. By way of example, one day of production would be enough to provide the seats for the Sydney Olympic Park stadium, and if anyone has been there, they will realise the enormity of that. Geelong is definitely a high contributor to national GDP, and we believe it stands as one of the key regions in Australia.

Here are examples of some of the industries that make up these stats, and that is a good shot of the port of Geelong and Alcoa. You would have heard previously from the port of Geelong that \$6 billion of economic activity and 6000 jobs are directly derived from the port, so it is of critical importance to the region and critical importance to the region's manufacturing sector that infrastructure in and around the port and also Avalon be given the required level of support by government going forward.

Here are some examples of some of the niche products that have been developed in Geelong over the last few years. This particular company has its headquarters and manufacturing facilities in Geelong. It has 60 per cent of the Australian market of produced olive oil, which is a great example of the new and emerging niche companies that are taking up the slack and are part of this transition process. I have some other examples here. Air Radiators is another good example. They employ 240 people and are original equipment suppliers to Kenworth, Caterpillar and Hitachi. They do exporting, fast rail projects et cetera. Here is an example of one of their products, which is used on Caterpillar underground mining equipment. This is the sort of supply chain that

we need to be in. It is increasingly hard to get into, but we have some great examples locally of companies in there.

Backwell IXL has been in business for over 150 years. Their IXL Tastic is a great example of their products. They have recently diversified. They have acquired Sampford partners. They have a growing foundry operation. Interestingly, they have also had the first and only industrial scale solar project in Australia, which was built in Western Australia last year, so it is a great example of Geelong's ingenuity. We are looking forward to the next solar project, where Geelong could play an important part in the supply chain. Incidentally, they worked with First Solar, a US-based solar leader. That is an example of one of their products, which hopefully everyone has in their home.

Multidrive Technology is another good example. To take a four-wheel drive and make it into a six-wheel drive dramatically increases the load capacity, and it is highly sought after. This particular product — here is a photo — was seen on site at the Canberra bushfires. It is a great example of Geelong's innovation and ingenuity, and we are working very hard with these types of companies to help grow their businesses, capture those Australian and export markets and expand.

Moving on to the GMC — the Geelong Manufacturing Council — our strategic direction encompasses six key points: operational excellence; industrial synergies; technology; skills; import replacement; and advocacy, positioning and networking. Who are we? We were incorporated about 12 years ago to assist, encourage and promote manufacturing in the Geelong region. We are made up of largely the top 100 manufacturers, which are active members and include representatives from the who's who of manufacturing in the region and are also the who's who of manufacturing in Victoria and significant contributors to Australia. For example, one-third of Victorian exports is generated through Alcoa, so it is a great example of Geelong being the engine room. We work closely with Greater Geelong City Council and the Victorian and Commonwealth Governments on a range of programs.

Regarding the challenges faced, transitioning to a sector that competes on value not cost is where the game is at, and that has definitely been recognised around the world and is definitely where we are focused. The high Australian dollar, the high-cost economy and the lack of export opportunities and export access are issues. Tariff and non-trade barriers, when you get down to it, become huge issues. Free trade agreements very often are not what they say they are, and it makes it very difficult when those markets are not open.

For Geelong and regional manufacturers, it is about ensuring that we are on a similar footing to Melbourne and that we are no less competitive than Melbourne. We are part of the Melbourne manufacturing precinct. Our decision-makers make decisions based on competitiveness, and Geelong cannot ever be at a disadvantage. We will fight tooth and nail to ensure that Geelong manufacturers are not at a disadvantage compared to Melbourne. We also need Melbourne to be competitive on Australian and world scales, so it is very important that the Victorian Government's manufacturing policies and strategies lead to a situation of Melbourne being very competitive.

Regarding responses to the challenges, we believe we must show leadership. We believe we need to put our shoulder to the wheel. Leadership, sustainability, best practice, innovation acceleration, an industry innovation program, which I will shortly talk about briefly, and Enterprise Connect mean that in the last year over 150 companies have been actively involved in our programs, so we are definitely at the coalface. We are not only at the leadership level but also at the coalface.

Regarding advanced manufacturing, this is about innovation. I suppose it is another derivation of innovation. Globally competitive industries need to adopt new technology to compete every day, and that allows for smaller scale, more responsive solutions. It is our only realistic response to low-cost economies. We need to use innovation to stay ahead of the game.

This is a quick example of innovation. This is the GTP building. The astute observer will notice that it may have been taken some time ago. I have an updated photo, which I am hoping I will be able to point out. You will see roughly in the middle of that photo — I do not think I have a pointer — that there is the GTP building, and to the left of that you will see some new buildings. Those new buildings are very important for Geelong. They include the Carbon Nexus building, which is part of the AFFRIC development, which is the \$102 million Australian Future Fibres Research and Innovation Centre. Our future lies largely to the left of the GTP and is

involved with the GTP, and that is growing rapidly, but we need to make sure that we capitalise on the opportunity there. There is an exciting opportunity at the moment. Recently we had a carbon fibre conference in Geelong, where world leaders in carbon fibre were in Geelong and actively looking at the opportunities of that building and those facilities. It is up to us to make sure that we make the most of that opportunity, and we are doing all we can to do that.

Finishing up in terms of advanced manufacturing, looking at the JSF-35, we have two companies in Geelong that are actively involved in the supply chain for this particular project, which is the largest defence project in the world at the moment. It is important and critical that Geelong companies get involved in these sorts of projects. Any members who were at the airshow recently would have seen one of these trailers on display. The trailer has over 4000 machine components on it, and it is a very exciting piece of equipment that will be assembled in Geelong. There are some exciting things happening on the aerospace innovation front in Geelong.

This is a quick example of another innovation. The Eco Whisper Turbine is being manufactured in Geelong. It is a silent 20-kilowatt wind turbine that is capable of being installed in a factory location to supplement power for that facility. This is a great Geelong success story, and we are looking at the opportunity to work with this company to grow and produce more of these innovative types of products. Clean technology is definitely a way of the future.

Innovation is important — and OECD research definitely points to the connection between innovation and economic growth — and strong economies around the world exhibit very strong innovation policies and culture. There is the industry innovation program which is funded by the Government, and Mr Dalla-Riva, the Minister for Manufacturing, Exports and Trade up until the reshuffle this morning, has been very strong in supporting the program and is a huge supporter of innovation. We have over 50 projects identified under this program and we are looking forward to some great success stories coming out into the future.

Innovation requires a culture change by not only companies but also universities. These are some of the examples of the innovation-type work we are involved in with the industry innovation program. You will see there is ‘Proof of concept’ at the top, ‘New products’ at the bottom and a number of things in between. They are just some examples of what we are doing with Deakin University in the industry program.

I turn to sustainability. I am onto my last couple of slides so I am on the home straight. The green light program funded by Sustainability Victoria will see 30 to 50 companies involved in a sustainability program involving, we believe, Australia’s leading sustainability expert. It is all about reducing the environmental footprint and responding to meet market needs. It is also part of Future Proofing Geelong, which you would no doubt have had some briefings on today from Greater Geelong City Council. It is an important local initiative that the council has led. This is a great example of organisations and in particular industries taking the lead and developing a project emanating in Future Proofing Geelong. I believe it is a great example of local leadership.

Competitiveness in a manufacturing centre is the next slide. Some of the things I have listed there are skills. I do not know whether anyone has addressed that today, but definitely skills are important, and with your industry visits I imagine some companies may have touched upon skills. It is a huge issue. Image and manufacturing is another huge issue. If people think manufacturing is last century’s industry, they will not be actively looking for opportunities, so we encourage the Victorian Government to continue efforts to improve image and perception. The Victorian Manufacturing Hall of Fame is an excellent program for that and we participate very strongly in that program.

The next slides deal with a focus on innovation and leadership, sustainability, manufacturing excellence and advocacy, and also key infrastructure needs. Justin Giddings is coming on after me so I will leave the airport to Justin to talk about. But in terms of the port — and Geelong port presented earlier — we are very supportive of the infrastructure requirements to keep the port growing and expanding, and we look forward to government continuing to support those programs.

Clustering is the next slide. When you look at the EU, most of the EU countries are very big on clustering, so we have also picked up clustering opportunities and we have an engineering network which I will cover in my last couple of slides. An ongoing Geelong Investment and Innovation Fund we believe is also important for the region, based on the success of GIIF 1, which led to \$102 million of investment and 1000-plus jobs. That is what we are talking about at the moment — an ongoing investment fund. To give you just a quick example of

ENG as a cluster, it started in 2009 and has 50 members. It has generated, we believe, over \$20 million investment and work in the region. This has also been supported locally through Greater Geelong City Council and industry partners.

‘What is required for the future?’ is my last slide, so I will recap. We have got to continue the transition; we need to increase the innovation focus; sustainability; leadership; strong policies; and infrastructure provision. Policies such as ‘A more competitive manufacturing industry’ for Victoria are really good steps in that direction and we are certainly very keen to continue working with the Victorian Government to achieve that. Thank you for the opportunity to speak to the Committee today.

The CHAIR — Thank you very much, David; we really appreciate your time. I also compliment you on the information you provided to us. In fact I compliment everyone who has presented today; I am amazed at how well organised the Geelong area is. The industries all seem to work very cooperatively and council is certainly a very strong key player in that.

Mrs PEULICH — I have one question, David. You mentioned the problem of sourcing employees with the relevant skill set. We visited a couple of sites today that made comment about that and it was pointed out that a lot of the time at schools teachers are actively guiding students away from work in factories, which is probably due to the earlier perception of manufacturing and not understanding that there are lots of positions within a large business or even a smaller one that do not necessarily conform to their perceptions.

The Victorian Manufacturing Hall of Fame is a good concept and a good idea, but it is too late. The attitudes are formed in the early days. Given that technical and vocational education has fragmented in Victoria since the demise of technical schools in the 1980s, what can we do to change those perceptions because ultimately the future rests in us being able to source skilled workers?

Mr PEART — The answer to that question is a very complex one, but I think we need to change the attitudes of the primary schoolchildren. We need to offer opportunities. I think the perceptions of young people will be determined largely by their parents and by teachers. If we can offer opportunities for employment in vibrant, growing, sustainable, innovative industries, I think that will flow through to the young people. If they see their parents out of work or in low-value industries, obviously that will flow through.

I think it gets back to innovation. If we can innovate, get those people trained up into innovative-type companies, that will solve the problem of young people currently not seeing their role models in manufacturing. It is definitely about getting to those young people whose perceptions are probably formed by the age of 8 or 10 years.

Mr CARROLL — Thank you, David, for your presentation. I think we could keep you here all night asking you questions about manufacturing in the future. We visited Godfrey Hirst this morning and saw that carpet you mentioned being produced. It is a great manufacturing success story. You spoke about how manufacturing companies need to innovate and adopt to become the businesses of the 21st century, so you have the companies doing that. Bernard Salt says the jobs of the future are going to go to the employees who can adopt and adapt.

What on-the-job training is there in Geelong? Are you aware of how companies are going through the transition from manufacturing to get more technologically driven? Are you aware of any stories of on-the-job training that is helping existing employees who have been there for 10 to 15 years adapt and upskill to remain with the company as it goes through a transition phase? It is a tough question, I know.

Mr PEART — Yes, I am not sure where to start, but I think the companies are probably best placed to understand their needs into the future and I think they recognise that aptitude is very important. While skills are important, it is the aptitude of people coming in. If the aptitude is not there, they simply do not have the material to work with. They continually tell us that it is not only about skills but it is about aptitude; so having young people, or people of all ages, who are willing to learn, get involved and have a go seems to be what the industry partners are telling us are prerequisites for success. They will then turn that aptitude into a skill, and that skill is always changing. Companies are really best placed to understand their needs in their industry at a particular point in time.

The CHAIR — I have just one point I need clarified, if you could enlighten us. We seem to have got a couple of different statistics today about what would probably be the gross regional product and what aspect of

that is manufacturing. I think we heard earlier on today that it was 20 per cent. You have said 43 per cent. What is your figure based on?

Mr PEART — It is based on economic output. There are a number of different economic measures of production. Economic output is one of them; gross regional product is another.

The CHAIR — Okay, and the economic output is 43 per cent, is it?

Mr PEART — Yes.

The CHAIR — Thank you very much for your evidence and the time you have spent today. You will receive a transcript of today's proceedings in about two weeks. Please feel free to point out any errors you think have been made but you cannot make changes to the substance of the document.

Witness withdrew.