

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Traralgon — 24 April 2013

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Witnesses

Cr S. Kam, Mayor (sworn), and
Mr G. Hill, Manager, Economic Development (affirmed), Latrobe City Council.

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. Any evidence you give today is protected by parliamentary privilege. However, any comments you make outside this hearing are not afforded the same privilege. Transcripts of today's proceedings will become a matter of public record.

Could you give your full names, the position in the organisation that you are representing, if you are representing one, and whether you are representing an organisation or not?

Cr KAM — My name is Sandy Kam. I am the Mayor of Latrobe City Council, and I am representing Latrobe City Council.

Mr HILL — My name is Geoff Hill. I am the Manager of Economic Development at Latrobe City Council, and I am representing Latrobe City Council.

The CHAIR — I now invite you both to make an oral presentation.

Cr KAM — Thank you. Good afternoon and welcome to Latrobe city. Before introducing Latrobe city and its business environment I would like to acknowledge that we are meeting here today on the traditional land of the Braiakaulung people of the Gunai Kurnai clan and pay respect to their past and present elders.

Thank you for taking the opportunity to visit our diverse and competitive city. As you will see throughout the day, Latrobe city is a host to a variety of world-class industries and a skilled workforce. I understand the Committee has visited a number of municipalities in Victoria. No doubt you have gained important information to assist in ways in which municipal councils and the Victorian Government can jointly support local economic development. I welcome this opportunity for Latrobe city to work in partnership with the Victorian Government, and I hope the industry visits you attended today contribute to this important piece of work.

Latrobe city is one of Victoria's four major regional cities, alongside Ballarat, Bendigo and Geelong. Our city is only an hour's drive from Melbourne, with surf and snow making it an attractive location in which to live. We have a diverse offering in terms of lifestyle. The city's residents can enjoy the natural beauty of Victoria while also having easy access to Melbourne by road or rail. Latrobe city is home to a significant number of multinational firms, some of which you have visited today. These firms contribute not only to the economic wellbeing of Latrobe city but also Gippsland, Victoria and Australia.

As Melbourne continues to grow so too does Latrobe city. Our population is approaching 80 000 people with recent figures indicating a growth rate of 5.75 per cent over the last five years. The majority of our residents have established in the four main towns, being Morwell, Traralgon, Moe-Newborough and Churchill. The city also consists of seven smaller townships which offer a unique rural residential lifestyle within comfortable distance to amenities and high-order services available at the main townships. Latrobe city consists of a comprehensive range of traditional and technological industries from mature, internationally-competitive large operations through to a sound base of small-to-medium enterprises. With a labour force of over 40 000 we are well placed to support inbound investment and potential expansions from existing companies.

The major industries of Latrobe include health, manufacturing, electricity production, construction and professional services. These industries are the backbone of Latrobe's economic output. Emerging industries in Latrobe include call centres, business process outsourcing, food processing and advanced manufacturing. These industries demonstrate Latrobe's positioning to diversify its economic base and capture opportunities in a shifting economic climate. Our major employers include Lion, whose yoghurt-processing facility employs 200 people; every type of Yoplait in Australia is made here. Latrobe city is also home to the largest paper mill in the Southern Hemisphere. Owned by Australian Paper, the Maryvale mill produces every ream of Reflex paper in the country and employs 900 people. Our energy generators produce over 85 per cent of Victoria's power and employ over 1200 people.

Of course the contractors to the power industry are also significant employers. You may be surprised to find out that our largest employer is in fact Latrobe Regional Hospital. With over 1000 employees Latrobe Regional Hospital is a significant economic contributor to Latrobe and is a product of the emerging health and social assistance sector.

Although there are a number of projects currently under way in Latrobe, the following provides a snapshot of some of the more significant developments. Lion is currently investing \$55 million to upgrade production facilities, which will increase processing capacity from 60 000 tonnes to 86 000 tonnes, upskill local employees and establish an on-site research and development centre at Morwell. This project is a result of the national consolidation of Lion's yoghurt manufacturing facilities.

Australian Paper is the only manufacturer in Australia of recycled white paper. The project currently under construction will add a recovered paper processing plant — de-inking plant — to the Maryvale pulp and paper mill of Australian Paper.

Sibelco Australia have commenced a \$25 million upgrade of their Traralgon facility. The project involves a \$5 million refurbishment of the current on-site facilities, the recommissioning of an industrial kiln and a range of upgrades to the materials handling facilities.

GippsAero, a Mahindra Aerospace company, continues to invest in aircraft manufacturing and employment creation. The council is delivering \$6.24 million in additional infrastructure at the Latrobe Regional Airport to facilitate the growth of GippsAero. This investment includes the recently completed GA18 prototyping facility.

Latrobe Regional Hospital is also undergoing a \$65 million expansion project.

At this point I will hand over to Geoff Hill, Manager, Economic Development, who will discuss local economic development initiatives. Again I hope you enjoyed your time in Latrobe city, and I look forward to continuing the strong partnership currently enjoyed between Latrobe city and the Victorian Parliament. Thank you.

Mr HILL — The first thing I would like to say is that I also formally welcome you to Latrobe city and trust you had a very informative tour this morning. We tried to not give you the traditional what you would expect tour but to show you some of the other projects that are under way here, some of the wonderful developments that are happening, and a bit of a juxtaposition to what is our traditional powerhouse of power generation. I hope that provided a bit of a snapshot of our diversity.

Overheads shown.

Mr HILL — The first thing I would like to do is to go right to the basics of the economic development service at Latrobe city. The structure is shown there. You will see that the economic sustainability division is made up of a number of areas. We have regional partnerships, which is very much a service about building partnerships with other levels of government and advocating on behalf of Latrobe City Council. Latrobe Regional Airport — which is where you first visited this morning — is recognised as one of Latrobe city's employment hubs. As you saw, there are significant opportunities to grow that both with GippsAero and also some of the other supply chains within the aerospace industry. Then there is economic development, the area I head up, which is made up of business development and tourism.

The policy framework of the economic sustainability division and in fact economic development within the council is shown there. Latrobe 2026 community vision is very much the community's vision as we head towards 2026. The council plan provides the overall structure for how our council can help to implement the community's vision. The document *Positioning Latrobe city for a low carbon emission future* was developed a number of years ago. It provides a strong focus for how we can transition our economy over a number of years to remove its dependency on traditional power generation and look at other options, including clean coal uses for a whole range of things. All these documents are certainly available. I think they have previously been provided to the Committee, but if you would like another copy, call out.

The tourism audit is a document that was developed to identify what our strengths are within tourism. We are obviously not what you would expect of a traditional recreational tourism destination, but there are some real tourism strengths.

I particularly wanted to talk about the economic sustainability strategy in a bit more detail. The economic sustainability strategy was adopted by council in June 2001. It provides the framework for Latrobe City Council's economic development activity. It guides the works and priorities of council officers, and it provides our direction to make sure we are making the most of the resources we have. Of particular importance, it

identifies emerging challenges and opportunities that will assist the business community to grow and for new investment to happen.

In developing the strategy there were a series of stakeholder sessions with members of the business community and other leaders within the Latrobe city community. There are a number of opportunities, obstacles and threats, and key council activities that are recommended. Whilst I will not go through all of these, you will see the alternative use for brown coal as an opportunity, which would involve low-emission technology. A coordinated approach is needed for skills and training — which I am sure you would have heard about in other areas — but it is very important to hear that we can keep our skill levels very current. Eastern suburbs population growth was identified as an opportunity. A lot of people are still coming to grips with how close Latrobe city is to one of the major population growth areas of Melbourne.

As far as obstacles and threats, they particularly include the potential impact of the carbon and energy policy on the power industry, which underpins our economy. The policy uncertainty was talked about, and whilst this was a couple of years ago, the uncertainty is something that we still live with today. Competition from other regional areas is seen as an obstacle and threat. I will mention later on how we are working with our neighbouring municipalities, particularly within Gippsland, to ensure that we are all working together. In key council activities, industry capacity building was seen as important, and this includes promotional activities, and efficient planning and assessment to make sure that we can maximise the opportunities.

The economic sustainability strategy is divided into three main sections. The first one is strategic business development, which is about retention and growth of existing businesses and pursuing new investment. That is the more traditional role for economic development. The Latrobe city investment brand was seen as an important project or initiative for us to be involved in. We need to ensure that external stakeholders, and in fact internal stakeholders in some cases, understand just how diverse and comprehensive this community is and what a great place it is for living, working and investing. The third one was an enabling business environment. This is where there are opportunities for really strong partnerships with other levels of government, particularly the Victorian Government.

Other areas include an attractive policy setting and the development of high-quality infrastructure and services. We see infrastructure as absolutely fundamental to future development and maximising the opportunities of this region. It is well understood that this area is incredibly resource rich. There are huge opportunities, but without adequate infrastructure to enable businesses to maximise opportunities, it is really hard to make what is possible happen. A liveable city is also very important.

An action plan containing 36 actions was developed. These included retention and growth of existing businesses, pursuing new investment and the other actions that are listed. From the action plan, we work on a whole heap of tasks.

The strategy requires that we report to council on an annual basis. We report back to council on activities, successes and challenges every year. We see it as very important that this is a living document that council can continue to develop as circumstances change.

I have a couple of examples of the projects that we are involved in. Every two years we undertake the Gippsland Major Projects and Opportunities Summit. The need for this summit was identified a number of years ago. The amount of investment that will happen potentially has ongoing flow-on effects, which include how to actually get the people and skills that are needed to make that happen. The idea of the projects and opportunities summit is to get some of the bigger projects out into the broader community and to state and federal government stakeholders so they understand the sorts of things that are going on. For example, as shown in the second photo, the RAAF East Sale project was one of big projects we talked about last year when the last summit was happening.

We also undertake a business confidence survey every two years. The latest survey was completed a number of weeks ago. From the 52 firms that provided information to the survey, approximately \$41 million worth of investment was planned. Forty-four per cent of businesses were anticipating business turnover to grow, which we see as a very positive sign.

The issue of recruiting and retaining staff is still a major issue, and it is something that is restricting how we can actually maximise opportunities. Interestingly, the issue of energy pricing, including petrol prices, was

identified by quite a number of respondents as a key concern, and this emphasises the importance of governments sourcing goods and services locally. The concentration of some purchasing services within levels of government make that a bit harder.

I will close by saying Latrobe city is formally recognised as one of Victoria's key regional centres along with Bendigo, Ballarat and Geelong. It is home to an estimated 4500 businesses. A sum on the screen indicates how difficult it can be to reach every business within the municipality. If we have 20 visits a week for 45 weeks of the year, it will take us five years to meet with each of the businesses. That is one of the challenges that we have in an ongoing way.

One of the things I want to reinforce is that we are working very closely with the rest of Gippsland to increase our regional capacity. Things like the recently completed Gippsland freight task study provides some of the infrastructure needs for Gippsland. As we move into the future we have a very strong Gippsland Local Government Network in which the mayors and CEOs of each municipality regularly meet, and increasingly, regional projects are being developed. It is now well recognised within the region that we are a lot stronger if we work together and prioritise projects to make sure that they can happen.

The last thing I would like to say is Latrobe city is currently in a transformational stage. It is no secret that our economy is under pressure through the need to transform from some of the traditional electricity generation that underpins the whole economy into a broad, diverse range of activities. We are working very hard to make that happen. Initiatives such as the Latrobe Valley roadmap, a state government initiative, have been really important in providing that support. In closing, it is very important for us to have a true partnership approach with other levels of government and in particular with the State Government as we move into the future.

The CHAIR — Thank you very much for all your time, effort and certainly for the information you have provided. We do have some questions for you, and I might just lead off. The airfield is obviously a key asset.

Mr HILL — Yes.

The CHAIR — Being the Member for Hastings, with the Hastings port, I understand these logistics centres are capable of attracting a whole range of businesses. What sorts of opportunities do you see into the future for the airfield?

Mr HILL — There are a number of readily identifiable opportunities for the airfield. One is the continued growth of the aerospace industry, which is really underpinned by the GippsAero Mahindra facility. It provides significant opportunity for expansion into the GA18, which has been talked about today, but also a number of other aircraft that Mahindra Aerospace, based in India, is very keen to do.

However, that is not all of it. I mentioned earlier on that Latrobe Regional Airport is recognised as the employment hub for Latrobe city. There is the idea of supply chain capability to be able to provide the diverse range of products that is required in aerospace development. As a manufacturing hub we believe it has significant opportunity. GippsAero is the only commercial passenger aircraft manufacturer in Australia. It is a real gem and has significant opportunities to grow. Australia has a good reputation within the aerospace industry, and I guess it would be pretty important to have a concerted effort from all levels of government to make sure that we maximise the opportunity of the aerospace industry, and in particular at Latrobe Regional Airport.

There is also a DSE fire base, the Helimed and various other facilities. It is a real emergency facility which is also an employer, and there is even potential in the future to attract recreational flyers as some of the airports in other parts of Melbourne get increasingly crowded — and I am thinking of Moorabbin and Essendon. There is even the potential for a chalet arrangement where accommodation can be provided and you house your aeroplane next to a little unit. Instead of fighting the traffic within Melbourne, you jump in the car and fly out of Latrobe Regional Airport. There is significant opportunity; there is a master plan that has been developed for the Latrobe Regional Airport, which is about to be updated. The idea is to make sure we maximise all the opportunities.

The CHAIR — Fantastic. Thank you.

Mr FOLEY — Geoff, I thank you and your council team for hosting us today and for the trips you organised this morning. In regard to the presentation by you and the Mayor, one of the key themes that the inquiry is looking at is how we can influence future policy around both infrastructure and partnerships to drive investment and jobs. That regional approach is a consistent theme wherever we go in terms of how governments operate, how local governments operate and how business expects different levels of government to coordinate themselves.

Could you expand on how Latrobe City Council works in partnership with the other regional councils in the area and give us some examples of that, such as your recent hosting of the regional policy advisory committee and a recent trip to Canberra in terms of trying to package up priority projects for the region, not just the city, and perhaps also tell us — because the infrastructure ultimately has to be paid for — whether the region and/or the council has a view on how — whether it be a user-pays model, whether it be through local value capture or whether it be through new forms of debt and taxation — we going to pay for all of the projects you are looking at?

Mr HILL — Sure. In relation to your second question I am probably not the best person to ask.

Mr FOLEY — Do you want to take it on notice?

Mr HILL — Yes, I think that is probably the most appropriate thing. What I would say is that Latrobe City Council is very proactive in looking at innovative ways to make things happen, but it really would be up to our mayor to answer that. We can provide that as a follow-up.

Certainly as far as the working-in-partnership approach is concerned, the Gippsland Local Government Network obviously plays an important role in that. It represents each of the councils. There is also One Gippsland, a recent initiative which includes the regional RDA as well as a number of other government and industry leaders. The idea is to focus on what are the priorities for Gippsland as a whole.

The site visit today at Brancourts talked about the transport up to Sydney, heading east rather than west. By way of example, one of the recognised priorities is the duplication of the highway from Traralgon to Sale, which helps all that sort of stuff. It is really trying to look at the big picture. It is one of the things that really will make a difference and benefit all of Gippsland.

Mr CARROLL — Thanks, Geoff, for your presentation and for helping organise this morning; it was really good. Coming in later today we have the Gippsland Climate Change Adaption Project group. Over the years there has been a lot of media coverage of the potential export of brown coal and the fact that right here in the Latrobe Valley we potentially have an industry that could rival things happening in the Pilbara. From council's perspective, how realistic is it that we could one day get to having a brown coal export industry in the region we are in right now?

Mr HILL — Council has a formal position that supports the sustainable use of brown coal into the future, and that really is part of *Positioning Latrobe city for a low carbon emission future*. The council is very supportive of initiatives to sustainably use brown coal. Perhaps by way of example, there have been ideas such as turning brown coal into hydrogen and using that to transform the car industry. Obviously that is a worldwide potential project. The resource and the opportunity is massive here, and the challenge is to use it in a very effective way as we go into the future. There is significant interest from a number of countries, particularly in the Asian area, in this resource, and significant money that has been talked about. It is a very real opportunity that needs policy certainty and, once again, infrastructure.

With respect to infrastructure, for example, the opportunity to export out of this area in massive quantities — and it is being talked about in massive quantities — requires good conduit to the port. There is money potentially from the developers of these projects, who are some of the household names from around the world, the multinationals, to put infrastructure in place, but if easements and various things are not there, it is incredibly difficult for that to happen. For example, rail access to the Hastings port or other major infrastructure that encourages investment is critically important. CarbonNet, the carbon sequestration study that has received state government funding and is happening right now, is another bit of the infrastructure that potentially enables significant projects to happen. Because it becomes a hub for emission-intensive industry and a way to mitigate the emissions from emission-intensive industry, it provides the opportunity for this to be a hub for that sort of thing as well.

The CHAIR — Geoff, on behalf of the Committee thank you very much for hosting us here today and on the tour this morning and for getting us around efficiently. Thanks also for the evidence you have given us today; it has been very educational, and we have appreciated your time and information. You will receive a transcript of today's proceedings in about two weeks. Please feel free to make any grammatical corrections you believe are needed but nothing to the substance of the document.

Mr HILL — Sure. Thank you.

The CHAIR — Thank you again for your time. We really appreciate it.

Witnesses withdrew.