
REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

INQUIRY INTO OPPORTUNITIES FOR

STRENGTHENING RURAL TOWNS IN NEW SOUTH WALES

—

At Yamba on Wednesday, 22 March 2000

—

The Committee met at 9.30 a.m.

—

PRESENT

The Hon. A. B. Kelly (Chair)

The Hon. I. Cohen
The Hon. J. H. Johnson

Transcript supplied and produced by
C.A.T. Reporting Services

WILLIAM RICHARD EPPS, Senior Lecturer, University of New England, of Armidale, and

TONY SORENSEN, Associate Professor of Armidale, affirmed and examined:

JEFFERY ROBERT ARCHER, Rural Social Scientist, of Armidale, sworn and examined:

CHAIR: Dr Epps, in what capacity do you appear before the Committee?

Dr EPPS: As an academic.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Dr EPPS: Yes, I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Dr EPPS: Yes, I am.

CHAIR: Professor Sorensen, in what capacity are you appearing before the Committee?

Associate Professor SORENSEN: As the person who drafted the original submission to the Council inquiry.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Associate Professor SORENSEN: I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Associate Professor SORENSEN: I am.

CHAIR: Mr Archer, in what capacity are you appearing before the Committee?

Mr ARCHER: As a rural social scientist.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr ARCHER: Yes, I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr ARCHER: Yes.

CHAIR: If any of you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present to the

Committee should be heard or seen only by members of the Committee, the Committee would be happy to accede to your request and resolve into confidential session. However, I have to warn you that the Parliament at any stage can overturn our decision and make your evidence public.

The way we normally do this is to have a brief statement first from one or all of you, and then we will ask you some questions in turn.

Associate Professor SORENSEN: I would like to kick off not only because I drafted the report but perhaps because my principal interest is in regional development policy. That is what I principally research and lecture in. I will, to some extent, summarise the main arguments that are contained in my document, and that will set the scene, I think, for the discussion ensuing.

The first point is that New South Wales regions are extremely diverse in terms of their current wellbeing, their industry structure, their resources, including human and environmental resources, their recent growth trajectories, development potential and adaptability.

Compared with the normal impression of the bush that there is city here and bush there, the fact is that there is no such thing as "the bush". The bush is, in fact, something that is highly variegated. Moreover, in terms of regional development itself, there are a very large number of policy dimensions. We can divide these into two, one of which is the general acceleration of regional economic development, and the second one is what you might call community improvement.

Now, community improvement is one of these developing areas that suddenly appeared on the scene. For example, at the Regional Australia Summit it received considerable attention, and this is now a new dimension of regional policy over and above the traditional economic development one, but in the economic development arena there are various strands that have been the focus of public policy over the years. For example, the creation of business friendly macroeconomic investment climates, infrastructure supply, the development of entrepreneurial cultures and business skills and the availability of reasonably priced supplies of necessary investment capital.

So there are different dimensions, if you like, of the economic development game. And, likewise, with community improvement, there are various strands too. The debate over community service obligations is one of them.

Another theme might be helping people living in declining communities to access necessary service at alternative convenient locations. Then there is the social adjustment side of things like helping farmers and rural households move away from impoverished circumstances and, finally, the development of social capital. So there are four themes that I see coming forward there too.

Now, these responsibilities fall across all three formal tiers of government with considerable overlapping responsibilities. Moreover, within each tier of government the responsibility for delivering those eight different foci, if you like, of regional policy is distributed across many different departments.

Another point that I would like to make and that is made in the document is that

governments have relatively weak control of influence over many of the contributory factors to economic development - stronger in some areas, weaker in other areas - but I think we should start by accepting that public influence and control over the course of events has, I think, proved over the last 50 years not to be very great, but that does not necessarily mean that there is not a role for government.

If we add those last three points of mine together, this suggests that there will be major co-ordination difficulties between agencies and high transaction costs in policy development and implementation.

I would like to say, too, that my statement about the weakness of control or influence in the public sector is something that seems to be accentuating, and this is very important. This is to do really with the pace of technological change.

As technological change itself accelerates so, I think that government's ability to influence the course of events is somewhat diminished. Also, as we appear to be going over the last 20 years, the commonality of interest in the bush also seems to be declining rapidly, and I can give you a few examples of this. For example, there is obviously growing resource use conflict between, say, the farmer and the environmentalist.

There are resource use conflicts within the farming sector between, say, pastoralists and those involved in irrigation. There is conflict between big towns and small towns.

I am well aware, for example, that within the Country Mayors Association, representing towns of 10,000 or more people, there is a splinter group representing Dubbo, Wagga Wagga and Tamworth that is interested in ensuring the success of those places over and above the other members of the Country Mayors Association in gaining access to government services and, no doubt, doing deals in the background to achieve that.

There are conflicts as in, say, Byron Shire between existing residents and would-be arrivals, people who would like to buy into places that offer very pleasant environments. There is, if you like, conflict between regional wellbeing and local wellbeing in service delivery.

I will explain this one a little bit if I may. If we divert, say, health resources into a large number of small cottage hospitals, that would be fine for the communities in which the small hospitals operate but it might be at the expense of the regional health budget being able to offer higher level surgical procedures in base hospitals in places like Orange, or Lismore or Wagga Wagga.

And then there is conflict, I think, between rapidly growing places and static or declining places, so the idea that there is this homogenous bush with a homogenous set of interests is also, I think, something that is becoming history.

This brings me to what governments can do to assist smaller regional communities in what is an exceedingly messy and difficult policy environment. And this is where I think we need some lateral thinking.

If we put economic development and social improvement together, there are some commonalities. Both of those endeavours, if you like, require certain inputs. Both require

good quality social capital. Now, social capital is the quality of local institutions that provide services to the community, that provide help to individual people within the community or just generally bring people together and improve their quality of life.

They require human capital, that is, knowledge and skill development; they require finance capital, and preferably in the case of regional Australia, reasonably priced access to necessary investment capital; they need leadership and entrepreneurship, and I cannot overstate the role of leadership and entrepreneurship in securing benefits for the regions; they need what you might call a risk-accepting culture.

So what I would like to place on the agenda is, in fact, a cultural shift in regional Australia away from, "You know, this is what it was like. Wouldn't it be good if we could go back to that," which is sometimes what you get, and since I am on oath and have some sort of immunity I can say that this is the sort of picture portrayed by Ian McNamara in *Australia All Over* on Sunday mornings, which seems to be firmly rooted in the past and does not, in fact, address where regional Australia might be headed.

What we need, very possibly, is, in fact, to shift the focus of regional Australia towards: what can we do; what sort of futures are there; how can we tap into those; how can we improve the lifestyles for our residents and the economic capacity of our businesses?

We need - and this might be music to Harry Woods' ears - I think, the rejuvenation of local government, because local government is going to be a major player in the type of agenda that I have just portrayed to you, actually, a prime mover and prime deliverer, and local government has to be put on a sound financial footing in its own right. It needs to have that sound financial footing to be capable of delivering - how shall I put it - the leadership, the resources, the sponsorship of economic development, the vision and so forth that can propel communities forward. And perhaps I will leave that sort of agenda there.

I will say that not all places will, of course, benefit from this recipe. There are many small, struggling communities in regional Australia where the prognosis, even under the best of circumstances, is not good.

State governments do have a major role, perhaps in conjunction with the Federal Government, in the sort of agenda that I have set for you, those issues of capital, leadership and entrepreneurship, cultural change and so on.

Certainly, the State Government is heavily involved in the supply of all facets of education - skills education, business education, community education. It is involved in the development of regional leadership capacity and, in fact, for example, the Main Street program, which is currently in the hands of the State Government, is now seen very much as a vehicle for improving local leadership capacity.

It is, of course, responsible for ensuring the delivery of effective local government. State governments can work with communities to increase the supply of low-cost, microenterprise development capital, and they can work to improve best development practice at the local level.

So I do see a role for State Government but, interestingly, it is possibly different

from that which is perceived traditionally. I think the agenda that I have set out there does differ in some ways from what currently occurs.

They all focus on improving community adaptability. I would see community adaptability as a principal theme of public policy. So far as what this means, and this is where I am going to wind up, for government action, I was interested that the terms of reference takes some of the buzz words of the moment and include things like co-operatives, networks and clusters to achieve these kind of outcomes.

I would say that those are incidental and not primary in creating vibrant communities. In other words, if one focuses on things like developing social capital, human capital, entrepreneurship and the availability of finance, you will find that the networks may well fall into place. In other words, the networks are a consequence of something else rather than a primary mechanism for regional development.

The other thing I would say here is that the economic development literature globally uses those terms a great deal, but the ideas were all developed in countries like the United States, Western Europe and Japan with environments that are totally different to that of regional New South Wales, which lends me to the view that their use directly within this State for regional development purposes might be somewhat less than perfect.

We have had this history over the years of borrowing other people's ideas, using them as buzz words and then nothing very much happens. So what I think I have done in my presentation is go back to basics and identify some of the things that I think are really important, and perhaps in further discussion we can discuss ways in which policies might be diverted to bring those things about. So that is my presentation. Thank you, gentlemen.

Mr ARCHER: just underlying a few of those points: the problem is about conceptualising the problem in terms of the rural and metropolitan, in terms of both of them being unified, and both of them having opposition to each other. It's not entirely irrelevant because that is how a lot of people do see things. If one listens to talk-back programs of Bob Katter talking to people from western Sydney, one does get that impression. It is a mistaken impression in terms of the diversity that exists at both levels, and one needs to look at the range of options.

Maybe from the perspective of non-metropolitan Australia, one of the great problems that has to be overcome is the problems of parochialism. When the people in the various constituent parts of rural New South Wales see themselves as primarily competing against each other rather than trying to put forward some sort of concerted plan. That is something that is very hard in terms of local and State leadership to try to overcome.

The size, location and diversity of places outside the metropolitan centres makes the problem one that should not be lumped all together into one area. Just as that is a concern, I think so, too, is the terms of reference that look at economic concerns primarily. This is something that can be tempered by looking at the social and the environmental sustainability alongside those economic factors, and looking at their mutual interdependence.

Another concern that we voiced is the notion of a whole-of-government response. It is a very trendy, holistic idea. It is enormously important that government agencies and

departments should keep each other informed of what they are doing, but to simultaneously have everybody involved all the time everywhere becomes more of a level of "pay more attention" tokenism rather than something that can be sustainably and realistically done in all cases.

Another point to underline is the idea that we have called metrocentrism. Professor Sorensen touched on it when he talked about the way in which the bush is seen in some of these quaint, old-fashioned, heritage ideas. The Stockman's Hall of Fame view of the bush, the whole idea that Slim Dusty somehow exemplifies it.

This is not something that merely does damage in the way that people resist the incursions from metropolitan centres. It is something that actually constructs the mindsets of people who are looking at these problems. They are not always aware of the range and diversity of the problems.

We are always hearing concerns of people phoning from Tingha or some other such place, small villages, and speaking to somebody in a government agency or department. They really want to know how far they are away from Parramatta, and not really seeing it in terms of a range of places with different problems outside Sydney.

This is a great political football right now. And it is a great danger of it being hijacked because each politician wants to be seen to be listening, to come up with something that could have enormous electoral consequences for them personally or their party or their group. There has been a lot of press and publicity given to it.

The great danger in that total political environment is that there is a policy vacuum and a pork-barrel response (if I can put that humbly to you people). The danger is that it will be a response to get some immediate short-term benefit and not necessarily for the people who are, if you like, the main problem areas. That being said, there is a range of different ways in which government at the margin can actually address the problem, and a lot of that goes to a range of argument about what is the scope of that margin for a State government within this Federal system.

I think some of that scope could be from change in institutions or change in laws. But the main thing to consider is how far in this area one considers the rural to be a euphemism for the agricultural. And quite often a lot of what is happening in non-metropolitan Australia has very little to do with agriculture. But the response is very often seen for all sorts of long-term heritage and political reasons to be in terms of an agricultural response.

This is not to neglect the role of the agricultural industry. But it is also to see that the agricultural industry is changing in many ways, and there are many other things happening in regional centres, and in less settled areas, that are not primarily concerned with what might be called agricultural productivism. That is trying to get as much return out of the land as possible in terms of some economic benefit in the short term.

A lot of the arguments are constructed in terms of how much the market should decide these factors, and how far it should be something for government regulation. I think, in some ways, that is a bit of a false dichotomy. Of course, even though there are ideologues on both sides of the equation, who would say the market reigns supreme, and government should butt out on the one hand, and people who would say that the

Government really needs to have intense regulation and to set up the mechanisms in a very intense centralised way.

But I think what really is called for in almost all cases is the Government providing information in detailed ways which allows arguments to be made about the margin. About how little or how much involvement is going to get some benefit in that particular case. The more the argument is stretched out to a general argument about the market versus regulation, or the more it is talked in general terms about the bush versus the city, the more the focus is lost on those particular problems in particular places and how government might have a strong role there.

Dr EPPS: I am a group member of the Rural Social Science Network and Professor Sorensen has put forward points from that submission. I have also been fortunate to be involved in some fairly grassroots research over recent years. What I have endeavoured to do is put in a supplementary submission. It is very difficult in a space of minutes to cover much ground, but I actually have here some material that I have prepared and I would like to table that.

Supplementary submission tabled

CHAIR: It is very difficult in trying to get a lot of information in a short space of time in these sorts of hearings. After the conclusion, perhaps a fortnight after, you will get a copy of the transcript to look at. What you might do is go through that and see if there are any points that you feel you have not adequately addressed or that needs some further supplementation and, please by all means, send us additional information and we will take it on board. This is not the end of it today because I think already I have more questions than we have time available to ask them. We may well ask you some questions on notice.

Dr EPPS: Would you like me to touch briefly on the points I have in here?

CHAIR: Yes.

Dr EPPS: I have on the first page a general introduction, and the point I make here is that I think a lot of the problems that are starting to be realised in rural areas have actually been in train for several decades. In those same few decades there has been an out-migration of people from cities to many of the rural areas, and this has tended to mask some of the underlying problems, particularly the impact of globalisation and technological change.

Really, the moves of people to inland areas, certainly in New South Wales, is dwindling, apart from places like Mudgee, the snowfields and so on. Much of the other inland area has difficulty in terms of attracting people. Certainly Mr Archer mentioned the media and so on. As well as that, last year some time there was a media report of Lightning Ridge. I do not know if anybody saw that, but you can just imagine how seeing a couple of miners who were scratching a living and living in an old tin shed would cultivate a fairly negative impression by city viewers.

I am embarrassed by the Toyota ads for utilities. This is how rural Australia has been caricatured, and I do not think those sorts of things are very positive. There is not much we can do about that unless rural Australia changes its own image. I have mentioned

a fair bit here in the submission about the role of government and I would endorse the comments that Professor Sorensen said about past regional development policies that have not really been effective and the move now towards more devolution of responsibility, towards local economic development is very worth while and many practitioners say, yes, we have to have regional solutions for regional problems. That is very true, but many of the agencies, particularly local governments, are totally ill-equipped to handle economic development.

I mention elsewhere in here that there is no link between local government, local development agencies and regional development boards, the people who are supposedly developing regional strategies, looking for strength and so on. There is a committee on the regional development board but there are no links to most local governments and other agencies. I identify some of the problems for local economic development on that page, particularly resourcing people.

I would like to move on to expanding local businesses on the third page of this. I have a number of dot points and I would like to stress that wherever possible in this submission I have based my comments on recent research. They are not things that I have dreamed up or analysed from the media and things like that. This is on the basis of interviews with over 100 people involved in firms themselves or economic development.

The Hon. J. R. JOHNSON: By yourself?

Dr EPPS: By myself largely. I was doing a research project and I was focusing largely on Wagga Wagga and Tamworth because these were areas where I thought there was potential for new firms to develop broader markets. Certainly in Wagga Wagga turf guarding is a major occupation. That is what people are on about. They are not working together in many of the large cities. They are trying to carve up the patch of turf.

There is a serious lack of true business plans. Most businessmen go to their accountants for advice. The accountants may be spot on in terms of taxation, cash management and things like that, but they are not business planners. They cannot help in terms of market research, business structures, product research, inventory management and things like that.

In the last two days I was speaking with five people in economic development in Tamworth and I intentionally put this question to them. They all agreed that, without a doubt, business planners are not to be found in Tamworth, not good ones who have strategic thinking and know a lot more about the business aspects than the accountants.

There is also a major problem with confidentiality in small towns. Small business owners are not going to go and discuss their new projects with the business enterprise centre for fear that other people will find out about that. There have been a few reports to back up that point of view. Most business proprietors said that, above all, what they needed most when establishing and growing their business was better financial and business management skills.

Here I raise one particular point. Even if we provide them, often you need a substantial attitude change in the community to make people realise they do need those skills. You might put them there but might be disappointed in the take up. As well as providing this training, you almost need to have an education campaign on the side to get

people to appreciate what they need to know.

I interviewed a lot of people. I was particularly interested in firms that had started up in the past six years, that have got up to about four or five staff and then the paperwork involved in increasing their staff was such that they said, really, they did not think it was worthwhile and they were happy to stay where they were: it was comfortable; it was easy. This idea of expanding the business was fine and they had the potential there, but they saw this as particularly difficult. I think there are other people in other areas who could substantiate the sorts of problems they had.

Skill shortage. As I said, I interviewed five people yesterday at Tamworth. Every one of them, without any prompting from me, raised the problem of appropriately skilled people. They said many businesses simply cannot grow - and this came from many of the businesses themselves - without a supply of skilled people.

Where do you get them from? If you are in Tamworth there is no way you can get them from Newcastle or Sydney. In Wagga Wagga it is the same problem there. Really, the only satisfactory source is local people who have been trained by their local TAFE or other education institutions. Even if you said, "Well, what about people at Bourke? Perhaps they might like to move into Tamworth and work there." It is a good point. But the CES officers told me - I know it has changed now.

CHAIR: It is non-existent.

Dr EPPS: I know. So I got there before they closed [May/June 1998]. Home ownership is very important but it provides a level of inertia in the rural work force. If somebody has bought a house in Bourke or something like that and paid \$80,000 for it and they want to leave and they only get \$40,000 for it, they are loathe to realise that loss because their total equity in the place might have disappeared. So there is a major problem in getting people to move through rural Australia.

I have a couple of other points there that I would like to mention but I would like to move on next to points I make on the second-last page in terms of support that I documented there. This is on the basis of interviews with business proprietors, probably a dozen or more aspects of business improvement.

Now, I know that these are very grassroots, but I thought there would be some benefit in tabling these because these are, as the business owners see it, their major problems. I have listed a lot of things there. A lot of them are not big ticket items; they are not going to be spectacular changes; but they are the sorts of things that, at the grassroots, may well assist local businesses to expand their operations.

So I will just leave it there. I just wanted to put all those on the record. They may be of some help. I have already made a submission or two to this inquiry, including a Ph.D. thesis. I have tried to draw out some of the recommendations from this. I would hate to burden you with the task of reading through the whole thesis.

CHAIR: Thank you very much. A lot of questions will come out of that, and I think you will get a lot of questions after this either today or later. What are your comments on the regional development program that the former Federal Government

had? You talk about funding and support here. What were the examples in your area that you came across that were successful and not successful in that REDO program, the \$150 million?

Dr EPPS: I know. My field studies were in Wagga Wagga and in Tamworth.

CHAIR: The sorts of things I was thinking about were the \$2 million to promote natural gas to the Central West, which I think has generated something like \$130 million in investment by AGL, and I think Tamworth will now get gas because of that. They are still following through.

Dr EPPS: Yes, that is right. Certainly there has been very substantial support for that. I am not belittling the achievements of the regional development boards, but I guess that what I am trying to say is that their game is at a different level. They are looking for bigger projects and they may or may not attract things to those particular cities.

Now, in Wagga Wagga, for example, the Regional Development Board was very active in attracting the new pulp mill to Tumut, but the Wagga Wagga people do not see that as an advantage to themselves directly. There may be some flow-on. But I guess that my point is that it is the regional development boards that perhaps have a big-picture view.

If we come down to local economic development, the town is only looking from its own perspective. Having a regional development board that can look at regional strengths and push for the big projects is fine, but I think there needs to be a linkage through to the small businesses, the ones that are often generating most new employment within those centres, that is, if we are particularly interested in employment. From my point of view, that is one of the basic problems in these areas.

The Hon. J. R. JOHNSON: Gentlemen, no doubt you will recall in about 1973 the vast amounts of money that went into Albury-Wodonga, and I think that great hopes were held for that venture or those enterprises that looked like coming at their embryonic stages in that area at that time to the Garden of Eden. It did not happen. What went wrong?

Associate Professor SORENSEN: This could be a very lengthy answer. For example, I actually supervised a student who analysed the demise of Orange-Bathurst, which was in tandem with Albury-Wodonga.

CHAIR: Orange and Bathurst have not demised.

Associate Professor SORENSEN: It hardly got airborne.

CHAIR: The Bathurst-Orange Development Corporation may have but certainly not Orange-Bathurst?

Associate Professor SORENSEN: I take your point there.

CHAIR: I was being parochial.

Associate Professor SORENSEN: I think what you are seeing is an example of the difficulty that government can have in trying to engineer regional development,

especially engineering it on a top-down basis.

What happened in Albury-Wodonga was that the Government thought that by proclaiming a growth centre, by designing it visually in the image of Canberra, which was quite successful at that time, people would flock to live in such a place and to develop businesses in such a place.

However, people have been, of course, voting for the last 50 years with their feet. What people are looking for is either residence in some environmentally attractive location - that, of course, underpins the population growth of the North Coast of New South Wales and south-east Queensland - or, alternatively, they are looking for higher level economic jobs of the sort which really cannot be supplied even by our larger country towns.

If you have a look at the growth sectors in the Australian economy at the moment, they are finance and business services, media and entertainment, leisure and recreation, some high-tech manufacturing. It pains me in some way to say it, but these jobs and occupations are located primarily in the larger capital cities, and especially in Sydney.

Now, a place like Albury-Wodonga, whatever its virtues, and it has got some I must admit - it is a nice place in which to live, it is half-way between Sydney and Melbourne on the main inland route and so forth - is still going to face an uphill battle where the main economic growth is being driven by activities which are not primarily rural in location.

One of the things - and I have not said that I think in either our submission or my presentation - is that there is something called innovation diffusion, which geographers have known about for a long time.

The process of innovation diffusion runs roughly like this: that innovation tends to occur in nodal locations, most obviously in places like Silicon Valley or the Kanto Plain around Tokyo or the M4 corridor west of London, adjacent to major global metropolises that have got a certain internal dynamism that generates ideas, and these are then, of course, taken on further.

Now, away from those nodes we have a process of outward diffusion of ideas, and generally rural areas, and this applies as much to regional Australia as it does to rural areas in many of the other developed countries, are very late in receiving those innovations.

For example, e-commerce has now just about been totally tied up by the capital cities of Australia. There are one or two examples of e-commerce, notably firms like Petals in Armidale, which proclaims itself to be the largest florist in the Southern Hemisphere selling flowers around Australia and even internationally, but the horse has bolted so far as e-commerce is concerned, and the likes of E-Corp and eBay and all of the other e-companies are not primarily small-place-based.

Now, what is happening is that the crumbs will start filtering down, as it were, and there may be some local regional businesses in the larger centres of Albury-Wodonga, Tamworth, Wagga Wagga, et cetera, that may be able to start up locally based e-businesses that will serve the function of filching trade from the smaller places in the hinterland.

There is another interesting thing that I think I ought to say here - and this applies to Albury-Wodonga. It is a long answer to your question, I know, but I think it is well worth saying. That is that all of these new technologies that have been invented in the last 200 years, be it the railway line, the telegraph, the telephone or, more recently, the Internet, which are all communications technologies, if you like, have all been centralising. I cannot think of any substantial examples where they have been anything but centralised. So that is a bit of a problem for the country towns.

Now, having said all of that, I am well aware that there is lots of innovation going on in regional Australia. This is part of the good news story that, of course, barely ever surfaces in the press.

The media at the moment are busy painting regional Australia as a hayseed location with no prospects. The story coming across to me, and no doubt to you, is that regional Australia has poor services, declining services, high unemployment rates - never mind the fact that Griffith, for example, has an unemployment rate of 1.5 per cent and is screaming for people to come and take the jobs. It has low activity rates, low pay rates. That is partly true, of course, because many of the new high-tech jobs are located in our capital cities. Nevertheless, there is a lot of innovation occurring.

Now, I would suspect that it is actually occurring mainly in the farm sector, which is where you would expect it to occur, rather than in the towns, and there are many aspects of the farm sector which are doing quite nicely, thank you, from things like fish farming and flowers, and obviously the cotton industry, which, according to ABARE figures, is returning 14.5 per cent on capital, dry land or irrigated, and that is a figure that many of Australia's larger industrial companies would be glad to have for that sort of internal investment.

The wine industry, everything associated with that, the tourism and so forth, is doing very nicely, thank you. These success stories are not often, and nowhere near as often, disseminated as they should be.

Now, part of the reason why, I suspect, that places like Albury and Wagga Wagga and so forth have not perhaps reached the sorts of potentials that we would have liked is because, well, they are not in the farm sector, to start with, but the interesting thing is that these success stories in the farm sector are piggy-backed on the mass exodus of people from the farm sector.

Now Albury-Wodonga and, in fact, all of the other country towns, even if they have pretensions to be manufacturing centres, are still, I suspect, first and foremost, regional service centres. In other words, they are still primarily serving the farm sector. There may be one or two exceptions, like Armidale, which has a university, which looms extremely large in its economic profile. The same might be said of one or two tourist places up and down the North Coast.

The major inland centres for certain are still servicing the farm sector. The inland farm population, and Dr Epps has better statistics than I have, is still heading downwards. The number of farmers overall is not heading downwards but I suspect there are a lot of small horticulture producers primarily in coastal locations. But if we take the inland regions, this process has a long way to go. In fact, figures that I have seen or arguments

from access economics and from listening to farm people themselves suggest that perhaps over the next 20 or 30 years we might lose another 50 per cent of people from farms in the inland.

If we do that, that is an automatic drag on the growth prospects of all country towns, including the largest country towns because it simply means there are fewer people to service and support in regional Australia. This, of course, is the primary dynamic, I suspect, behind the adverse growth prospects of many of the small places in regional Australia, certainly those that are away from tourist locations. That is a very long answer but I think it goes towards explaining the multi-faceted dynamics that are affecting places even as large as Albury-Wodonga. Sorry I gave you a long-winded answer to a simple question but I think it is so complex, there is a multiplicity of factors involved there that we need to understand all of this to assess the growth prospects of places.

The Hon. J. R. JOHNSON: There was emphasis on the importance of education through TAFE, et cetera. The miracle of the industrialised world in the last few years has been Ireland getting eight plus growth per year and the Irish Development Board's monthly or bimonthly newsletters just fascinate me - 10,000 jobs in one area of the west of Ireland. Australia would not be here but for the west of Ireland.

If you go through most of the international accounting firms, KPMG, Coopers and Lybrand, et cetera, get a list of their staff, their partners, O'Malley, O'Meally, O'Kelly put emphasis on education some 25 years ago. I can remember getting Irish newspapers and magazines at the time where the great political battles that were going on were those who wanted or could see that education was the key to the Irish problems, and they had had problems for generations as well as those caused by the English. Is that an area that we have to take up and emulate?

Associate Professor SORENSEN: May I just kick off on this one first. Having spent a month or so at an English university looking at regional development in Europe, I did focus to some extent on the Irish situation.

CHAIR: A lot of people would think you did not get the right information if you went to an English university.

Associate Professor SORENSEN: I was on study leave at the time and, in fact, I will come to my experience in an American university in a moment because I think this is very relevant to your question. I am aware of the Irish emphasis on education and I think that is certainly one of the key ingredients. A second key ingredient in the Republic of Ireland is the ability to tap into European union subsidies and the third ingredient in the Irish situation is the proximity, of course, to one of the largest consumer markets in the world and, in fact, lying really on the routes between the United States and Western Europe.

There are some unique ingredients in the Irish case that would be difficult to replicate in Australia. For example, the investment in the Irish electronics industry I cannot see being replicated in regional Australia. Australia has got very, very few high technology nodes, for example, North Ryde near Macquarie University and Clayton in Victoria around Monash University, a little bit in central Sydney between the University of Sydney and the University of New South Wales.

Within our region there are some extremely powerful high technology nodes in Singapore, Taiwan, Japan and some other locations where their competitive advantage is such that it is difficult to see regional Australia developing even a branch plant.

The Hon. Dr B. P. V. PEZZUTTI: Ireland does not have a high technology node to my knowledge. It makes television sets for the Koreans to sell into the EEC.

Associate Professor SORENSEN: It is something of a branch plant economy, I will agree with you, but they are making computer equipment.

The Hon. J. R. JOHNSON: They have created the second largest market outside of the United States.

Associate Professor SORENSEN: That is true, but what I am addressing is whether in fact Australia would be a logical location for a similar sort of industrial base within our particular wider region which includes south-east Asia. I just cannot see that occurring.

Coming back to your other point about education which I think is extremely important, if you go back to some of the aspects of economic and social improvement that I talked about in my presentation, I identified particularly the development of social capital, human capital, entrepreneurship and leadership.

Those are education-related and I think it is true to say that there cannot be any worthwhile future for regional Australia unless it has a highly educated population. Whether this is in terms of agricultural capability or running a business or being able to assume leadership roles in the community is immaterial.

I did come across, and this is where I am going to mention the United States, an interesting model at the University of Wisconsin in the US upper mid west. Wisconsin is in fact a rural State. It is not primarily known as a manufacturing State although there is quite a bit of manufacturing activity but it is a dairying State. It is into various cropping, corn, et cetera, as you would expect in the mid west.

Tommy Thompson, the State Governor, conservative Republican, was actually once touted as a potential Republican presidential candidate in the coming elections. His campaign, if it existed, did not fly. However, he has got a very strong emphasis on education as the primary ingredient, I think, in developing regional Wisconsin.

The State Government, through the University of Wisconsin, does something that does not occur in Australia. It has an extremely well developed University of Wisconsin extension department. You have heard of agricultural extension which is widely practised in Australia and it certainly is in the US. The idea of economic and community development extension does not exist to my knowledge in Australia.

What the University of Wisconsin does is it puts on its staff a large number of highly qualified people, people with MBAs, accountancy qualifications, community or regional development qualifications and locates these people in small rural communities, the county seats.

I visited whilst I was there half a dozen of these county seats, one of which had slightly more than 10,000 people but I was visiting places of 2,000 people, 5,000 people or 10,000 people. One of these extension guys would be in each and their role was actually as a sort of community guiding hand in a whole range of educational directions. For example, one was involved in teaching people civics and how to stand for office and run for public office. One was into developing community facilities like old people's homes. Another one was into town planning and regional development.

Another person was in fact wholly into economic development and chair of the local revolving loan fund that was a mechanism to deliver low-cost finance to start up businesses. All of them were heavily involved in networking in their communities and resident in the community and then the University of Wisconsin itself was used as an information resource. So they could call in experts in community development, business and finance, local economic development strategies, political development and all sorts of things, local government administration, who were tied into the system and offered expert advice.

It seems to me that for a lot of our smaller communities with relatively low development potential, this kind of policy or kind of strategy might be one avenue - I am not suggesting it is the only one and there are many different models in the US - for more general community improvement. The Wisconsin State Government bank-rolled a lot of this.

The funding was coming from Tommy Thompson and his State Legislature and it was said to me by one correspondent that some of this expenditure had been questioned but they had never been able to demolish the system because so many members of the Wisconsin State Legislature had got their leg up through participating in the sorts of schemes delivered by the Wisconsin University. It had so many people in high places it was virtually inviolable.

Dr EPPS: As I mentioned earlier on, it was very high on my list of priorities who were involved in economic development to improve the supply of skilled people. I was undertaking discussions on developing a program of research in clustering in the last couple of days. It was fascinating that people said that clustering is about people, it is about skills and attitudes. It is not necessarily about infrastructure and big finance and things like that. It is having people with the capacity to undertake more advanced thinking in terms of business planning, and also having a supply of expertise of people skilled in the trades necessary for them.

There is a major danger. One of the big problems facing rural agricultural Australia in particular is the fact that over the last two or three decades there has been such an improvement in tertiary education by so many people on the farm. Sure, they can be at home, work 100 hours a week as I used to on the land and things like that, and you get Saturday night off, a minimal wage and perhaps a week's holiday or two, or you can get a job as an ag economist in a Sydney bank, a 35-hour week, a company car and all the package.

There has been a greater mobility of rural labour because they are better educated. So whilst we need to have this drive to improve education standards in regional centres, TAFES and things like that, we have to match that with job creation. The two have to go

hand in hand.

Now, I worked in TAFE for five and a half years. February was a dreadful month. You had to have a minimum of 12 students otherwise no course. You would have 11 and they were all keen to go, but if you did not get the magic 12 you were out. There was some flexibility in TAFE but you cannot expect a big firm like Goodman Fielders in Tamworth to have 12 first-year apprentices each year going through the system. I mean, it just does not work like that and, particularly more and more often, the skills that are needed in rural Australia are more specialised so you cannot just say we will do plumbing, welding or something like that, it has to be a targeted or focused course.

There needs to be a better system, I feel, more flexibility so that groups can be trained and perhaps you have two or three cohorts of students and they do some common courses and then they will go to Newcastle or something just to do the additional courses. I am not quite sure what is practical in TAFE; it is quite a few years since I was there. But my point is that people are crying out for skilled staff and, as I said before, they need them to be trained locally, but if you train the people and do not have a job for them, of course, they are off.

With clustering in particular, here is the chance to have a more vertical component. Most rural businesses have the people who work as check-outs or something like that and a manager. There is no pyramid structure, the way you will see in the cities where people with more advanced skills can progress.

If you start getting a clustering together you get more demand for specialised services and that ties in with the education. My long answer to your question is that people in rural areas that I have interviewed certainly see education as critical and a major constraint on developing more specialised industries with broader markets.

Mr ARCHER: Education is really important. It is both important in terms of the human rights issues that were basically developed in Chris Sidoti's bush talk argument, also in terms of infrastructure and investment. This is the sort of thing that the House of Representatives Standing Committee on Primary Industry and Regional Services have come up with in their 92 recommendations.

But there is no way that there is some magic solution. If you just borrow one from Ireland, Ireland still has half the population it had in the 1840s. Most of the development in Ireland has been on the east, not the west, even though there is some in the west, and there are still massive regional problems in Ireland.

CHAIR: Just on education, and particularly with TAFE, there seems to have been a trend in the last four or five years the way funding is going and national competition policy to an enormous amount of private providers. There are expected to be 1,200 in New South Wales this year from about 100 last year. That tends to follow the market. In other words, in years gone by, all the smaller country towns had a TAFE, and they would produce all these courses.

The way the market would develop for the equivalent courses now is that they all seem to want to set up in a major city like Armidale or Wagga Wagga or Dubbo, or wherever, and do not provide resources in the smaller towns, like Coonamble, but TAFE's funds are being cut back and so, therefore, they cut back Coonamble. So what is the

solution for those smaller towns? They are getting less and less education effectively with this new market.

Dr EPPS: Yes, it is particularly difficult, and I think everybody here will acknowledge this. The smaller towns without the access to those facilities are going to really be struggling, but from my own experience in TAFE, we had sort of block releases where students would come in from outlying towns, spend a week and then go back for three weeks and work as an apprentice in their local enterprise.

The prospect of supporting these people by the provision of TAFE funds and also to get away from this sort of magical - I do not know whether it is still exactly the same - idea of a cut-off of 12 as being crucial to the running of a course I think that with a little bit of innovative thinking you can find other ways to do it. It is, as I said, a few years since I was in TAFE. I would not like to comment. I am only seeing it from the users' point of view, from the people who are employing these people and the trouble that they have.

The Hon. Dr B. P. V. PEZZUTTI: I will just briefly comment. You said basically that bringing, say, a university to town acts like a siren attracting all the young people from the country towns to come and get their training so they can go off and live in the city, because that is the impact. Of course, your university will bring people to Armidale, but the university has become a bigger and bigger part of the Armidale economy.

As the Armidale economy continues to drop, you are becoming more and more an important economy in that town, yet you are, in fact, the seed and the cause of all the people leaving town. How would you respond to that?

Dr EPPS: I agree with you fully on that, and I think that the University of New England is an institution that has attempted to move out, but the University of New England has also been badly burnt with ill-advised moves away from the central campus in the past.

Of course, as you are aware, we had a fairly disastrous amalgamation, and we, at a time when we should have been dynamic and innovative, were so strapped financially that we had virtually no flexibility, and it is only now that we have made tentative steps. We have a campus starting up in Tamworth. But, of course, that is still not addressing your question. It is the people out in Moree and Narrabri.

The Hon. Dr B. P. V. PEZZUTTI: What I am asking is what are the universities doing as universities to try to find the jobs that they are training people to do in country New South Wales?

Dr EPPS: Not a great deal.

Mr ARCHER: There are some small initiatives in that sort of area with work experience units finding traineeships with local business and a whole range of vocational qualifications, but the general picture is that we cannot expect every single ambitious high school student and every ambitious university graduate to stay in a town with a population the size of Armidale. It is not going to happen.

CHAIR: But there are 1,235 full-time teachers in Armidale university, so that

helps.

Associate Professor SORENSEN: Not at the university. That might apply to the town as a whole.

CHAIR: 1,200 staff at that university.

The Hon. Dr B. P. V. PEZZUTTI: I am from Lismore and we were very pleased that the amalgamation was a disaster. We now have a university that is very much in Lismore an outreaching university with the development of Cellulose Valley and things like that, which is booming. What is there about Armidale university which is different from Lismore in terms of your ability to foster growth and be part of the town and part of the growth of the town, which the university in Lismore certainly has been?

Mr ARCHER: I do not know that I agree with the basis of the question in terms of what one university is doing vis-a-vis the other one. I would like to put the case that both universities are, within the Australian context, fairly small. Both of them have a lot of problems. When you compare them with universities such as Sydney or Melbourne, both of them really have similar sorts of concerns and similar sorts of successes.

Associate Professor SORENSEN: By way of example of what I think you are getting on about, we talk about networking as one of the panaceas for regional Australia. Actually, Armidale has got one of the most brilliant networks in the whole of Australia. Although Rockhampton calls itself the beef capital of Australia, it is not. In fact, Armidale has got the Beef CRC, the Agricultural Breeding and Genetics Unit, Rural Science Education and, in fact, the headquarters of most of the breed societies in Australia. That is, in fact, a symbiosis, a clustering, which occurred.

Dr EPPS: Because of one individual virtually.

Associate Professor SORENSEN: More or less because of one individual. It is certainly not government inspired, and this leads me to the observation that I perhaps should have made earlier, that where, in fact, you do see clusters in regional Australia, and there are quite a few clusters, most of them have come about not because of any government program but simply because the local businesspersons have seen that there is some benefit in doing so.

The Hon. Dr B. P. V. PEZZUTTI: So, again, you support everything else we have heard, which is local leadership?

Associate Professor SORENSEN: Local leadership is absolutely crucial.

The Hon. Dr B. P. V. PEZZUTTI: Secondly, what the Hon. John Johnson referred to as the Albury-Wodonga Development Corporation was an attempt by the Government at the time to put a large amount of disposable capital in the hands of local people with a plan for development.

Now, I take the view that Albury-Wodonga has been very successful with that very strong local leadership in achieving what it has achieved. It fell apart because Bathurst and Orange failed, but the idea of giving regional communities like Lismore or Armidale or whatever actual cash in their hands to do a bit of shoulder shrugging and get on with it,

is that a good idea?

Associate Professor SORENSEN: Well, can I query the question of success for a moment? In my view, Albury-Wodonga is barely bigger than it would have been otherwise had that policy not existed. I think I have got that correct. In other words, the fact that it is successful probably owes very little to its being proclaimed a growth centre. Dubbo is even more successful.

The Hon. Dr B. P. V. PEZZUTTI: No, the idea that they were actually given cash. They ended up with \$100 million worth of capital, which is what they got out of that process. I think they have husbanded that \$100 million fairly well in terms of continuing to at least keep some jobs there like the army and things like that.

These are tangible results of giving local people a bunch of cash that they can decide how to spend. And they had good leadership. Could that be replicated? Say, for example, the Federal Government said, "We will give Armidale \$100 million worth of capital. This is your chance for the next 25 to 40 years"?

Associate Professor SORENSEN: A good question. I would like to answer really what are two parts of the question directly. The first one is leadership.

CHAIR: We are actually running out of time.

Associate Professor SORENSEN: I will answer very briefly, if I may. Local leadership is critical. There are some examples in Australia like the late Col Brown, Mayor of Gladstone, who played an immense role in the improvement of conditions in Gladstone. Sir James Walker in Longreach is another one. He doubled the population of Longreach at the same time as all the others were going backwards.

The Hon. Dr B. P. V. PEZZUTTI: Small on the Gold Coast?

Associate Professor SORENSEN: Bruce Small.

The Hon. Dr B. P. V. PEZZUTTI: The Gold Coast?

Associate Professor SORENSEN: Yes, I am prepared to take that as an example.

The Hon. Dr B. P. V. PEZZUTTI: He tripled it. If anybody was successful he was.

Associate Professor SORENSEN: So there is anecdotal evidence that leadership can be extremely important in some circumstances. As for the money, yes, I think that the money could be important. One thing we do not have, again, is what the United States has, revolving loan funds administered at the local level. I can quote --

CHAIR: Because of time could you give the Committee some more thoughts on paper, if you do not mind, about that revolving loan fund?

Associate Professor SORENSEN: Yes.

CHAIR: And also about how you might facilitate this leadership role in the community, how you can educate people.

Mr ARCHER: Tony and I have done a lot of research on that over the past five or six years.

CHAIR: I think there is a lot involved in that and we would be cheating ourselves and you if we tried to get an answer out of you now, so if you could take those questions on notice.

The Hon. I. COHEN: I know we are running out of time but that whole concept of human capital you mentioned and, of course, leadership and the concept of social capital, I am wondering where we are going wrong. There was discussion about the lack of homogeneity in the country areas, big differences, and I hear, for example, in areas of Byron, which is my home town, of many people going into risk-accepting cultural situations and coming out severely burnt.

Where do we have a mechanism that can work, has relevance to the cutting edge of ecologically and socially sound development? How can we get that mechanism? It seems to be failing at the present time. Maybe I am the odd one out, but NOROC, et cetera, seems to be missing the point for a lot of small groups in the community. Is it not those small groups which are really the initiatives that are building up the country areas?

Associate Professor SORENSEN: Again, if I could come at that --

The Hon. I. COHEN: It is just that you were looking at that area specifically, were you not?

Dr EPPS: In particular, yes. I was looking at the grassroots, the businesses that were employing more and more people and expanding, and I felt that there was a tremendous chasm between these people and any of the NOROC equivalents and things like that. And this was disturbing.

People who were starting businesses did so because they wanted to be independent and have jobs for themselves and their family. There was no strategic thinking at all. Really, we could have all the NOROCs in the world and people will totally ignore them. But it is an attitudinal problem. People are unaware of what they need to know to actually be able to go in and do that, and they do get burnt.

I was only interviewing people who were still in business after a few years but they did identify as critical this whole area of financial management, business planning, as being of paramount importance.

The interesting thing is that in Wagga Wagga there is a business enterprise centre there. Not one of the 28 new firms that I interviewed even mentioned the BEC at all. In Tamworth two out of 24 or 25 mentioned the BEC. These things are there, but unless people have faith in them or confidence in them or know they exist or know what they can do, there is not much point in just having them there unless they are going to be utilised.

CHAIR: Are there personality conflicts there sometimes?

Dr EPPS: Often, yes, you are quite right. And if the BEC is co-located with the chamber of commerce and the development corporation and people have the understanding that that is a clique, the old boys club and the establishment, they just do not go there.

The Hon. Dr B. P. V. PEZZUTTI: It is terribly important.

Dr EPPS: Exactly. There is also the threat that the chairman of the TDC or something like that may be in business locally, and the last thing that other people want to do is to go along there and get their ideas squashed by the competition.

The Hon. Dr B. P. V. PEZZUTTI: Or pinched?

Dr EPPS: Yes. In rural towns it is a major problem.

Associate Professor SORENSEN: Can I just add to that very briefly. What I was told looking at the University of Wisconsin extension service was that the people who were employed by the University of Wisconsin were felt to be very approachable precisely because they were paid for by an institution out of the community and they, therefore, did not have an axe to grind.

The Hon. I. COHEN: State government?

Associate Professor SORENSEN: Actually they were funded in three ways. They were funded by the State Government, the University of Wisconsin, and there were some local moneys put in, too, often in kind - accommodation, secretarial services and so forth - but they were seen to be independent people in the way that the BECs, NOROC and all the other organisations are not. They were usually one person, very approachable, working out of an office, and people felt comfortable approaching them.

The Hon. I. COHEN: Talking about the State Government, it has a significant push in the northern regions revolving round the tourist industry. We get the State Government coming out with a campaign based on tropical New South Wales. We are not even tropical New South Wales. There is great angst from me and other community-based environmentalists that we are having to spin a tail to attract people to the area. What mechanism can we develop also at State Government level where we have some greater degree of relevance?

Associate Professor SORENSEN: This is a perpetual problem in that the image that many regional residents have of the State Government is that their vision stops at Parramatta or maybe Penrith and that sandstone curtain or the Hunter or the Shoalhaven are perceptual boundaries and that what goes on beyond that is something of a black box. How you educate within the New South Wales bureaucracy that there is this big vast highly variegated place out there with a variety of opportunities I do not know.

The Hon. Dr B. P. V. PEZZUTTI: The Minister for Regional Development happens to be the local member here. So he is not unaware of the problem but it seems that we just do not get much done.

The Hon. I. COHEN: I am very interested if you have any comments on the equivalent country/city as we have sister city arrangements to encourage communication and flow between different nodes. I am looking at that social capital area. Someone mentioned before looking at the cotton industry and extolling its 14 per cent profitability rate, yet at a recent inquiry, the social costs that I found and I am sure other members found, was a war zone, an industry that was destroying the social fabric with pesticide usage which was actually a serious health and ecological issue.

I am wondering how we can create a situation where all cost factors are brought into these enterprises so it is environment and social. I am constantly frustrated. No one is looking at how much a hospital is impacted by another development because of health risks to the population, that type of thing. I am wondering, is it too big? Can governments or academic organisations look at that global picture when dealing with profitability in the community?

Mr ARCHER: The Government has a role as an information source in all of those areas.

CHAIR: You could take those on notice.

The Hon. Dr B. P. V. PEZZUTTI: This Government does not give out any information.

The Hon. J. R. JOHNSON: This university extension course in Wisconsin, how do they get people to go to towns like Deepwater, Walcha, Boggabri, Gravesend, Bingara, Barraba, Manilla? How do they get people to stop in those places?

Associate Professor SORENSEN: That is a good question. The adaptation of this model to Australian circumstances is something that has to be looked at.

CHAIR: Would you take that on notice?

The Hon. Dr B. P. V. PEZZUTTI: To what extent are events important for regional development?

CHAIR: A couple more on notice. Are there any overseas case studies of small town successes that may be emulated in New South Wales? Do you see any benefits in applying economic and social indicators to rural towns for the purposes of addressing areas of inequity and towns in greatest need of government funding?

You might make some comments on the regional Australia summit that you mentioned. You talked about the need for infrastructure, perhaps the value of Telstra, that sort of infrastructure and the future there. Dairy deregulation, what are we going to do with all those farmers who will be out of a job on their farms?

You mentioned the process of deregulation that we seem to be going through lessens the Government's ability to help rural areas. You might expand on that point. State Government can work with local government to produce low-cost microcapital, could you again expand on that, too, for us? You talked about local government is ill prepared for regional development, how can they be better educated to be better prepared?

The Hon. Dr B. P. V. PEZZUTTI: I have two questions. Has anybody done a model for costing the provision of services to regional and rural towns of the same level of services that a city suburb might have in terms of education, health, roads, that sort of stuff? How do you explain the conundrum where, say, the far north coast continues to have a rapid growth of population, a stable level or falling level at the moment of unemployment and that employment growth that seems to be amongst the highest in the country yet has the highest unemployment levels in the country?

The Hon. I. COHEN: The skills shortage, possible ways of looking at relocation funding and flexibility of particularly unattached people being able to move about areas, if that is feasible, and also looking at local government amalgamations and relevance particularly on a bi-regional rather than a political basis, can we get it right, how do we get it right and what mechanism through government do we use to get that right?

CHAIR: Thank you very much for your time here today. The process is that Hansard will prepare a report of today's proceedings, send you a copy of it and from that you can send us some answers over the next month or so. We may send you some more questions in addition to that. We intend not rushing this inquiry and I think members might be interested in getting you back later on to explore some of the aspects in more detail as we go further down the track and we might send you some more questions in between. Probably six or eight months down the track we may invite you back again. Thank you very much for your time.

(The witnesses withdrew)

STEWART HASE, Psychologist, Academic and Senior Lecturer, Social and Workplace Development, Southern Cross University, Post Office Box 157, Lismore, affirmed and examined:

CHAIR: In what capacity are you appearing before the Committee?

Dr HASE: I am appearing as the supervisor of a research project recently conducted by the university on the Kyogle community, so I am here as an academic.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Dr HASE: I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Dr HASE: Yes.

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard or seen only by the members of the Committee, the Committee would be willing to accede to your request and resolve into confidential session. However, I have to warn you that the Parliament may overturn our decision and make any matters public. Would you like to give us a presentation first and then we will ask you some questions?

Dr HASE: Sure.

CHAIR: At any stage you can either take the questions on notice and get back to us later or answer them orally straight away. At the end, if we run out of time, which we may well do, we will give you some other questions on notice.

Dr HASE: That is fine. Thank you for that. I do, in fact, have a report of which I have brought along copies. Would it be appropriate to table that?

Dr HASE: Thank you.

"Kyogle: Capable Community or Social Statistic? A report on factors which assist rural communities to deal with social disadvantage" tabled

Dr HASE: I just thought that might be easier in terms of your time and effort. Just to get back to the question, quite simply, I work in the School of Social and Workplace Development at Southern Cross University and some years ago I actually served on NOREDO, the Northern Rivers Regional Economic Development Organisation. I was its secretary for some two years, and I have had an interest in community development since that time.

The opportunity for a small internal research grant at the university came up and I and three colleagues decided that one of the things that we would like to look at, given the discussions and debate about rural communities, was to, if you like, take a snapshot of a rural community and have a look, if you like, at what communities were doing in order to

actually survive in what would appear to be economically difficult times.

So we chose Kyogle. The reasons for that are spelt out in the report, but basically we knew from statistical data that Kyogle was a highly socially disadvantaged community on almost any indicator you could pick and we also knew that there were some things happening in Kyogle which were quite exciting.

The other reason for choosing Kyogle was that Southern Cross University was a regional university and, as such, has a commitment to its region, so we picked Kyogle as a single case study snapshot, and that is all it was intended to be.

The report that I have tabled describes the project and how we went about it. What we basically did was, as well as look at the statistical data, some of which is included in the report, we went into the community and we talked to people, which seems to be a novel idea, and chatted, not unlike this Committee, I guess, to find out what was going on.

We used a particular approach, which is well used in qualitative circles, grounded theory. It has a number of methods and techniques that help you gather valid and reliable data, and the result of that was this report. We talked to a number of key stakeholders and we held a number of focus groups, which are small group meetings, around the particular topic of the report. So that is how we went about doing it.

We found some pretty exciting things. We found that there have been a number of projects ongoing in Kyogle, often led by people in the community, leaders sort of just popping up and getting hold of a project and running with it and so forth. We also found that there were a number of factors that seemed to assist communities in being able to work in an environment of social disadvantage, and they are outlined in the executive summary of the report.

Overall, we came to the decision that, really, the best way to describe it is that Kyogle had a high level of what we call social capital. Social capital means people getting together, networking, communicating, accepting leadership without necessarily any support and basically getting out and doing things and, by communicating and networking, pulling other people in and developing this social capital, which, as it sounds, is similar to economic capital, except that you cannot measure it in any kind of tangible sense, but it is there, it is social and it is characteristic, we think, of communities like Kyogle that are working hard in an area of social disadvantage.

The suggestion would be that some communities do not have that. One of the other reasons for the report was to try have a look at those factors which might help other communities to actually become more capable, if you like. The report is intended to go to other communities if they are interested to have a look at what Kyogle was doing and see whether or not they can develop their own social capital. That, in a nutshell, is the report.

CHAIR: Has this report been officially released yet? Is this a preliminary copy of the report or the first copy?

Dr HASE: No, it is the final copy.

CHAIR: So it is the first exposure?

Dr HASE: It is the first exposure, yes. The community development officer in Kyogle has had input into the drafts so it is not as if it is a secret. Also, some of the findings of the report on the request of the community development officer in Kyogle were released to the press last week. I produced a press release. Basically, what happened was that a report - and I cannot remember where it came from, but somewhere in Sydney - came out that suggested that Kyogle was about to die, based on its statistics.

CHAIR: The Sydney media loves to do that occasionally.

Dr HASE: Yes, and of course it got into the local newspaper and the people in Kyogle got quite upset. They asked me to release some of the more good news stories in this report, so I released that to the press last week. So that is the only exposure it has had.

The Hon. Dr B. P. V. PEZZUTTI: I remember some years ago the regional director for health had a problem with redevelopment of the Kyogle hospital and actually called the community together. I was impressed that she chose as her working group some 20 local identities, not people who wanted to be on it but people she thought had leadership in the community. Is that a good strategy to start?

Dr HASE: Yes, I think it is. In fact, one of the strategies that we use for organisation and community change involves really getting key stakeholders together and, I think, actually trying to get as many of the stakeholders, and even your detractors, if you like, in the same room so that you can iron out problems. I do think it is a good place to start, yes.

The Hon. Dr B. P. V. PEZZUTTI: Once that began, I think Kyogle as a community very much came together again and attacked a number of other issues, particularly the youth issue, which I notice in your report is a prominent feature of it and it has got major positive publicity in the *Northern Star* in particular.

Dr HASE: Yes.

The Hon. Dr B. P. V. PEZZUTTI: What else could that achieve apart from simply focusing on individual community issues? What else can a group of people like that achieve?

Dr HASE: Well, in terms of developing social capital and sustainability, I think probably almost anything, in a sense. I guess what communities are faced with is how do you draw that group of people together, how you get the stakeholders together, which is where community consultation comes to mind. The other problem they address is to actually identify the people who have got the energy and the resources to be able to have input.

CHAIR: That is right. Having once drawn them together and got some focal point you have to be able to then marshal that together and have somebody drive it to keep going into the future.

Dr HASE: Absolutely. And there was a lot of that in Kyogle.

CHAIR: There was, was there?

Dr HASE: Yes.

The Hon. Dr B. P. V. PEZZUTTI: I am impressed that whenever they have come back - that group of people moves around a bit - the number of persons on it seem to come back to major community gatherings, for reporting and verification, I suppose, and support, and that has been a very positive feature at Kyogle too. But that all started, I think, with a big protest issue about the hospital. That now seems to have been resolved, and resolved well, but some of the other outcomes from it, of course, have been extraordinary. That was not driven by local councils.

Dr HASE: No.

The Hon. Dr B. P. V. PEZZUTTI: The initial drive was by the regional director of health. How important in rural New South Wales is the presence of senior public servants like that previous regional director and the current regional director of health?

Dr HASE: Well, according to what we found, and just going straight back to the data, in effect what you find is that it is not so much people in positions of authority. It was great that that happened, but what we found was that people pop up all over the place who are not necessarily in any kind of position.

An example is one of the local businessman has developed a Kyogle website but could not get any support at all from local government. In fact, he has been offered a substantial amount of money for a part of that website he has developed. He just did it because he has lived in Kyogle all his life. As part of the community he feels he owns it, and, really, at the end of the day he said, "Well, I will do the website anyway." It was not actually for a pecuniary interest to start with but it developed that way. I am not sure, but I think community leaders could do that if they had the time.

The Hon. Dr B. P. V. PEZZUTTI: The point I was trying to make is that people at the regional director level for education, health, or whatever, are leaders, and they are not natural leaders; they have been educated as leaders. They have come up through a pretty tough system. Those leaders can actually identify the leaders perhaps and encourage them.

Dr HASE: They certainly could.

The Hon. Dr B. P. V. PEZZUTTI: Is there any other way they can do that?

Dr HASE: Sorry, just to comment on that, one of the things we found was that that actually was not happening. You will see it in there. It is kind of a bit of a dark part of the report in a sense. What we found was, rather, that some people would not be quite so noisy.

So I think, yes, that could happen, and I think it would be of great benefit if that did happen, that true leadership was shown and they did identify people within the community and did support them. At times, people running these projects did not feel supported from local government and so forth, so I think that should happen, and it would be great if it did.

The Hon. Dr B. P. V. PEZZUTTI: To what extent is access to accurate information for these community organisations important and how important is it for them to be supported by people who know what to do with those numbers, like the university?

Dr HASE: Accurate information is vital. That is a key issue. In any organisation it is getting the right information and having people not hoard information but making it available. A lot of these projects involve people getting out there and spending their time getting the right information so they could take action. I think that could be speeded up.

The Hon. Dr B. P. V. PEZZUTTI: You have done a study of this, I suppose, a look in, voyeur sort of way. Is there a role for people like yourselves, universities, to be a bit more pro-active in being part of these organisations?

Dr HASE: Certainly, especially a university that is resource rich in particular ways, in terms of knowledge, access to information, and so forth. Yes. I think that is true for anybody.

The Hon. I. COHEN: I am interested in terms of what has driven this, dare I say, renaissance in Kyogle. I am wondering if we compare it to an area like Ulmarra further down the coast, a similar depressed dairy area, what is the ingredient in the mix? Is it new settlers coming out, cheap land and rents compared to other areas and they are actually having input into the community? You also mentioned collaborative individualism in your executive summary. Dr Pezzutti said leadership, but how much is that part of the effectiveness in the Kyogle community?

Dr HASE: Before we went in there our perception was that you would probably find that a lot of new age people had moved in. It was a mix of those. We found quite a lot of people who had lived there all their lives were still very pro-active in terms of what they wanted to do in the community and on the other side there were new settlers, they had come in with energy and drive. The businessman I mentioned earlier had been there all his life. He is in his early 40s. The community development officer is a relatively young woman, full of drive, energy and ambition.

So it is certainly a mixture of both, and that was encouraging. They seemed to take pride, however, in the fact that they do not have not had the same excesses, if you like, as Nimbin. It was interesting that they expressed that; in other words, we are still a solid community, and it takes a while to get known. You have to be there for a few years before you are accepted. That is still alive in Kyogle.

The Hon. I. COHEN: Perhaps it has a mix of old and new that has been more successful than Nimbin?

Dr HASE: Yes, it was a mixture of both, the new blood, energy and bringing in new ideas was, I think, very powerful. We were impressed and surprised that people who had been there all their lives were still very much pro-active. I think they probably generated a sense of community that you might not see in other places. I can think of communities around Lismore, for example, where you probably do not have that kind of social capital and that kind of investment in the community that you have in Kyogle.

The Hon. I. COHEN: Do you know why? I am from this area and I know you get different social balances almost valley by valley. Why is it like that in Kyogle? I can only point to the fact that there is a certain movement out from the centre and a certain type of mix is occurring in Kyogle that is quite different from other areas.

The Hon. Dr B. P. V. PEZZUTTI: Desperation.

Dr HASE: Yes, maybe it is desperation. It is a bit like war time. When the chips are down people start to get together. If I could pick another community in Lismore, say, Goonellabah, for example, which compared to Kyogle is new, a lot of input and influx of people. It has not developed that sense of community you have in Kyogle and, therefore, cannot develop the kind of social capital you need to get things happening. My guess is that in Goonellabah it would be much harder to get a project going than it would in Kyogle where you have good networks and so forth, which is built on time to a certain extent.

The Hon. I. COHEN: Also the physical structure, the local halls and such like so that those old community values are actually transferring to a modern community context.

Dr HASE: Sure. My guess is that if you are the local high school principal, for example, who is the guy who started off project X, if you did not think that you were going to be successful, you probably would not try. He must have been enthusiastic about this and wanted it to happen and thought he could make it happen there. My guess is in other places you would probably say, "I am not really going to be able to do that".

The Hon. I. COHEN: One thing that possibly added to the attraction of Kyogle is the new national parks at Bennetts Scrub, Toonumbar Dam, a number of areas where a number of communities are moving in there as well at the same time. Are there any other government infrastructures that are in Kyogle that facilitate this type of mixing of the cultures or can you see where government can actually have input? Dr Pezzutti appropriately communicated about activities around the hospital. Is there any other government-driven enterprise that might work?

Dr HASE: Not that I can remember off the top of my head in terms of an example. A lot of things seem to be driven by the community. Even the women's refuge is a community-driven activity. I think the potential for that to occur is great. My background more recently has been in organisational development, and one of the things we are tending to find - if you remember the Karpin report on management behaviour in Australia a few years back, it demonstrated that we have a critical problem in terms of how we manage organisations. I think that the same thing applies to communities. A lot of people are trained well to be managers but are not trained well to be leaders. There is a bit of a gap.

If you look at our MBAs across universities in Australia, they are appalling in the sense that they do not bridge that gap and the Karpin report said that. So I think there is a critical way in which government managers, people in those sorts of positions, could in fact be helped to develop true leadership skills which requires a whole different set of abilities. It is about networking, getting people together, and community consultation which Dr Pezzutti mentioned. Those do not come naturally to managers necessarily.

I think those sorts of things need to be developed. There is a huge role for government at all levels and any instrumentality, but I think they have to be given the

capacity to be able to do that and I think that is where it falls down. It is not easy to go out and do a community consultation process like Pauline Ross.

The Hon. Dr B. P. V. PEZZUTTI: The army which I am associated with has a principle that they train soldiers and they grow leaders. It does not mean they make leaders. They find the leaders and they grow them. This is what Mr Cohen is getting at. How do you grow them, make them feel comfortable about leadership and be successful at leadership?

Dr HASE: My view, and these are the programs we run at the university, is that it is a whole range of people, largely people skills, human management skills, being able to engage people, motivate them, get people together, in lots of ways to be prepared to be confronted with stuff you do not want to be here, to be a knowledge sharer rather than a knowledge hoarder. It is those kinds of people-oriented skills.

In the army, it is that capacity to get people to follow you because they want to, not necessarily because they are kind of forced to. That requires a set of skills that are outside the normal bailiwick of a manager. I think you can teach those skills to some people. There are some people who never get it, but there are quite a lot of people who, give the right kind of training, learning, could in fact develop those skills.

The Hon. Dr B. P. V. PEZZUTTI: I would see Ian Cohen as a leader but how could you get somebody like Ian Cohen and grow them to the next step, take them a step above? How do you get someone like him identified? I mean, he is identified because he is sitting there as a leader. Is there a process or something that is available to then grow that person a bit more, not in terms of management skills - you can find managers but leaders you cannot - how do you grow leaders in Kyogle, Dubbo or Casino or whatever?

Dr HASE: One of the key ways we have been looking at, particularly in organisations, is through a mentoring program, if you like. You link them with another leader where they can learn the skills. It is not the sort of thing you can learn in the classroom. You actually need to be out there and exposed to it. So trying to set up learning environments, and I do not know whether you are familiar with the idea of learning organisations, for example, or learning communities, but you could set up learning environments in which people can learn from each other. So, you would take somebody like Ian and match him with someone who is a very strong leader and --

The Hon. I. COHEN: On that I think I and Dr Pezzutti would have a philosophical difference because what I was asking you before, perhaps not so clearly, is when you are talking of collaborative individualism, rather than the leadership model you are getting, as Gandhi would call it, a type of ordered anarchy, as a successful way of building a strong community?

Whilst there may well be leaders there, it strikes me that Kyogle has many leaders in the body of its community and that is what I find interesting because leaders fall over and then we end up with something there whereas if you have that type of collective responsibility - is that happening in Kyogle? Is it successful and how do you cultivate that from your perspective?

Dr HASE: My guess is that would be the next step and I do not think I can easily

answer that off the top of my head.

CHAIR: You might take it on notice. You also talked about a program at the university to teach leaders or teach people to be leaders. Is that conducted only at the university? Do you take that out into the community?

Dr HASE: It is mainly out there. The sort of work we are doing, as you know, the university has very strong industry partnerships or partnerships with the private and public sector. A lot of our programs seem to be in the workplace. For example, I am currently doing some work with the RAF. One of the key things there is to try to help their middle managers to develop, if you like, leadership qualities, HRM qualities, so we are actually out there doing it in the workplace.

There are mentoring programs out there. That is where it tends to occur. It is not something that occurs in classrooms but something that occurs as a part of what we call ecological learning. If we transfer that lesson to Kyogle, the next step for me would be trying to get maybe even local government or whoever but trying to get some awareness of the need to put people like the community development officer with somebody so she can mentor that person and help them to develop those kinds of capabilities.

That does not happen easily. Unless you have some kind of leadership pushing that it just does not happen. A lot of this is not serendipitous. It occurs because someone in the community says, "I want to do that and I am going to go and do it", and the project is carried on but those skills do not get passed on to anybody else. I think that is a place for government where they could in fact help identify leaders, help them to transfer the skills to other people in those sort of group activities so that you get more of them springing up.

The Hon. I. COHEN: Kyogle could be seen as a classic or could have in the past be seen as a classic, depressed rural town on the decline. Where did the inspiration come from and did the Government or government agencies play any role to actually change that culture?

Dr HASE: It is not apparent if it did. Put it this way, the perception would be in the community, no. Whether that perception is accurate I am not sure, but that is the perception and that in itself is important. The perception is that we have to do this ourselves. They have been grateful in a real sense for the projects that have been funded and they have tried to maximise the use of the dollar.

That has been seen as very pro-active and people talk about that. They say that they have got money for projects and that has been very useful. What I think is good or the thing that seems to be sustainable is that they tend to be bottom up. You know, "I have gone and applied and got the money and now I am running with the project rather" than top down. I think that is very encouraging but I still think there is more that could be done particularly in that leadership period.

The Hon. J. R. JOHNSON: On page 28 of your documentation I was particularly interested in the Norply salvation. How did that come about? Was there one person who was the catalyst who said, "Right, we have got to save this. This is almost indigenous to Kyogle"? I am a North Coast Welshman myself. You always knew of the ply factory in Kyogle. They seemed to go together. It was part of the community. Who was the saviour?

Dr HASE: I am not sure. They would not actually let us in on that. It was originally owned by two people, or a partnership, and it was obviously falling over. Somebody injected a large amount of funds into it and basically took it over. Now, we are not sure where those funds came from, but somebody decided they would save it, and they turned it into a thriving business.

Mind you, our clear feeling was that if the meatworks at casino and Norply were to fall over, in effect, if it had not been salvaged, the social disadvantage that Kyogle has now got would be just doubled, if not worse, because they are the key industries and employ a large number of people from the Kyogle community.

The Hon. J. R. JOHNSON: A lot of disasters happen in a lot of these North Coast towns. At Tweed Heads, Murwillumbah, Byron Bay, Casino, Ulmarra all these butter factories closed.

Dr HASE: Yes.

The Hon. J. R. JOHNSON: Bonalbo, was it, and the one where the buttery is?

Dr HASE: Binna Burra.

The Hon. Dr B. P. V. PEZZUTTI: It is at Binna Burra.

The Hon. J. R. JOHNSON: All of those had devastating effects on towns.

Dr HASE: Huge.

The Hon. J. R. JOHNSON: I forget, but there were nearly 100 cordial factories from the Hawkesbury to the Tweed, like Saxbys.

The Hon. Dr B. P. V. PEZZUTTI: Zietchs is still going in Grafton.

The Hon. J. R. JOHNSON: Two. But it always appears as though somebody came on the scene. Always they had a great townsman, whether it was good townsmen like Treloar in Tamworth, Ray Warne in Gunnedah or, up until a couple of years ago, McNaughton at Newcastle. When he fell over Newcastle seemed to have fallen over.

Dr HASE: Yes.

The Hon. J. R. JOHNSON: This developing of leadership, to me, is of paramount importance, so do anything you can to keep it going.

Dr HASE: Do not worry.

CHAIR: Just a couple of final questions.

The Hon. Dr B. P. V. PEZZUTTI: The issue in Kyogle is that they seem to be honest enough to start to own their own problems rather than say it is the Government or something else. The basis of the hospital thing was that they began to own the problem.

And the youth thing was that they owned the problem. So how do you get communities to recognise that (a) they have a problem and (b) that it is their problem and not somebody else's?

Dr HASE: If we come back to the notion of social capital, it would seem to us that you have to have a kind of a threshold level of social capital - in other words, networks, communication and a few leaders in the community who are prepared to have a go to enable that kind of mental leap to occur. That is why I am concerned about other communities that are not doing what Kyogle is doing.

We need to find ways to help them develop this kind of social capital and the threshold where they can then self-help. It would seem to me that is the critical level. Getting to that point - this is the first step - is to say, how can you get there? How do you do that? It may well be that at the end of the day it is the nature of the community. I am not sure.

But it would be certainly interesting to have a go and see whether or not you can develop that level of social capital because then at that level people start to say, "Hey, let's get up here and do something." Again, like the schoolteacher, they can do it with some confidence.

The Hon. Dr B. P. V. PEZZUTTI: We cannot forget that it was the Kyogle Lions Club that built that Lions Road. The road to Brisbane was so far away that to get tourists to come to see them they built the Lions Road. Of course, if Kyogle ever develops as a vegetable growing capital it will have to have that road.

Dr HASE: Sure.

The Hon. Dr B. P. V. PEZZUTTI: So, again, having identified that they have a problem and they own it, how does that group of people, recognising a solution, then get enough help externally to go about the process of getting what they want in terms of infrastructure or in terms of support? How could Norpby have gone about doing what the sugar farmers did here when they got Neville Wran to give them a \$5 million loan? It could have been a community loan for that ply factory.

Dr HASE: Yes, it could have.

The Hon. Dr B. P. V. PEZZUTTI: But they need to take that next step, to pass Kyogle to Sydney. How do you get people resourced to do that?

Dr HASE: How do they resource themselves or how does government resource them?

The Hon. Dr B. P. V. PEZZUTTI: Well, how do they resource themselves? Where do they find the expertise to help them do that?

Dr HASE: Again, as part of that social capital idea, people go out and find people. They know who the people are, the doers and the movers and the shakers. They go and talk to the community development officer. They go and talk to other people. They know who to grab together, and they grab together a group. They get fired up about it, and then they go looking for funds.

The Hon. J. R. JOHNSON: A prime example is Father Mac's Puddings at Alstonville. They were knocked back for funds by the Commonwealth Government. They needed the school, they needed an extra school, and then there was Father Mac's Puddings.

Dr HASE: It is about clear vision, is it not?

The Hon. J. R. JOHNSON: It is worth a paper.

Dr HASE: It is having a clear vision. It is having a vision and going for it, is it not? The social capital gives you those things that enable you to do that. The next question is: how do you then develop that social capital in communities that do not have it? That is where I want to go next. I think that would be fascinating.

CHAIR: Stewart, that is a good point, I think, on which to end. We have run out of time but you might keep us informed how you intend to go about developing that social capital. In a couple of weeks time we will give you a copy of the transcript. If there is anything then that you want to further develop, send us some more supplementary information. We would be pleased to receive it.

Dr HASE: Yes, I would like to follow up on Mr Cohen's comment.

The Hon. J. R. JOHNSON: And a copy of your report. The Clerk of the New South Wales Legislative Assembly is from Kyogle

(The witness withdrew)

BRIAN CLARENCE MARTIN, Executive Officer, Northern Rivers Regional Organisation of Councils Inc., 10 Kurrajong Court, East Ballina,

ERNEST WILLIAM BENNETT, Grazier and President of Northern Rivers Regional Organisation of Councils Inc., Post Office Box 1193, Casino, and

IAN MICHAEL TILEY, School Bus Proprietor and Vice-President of Northern Rivers Regional Organisation of Councils Inc., 4 Alexander Lane, Maclean, sworn and examined:

CHAIR: Mr Martin, in what capacity are you appearing before the Committee?

Mr MARTIN: As Executive Officer of NOROC.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr MARTIN: Yes.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr MARTIN: Yes.

CHAIR: Mr Bennett, in what capacity are you appearing before the Committee?

Mr BENNETT: As President of NOROC.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr BENNETT: I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr BENNETT: I am.

CHAIR: Mr Tiley, in what capacity do you appear before the Committee?

Mr TILEY: As the Vice-President of NOROC.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr TILEY: I did.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr TILEY: I am.

CHAIR: If any of you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present should be heard

or seen only by the Committee, the Committee would be willing to accede to your request and resolve into camera, but I must warn you that the Parliament can override our decision and may make any information public.

The normal process is for one or all of you to give us a brief statement first if you would like to and then we will ask some follow-up questions. If you would like to take any of the questions on notice please feel free to do so and send us supplementary information at a later stage. We will give you a copy of the transcript within a couple of weeks so you can find out what some of those questions were.

Mr MARTIN: We have expanded our submission a little there, and we have eight copies. We have also received a late submission from Kyogle council. You were just speaking about Kyogle. We have sufficient copies for the Committee.

CHAIR: Would you like to formally table those?

Mr MARTIN: Yes.

Supplementary submission tabled

Mr BENNETT: I will start. May I suggest at the outset that I do not think it would be too outlandish to make the statement that if it were not for government policy we may not even be sitting here today. To follow on from that, the point I would make is that government policies, like national competition policy, for instance --

CHAIR: Do not start me.

Mr BENNETT: To start on a very dear topic of mine, the competitive tendering issue on roads has been a huge impediment in rural areas in particular in this part of the world. It is still not dead today, even though the Minister has made a commitment to drop the issue. We are told we still have to go to contract and there is still a possibility of losing a lot of money. It is an important issue and I am happy to answer a lot of questions on that one.

Deregulation is another result within the dairy industry, and it is an important issue to be dealing with. But national competition policies also have been a cause of reduction in health services and forced centralisation of health services. Now that is something that may be good for the area health service budget to centralise the service but at a cost to the people in the regional areas further away from those centres.

Our area health service is centralising to Tweed, Lismore and Grafton. The people living on the outskirts of the area health service, whether it be west of the range in the Bonalbo area, now have a problem that has been exacerbated. Whereas they could travel to Casino and have certain surgery, now they have to go to Lismore.

It is hurting the people who can least afford to be able to do this. As you are taking up more and more of the cost of being able to get essential services then there is less disposable income, I guess, to be able to keep regional towns and villages surviving.

There has been also quite a reduction in electricity industry jobs because of

national competition policy. Following on from that, the multiplier effect of all the jobs lost, whether it be bank closures, loss of jobs in timber mills, the multiplier effect has really affected Kyogle in particular and its surrounding areas. Being from NOROC, there are a lot of other areas in the Clarence valley but I know Kyogle well because that is where I come from.

One of our biggest problems so far as trying to develop industry is the road infrastructure, and I heard the Kyogle-Murwillumbah road mentioned earlier. A guy wishing to expand his bamboo industry there in a big way, he actually imported some 50 species of bamboo from throughout the world into the region and did a lot of tissue culture research, got to the stage where he was ready to expand into a big operation but the road was in such a condition that he could not do that because bamboo shoots bruise very easily. Because the road is not sealed, he took his business and bought land in Cairns to develop it there. So road infrastructure, Murwillumbah Road has possibly taken away an industry that was worth millions of dollars to Kyogle and the whole region.

Mr TILEY: Welcome to Yamba, Maclean Shire, the fastest growing rural council in New South Wales, growth rate 2.74 per cent statistically and to one of the great lifestyle regions of Australia as we were aptly named in the State of the regions report 1999. It is probably fair to say that that report encapsulated the particular problems of the Clarence valley. My comments are going to be essentially Clarence focused. I see myself, at least until next Saturday, as a Clarence leader. We have the high hurdle of a deferred council election which I will come to shortly.

My comments are in point form. I am more than happy to flesh them out for people if you so desire. I probably essentially reflect the aspirations and perceptions of the community with whom I come in contact. A lot of what I will say probably is not hard data but I will go through in the same sequence as the terms of reference. In terms of economic development strategies, currently in my own council there is an economic input output strategy, a model which we hope will be utilised by other councils in the region from funding provided by the area consultative committee.

We went out to the community, ascertained their perceptions and hopes for the future, how they saw where they lived, as a precursor to establishing an economic development group to comprise council, the BEC Chambers and so on, and the principal objective of all of that is to provide what we term a welcoming economic development strategy. So we are in the throes of doing that at the moment. We see that as an important strategy in terms of future economic development.

A very important issue particularly for people in Yamba is the need for government support by way of some new strategy to address off-season tourism. Tourism is boom-bust, as you would appreciate; full on in the holiday season and the rest of the year great difficulty in making ends meet in some instances.

I am trying to organise a festivals events group so that we can space through the year different ventures that will inject outside capital, but we see a State department of tourism as having a role in assisting rural towns in developing a strategy along those lines.

I commend the Department of State and Regional and Development for the work it has been doing in recent times in terms of overseas linkages. I met with some people

from a province in north-east China 10 days ago; 6.9 million people. Specifically they are interested in aquaculture, port development, and marine industry and I hope to be going back over there for a trade fair in July.

Harry Woods initiated that exchange. I see those sorts of linkages as being of critical importance to developing new ways of doing business with overseas trading partners. So that is another strategy that we are working up locally.

I am sure, Mr Chairman, you can relate to this. I am strongly of the view, having been in local government my whole life - I am a former shire clerk - and it is even more relevant today, local councils have a capacity to act as agents, as drivers for development for change. We have skills, dare I say it, perhaps a little more trust at the local level, we are at the coalface.

People can get you if they need to. There is a great reservoir of experience of capacity to work in tandem with government. I see that at your level as being important. We are more than happy to have devolved to us more functions, more responsibilities, but obviously we need your support in terms of adequate resources.

This afternoon I will be participating in a meeting that will endorse the regional water supply which will provide piped water to Coffs Harbour, a 30-megalitre dam for storage and it will enhance the water supply and give us more capacity to develop in the future. That is \$115 million worth of work over the next three and a half years. That will be a big driver for work in this locality.

I strongly support the Government's action in terms of water reforms. I work on another committee which is looking at water quality, water sharing, water trading. All of those issues are very important in this locality, and the same applies in the Richmond where Mr Bennett comes from.

Water is so important to us in terms of tourism and, to a lesser extent, fishing. Water quality is of paramount importance to us, so I think the Government is on the right track there. I believe that those measures over time will enhance those industries and, in turn, enhance the lifestyles of people in this locality.

Development opportunities I just cite now a few in point form. We could well use acceleration of flood mitigation works. We live on the biggest catchment in New South Wales being on the Clarence flood plain and obviously it floods. It certainly is an opportunity for additional employment. There is a great deal of resentment in this locality about the loss of power assets. People I talk to say, "Why can we not return power assets to the regions and why can we not utilise the profits on power to accelerate infrastructure development".

The Port of Yamba development is a very important issue. I noted that during the State election campaign Chris Hartcher made some very valuable points in relation to how this port could be developed. Nothing has happened since that time. We have an Aboriginal land claim on the river from the mouth right up to the Harwood bridge. We also have a reef across the river which has sacred significance to those people. What we need is support from government to sensitively address both of those issues.

I have done some lead work with the Aboriginal communities but the sugar industry has been saying for a long time that it can utilise port facilities in lieu of having heavy trucks on roads or it can at least go down that track if we can address these important issues. So the Port of Yamba has been a whipping boy for many years. I see it as being possible, with some sensitive dialogue with the Aboriginal communities, to be developed and I would like to play a role in that.

We see our biggest industry here is worth, we are told, \$80 million a year in tourism. We see the need both at a local level and with your Government's support, access to the river being enhanced, walking tracks, national park access, those sorts of things, done sensitively, of course.

The Department of State and Regional Development document on the aquiculture industry has very big significance in this valley. We were targeted as the region where aquiculture is most likely to succeed. We have some activity already. There has been some for quite some time. I see that as being an excellent jobs generator.

What is needed there is a more co-ordinated approach with government agencies and councils in terms of getting through the approval process. I know some work has been done by the Premier's co-ordinator. It used to be Jill Lang. We need to do more there to ensure that when we have people like the Chinese who were out here last week, we can give them a degree of certainty and say, "These are the rules, this is the path, this is what you have to do". That is still not in place. That is critical in my view for this industry to get up and running in a fairly short time frame.

I do not know a great deal about the forestry industry, but it is a big issue at Grafton. Mr Bennett might like to talk on carbon credits, reforestation and those sorts of issues, but that is a major driver in those areas. One of the main reasons why this area is so rapidly developing is that it is a retiree destination. That is fairly obvious. We have the lifestyle and the climate. I see much opportunity being available to address retiree and aged care services in this locality.

I have made some sensitive approaches to some of the church groups that run retirement homes and so on. I feel with a little bit of assistance from government agencies we can get that moving, and I think that is going to be very beneficial in the future.

In terms of impediments to economic growth, the obvious one is lack of funding for regional infrastructure. The country town water supply sewerage scheme funding is reduced from something like \$80 million to about half of that. I am not too sure of the exact figures. That has impacted on the regional water supply.

More importantly, in an area where water is so important, it has impacted on our ability to put in place proper sewerage schemes. Yamba is operating at the maximum. We are not unlike Byron Bay in so far as we cannot develop west Yamba until such time as we augment the sewage treatment plant.

Iluka is the largest unsewered town in New South Wales. We have been battling over there with particular problems that I will not go into now, but the great impediment to development of that even as a lifestyle retiree destination is the fact that we have got a mass of septic tanks and discharge in wet times is going into Iluka Bay. We have high E.coli

counts and so on that is a very important issue.

As a fairly general statement, I make no apology for the fact that I believe that local government in New South Wales and in this region in particular needs structural reform. We spent 18 months going down that path. We had a deferment of elections to try to facilitate some form of better local governance. Because of the rules that you people put in place that unless every council signed off on any particular option we don't get to the Boundaries Commission and that is a shame.

In this valley, for example, Ulmarra and Nymboida will probably get together, but we will still have six local government entities, six different ways of doing things, a number of councils that are cash strapped, who are insular, who are parochial, and that is a very severe impediment to getting a united voice and getting the region up and running in an economic sense.

I want to briefly talk about commercial fishing licences. There are two different strands of thought here. One is that commercial fishermen are concerned that there will be no more licences and there is a perception that governments are trying to shrink the industry, reduce the number of licences. On the other side of the coin there is large scale anxiety up here for the future of tourism in particular when the Government is countenancing imposition of recreational fishing licences.

I submit to you that the industry at least on the Clarence is very pro-active, very self-regulating, and the last thing it needs is government making more imposts on them and conversely, if we have to pay a \$25 fishing licence to be able to fish in the estuary or wherever, it must inevitably impact on tourism.

There are some basic services that are missing in this locality that act as a direct disincentive for people to migrate from the city and retire here. Yamba, for example, has no ambulance service. We do not meet the warrant. If you have a heart attack in Yamba you are dead before you get to Maclean. That has been a bone of contention for a long time. Iluka does not have an ambulance service. I cite that as one example of issues that impede the strengthening of rural towns.

I think I will leave it there. I do not know enough about information technology to comment except to say that we need greater band width, we need reduced access costs and we are pretty switched on to the fact that we see that as an important way of addressing the future. They are my comments.

Mr MARTIN: I worked in local government for quite a few years, starting at Dubbo, moving across to Wollongong, Armidale, now to retire in the Richmond River area, so the comparisons are quite interesting about the growth that is occurring right throughout or the impediments and the potential for growth.

CHAIR: Those have followed you by the sound of those places.

Mr MARTIN: What Ian was saying was that the potential is there for local government but it needs support, and I think the support needs to be done on a regional basis so that that can be all put together. Ian was talking about retirement. The retirement potential is enormous throughout the Northern Rivers area. Properly structured, I think

there are tonnes of potential for the market. Also, there is the need for the provision of service in that area. So that is what we are trying to do with NOROC, trying to get the regional side of things going in the area.

I know some councils are not participating at the present time. We are trying to get them re-signed. We can see what advantages there are in it to push along the regional development side of things so far as local government is concerned.

CHAIR: Do you see any problem with the proliferation of regional development-type boards? On a State basis you have the regional development boards, business enterprise centres. In the Federal Government you have REDO and the ACCC. For example, in Dubbo we actually amalgamated the REDO and the ACCC. There is no way you are going to amalgamate the State and Federal boards. Do you see a need for that?

There is a big argument. Some people would say, "Look, we have half a dozen different boards all trying to do the same thing." In my experience they do not actually do the same thing. So long as they communicate, one group will go off to do a particular thing and the other one will go somewhere else. What are your comments on your local area? I see you mention both of them in your submission.

Mr TILEY: I am a member of the Lower Clarence BEC. We see it as being very, very important to have a shopfront. People come here and they want help here. If you take that away to a more central location you are going to miss opportunities to help and assist. I note with much pleasure that the Minister recently opened up regional development boards. There is more local government representation with, I think, four out of 10 of our local government people. We are the approving authority.

The boards are the people who want things approved. That is a logical thing to do and it is accepted. I see, as you have just intimated, a need for the ACC to have closer linkages with regional development boards. We are talking about a Federal and a State organisation, but that would be really worthwhile because at the present time I suspect that there is a situation where they are working in vacuums to a certain extent.

The Hon. J. R. JOHNSON: In 1961 in this area there was an election and the Menzies Government almost lost. It was saved by --

Mr TILEY: James Killen.

The Hon. J. R. JOHNSON: James Killen on Communist Party preferences. Frank McGurran won the seat. I am a North Coast Welshman myself. Flood mitigation was always a major problem from the Hunter to the Tweed. In the 1963 election, whereas in the past there was always the perception from the national government that it could not intervene in these sorts of ventures, the Government then discovered that it had to get the seat of Cowper back so it made a commitment to give specific grants to the States for flood mitigation.

In my previous job my area of concern was the North Coast plus other areas, and I saw these massive flood mitigation schemes. Are you telling us that they have now collapsed, that flood mitigation schemes are not now being funded?

Mr TILEY: Not to the extent that they should be. There is still a great deal of work to be done. The Clarence River County Council, on which I am a delegate, is just not getting the levels of funding which are warranted to address, for example, a levee in Ulmarra. Maclean levees are a one-in-30-year event.

We have just completed the South Grafton levee. It is a one-in-one-hundred-year event. There has been good work done. But other places, Brushgrove, for example, still floods. So there is still a great deal to be done.

The Hon. Dr B. P. V. PEZZUTTI: Lismore?

Mr TILEY: Yes, of course. Funding in real terms has been diminished and it has been going to other activities such as voluntary repurchase schemes of houses too close to the river and that sort of thing, which has benefits in terms of maintenance of the integrity of the riverbank, but it does not protect large numbers of people from inundation.

CHAIR: Are you on the flood mitigation authority?

Mr TILEY: I am on the county council.

CHAIR: But it is also a member of the flood mitigation authorities in New South Wales. There are 33 councils or 33 authorities. Do you go down to Sydney to those meetings?

Mr TILEY: No, I do not. I am only a recent convert to CRCC.

The Hon. J. R. JOHNSON: I note your comment about the development of a port here as distinct from the Iluka port. I grew up with that. At the first meeting of the political party that I joined more than 50 years ago one of the propositions was, and I have seen it come up every year since, the development of the Port of Iluka. You never get it mentioned now.

Mr TILEY: The principal impediment to port development is the fact that there is only a draft capacity for ships of 4.5 metres. That limits shipping to 2,000 tonnes. There are many ships out there in the Pacific that would come in here for repairs if we could dredge the river by a couple of metres. That is why we have the problem.

The Hon. J. R. JOHNSON: Which river?

Mr TILEY: The Clarence.

The Hon. Dr B. P. V. PEZZUTTI: The mouth of the Clarence?

Mr TILEY: Yes, right here. Iluka is straight across the way as the crow flies half a kilometre.

The Hon. Dr B. P. V. PEZZUTTI: The problem is that the Maiden's Hip Bone is in the middle of the Clarence River and her head is at Julian Rocks?

Mr TILEY: That is it.

The Hon. Dr B. P. V. PEZZUTTI: It is a reef.

Mr TILEY: What they are saying, the indigenous community, is that they will give consideration to giving us a couple of boat widths on the Iluka side. There is something taboo about Iluka. They will not go there at night time. It is to do with the story you just mentioned. They are talking about trade-offs in terms of jobs for local Aboriginal people. That is part of the Port of Yamba issue. I would very much like to get involved in the Port of Yamba development if I survive the election.

The Hon. I. COHEN: I have been coming to this area for 30 years. I very much love the place and I love Angourie Point. It is my premier surfing spot. It is fantastic. It has been very interesting to see the sugar cane industry, the old industries and the interaction between them and the newer tourist industries.

Talking about flood mitigation, you could be killing the goose that laid the golden egg there. You have some significant wetlands and you have the opportunity for broadening your international tourist attraction through them, yet you are talking in the old terms of flood mitigation and the drainage unions. These are problems.

I come from Byron Shire and we have similar problems up there. As a matter of fact, I would say that you could learn by our mistakes up there. There are opportunities looking at the Newrybar Drainage Union and the problems between the different landowners up there. They are actually moving away from those flood mitigation activities and accepting what is.

I am glad to hear you are looking at moving sites off the riverbanks because you have a huge tourist potential, but your tourist potential is very different from what it might have been 20 or 30 years ago. Would you not agree with that?

Mr TILEY: I do.

The Hon. I. COHEN: And then I add the acid sulphate soils in and tie that in with the fishing industry as well.

Mr TILEY: The fishing and sugar industries, in concert with the Clarence River County Council, have done a lot of focused stuff in recent times, reopening of flood gates, allowing fish passage, that sort of thing. I have to say that the sugar industry is really on the ball. They fully recognise that they do not operate in a vacuum and that tourism is also important.

We have just recently mapped the acid sulphate soils on our GIS and, as you rightly say, it is a very serious matter, potentially. We have had fish kills in Wooloweyah Lake but I have some difficulty with establishing bona fide linkages between your concerns and having a levee bank of a few hundred metres to protect a large population centre well up stream. But I know what happened in Byron, and you are spot on.

The Hon. I. COHEN: I just want to throw another thing in because I am very interested. Byron has not got it together, so to speak, and we have, as you probably well know, a very critical water and sewerage problem with the population explosion. The

degrees of intensity are greater. So you can see what is going down, if you like, yet, we do not get enough proactive action on decentralised systems.

Now, if Byron had taken up what you are facing right now, I suggest to you that it could work, although you may not find it is an easy way to go. Sure, putting a centralised plant in can work. The technology is there now to decentralise systems, and there was a moratorium for a while on development in Byron because the infrastructure would not bear it, but it was not a moratorium on development; it was telling developers to get the whole system right.

If you include the whole system, not old-fashioned septic but state-of-the-art stuff, that is, water catchment, rain water tanks, in-situ systems, localised sewerage packaged treatment plants that go along with the development, not only can you have a very interesting type of development but you have a fantastic potential for local industry both in the sewerage side of it and the water catchment side of it. Would you not agree with that?

Mr TILEY: I agree with pretty much all that you are saying. All of those propositions or proposed ways of acting are being looked at in terms of the opposition. We want to come up with best practice because we are close to a river which is our life blood.

We are looking as well as at the things that you are saying at grey water reuse return. Let me tell you that at Lawrence, where there are something like 500 people, they have virtually unanimously agreed to not have a treatment plant over there, but to pipe it under the river across to the new Maclean treatment plant, which is over near the golf course behind town.

We have arrangements with the golf course and with a number of farmers to accept the treated effluent in the dams so that as a very last resort only will there be any discharge into the river. So all of the things that you are saying are being promulgated as options.

The Hon. I. COHEN: But the actual decentralised packaged systems, because if you have a system at some time or other with the very nature of a centralised system, and you are talking about projected growth, it is going to overload. In Byron it has overloaded.

Now, I went on my knees to Greg Alderson, the General Manager of Byron Shire Council, with other people from the Stop the Ocean Pollution Organisation - I am saying this because I think it is an opportunity - back in about 1986 and said, "You have got to embark on a decentralised strategy." They pooh-poohed it at the time.

Greg Alderson is now the guru in private enterprise of decentralised sewerage systems. So he has made it but the council did not, and that is where the public body misses out. And, sure, private enterprise can catch up, but we really have missed out on a strategy that they could have instituted 15 years ago.

Mr TILEY: I think that strategy is particularly relevant in terms of cluster development. We have got beachside development over here which was locked into a development control plan long before I got on the council which does not require them to have that sort of system. There are going to be 520 dwellings there within the next 10 years, and what an ideal location for a mini-plant.

The Hon. I. COHEN: But have you looked at your council level, because it ties in with small local industry and - I do not know the details of that development - looked at rate reduction schemes where those catching their water and dealing with their sewerage in situ can actually get a clear benefit over a period of years that pays it off?

Mr TILEY: That is one of the main thrusts of the Lower Clarence County Council water efficiency system. That is certainly one incentive that is being offered currently. That is still being developed. It was a requirement of the regional water supply that we do that, so, yes, we are.

The Hon. I. COHEN: I think you probably know well that these systems. I am actually working on one in the Byron Shire at the moment, and there are other people who are doing it, who are instituting these total catchment systems.

CHAIR: You have one at your place.

The Hon. I. COHEN: I am so proud of our composting toilet I call it the Taj Anal. It works well. There is just one other question for Councillor Bennett. I know we have not got time, but in terms of competitive tendering you are saying that the Government is actually coming into this in a backdoor way, are you, that it is going to continue, because I was under the impression that that whole thing was --

CHAIR: It is the benchmarking process.

Mr BENNETT: It has gone to a benchmarking process, a sole-invitee situation, so council is in no better position than it was at the start, except that we are the only ones who are expected to tender at this point in time but I do not know what happens if we have a price that the Roads and Traffic Authority does not agree to.

The Hon. I. COHEN: Is the RTA the final arbiter on that?

Mr BENNETT: Yes.

CHAIR: There will be some conditions to do with occupational health and safety, standards and quality, and there is a third thing, I think. You have to pre-qualify.

Mr BENNETT: You need to pre-qualify. There is a cost to that for a start and then there is occupational health and safety, as you say. This will be good for a lot of our own work but at the end of the day we are putting ratepayers' money on the line.

The Hon. Dr B. P. V. PEZZUTTI: Do not worry. Just put the price on it and you will get it because it has no where to go but pay you whatever you ask. Have you seen this document "Re-building Country New South Wales"? It came out from Harry Woods' office.

Mr BENNETT: No, I have not.

The Hon. Dr B. P. V. PEZZUTTI: It is an interesting document. You should get a copy of it. It talks about the development of regional infrastructure management plans.

Are you aware of a regional infrastructure management plan for this part of the world that was meant to have been completed by December of 1999?

Mr TILEY: No, I am not.

The Hon. Dr B. P. V. PEZZUTTI: When you go back, could you check with council and take that on notice? Also, the loss of 250 jobs at Grafton when North Power pulled out or the teachers lost the head office of teaching and so on, is the loss of those senior public servants as important a loss as the number of jobs that were there?

Mr BENNETT: I believe --

The Hon. Dr B. P. V. PEZZUTTI: Sorry, the point I am trying to get to is when we lose those senior jobs in the public service, we lose a whole lot of brain power. Is that brain power more important than the number of jobs to people like you?

Mr BENNETT: I believe it has a number of effects and I meant to mention before, even as forestry is coming in and taking out a lot of our farms, they tend to be the bigger properties whose owners tend to be leaders in smaller communities.

You only have to look around, say, Morpeth Park, Bonalbo, all those sorts of places that were owned by people to whom the whole community looked to give them advice. They were the ones they spoke to about when are you planting your oats this year or when are you putting out your bulls this season, et cetera.

It follows on to the sort of thing you are saying. We are losing leaders from the community for different reasons, whether it be government departments or whether it be the policy of forestry taking over private land and, in particular, the larger acreage of land whose owners tended to be the more educated and were the leaders in particular areas.

The Hon. Dr B. P. V. PEZZUTTI: You paint a slightly rosy picture and another speaker points a very gloomy picture of Kyogle. We just had a positive glowing report on the community of Kyogle. Lismore council's submission to us makes two important points, and I would like to see if you could solve the conundrum in writing of high growth, high unemployment, but the unemployment gets slightly better - it has been getting better the last two years, anyway - but importantly, that the rate of new job growth is very high, probably the highest in the country.

How do you get that message out when all people see is unemployment, old people, difficulties, crumbling, terrible roads, the health system is falling apart. We have the lowest average income, but by the same token you see this enormous high growth of jobs. How do you solve that conundrum of marketing?

The other is that in your submission today, Mr Davies, the general manager of Kyogle makes a point about the Federal Opposition when in office in 1991-95 they signed the COAG agreements which drove the progress of structural reform and competition policy. He makes the point that the Federal Opposition is promising to go back to the COAG process. Was there anything good about the COAG process or was it just to include local government so it could beat it around the ears?

There must be something about the COAG process that delivered for local government. I accept that a lot of things COAG did hurt and some might have had to be done but was there anything good about the COAG process? If COAG was to come back and be as active as it was during Labor's time, is there anything good that could come of it being resurrected? (You might ask Mr Davies if he has got anything good to say about it.)

CHAIR: Thank you very much for your time. When you do get the transcript, if you think there are some points you might have missed, you might on your own initiative write and let us know about them.

The Hon. Dr B. P. V. PEZZUTTI: Could you please send to the Committee the cost benefit value of repairing the Kyogle to Murwillumbah Road and the Woodenbong to Legume Road?

Mr TILEY: In relation to the agency brain drain, the agencies that we deal with are plentiful in supply and quality in the Clarence. We do not have a problem. In terms of why the conundrum of high unemployment, we have one of the three best climates in the world. It is a great place to be unemployed in.

The Hon. Dr B. P. V. PEZZUTTI: I know that, but everybody forgets that we also have a high employment growth.

Mr BENNETT: A couple of quick points. One of the issues in this area is the non-ability to be able to rate State forests and national parks and in the Kyogle Council area, for instance, that is in excess of a third of the council area. When you equate that back to if that was ratable, it would be in excess of \$1 million.

The Hon. J. R. JOHNSON: Do not hold your breath.

Mr BENNETT: No, but it is a very important point. A lot of councils have the ability to rate --

The Hon. I. COHEN: You are saying that is on the increase with even farm forestry projects with State Forests where you are actually losing your rate base at the moment?

Mr BENNETT: When forestry was buying land outright, it became Crown land non-ratable. The new concept of farm forest or forestry is now leasing some land from farmers that is ratable and there are partnerships between forestry that are still ratable. I would like to table a document put out by Senator Brownhill, an important document about the fuel excise, et cetera, that is not coming back to us.

Document of Senator Brownhill tabled

CHAIR: I have three questions to ask on notice. Are some small towns destined to decline and/or become non-existent? What measures do you advocate for small rural towns to adapt to economic rationalism of Federal and State Government agency offices and services? Could you outline some examples of regional events or entertainment-type activities that have been undertaken in the area and how successful they have been in attracting income and employment?

(The witnesses withdrew)

(Luncheon adjournment)

STEVEN CRAIG GARLICK, Economist, 1009 Joe Rocks Road via Bungendore, sworn and examined:

CHAIR: In what capacity are you appearing before the Committee?

Mr GARLICK: I am the Director of Research of the Southern Cross Regional Research Institute.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr GARLICK: Yes. I have it here.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr GARLICK: Yes

CHAIR: If you should at any stage during your evidence consider that in the public interest certain evidence or documents you may wish to present should be heard or seen only by members of the Committee, the Committee would be willing to accede to your request and resolve into camera. However, I have to warn you that the Parliament may override our decision and make your evidence public.

The normal process is that perhaps you would like to make some comments first to us and then we will ask you some questions.

Mr GARLICK: I will just spend five minutes or so. Is that okay?

CHAIR: That would be great. Also, if you want to take any of our questions on notice, do so. We might ask you some questions on notice, too. After a couple of weeks you will get a copy of the transcript to check. When you do that if you see in that transcript that you neglected to tell us something or promote some further thought, by all means do not hesitate to send us further submissions or additional information.

Mr GARLICK: Thanks, members of the Committee, for asking me to come today.

The Hon. Dr B. P. V. PEZZUTTI: It is a shame about the weather.

Mr GARLICK: Yes. The weather has been like this all the way from Canberra. Looking at the terms of reference, I thought of some work that I had done for the Western Australian Government and also for the ACT Government. The Western Australian Government in particular has just put out, I think in the last few months, a new regional development policy and it asked me to help it with that over the last 18 months, which I have done.

Ostensibly, that work was about capacity building for both regions and towns in rural areas. Western Australia has a fair bit of that. The work that I did focused, if you like, on two areas of capacity building: that capacity building, which, if you like, comes from within a community or a town area and that which relates to linking with the outside world. The endogenous, or inside, capacity building for economic development is the

same as that referred to in the terms of reference.

In that work, I suggested that there were five areas that were worth really considering, and each of those areas you can ask a lot of questions about. I am not sure of the protocol, Mr Chairman, but I can leave behind a paper for you.

CHAIR: Did you want to formally table it?

Mr GARLICK: I can do that. I have multiple copies here for you.

Document tabled

I do not necessarily want you to go through it right now because actually the print is a bit smaller than I thought. When you get to my age --

CHAIR: Our age.

Mr GARLICK: Yes, our age, and you have left your glasses behind --

The Hon. J. R. JOHNSON: You let your arms grow.

Mr GARLICK: You let your arms grow. Exactly.

The Hon. Dr B. P. V. PEZZUTTI: We can photocopy it up. It will go through a photocopier and it will come up all right.

Mr GARLICK: In terms of these five internal actions, that communities, towns, particularly those in rural areas or non-metropolitan areas can pursue, I want to make a diversion for a second, to clarify this concept of 'region'. The notion of rural and regional areas is one that I have some difficulty with. Regions are regions wherever they are.

CHAIR: Whether it be western Sydney --

Mr GARLICK: Whether it be western Sydney or north Melbourne or here.

The Hon. Dr B. P. V. PEZZUTTI: But the ABC has cocked that up so we now think of regional as being anywhere in rural New South Wales.

Mr GARLICK: Yes that is right.

The Hon. Dr B. P. V. PEZZUTTI: The ABC is responsible for that.

Mr GARLICK: Okay. So coming back to these areas of capacity building, the first one is being able to access and utilise knowledge. Particularly in the global economy knowledge is one of the key attributes for driving local economies. It would seem that it is not necessarily an easy thing, particularly for communities in non-metropolitan regions, to access and utilise knowledge despite the fact that we now have of the order of 150 university campuses around this country, more than 50 of which are located in rural areas as opposed to metropolitan and even provincial areas.

The extent to which those institutions represent a source of input to the economic directions of communities is very variable, very patchy indeed. I have done quite a bit of work in that area both here and in Europe. In fact, I am doing one piece of work now for 15 regions in this country and another one for 16 regions in Europe in this specific area of the role of universities and other higher education institutions in being a driver in terms of their knowledge creation and transfer for the local communities that they are located in.

So that is particularly variable, given the fact that the majority of these campuses and universities come under State Government legislation and there is generally some statement in the relevant State Act which kind of gives them a local responsibility. It is pretty weak and, as a consequence, the action that follows that, both strategic and actual action, is very patchy indeed.

When you look around the non-metropolitan landscape in Australia you can see that there are probably only two institutions of any critical mass in non-metropolitan regions that have a capability to make a difference in regions. One is local councils and the other one is higher education institutions. The latter have been growing in number. Local councils are probably not doing that and probably the reverse. The contribution they make is pretty variable and could be much more. So the extent to which communities can access and utilise knowledge and use that for various processes of economic development is one area of capacity building.

A second one is developing leadership and, unfortunately, in many regions there has been a leadership leakage. As institutions have centralised, as corporations have gone off-shore and so on you lose the best leaders from these places as well. And, of course, leadership is particularly important for overcoming conflict, identifying strategic focus, for getting groups working together, these sorts of things which are important in framing or identifying the types of opportunities for the future.

The third one is building and valuing social capital. It is a question of valuing the community that you are in that you think is an important enough community to invest your time and effort into making a difference. That is social capital.

We do not seem to invest very much in social capital in this country. Opposed to physical capital or financial capital, social capital runs a very poor last. Nevertheless, one could argue that the outcomes for investing in social capital could be as equal as the outcomes from investing in other forms of capital.

The Hon. Dr B. P. V. PEZZUTTI: Do you mean me as a person investing my social activities into the community or do you mean the Government investing in social capital?

Mr GARLICK: I mean not just government but other institutions as well supporting social capital. That can take various forms, and it does not necessarily mean a fistful of dollars.

The fourth area is building partnerships and networks of associations. The terms of reference actually talks a little about that. There is a range of mechanisms one can use to do that. The terms of reference talks about management mechanisms like clusters and so on. There are many others too, like science parks and incubators, where you can build an agglomeration of interest.

The important thing about this agglomeration of interest is not the thing itself. It is not the cluster or the science park or the incubators; it is the transfer of expertise that occurs. The learning type of process that occurs in that situation is what is important and the way in which that translates then into better business outcomes or institutional outcomes.

The last one in terms of this suite, or the endogenous capacity building attributes, is information and being able to access authoritative information and being able to put together appropriate analysis and argument to support a case for why others should be interested in your particular area.

Being an old Newcastle person for 25 years, I am quite amazed that we had the situation with BHP leaving Newcastle after an involvement of 80 years. Newcastle and the Hunter knew about this possibility for more than 15 years, because I did an economic impact study back in 1983 about the possible closure, and that was on the books then, yet we still have this occurring 15 years later.

It is clear that one of the elements, amongst others, is that an authoritative case could not be made to the board of BHP why it should continue to invest its dollars in that place. The same occurs in many other places as well. So information is important not only for that but also to underpin your strategic directions and so on.

I come now to the second broad area of capacity building initiatives, and that relates to the connections that places, towns, communities, regions, might make with outside players and agents and agencies whose actions actually make a difference, that is, being able to get into the boardroom of BHP or any other institutions whose actions influence the outcomes in your area and being able to do that in, as I said before, an authoritative way.

Now, we do not have in this country that I am aware of at the level of government any policy that actually explicitly links community with national outcomes. We just do not have such a thing. We certainly do not have one that is approached in a whole-of-government sense.

Similarly, there are no mechanisms in place that link the community economic development priorities with corporate decision making, so what we have built up, particularly with the growth of the global economy, is almost a distinction occurring between *what we do* as core business as opposed to *where we do it*.

So the big distinction there is that most institutions are focused predominantly only on the "what we do" and are not particularly interested in the "where we do it", yet communities are obviously more interested in the latter.

To the extent that a lot of communities do feel a bit like they suffer from locked-in syndrome, which is a kind of neurological disease, and I am reminded of a book which you may have come across by a French fellow named Jean Dominic Bauby, who was actually the editor in chief of *Elle* magazine, but that is really a side point. He had a massive stroke and the only thing he could move was one eyelid. He wrote a book on his experiences, feelings and plans for the future.

So this kind of 'locked-in syndrome', one could use the kind of analogy to many country rural towns and communities who are feeling this way, that they are really locked out of the main game, even though they may have all the potential in the world and may have identified that potential and may have great leaders and good information. If they cannot get into the boardroom of the corporate sector into the decision-making arena of the Government, then all that counts for very little.

That is my more than five minutes, but a summary, of the issues, none the less. In all of that there are a whole range of questions that can be asked of communities in terms of what they have done, what they are doing and, as a result, what they could do in those areas.

CHAIR: So, is there a simple answer as to how they can get into the boardrooms?

Mr GARLICK: It is not a simple answer, but in the paper I have given you, if I take one of those areas, let us say knowledge-based development, the first one that I refer to, there are a range of questions there. For example, in relation to skill enhancement, "Has a skills audit been done? Is there active planning to design and deliver secondary and tertiary education teaching to meet specific needs in the region? Is there action to attain and attract key skills to the area"? In relation to research and development stimulation, "Has an audit of knowledge been undertaken in the local area"?

Let me give you an example from this region here - Southern Cross University campus at Lismore. The university as an institution gets 50 per cent of its undergraduate intake from the local area. The graduate retention rate in the region after graduation, the area around the campus at Lismore is much less than this, with only 13 per cent are retained in the local area.

The Hon. I. COHEN: I know personally that in Lismore to the coast there is still an association with the region.

The Hon. Dr B. P. V. PEZZUTTI: I think that would be the right figure, though, 13 per cent for Northern Rivers.

Mr GARLICK: Yes, for the whole of the Southern Cross catchment, which goes down to Taree, it is about 19 per cent. They are low figures but that is not inconsistent with other non-metropolitan regions as well. If you look below that figure and you say who are these 13 per cent, the extent to which these are knowledge workers, and the figure is much lower than that when you take out particular groups, and this is not to decry them as being knowledge workers, but nurses, teachers, then you are left with an even smaller proportion of people who could be regarded as knowledge workers.

How can we strengthen the transfer of knowledge from these institutions of knowledge creation. And what do we know about knowledge workers who are outside of the university?

Take this region, for example. It has a lot of attributes that make it a good place to live in, environmentally, culturally. It is a good place to live in and people tend to come back here later on in life. Knowledge workers come back. They live here but they do not work here. They do not apply their knowledge here. They apply their knowledge elsewhere. For example, I am looking at the film industry right now. There are over 200

people in the film industry located in the Northern Rivers region, script writers, directors, multimedia people and so on. Most of those do not actually apply their knowledge here. They apply it elsewhere, Sydney, London, and so on. So, getting a handle on just who are the knowledge workers, where they are, and then trying to do something with that.

That is just one small example. Has an audit of knowledge been undertaken? Is there action to foster links between key business and the tertiary education institutions in relation to the transfer of research knowledge? We have one initiative here at Southern Cross that you have probably heard about, the Cellulose Valley Science Park concept. Great concept. It is the only one that I am aware of going on here. It is about the natural remedies market, and there is nothing wrong with that, but these are the sorts of things that need to be uncovered and something done with.

Finally, what about initiatives to foster a learning region and life-long learning initiatives right across the spectrum of the demographic population? What sort of things are happening there in a region? In relation to just that one particular area, there are a lot of questions that can be asked as to what communities are doing and if they are not doing them. Perhaps they could explore them as things that they could do.

CHAIR: The Regional Economic Development Organisation system that was set up some years ago, some 43 or 44 across Australia with \$150 million of Federal Government money which has now been disbanded, how effective do you think that was?

Mr GARLICK: There are a few still going. I keep my ear to the ground as best I am able to and there are a few still going. It has been pretty tough work for these bodies, I think. The genesis or the reason why the previous Labor Federal Government went in that direction, to set up those kinds of organisations, was that they wanted them to comprise leaders who were nominated locally and who reported locally. So they were formed and informed locally. They were not a decentralised government agency.

Frankly, the platform of different groups operating in regions can get a bit crowded and one tends to get conflicting ways of working and they do not necessarily work well together. So when the development industry sees this kind of thing, they tend to wipe it a bit - "If the locals cannot get their act together, then why should we bother?" That is why I mentioned some of those things before, the need to value social capital and the place that you live in.

These REDOs then were designed to be groups of people who were nominated locally and were accountable locally - not accountable to the Minister but locally. There were, yes, 40-odd set up. That was probably too many, but the politics of setting up such groups meant that you needed to start large and over time they would have reduced in number, I would suspect down to about half that number because the regional economics of a country of this size is really not big enough to support that number. But the kinds of regional boundaries, the personnel that were on them, the strategies they identified, the method of operation was all decided by them, not by a government agency.

CHAIR: And the finance side of it?

Mr GARLICK: The finance was provided for three to four years for each of these groups. The idea was that after that length of time they would have got themselves into a position of being self-sufficient. I think that was a mistake now. In retrospect that was

probably a mistake and that was probably too short a time period. These things take a while.

They were provided, I think from memory, in their first year with \$100,000. The second year it was \$80,000 and then it went to \$60,000 and it was going to \$60,000 for the fourth year but it ended before the fourth year, so it did not happen.

CHAIR: And project money?

Mr GARLICK: Then separately to funding the secretariat of these regional organisations, funds were then put aside for projects, both infrastructure and non-infrastructure-type projects. The idea was that these projects would be identified by the community, agreed by the community.

Then the idea was that the Government would put in a little bit of seed funding with the purpose being that they would attract funding from other places, the private sector, perhaps other government agencies, State Government, local government, to build up the full amount. So there was never an intention that the Federal Government would fully fund projects of infrastructure but would simply seed it.

Now there have always been good economic development ideas coming from the local area, the local community, I mean there are lots of wishes and dreams and lots of projects come out of the top drawer, so the idea was that some of these projects would be assessed by experts in that particular field. If it was to deal with a piece of infrastructure, water supply, for example, there were experts in that field who were brought in to examine those projects and work with the community to come up with a proposal that met market conditions.

CHAIR: The one in my area was very successful, \$2 million for a natural gas line which has produced probably half a billion dollars worth of infrastructure, development and new capital going into the area. Were they generally successful?

Mr GARLICK: I think a lot of them were. I think there were some that were 'try-ons'. I mean, you are going to get that. There will always be some of that. But I think the majority of them were approached with a degree of integrity and sincerity by the community and were responded to similarly by other agencies similar to the gas pipeline example.

The Hon. Dr B. P. V. PEZZUTTI: Up here it was successful in getting the community together, people from a vast variety of areas. The only problem is that I think they chose the wrong chairman so that it did not flow on to infrastructure development, but it flowed on to identification of what we were, who we were and where we should go and tied together a lot of the other organisations. It was extraordinary. To bring the university to the town was successful, too.

CHAIR: For the information of Committee members, Steve was actually the Assistant Secretary and Acting First Assistant Secretary of the Department of Regional Development and heavily involved in all of those. You mention in this report about Porter. He comes up occasionally. I recall, and you may well have had something to do with organising it, that the Chairman of those REDOs had a meeting in Liverpool and you had a live satellite link with Porter. Is there a video available of that?

Mr GARLICK: Yes. I will give you one.

The Hon. Dr B. P. V. PEZZUTTI: He was the guy who drove the New Zealand economy, was he not?

Mr GARLICK: Yes, he was involved with New Zealand. That is right. That paper that I have given you approaches that kind of Porter approach. You have to be a little bit careful, I think. I mean, it is ostensibly a trade-based model of regional agglomeration and it is ostensibly coming out of an American situation where the economies are much bigger and, particularly in the rural regions, the approach by the Government is so different to what it is here. The rural sector in the USA is heavily subsidised. The land grant universities there have a very strong extension service to communities.

It is very difficult to then take a model that has worked well in another country and apply it totally in another place. But there are good things about what he says. My only caution would be is that I do not think it would work every where. I know it is being applied in a couple of places in this country.

Cairns, for example, is doing it very well across a number of industry sectors. Also Newcastle is doing it across a number of industry sectors, building construction, environmental industries, IT and one or two others. So it is being tried but look at both those places. Newcastle and Cairns. It is not necessarily a management tool that you could use in all non-metropolitan places.

CHAIR: One final question, you spoke about the extension services of some of the universities in America and we heard this morning about the University of Wisconsin that has extension services going out to try to promote these services in towns with a population of 2,000 with staff resident there. Can you talk about that a bit or how appropriate that would be?

Mr GARLICK: As I said just now, the degree of subsidisation by the Federal Government of rural USA is very considerable.

CHAIR: And you would need something like that, some funding?

Mr GARLICK: Yes, you would need some funding. Take this region, for example. The university here has now got four campuses in this region. The one at Port Macquarie is very problematic indeed in its current structure. It just cannot get enough students to make it a viable proposition.

A range of university campuses around this country are not far off that same situation. You need to look at those kinds of institutions through slightly different eyes and say, okay, it may be a case of needing to cross-subsidise this education through other work. Maybe we can use the campus for other kinds of learning processes. It does not necessarily need to be the delivery of courses to students in the usual way.

They might be able to utilise the universities for other purposes. It might be, for example, to have an incubator or some form of cluster or sector-specific set of teaching programs, not necessarily degree programs. It might be some form of certificate-type program. It might broker course delivery or broader service delivery to the local area on

behalf of other agencies.

CHAIR: TAFE courses?

Mr GARLICK: Exactly. So I think this whole area needs a bit of a look at to the extent to which this infrastructure, be it TAFE or higher education institutions, can give a greater return to the communities that they are located in. You might not quite get to the extent of the American system, because they are land grant universities, and that means that basically the Government has provided a whole swag of resources to them to be there. It is certainly worth a look in this country.

In the work that I have been doing - and I published one book on this subject about 18 months ago which was the first look that I took - I found that it was a very ordinary picture indeed.

The work that I am doing now on 16 campuses, including, I think, four in New South Wales - Newcastle, Charles Sturt at Bathurst, this one here in Lismore and Western Sydney at Richmond, being four of those 16 - is to really look at what are the drivers and what are the impediments to the way in which these universities can play a greater role in enhancing the economic outcomes of these regions. That work will be completed in around two months. Similarly, as I said, I am doing some work in Europe with another 14 regions there and the universities.

I think the answer to your question is that a lot more can be done in this area. As I said before, university campuses, along with local councils, are one of the only two that have the critical mass at the moment - when I say universities, I mean higher education institutions and TAFE - and some stability in these places.

The Hon. Dr B. P. V. PEZZUTTI: Your work in the United Kingdom in the 1990s, I assume that was the 1993-94 sort of period, was it?

Mr GARLICK: No, it was actually 1991.

The Hon. Dr B. P. V. PEZZUTTI: When a couple of members of the Committee visited England in 1995 they found a lot of announcements going on in the north of England and in Wales of attracted business from Korea and Japan, like \$2.4 billion sort of stuff. Was that because they had done their social inventories and their skills inventories?

Mr GARLICK: Yes.

The Hon. Dr B. P. V. PEZZUTTI: They were what the Director of State and Regional Development talks about as investment ready?

Mr GARLICK: That is right, yes.

The Hon. Dr B. P. V. PEZZUTTI: Now, are there consultants? Is there a business that is able to assist local communities to be very much more investment ready?

Mr GARLICK: Yes. Actually, where I was located at the time was the north-east of England at the University of Newcastle so I got to find out a fair bit of what was happening at that time and I have followed it throughout. And, you are right. There was a

lot of investment, what they called 'inwards' investment attraction, going on with some large corporations, chemicals, motor vehicles and so on.

The Hon. Dr B. P. V. PEZZUTTI: And computers?

Mr GARLICK: And also I think in services associated with shipbuilding - not shipbuilding itself but the services associated with naval architecture and so on and so forth. If you look at some of the kind of 'Porteresque'-type volumes that are around which tend to parade good examples of what works and what does not, that area was held up I think by Porter but certainly by Kanter in her book *World Class*. If you go back and have another look at some of these places such as the North of England it is not looking so rosy as it might have done four or five years ago.

To come to your other question, which was how does this actually occur. I think the regional development policy in the UK has, not unlike this country, gone through a number of fits and starts and it is only more recently, I suppose, under the Blair Government that you now have a more structured approach, I think, to this kind of regional development.

What they have done is decentralised their administration. So you have, for example, in the north-east an office of the north-east. In that office of the north-east you have I think four or five government departments located. There is employment, industry, the environment and a couple of others. Their job is to interface locally with local business and other institutions.

The person who heads up the office of the north-east, for example, and there are similar offices in other regions throughout the UK - I think there are nine - reports direct to the Minister. So it is a pretty powerful kind of position.

Secondly, they have set up what they call regional development agencies. Now, regional development agencies are not unlike the REDO-type thing, that is, they are made up of local people, local leaders across the spectrum, and they might include the vice-chancellor of the university or a couple of high flying business-type people both from big business and some small businesses. They also report direct to the Minister. This is evolving now. These regional development agencies have only come about in the last 12 to 18 months.

The Hon. Dr B. P. V. PEZZUTTI: They are very new.

Mr GARLICK: Very new. The Government offices in the regions have been around a bit longer, though not much longer. So they are very new and it is probably a little early to judge them, but I think that the earlier gains, for example, that a region like the north-east was able to demonstrate are now perhaps showing that that was not backed up by any ongoing substance. These management mechanisms may help to give them that.

The Hon. Dr B. P. V. PEZZUTTI: I am just wondering to what extent - I saw another paper recently that argued that in global terms capital is very mobile but people are not, and it is just a matter of getting the capital to go where the people are that matters but you want to get the right sort of capital for the right sort of area.

How do you then match this capital with moves for the people who do not want

to move? That has to be the trick, has it not? If you are living in Orange, you obviously want to live in Orange. You want to have a decent job in Orange. It is very difficult to get from Sydney to Orange.

Mr GARLICK: That is exactly right. It is interesting that Australians are one of the most mobile populations in the world. In fact, every Australian, on average, moves out of their region to another region seven times in a lifetime. That is pretty high. So those kinds of statistics are not very helpful for strengthening the community. They make it very tough.

The Hon. Dr B. P. V. PEZZUTTI: They renew it. Up here only 7 per cent of the population have been here more than 15 years I think the figure is, so it is very much a high-flux population. It is not as though there are not enough people who do not feel an ethos when they come here.

People do move over periods. They settle for 10 years or seven years or whatever. They do not want to move just because there is a job in Orange, but capital has to find workers and equipment and resources and infrastructure. How do we make the capital move where we want it to?

Mr GARLICK: Well, capital will only move to those places where it will get the right return. But what you have got in the majority of non-metropolitan Australia is really a market failure in terms of information. Those capital investors are just not receiving the information about what return they can get on their investment outside the CBD. You ask any venture capitalist located in Sydney or Brisbane or Melbourne and they are really quite blinkered about where they want to invest their money, and it does not extend beyond a 10-minute drive in the car.

The Hon. Dr B. P. V. PEZZUTTI: This was another argument. The argument that Britain is better than Europe in terms of attracting capital from outside because it has the London Stock Exchange. That was the whole argument behind trying to drive Sydney as the financial capital because people want to see where their money is really. But the issue of information, is it information that is not collected or is it information that is collected and nobody wants to give out? Those are two issues.

I will not bore you with my view on this current secret government. If you have any information about whether or not the information that is required for investment readiness is stored away somewhere or whether it simply has not been gathered, I would appreciate it.

CHAIR: You might take some of these questions on notice.

The Hon. Dr B. P. V. PEZZUTTI: Take that one on notice.

Mr GARLICK: I would have to. I do not really have a view immediately on that one.

The Hon. Dr B. P. V. PEZZUTTI: And the second one, just to pass on the information, we did the inquiry into Newcastle when, shock horror, 4,000 jobs were to go. It was very much stage managed to get the most value out of the State and Federal governments, as BHP has done before, and it ended up with Iron River out of it all. It has

done very well. It got \$20 million worth of investment.

You would have come along after the abandonment of DURD, but did you see any good wash-up of the real investment of what was basically \$100 million into Albury-Wodonga, which was basically like giving a community \$100 million worth of cash? Did you see any good value out of that, and is it worth repeating?

Mr GARLICK: That is a very good question about Albury-Wodonga and lots of people ask with all the investment that went into Albury-Wodonga did it make any difference. If you had just left it to the market, would it be any different from today? I think you would have to say, yes, it is a different place because of that investment.

Albury-Wodonga has actually got quite a capability in terms of information generation and provision. I think if you were to talk to the Albury-Wodonga people they would say - when I say the Albury-Wodonga people I mean the corporations that have located there - that a lot of their location decision making resulted from the information that they were provided with at the time. So I would think, yes. Whether it is a fully cost effective one I do not know, but I would say it has made a difference.

The Hon. Dr B. P. V. PEZZUTTI: I reckon that that corporation allowed the growing of a whole lot of good leaders down there. When we have done previous inquiries, the people we had as consultants to our inquiry were people from that corporation. They were just amazing individuals who had had time to mature through that process in interacting and co-ordinating.

CHAIR: It created leaders and helped the information flow.

The Hon. Dr B. P. V. PEZZUTTI: It did.

The Hon. I. COHEN: You mentioned the US Government funding of regions.

Mr GARLICK: Yes.

The Hon. I. COHEN: I am just wondering whether this is a relatively recent phenomenon, what motivated it and whether it was a similar history of the rural areas being depressed, as in New South Wales, that we are looking at and built up over time. How did it come about? Where did the recognition come in and where did the concept flow from?

Mr GARLICK: I think it is not new. It has been around for some time. It is not the only country that does it. France is another good example where they are heavily subsidising the rural sector for various reasons. For various reasons, the fact is that the US overproduces in a range of commodities and there is a lifestyle there that they want to protect, so it is really trying to, at the one level, subsidise uneconomic activity but at another level trying to boost economies in other ways to find new areas to grow but it is not new. They have been doing this for a long time.

The Hon. I. COHEN: I appreciate that, but where was the breakthrough? Where was the recognition?

Mr GARLICK: I think you go back a number of years, I think at least a couple of

decades for this.

The Hon. I. COHEN: On a more localised issue, that delicate balance between lifestyle and loss of it with development, what guidelines can you use to strike a balance? You mentioned that the film industry has 200 people living in the area and they go away for work.

I am wondering what can be creatively done in this area in terms of regional labelling of arts and entertainment and actually developing something, again without losing the amenity, and how far do we go in terms of every small regional area having an icon, the big banana or something, without making a mess of that?

CHAIR: Take it on notice, if you can.

The Hon. Dr B. P. V. PEZZUTTI: I have a question on the importance of events in assistance with regional development, like, the Jacaranda Festival or something like that.

The Hon. J. R. JOHNSON: Have you had a look at Mondragon in Spain?

Mr GARLICK: I have been there but I have not studied Mondragon. I have heard about it but I cannot really comment authoritatively on it. I have heard that it is supposed to be a good example worth referring to, but I cannot comment authoritatively on Mondragon.

The Hon. J. R. JOHNSON: Have you read of or experienced the phenomenon in Ireland?

Mr GARLICK: A little. Again, I am working with Irish people at the moment, such as the University of Limerick and Trinity College, so I know a little bit about what is going on in Ireland. My understanding is that the kind of renaissance, if you like, in Ireland, seems to get its genesis from free education. Education is free and has been always totally free. They would say that what is happening now really had its genesis a couple of decades ago but I could again take that one on notice and provide more information if you wish.

CHAIR: That would be great if you could.

The Hon. Dr B. P. V. PEZZUTTI: Education at Trinity College in Dublin is not particularly free if you are an overseas student.

Mr GARLICK: No, not if you are an overseas student, but you have to make your money somehow.

The Hon. J. R. JOHNSON: The Irish Development Board puts out a small magazine monthly or bi-monthly and some of the information that is available in that, they said everything they get for a new region, every new development they get, they promote it. You see some astronomical figures of new factories being started, that they are now the second largest exporter of software after the United States.

Mr GARLICK: I have heard of that statistic.

The Hon. J. R. JOHNSON: We had the Irish Prime Minister here last week and I recall Bertie Ahearn coming here with an Irish delegation some 12 years ago and at the time he and the other members of the delegation were saying that our future lay in education. Now, we have started it. We started it eight or 10 years ago. There was much ruction because people were saying there was just so much being poured into education that other things were suffering, but it would pay dividends in the end, and they just got it right.

CHAIR: If you could take those questions on notice plus I have another five. They are: Are there any particular areas of Federal and State government co-ordination that need to be addressed to facilitate the strengthening of rural towns in New south Wales?

Are some small towns destined to decline and become non-existent? Do you see any benefit in structural adjustment strategies that may alter the focus of small towns from agricultural based to a reliance on one or more different types of industry?

What strategies do you advocate to achieve this type of structural adjustment?

What measures do you advocate for small rural towns to adapt to economic rationalisation of Federal and State government agency offices and services?

Do you support the application of economic and social indicators to rural towns for the purpose of identifying and addressing inequity?

If there are any other comments you feel that you would like to make after reading the transcript, please feel free to do so. We might catch up with you further down the track in Sydney, Canberra or somewhere.

(The witness withdrew)

PETER WILLIAM O'CONNOR, Economic Development Manager, Lismore City Council, 165 Molesworth Street, Lismore, affirmed and examined:

CHAIR: In what capacity do you appear before the Committee?

Mr O'CONNOR: In my employment capacity.

CHAIR: Did you receive a summons issued under my hand in accordance with the provisions of the Parliamentary Evidence Act 1901?

Mr O'CONNOR: I have.

CHAIR: Are you conversant with the terms of reference of this inquiry?

Mr O'CONNOR: I am.

CHAIR: If you should consider at any stage during your evidence that in the public interest certain evidence or documents you may wish to present to the Committee should be seen or heard only by the members of the Committee, then the Committee would be willing to accede to your request, but I would have to warn you that the Parliament can overturn our decision and make anything public.

Also, are you aware that Dr Brian Pezzutti this morning suggested that the way to solve our problems was to send all the people of Irish descent back to Ireland? You do not need to answer that?

Mr O'CONNOR: Given the state of some of the economic areas of Ireland, that might not be a bad place to go.

The Hon. J. R. JOHNSON: The Prime Minister of Ireland told us last week they need about 220,000 people.

CHAIR: There are 247,000 jobs they cannot fill. They do not have enough people. Thanks for coming along. The way we normally do this is for you, if you would like to, to give us a brief statement first and then we will ask you some questions.

I am not sure whether you heard what I said to the previous witnesses, but we may ask you some questions that you might prefer to take on notice and respond to us later, or alternatively, we may ask you some questions that we want you to take on notice and get the information back. Within a couple of weeks you will get a copy of the transcript to have a look through to see if there are any mistakes that you feel need changing, but at the same time, if you feel there are any additional comments you would like to make at that stage, send them back into us as well?

Mr O'CONNOR: We were very pleased as a council --

CHAIR: Is Jimmy Collins still here, James Lalor Collins?

Mr O'CONNOR: No, I am not familiar with him.

CHAIR: He used to be your gas manager.

Mr O'CONNOR: That would be a fair while ago. I think they sold that to Elgas quite a few years ago.

CHAIR: He was the manager when they sold it.

Mr O'CONNOR: At one stage I believe the council also owned an electricity generation company going way back, so things have changed a lot.

The Hon. J. R. JOHNSON: Every council up here owned the electricity authority.

Mr O'CONNOR: Yes. The opportunity to make a submission to the Committee was one which we thought was extremely valuable because, amongst other things, I have been aware through my involvement in different jobs representing industry in New South Wales and working with the trade unions of how effective the parliamentary committees are within the New South Wales system and how you can get your point of view through to Ministers and advisers if you can impress a Committee that what you are on about is worthwhile being looked at.

The Hon. I. COHEN: That is an encouraging minority viewpoint.

Mr O'CONNOR: I worked in the transport industry, which had its challenges and difficulties, representing transport employers. We worked with the Transport Workers Union and were able to get a number of issues before Ministers using the Committee process. So I was very happy to spend the time to drive down here today and to speak with this Committee.

The message I suppose that we want to give is that, relatively speaking, this region is very lucky. It has a lot of wonderful natural attributes; it has a lot of very concerned and hard-working people in it; and it has some very promising connections with the global economy, both directly, through initiatives such as Cellulose Valley, which is trying to find a niche market with the alternative therapeutic medicines, but also with that area of Australia called south-east Queensland, which has an economy of some 1.9 million people, relatively speaking, booming away and accessing our region more and more.

So the fundamentals here are good. But the problem that we have, of course, is capitalising on them. We have put forward a case whereby a number of Federal and State government initiatives, some costing a fair bit of money, but others costing very, very little money, would effectively increase our capacity to access these growth opportunities.

I think that is one of the processes that the Committee needs to concentrate on: how we equip regions more at the grassroots level to access these chances that are out there. So that is what I would really in my opening remarks like to concentrate upon.

We have, for example, a railway line that we believed would never ever be connected to Tweed Heads, mainly because it would cost about \$240 million just to do the physical connection.

In a practical sense, we believe that there is new technology which, for a very small fraction of that price, \$1.5 million to \$2 million, would see what is known as the road-railer vehicle, effectively combining both the new upgraded road that is going in at great

public expense on the North Coast with the existing railway line to provide, effectively, four to six services a day in both directions which would link Casino right through to Tweed Heads at the airport and allow us to offer services, which we currently cannot, to attract tourists down into the region with public transport options. That is just one example in the paper that I put forward.

With the new technology, for example, the Internet et cetera, the region has been seen up until very recently as being very disadvantaged with lack of bandwidth, but, then again, technology is moving very quickly. For example, Austar and other digital television providers are going to put on as part of their service a greatly increased or enhanced bandwidth option. So, very quickly, what was a limiting factor, relatively speaking, only months ago is now starting to become something that is a matter of the past which allows us to focus on how we therefore apply the benefits of the new technology to economic growth in the region.

The other very important imperative in our region is the unemployment rate. We are essentially in the highest area of unemployment in the State. In the 1990s as a decade we were up there at 17.5 per cent in 1995. That fell to around 14 per cent in 1998. It has now hit 11.6 per cent. But, relatively speaking, it is still twice the State average.

In our strategies as a council and with the region around us, we are trying over a five-year period to come down to the State average. That is one of our corporate goals, if you like.

By working in with the Federal Government and the State Government, and I would like to endorse any form of co-operation that we can get at that level, we have been able to put on the table important statistics about our labour market. This was a report through the area consultative committee that analysed the labour market for the next five years. It showed us which occupations were going north, which ones were going south, which ones were travelling east, as it were, or west.

We have been able to turn that information, which cost around \$50,000 to get, into a book for school leavers which is now being published. It is called *Getting to Work in the Northern Rivers*. It conveys where the opportunities and the skills shortages are and allows people to make informed decisions. We see young people with their parents and relatives and friends sitting down and making informed choices about what they will do in terms of contributing to the labour market demands of the future.

CHAIR: You have supplied us with or we have got a copy of the ACCC or area consultative committee report, but could you get us a copy of the final one that you just talked about?

Mr O'CONNOR: I would be very happy to. I will make multiple copies available through the post.

Document tabled

So in my view, realising this is a statewide inquiry, I think every local government area, working presumably in combination with the Department of State and Regional Development and the Federal Government authorities, should be exploring information gathering activities like that to understand their labour market and what is happening

because until you get a very good handle on that, you cannot really take the region that you are working with in a firm direction.

In that respect, I did not know whether in preparing for today you had had access to this document. This is the Australian Local Government Association's most recent publication. It is called *Developing Competitive Regions*. I think you will find in terms of your terms of reference that that will give you some very specific processes.

It deals with all the issues of unemployment, globalisation, transforming communities, and it gives, interestingly, about eight or nine specific examples across Australia, for example, what is happening in the Wimmera, an investment information service in the city of Brisbane - that is a pretty big local government area, as you all know - a Tasmanian technopark in the city of Glenorchy. I would be quite happy to make that available.

CHAIR: Or the reference, if that is available?

Mr O'CONNOR: Or the reference. I do have a photocopy which I can table.

CHAIR: Table the photocopy if you could.

Developing Competitive Regions tabled

Mr O'CONNOR: Just to conclude my opening remarks, the thing that I believe could be helpful at the State level is some sort of joint funding approach. If an LGA meets certain requirements, that is that it has a fundamental interest in economic development, that it has invested a certain amount of resources in achieving that, that it is applying itself to have an investment-ready, open-type approach to investment, then it ought to qualify for some sort of contributory funding.

CHAIR: But what to do?

Mr O'CONNOR: Well, to continue that process, to enhance it. We, for example, as an LGA spend about \$160,000 just on the core office of setting up in an economic development agency and then we spend other money on production of appropriate documentation. Then, of course, we spend money on incentives.

I have a copy for each of the Committee members here of our incentives, which are available. Essentially, what we can do is waive or spread out over time council rates and development application fees and we can waive or spread out over time or reduce section 94 and section 64 charges in relation to development.

CHAIR: How do you effectively do that? Obviously, your town planning department would like to see that income. You cannot technically waive the development application fees and the section 94 and section 64 charges. So do you actually still charge them but pay them yourself through a subsidy and then charge it to development costs?

Mr O'CONNOR: I have to apologise. Being essentially from the private sector I am not sure what the internal mechanism is. I would certainly check.

CHAIR: I presume that is right and it would show as a subsidy to business.

Mr O'CONNOR: It may well be that, but I would certainly check that.

CHAIR: Could you take that on notice because that way it still shows up in the section 94 contributions.

Mr O'CONNOR: We recently did it, for example, in relation to the chicken growing industry where we are ideally placed as an LGA being the source of the food and the current manufacturer who is processing in Byron Bay. But our road levy costs were relatively higher than some of the surrounding LGAs and we subsequently rebated a reduction. So I think that the mechanism you are talking about is right.

I table this as an incentive document and that is also accompanied by a general investment information prospectus that we are able to hand out to investors who come to the region. For example, within the last two weeks a gentleman from a large soy producing company has made serious inquiries as to relocating initially a part of their business but subsequently all of their business in the Northern Rivers region.

One of the reasons stated there was that the particular line of product, the soy drink which is derived from naturally grown soya beans, is their fastest growing brand and their projections is that that will become the dominant brand within the company in that particular area of soy drink very quickly. They want to associate with the clean, green image that we have in the Northern Rivers. So it is very useful, obviously, if you are able to assist potential investors with the sort of information you are seeing in these brochures.

I suppose in a nutshell, while any government subsidy or any government intervention can never really make the difference between profit and loss, and this is speaking generally, business is very much encouraged where they feel that they are wanted and that people understand their cost structures and are trying to do something towards keeping them viable.

I could go on a lot, but I do not think I should as an introductory statement except to say that there is one real competitive factor that we face here, and that is the Queensland border. There is a constant drain of manufacturing-type operations that go north in the end, I suppose, because they have a bigger bank roll than the New South Wales Government has. It is pretty tough.

The types of incentive that you see are across the board. The most recent one I was dealing with was a power subsidy which effectively cut in half the best kilowatt hour rate I could get for accessing contract rates for a business in the region that uses a lot of electricity for producing food products.

CHAIR: Could you get some details of that for us?

Mr O'CONNOR: Yes. The rate quoted to me was 3.8 cents per kilowatt hour guaranteed for three years if the move was made. Now that is --

The Hon. J. R. JOHNSON: What was the best price you could get?

Mr O'CONNOR: I am around the 7.7 cents per KWH and contract negotiations are out at the present time and prices are expected to move up.

CHAIR: How many megawatts?

Mr O'CONNOR: I cannot recall the exact amount, but power was an integral part because they were cooking every day. So those are the things that can shift the business. The other factor, of course, is workers' compensation and the Federal awards, and payroll tax. What we are suggesting in our submission is that, and this will sound very parochial, but just as petrol prices are ameliorated within the border region here, maybe those factors could be looked at, some sort of special enterprise zone for the northern area of the State.

Then, again, speaking more from a national perspective, you would like to think that all the regions could perhaps access some sort of differential lower cost on some of these business inputs because there has to be some hard dollar value on incentives to come out to the regions. It is not all just, "We should have been there last week. Goodness, we were silly for staying in Wetherill Park for so long".

It really is not like that and I know that you people understand that, among other things, it is the relatively low capital growth rates that exist on a lot of fixed investments in the bush that do not exist in the cities or that are in fact quite considerably larger in the cities and they do sway a lot of investment.

CHAIR: Have you got one more document you wanted to table?

Mr O'CONNOR: The last thing I want to table, it is only in draft form, it has not been approved yet but it is close to final draft, and that is our new strategic plan.

Documents tabled

(Evidence continued in camera)

(Public Hearing resumed)

The Hon. Dr B. P. V. PEZZUTTI: This is an excellent publication and I like what you have prepared for us. Also the document entitled "Labor Market Information and Analysis" is extraordinarily important in terms of what we heard from the Department of State and Regional Development just yesterday about being investor ready. Then there is the strategic plan followed by the new review of the strategic plan.

The other thing I want to ask you about is the conundrum of high unemployment, enormously high job growth, the highest in the country, which you would never think of if you think of Lismore, and I would not have thought of it except I read your report and I have been following Lismore for 100 years. That is startling information. How do you get that information that you are a high employment growth area out there to business investors?

Mr O'CONNOR: Well, I believe these days you have to have the website very concisely prepared. I have toyed, for example, going into Wetherill Park at one of the busy intersections with a beautiful spread of the Northern Rivers and Lismore and just putting the web address on the bottom and saying, "You could be working from Lismore, you know". That would hopefully stir inquiries.

The Hon. J. R. JOHNSON: To go around like BUGA UP and Lismore it up?

Mr O'CONNOR: That is another exercise. So it is a communication exercise. We are also looking at our next strategic plan having a targeted marketing campaign. For example, as soon as we heard about the Virgin Airways opportunity, we went up to Summerland Credit Union and worked with them, because they have a small generic centre and they have the capacity and space, and we put together a call centre package for him. That was out within 48 hours.

Of course, we got swamped in the Queensland bidding. Essentially, his training costs have been underwritten for five years so he will not have any. I think it averages \$30,000 a seat to train someone in a call centre. We could never have matched that. But we have to keep, all the time, statistics on our turnover, what the market is, in an easily accessible form for the businesses to make the decisions.

The other thing they want to know of in relation to Lismore is the F word, and I am talking flood. Until we get that levee built we are going to continually see things fall over in the risk areas of corporations or banks approving finance.

The Hon. Dr B. P. V. PEZZUTTI: Have you seen this document *Rebuilding Countries?*

Mr O'CONNOR: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Is your council in receipt of the regional infrastructure management plan?

Mr O'CONNOR: For New South Wales?

The Hon. Dr B. P. V. PEZZUTTI: Yes, it was meant to be published by the end of 1999.

Mr O'CONNOR: Look, I cannot say definitively whether we are or not.

The Hon. Dr B. P. V. PEZZUTTI: Has it occurred to you why there is low unemployment in the inner west of Sydney, the eastern suburbs of Sydney and the north shore of Sydney?

Mr O'CONNOR: Yes. In its simplest form it is a supply and demand function.

The Hon. Dr B. P. V. PEZZUTTI: Because if you are unemployed you cannot afford to live there.

Mr O'CONNOR: Yes.

The Hon. Dr B. P. V. PEZZUTTI: When you talk about people at Wetherill Park worried about capital growth of their land and buildings, the cost of land and buildings in Lismore is vastly lower.

Mr O'CONNOR: Yes, and I could give you an example of that. We are about to

embark on a joint Department of State and Regional Development and Federal-funded program to attract warehousing and distribution opportunities into Lismore, exploiting our position to the Port of Brisbane, using that as a major ingress or egress point and then using our distribution skills and our lower land price and reduced labour costs through lower turnover.

The Hon. Dr B. P. V. PEZZUTTI: So you have actually done this exercise?

Mr O'CONNOR: Well, we have done it on the back of an envelope. We know it exists. But what we are doing now is spending nearly \$50,000 incorporating that into a proper consultant's report so that we can go to the decision makers in the warehouse industry and say, "Here are the proven costs independently verified." That is the targeted marketing approach that we need.

The Hon. Dr B. P. V. PEZZUTTI: There are two other issues that you mentioned here - the Woodenbong-Killarney Road, which is basically the road that I have been talking about to Legume, and the Kyogle-Murwillumbah Road.

Mr O'CONNOR: Yes.

The Hon. Dr B. P. V. PEZZUTTI: Both of those roads need \$40 million between the two of them to fix and you have resolved another problem.

Mr O'CONNOR: Very much. With the connection into the Darling Downs and the Newell Highway, what Big W is saying, which in this case is where their distribution centre is --

The Hon. Dr B. P. V. PEZZUTTI: Where?

Mr O'CONNOR: In Warwick. They are saying that sites like Lismore will become much more attractive to their suppliers. There is a whole range of manufacturers who can locate closer to their decentralised distribution centres so that then the manufactured goods are produced regionally, they go into the national distribution system regionally and then they pop out in the cities, so it is a sort of reverse if you like, and Big W when we took a group of --

The Hon. Dr B. P. V. PEZZUTTI: Have you seen it? How big is the acreage?

Mr O'CONNOR: There are over 500 employees. There are big car parks.

The Hon. Dr B. P. V. PEZZUTTI: How big is it under cover? It is acres?

Mr O'CONNOR: Yes, it would be about three.

The Hon. Dr B. P. V. PEZZUTTI: This is at Warwick?

Mr O'CONNOR: And it has brought a lot of service industries with it. But Big W is very keen to foster that because it knows the benefits of a regional work force and a regional cost structure.

The Hon. Dr B. P. V. PEZZUTTI: What can we do with the Australian Competition Commission to stop Queensland doing these deals which they are really

paying for out of New South Wales pockets?

CHAIR: An interesting point.

Mr O'CONNOR: I am not a lawyer. Look, I do not know. Obviously if there was some remedy it might have surfaced.

The Hon. Dr B. P. V. PEZZUTTI: I have taken another matter to the Treasurer on that issue of Queensland getting more money than it is worth. You see it at Tweed Heads, at Tenterfield and Lismore, and it goes all the way down as far as Coffs Harbour, really.

Mr O'CONNOR: It does. You have to be a brave investor sometimes to stay with New South Wales, and that is evident concerning where this soya bean operation will finally locate.

CHAIR: Can you talk about the Telstra issue that you mentioned before and then just take questions on notice?

Mr O'CONNOR: Briefly, in relation to Telstra with the current rationalisation, Lismore has two call centres.

CHAIR: Those are the jobs that were announced?

Mr O'CONNOR: Yes, those are the jobs that they want to crunch. One call centre is 70 seats and is a selling-type thing. It is very lucrative. The other one is a service-based operation, the 013 number essentially.

CHAIR: So both Telstra centres are in Lismore?

Mr O'CONNOR: They are both in Lismore. What I am concerned about for our area and other regional areas is that the smaller ones will be crunched by a quick corporate decision into seemingly larger more cost-effective ones but those larger ones will be city-based and then you will run into churn rate, that is, high turnover rates and higher cost structures.

So the challenge at the moment that we are working on is to get to the corporate decision makers in Telstra and say, "Do not dud the regions. Do not gloss over the cost advantages of a loyal, cost-effective, regional work force."

CHAIR: What is a small call centre?

Mr O'CONNOR: Our smaller one is 70.

CHAIR: You said there were two?

Mr O'CONNOR: Yes, the larger one is 170 seats.

The Hon. J. R. JOHNSON: Do you see that that is the right way to go about it, talking to Telstra, because what Telstra decides today it will do, whereas if you are talking to politicians and regional leaders --

The Hon. Dr B. P. V. PEZZUTTI: Your concern is because of the announcement recently? There is no indication that these ones are on the chopping block, because they have recently upgraded two of them. They have upgraded both of them quite recently.

Mr O'CONNOR: Unfortunately, there is speculation around that Telstra will do that.

The Hon. Dr B. P. V. PEZZUTTI: But, again, what would you say to Telstra that would make it stay there? The crunch is why should it stay there?

Mr O'CONNOR: Well, it should stay there because of net overall cost effectiveness. That is the only argument I would be taking to Telstra because that is the corporate argument. But I also take Mr Johnson's suggestion that we go on a political tack as well because the Government is the majority shareholder, and you would think that there would be some translation in the Prime Minister's statement about no more reduction of services in rural areas.

The Hon. J. R. JOHNSON: But it was not a core promise.

The Hon. Dr B. P. V. PEZZUTTI: You have actually got the numbers done?

Mr O'CONNOR: Yes.

The Hon. Dr B. P. V. PEZZUTTI: It is no good beating the drum saying, "We have got to stay in Lismore." That will never work.

Mr O'CONNOR: We do have a commercial case.

The Hon. I. COHEN: I am just wondering if you and/or your council have made a substantive inquiry about the rail link to Tweed Heads. You seem defeated and seem to think it is an impossibility, but has there been a formal application to government on that issue?

Mr O'CONNOR: No. I suppose we have taken the pragmatic decision that to try to raise a minimum of \$200 million at the present time would not occur and that the better way to do it is to look at some innovative adaptive reuse, if you like, of the rail and run for something that can work. The end result is that we have to appear to the tourists arriving at Coolangatta Airport --

The Hon. Dr B. P. V. PEZZUTTI: Seamless.

Mr O'CONNOR: -- on equal terms, equally attractive, clean, smart, modern public transport that will get you to your Lismore, Mullumbimby, Casino destinations, otherwise they will be going the other way because the Queensland Government only this morning has announced the extension of Robina down to Coolangatta to Tugun, and that is a \$200 million-plus project. That is that competitive thing. That is full electric rail, whereas we can envisage a long bendy bus, a very smart vehicle, that will glide up on to the rails - this is proven technology.

CHAIR: Germany.

Mr O'CONNOR: It is another version of light rail, if you like, except that it runs on rubber.

CHAIR: Thank you for that.

(The witness withdrew)

Motion by the Hon. I. Cohen agreed to:

That the evidence and documents received by the Committee excluding the in camera evidence on 21 and 22 March 2000 be made public.

The Committee adjourned at 3.58 p.m.