
REPORT OF PROCEEDINGS BEFORE

STANDING COMMITTEE ON STATE DEVELOPMENT

**INQUIRY INTO OPPORTUNITY FOR STRENGTHENING
RURAL TOWNS IN NEW SOUTH WALES**

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At Sydney on Tuesday 21 March 2000

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The Committee met at 1.30 p.m.

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PRESENT

The Hon. A. B. Kelly (Chairman)

The Hon. I. Cohen

The Hon. J. R. Johnson

The Hon. Dr B. P. V. Pezzutti

LOFTUS WRIGHT HARRIS, Director General, New South Wales Department of State and Regional Development, Level 35, Governor Macquarie Tower, 1 Farrer Place, Sydney

MICHAEL CULLEN, Executive Director, Regional Development, New South Wales Department of State and Regional Development, Level 44, Grosvenor Place, 225 George Street, Sydney

PAUL GERARD COLLITS, Manager Police, Policy and Resources Division, New South Wales Department of State and Regional Development, Level 35, Governor Macquarie Tower, 1 Farrer Place, Sydney, sworn and examined:

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

Mr HARRIS: As Director-General of the department.

Mr CULLEN: As the Executive Director, Regional Development, within the Department of State and Regional Development.

Mr COLLITS: As Manager Policy for the Department of State and Regional Development.

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

Mr HARRIS: I did.

Mr CULLEN: Yes, I did.

Mr COLLITS: I did.

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

Mr HARRIS: I am.

Mr CULLEN: I am.

Mr COLLITS: I am.

CHAIR: If at any stage any of you should consider that in the public interest any evidence or documents you may wish to present should be seen only by the Committee, the Committee will be willing to accede to your request and resolve into a confidential session. However, I must warn you that the Parliament can override our decision and make all evidence public.

Members of the media should be aware that Standing Order No. 252 of the Legislative Council states that any evidence given before this Committee and any documents presented to the Committee which have not yet been tabled in Parliament

. . . may not, except with the permission of the Committee, be disclosed or published by any Member of such Committee or by any other person.

Accordingly, the Standing Committee on State Development has resolved in this regard to authorise the media to broadcast sound and video excerpts of its public proceedings held today. The Committee's resolution conforms with the guidelines governing the broadcast of proceedings adopted by the Legislative Council on 11 October 1994. Copies of the guidelines have been circulated to you.

The Committee wishes to emphasise that when the public hearing commences only the members of the Committee hearing evidence and the witnesses appearing before them may be filmed or recorded. People in the public galleries are not considered to be part of the proceedings and, therefore, may not be included in sound and video broadcasts. Furthermore, any person reporting the proceedings of this Committee is advised that, as with reporting the proceedings of both houses of Parliament, you must take responsibility for what you publish or what interpretation is placed on anything that is said before the Committee.

Loftus, perhaps you would like to make a statement first and then we will proceed with some questions.

Mr HARRIS: I would like to make a couple of comments and then ask Michael Cullen to give a little background in terms of what the regional development division of the department does. I thought it might be a useful context to set. The department has a broad-ranging responsibility in terms of creating or seeking to bring jobs and investment into New South Wales. This is done through a series of processes involving the different divisions of the department, and results in our dealing with a broad range of corporate clients who we seek to encourage to set up their businesses here or, , for companies already operating in New South Wales, to expand their businesses either through changes in their work practices or corporate practices, or expanding into export markets.

Obviously, the issue of regional development is a vexed one, as I am sure the Committee is aware. I should say at the beginning that it is not a universal problem, and that is probably one of the challenging parts about it. No one problem faces all regional communities, in the same way as no one solution matches the challenges and issues faced by every regional community. That is reflected in the work we do and in the way we have structured our programs. A number of our programs are targeted at assisting regional communities and regional businesses.

All of our work, in one way or another, is related to business. We are not the Government agency charged with some of the broader issues relating to the social impacts that occur directly in regional New South Wales, but we are concerned with helping the growth of jobs and businesses. We are always seeking new and different ways and customised ideas to assist our regional clients. As a delivery agency we look forward to the outcomes of your deliberations.

The guiding tenet for us in everything we do is that practicality is the key. A great many studies and much work have been done over the past 15 or 20 years into the issues of regional Australia. Some would argue that the book shelves of regional Australia groan under the weight of the studies that

have been done. The issue we have tried to pursue in terms of being practitioners and deliverers of business programs is that of practicality. We have tried to produce and deliver programs that can create an immediate visible and measurable impact to the benefit of regional businesses. Having said that, I now ask Michael Cullen to talk a little about the framework of what we do and how we do it.

Mr CULLEN: Basically, I shall walk you through some of our objectives, some of the programs and things we do, and some of our results, because it is important to get the context of them. In terms of the department's regional development division, as Loftus said, the key thing for the agency is to bring jobs and investment to New South Wales. The regional development division of the department is charged with ensuring that we get jobs and investment to regional parts of the State. So our objectives are very much recruiting new investment in industry to New South Wales regions and, importantly, assisting the competitiveness of growth of existing businesses in regional New South Wales.

Those two things are linked. We find that about 80 per cent of new leads, new activities and new investment, even in existing businesses, are for businesses that are already there or their supply links, et cetera. That is an important point to make. The third strand of our objectives is to assist communities and regions to build the capacity to harness business opportunities. It is all very well to bring new leads and new business to locations, but if local communities, local business organisations and local councils do not have the professionalism to deal with them in a way that maximises the chance of business going into that location that has a negative impact; people will tell their colleagues that this is not a good place to invest.

It is important to have both ends covered. You need to get leads and you need to have professional capacity at the other end. The last and most important objective is to raise the profile of regional New South Wales as an investment location. There are still some perceptions in the business community and elsewhere that regional New South Wales is not a place to invest. They see reports in newspapers about drought, bush fires et cetera, rather than the positive stories that are out there as well.

In terms of how we deliver that, we have a distribution network of 19 offices across regional New South Wales and 13 Regional Development Boards. Importantly, that gives us the ability to know our patch, have people on the ground who know which stakeholders to deal with and where to get information. It is important to understand some of that. Having said all that, there is a challenge to this exercise. As you will notice in the submission, there has been a decline in activity in the traditional staples of regional New South Wales. Over the past few years in the agriculture, manufacturing and mining industry sectors there has been a decline in employment, investment and export terms. Such a decline has disproportionate location impacts, and we need to be aware of that.

There is also a challenge in terms of the many businesses and communities looking at their own small communities or their own catchment areas. We need to break that because you ignore the global economy at your peril because it comes in on top of you. There are some market failures to provide deal flows for capital raising. One of the great cries from businesses across regional New South Wales is that people cannot get finance to help their business grow. Often, that is a misconception at both ends, and I will talk a little more about what we are doing to address that.

There is also the reality that you need to balance environmental and economic sustainability. It is not simply an ability to have something that is not environmentally sustainable. These

days communities wanted to be involved in the process of deciding what sorts of business come to their location. It is a challenge to manage that but there can be win-win outcomes. Another point—and it is an important point to heed, particularly for us as the New South Wales Department of State and Regional Development—is that there is a perception in the field about lots of government hype about listening and consulting, rather than doing things. The way we go about the business is that we do small things to help break the cycle, to change things, rather than have massive co-ordination mechanisms that are about consulting and co-ordinating but do nothing.

To give you an idea of our achievements, in the last year through our regional development programs our clients have attributed us as being an important ingredient in their decisions to invest or expand over \$360 million worth of investment and more than 2,500 jobs. That was the 1998-99 level, and it represents about a 20 per cent conversion rate on inquiries. We were able to turn about one in five inquiry into something happening on the ground. We are continually trying to ensure that we get more leads through the pipe and convert them better as well. In terms of growth of existing businesses, one point to dwell on is that we ran about 276 seminars on how people might get into exports or look at new industry opportunities. Those seminars reached about 7,500 clients. That means that last year somewhere in regional New South Wales each day we ran a seminar that gave people advice on how to improve their business.

Some additional services are being delivered to the Industrial Supplies Office, and I will be happy to answer questions about that later. We must also address the capital-raising issue and we have looked at running some more investment readiness programs, which we have rolled out over the past year. Of course, a number of traditional programs also assist business activity. I will pick out some key strategies that aim to strengthen communities. Over the past few years, we have introduced the Regional Economic Transition Scheme and Country Centre Growth Strategies. The Regional Economic Transition Scheme looks at areas where there is declining industry and identifies the businesses that can grow. Country Growth Strategies identify locations—they have tended to be the larger centres, but that has spin-offs for smaller centres—where overcoming impediments to growth is critical to ensuring that we realise growth.

As to raising the profile of regional New South Wales, I will pick out a couple of strategies. In the past two years we have rolled out the Regional Business and Investment Tour. Under that strategy, we bring city-based venture capitalists and bankers to the regions to see regional opportunities. It is about connecting those two groups in a small way and looking at the deals that result. I shall dwell on that issue for a moment. There is a view at the regional end that the banks and financial institutions are not interested in regional businesses. At the venture capital end, they say, "If we are to go out there, we want to see not just one but a number of opportunities to make it worth our time". They do not believe there is a deal flow in the regions. We have conducted three regional tours and we discovered that the investment institutions had a remarkably different perception of deals in the regions at the end of the process. It is very important to change the prevailing mindset.

I will give the Committee an idea about our future directions. Later this year, we are looking at running from western New South Wales a trade mission to Asia, which will look at horticultural produce in the Inland Marketing Corporation area. We want businesses from that region to make actual sales. We will also run a June 2000 Regional Business and Investment Tour. In the area of

urban encroachment, we ran a relocation breakfast with Murray Shire Council earlier this month which was attended by Sydney businesses that had expressed an interest in relocating to regional locations. The Real Estate Institute, the department, the local council and the Industrial Supplies Office delivered presentations and made a pitch about regional New South Wales as a business location. We need to change old perceptions.

Our submission states that regional enterprises tend to be locked into their own smaller markets, and we are exploring the idea of bringing groups of companies or individual companies to look at markets such as Brisbane and Sydney. We want them to consider selling their very good products and services in those markets, which would expand their horizons somewhat. We will also continue our investment readiness programs. We are keen to address this year the constant perception in regional locations that there is a shortage of trades and professional skills in that area. For example, there is a shortage of metal trade workers in southern New South Wales. Many organisations, including us, recognise the problem and we are looking at using Cowley's Internet— a company based in Armidale— to list jobs across regional New South Wales. We are also looking at working with firms to identify professional organisations and educational facilities so that they can sell the fact that they are good employers.

That is a rundown on a little of the work that we have done, the rationale behind some of our programs and our future direction. It is important that the Committee gets a feel for that so that we may consider the issues in the context of small towns.

CHAIR: Would you care to comment, Paul?

Mr COLLITS: I was involved in preparing the submission and coordinating input from the program delivery people, particularly the regional development division. We took some care as we wanted not only to place before the Committee our departmental role in regional development issues but to spell out our perceptions of some of the key issues. That involved looking at some of the demographic and economic trends in small towns and examining the impact of factors such as globalisation and the changing farm economy. We also considered some of the success factors common to successful communities both here and in other areas.

It is important to remember that there are not only problem areas— some smaller towns, in particular, have well-known serious economic development challenges—but also success stories. There are some known success factors in communities which go to collaborative leadership, adopting an active approach to economic development at a local level and having a partnering approach involving government and the local community. We examine several of those issues in detail in the submission. We sought, first, to put on record the sorts of things that we are doing for smaller towns, in particular; and, secondly, to look at the context of the issues that the Committee will examine.

CHAIR: Michael, you mentioned encouraging the banks to invest in rural areas. That is particularly important. I am aware of the case of a timber mill—I will not name the town, although it will become obvious—that had been around for a long time. It had sold out, but the former operator wanted to repurchase the business as the current owner had gone broke. He was trying to raise \$200,000. The mill had been operated for 40 years or thereabouts and the businessman approached a bank with a lot of investment in smaller towns west of Dubbo. However, the bank said that, although it had been happy to

lend money to the businessman in the past and it was a good business with a good turnover that had been run well, it was lending money only to people with houses in Dubbo. Do you often come across that sort of scenario?

Mr CULLEN: There are sometimes perceptions at both ends of the equation. Businesses often complain that they cannot get finance from banks. However, when we look into it, we find that there is usually some reason for that: it may have to do with the way that businesses present their opportunities and the way in which they seek to raise finance. Businesses often do not realise that there are several opportunities available to them.

So, yes, we come across that problem. At one end, we are trying to urge firms seeking finance to present themselves in the best possible light. That is what our investment readiness programs, in conjunction with organisations such as Australian Business Ltd, are about. At the other end, we are trying to break down the view of many banks and venture capitalists that there is nothing worth investing in in western New South Wales. We are trying to look beneath the problem and identify the real reasons for that difficulty. We are trying to break down the misconceptions at both ends.

CHAIR: What do you mean when you say "western New South Wales"? You mentioned it in relation to the horticulture promotion in Asia. What do you term "western New South Wales"? I used to think it was where I lived, but Peter Black tells me that Dubbo is coastal.

Mr CULLEN: I am talking about the central west and far west.

The Hon. J. R. JOHNSON: Have you read the book entitled *Jobs of Our Own* by Race Mathews, a former Federal Member of Parliament and State Minister? If not, I will give you a copy. I must admit that it is hard going as it uses words that are not in everyday use. The former Federal Minister Clyde Cameron said in a recent review of the book that he had had about six or eight dictionaries beside him as he read it. However, when he had finished the first 41 pages, it was a good going. The book is difficult to read, but it is invaluable.

For as long as I can remember, companies have said that finance is the difficulty. Why not do something about it through credit unions? It can be done. It was done in Antigonish in Nova Scotia a long time ago. Businesses that could not raise finance started their own credit unions, which financed everything else. Some operations will always have a problem raising finance, so we must fix the problem. I believe it is in their hands. Have any of you observed the work going on in Mondragon in Spain?

Mr HARRIS: No.

The Hon. J. R. JOHNSON: It is in the book. Some years ago, a priest visited the Basque country in Spain and decided to do something about the poverty in that region by starting cooperatives. I read some time ago—I showed the passage to the Chairman—that the region went from the highest unemployment rate in Europe to the lowest. It has vast enterprises that have expanded massively into Europe. People involved with the co-operative movements in this country know all about Mondragon, but no one has been there.

CHAIR: It is the biggest employer in the Basque region and has the seventh biggest turnover in Spain.

Mr HARRIS: I am curious. Does it have special European Union provisions?

The Hon. J. R. JOHNSON: Mondragon was there before the Union.

Mr HARRIS: It is a little like the clustering in northern Italy.

The Hon. J. R. JOHNSON: If a person is a wheelwright, that is all he does. The man who makes the hoop is in a different section; he has another enterprise. Someone else makes the metal junction for the axle. There is very good demarcation and everyone's output is Rolls-Joyce. No shoddy products are produced.

Mr HARRIS: Because they are all interdependent.

The Hon. J. R. JOHNSON: They are all interdependent on each other.

Mr HARRIS: I would be interested to look at that. What also may be of interest is some of the work that Michael Porter did in his book *Competitive Advantage of Nations*, studies on the northern part of Italy and growth of the clusters. That is a similar process of interdependency and growth of a natural standard of excellence.

CHAIR: Could you expand on the clusters in northern Italy? Different towns seem to have different clusters of different types of industry and the Committee is particularly interested in those.

Mr HARRIS: Yes. There is quite a lot of evidence in relation to tiles, as Dr Pezzutti said. The growth of the tiles industry has resulted largely from that interdependence. They are virtually the villages in valleys that have been forced by geography and circumstances to work together fairly closely but have recognised that they have a niche opportunity in the very large markets that surround them. This debate is also true in the textile business. A lot of the knitted fabrics, particularly the Italian knitted fabrics that go to high fashion, are being done in northern Italy in much the same sorts of circumstances.

It is probably one of the best regions in terms of clustering, if one subscribes as I do to the theory of clusters, and it is a fantastic way for our niche markets to provide an opportunity for small and regional activity. One sees the same thing in some ways in parts of regional Australia where the capacity to create a sustainable competitive advantage is really dependent on finding a niche opportunity, whether that niche opportunity be Gwydir olives or what have you, you pick a particular industry and you have a competitive advantage that is sustainable.

The risk and one of the challenges for Australia and indeed economies shaped like Australia such as North America, Canada and the United States, is that so much of our rural and regional economic activities have grown on the back of broadly traded commodities. The problem with commodities is that as the market demands greater efficiencies, that thins away the work force that supports those industries but also—and I think this is the most important part—you become a price taker rather than a price maker. You are constantly at the whim of world markets. Australian standard white

wheat will only sell for a particular price on any given day. There might be fifty cents a tonne in it but that is about it. However, if one can differentiate the product, and that is what happened in northern Italy, that is the sort of thing we should be seeking for small communities in Australia.

The Hon. J. R. JOHNSON: Have we sent people over there to look at these operations?

Mr HARRIS: No, not that I am aware of.

The Hon. J. R. JOHNSON: It fascinates me that we can go everywhere else in the world but we do not go to where there is proof of performance in job creation. Put it on the Treasurer's list to give a tick to.

The Hon. I. COHEN: I have recently had a close look at the silicon smelter project in Lithgow, which raises a complex set of regional development issues. Have you been involved in that? There has been considerable debate about double-Bs on the road and getting them on to rail. Is your organisation in communication with State, rail to facilitate cheap, environmentally friendly transport for materials on the inland industries? There was also debate on extracting timber for charcoal from fairly specific areas such as Pilliga State Forest, however that is in at the issue. Does your organisation have a role in looking at alternative sources. There has been talk on importing coal from New Zealand. We have the technology to clean up the coal that is in situ in Lithgow and encourage industry on-site so that if there is to be a smelter developed there, it can be done in an ecologically sustainable way. Have you looked at that?

Mr HARRIS: I am going to be a bit of a disappointment here. I am aware of the issues that you raise and I have read about them. I suppose the primary involvement we have had was in the early part of looking at whether the business model would work rather than necessarily looking at the inputs. We have had no direct involvement in considering transport or transport alternatives for the proposed Lithgow smelter. I do not have the technical skill, nor does anyone else in my department, to go into the cleaning up of the coal issue. It is not something we would do.

Our organisation is increasingly focused on business cases. As the roles and shapes of government departments have changed, we are finding that we are more involved in the modelling of a business such as looking at whether that will work within the bounds that are provided to us. There are then roles for other agencies that have a greater degree of technical skill. We have not attempted in any of the projects that we handle to necessarily home grow those sorts of skills that would address those issues within the department.

The Hon. I. COHEN: In looking at the hardwood timber industry, the Government has referred to value adding and it calls making charcoal value adding. I receive a lot of feedback as a Green that there is a fantastic market for specialty products out of hardwood such as banister railings and furniture, not only in Europe but I understand there is a market for Australian hardwood in Indonesia, which is turning away from its local product in Jakarta. Are you involved in looking at those sorts of projects? Can you see ways to develop that type of niche marketing strategy?

Mr HARRIS: I will ask Michael to comment on that. One of the things we have done is that because of there is a multiplicity of these sorts of opportunities we have now recruited a dozen agribusiness officers whom we have put into the field. We have recruited them from the business community essentially, and their backgrounds are in agribusiness and in developing niche opportunities for agricultural primary based products. That is worked out quite well for us. Those people have been involved in everything from aquaculture to olives to timber.

Mr CULLEN: The point of having people out in the field is to be able to work with those individual companies with those sorts of opportunities. I will give a few examples. Up on the North Coast our agribusiness person is actually working with using camphor laurel as a product for export to China because it is high quality and there are also a number of timber processing opportunities in parquetry that we deal with. However, it is the individual firm coming to us and saying, "We have an opportunity to build a business. Can you help us access programs and services and put us in contact with people?" We also get groups of those companies together such as a group of companies called Australian Design Hardwoods to package together to Japan a whole range of products from banisters and other high-quality uses of timber. Without giving 55 different examples, we are doing things with individual companies and groups of companies to be able to sell their products in niche markets and, most importantly, to get a higher return on those products rather than the base return they would otherwise get.

The Hon. I. COHEN: Have you considered finance from State superannuation funds to have an alternative finance base to activate rural New South Wales industries?

CHAIR: I think I heard just recently that one of the superannuation funds have allocated a certain percentage of the money to rural industry. The money will be invested in rural areas although obviously they will expect a reasonable return for it. It could well have been State Super.

The Hon. J. R. JOHNSON: I read about one of the union's superannuation funds.

CHAIR: It was one of the unions superannuation funds. If you know anything about that you might tell the Committee about it in answering the question.

Mr CULLEN: There have been some superannuation funding proposals. To be honest, all of the proposals we have seen have not been able to get off the ground simply because they have tended to put those people with most to lose, those most at risk, with risky opportunities. It may be that the particular model proposed in Coffs Harbour called for "Supervision" and unfortunate that has not been able to get off the ground properly for taxation reasons and the way it operates. We are aware of those sorts of opportunities.

We are also aware that IMB, a credit union in the Illawarra, has put aside \$500,000 as part of a foundation to look at helping local economic development. Their catchment is from the Northern Rivers down to the South Coast so perhaps the name is a bit of a misnomer. The State superannuation authorities have expressed interest in financing but they are wanting opportunities to be packaged up for them so it is on a scale that they can make sense of. A lot of work has been done. In Victoria, Race Mathews partner, Iola Mathews, had lots to do with one of the cannery operations but in terms of universal application of superannuation funds, we are at the front end of that and there has to be a more

sophisticated approach to it. I am also aware that the Local Government and Shires Associations have been looking at that but it has not progressed to the stage where it is a product that is applicable to regional areas at the moment.

The Hon. J. R. JOHNSON: It is a product but it is not bankable.

Mr CULLEN: Yes.

Mr HARRIS: A lot of this is a voyage of discovery for us from time to time, as it is with a lot of the communities we work with. One observation is that we have the regional business investment tours but when we began we thought it would be an exercise in exposing financial institutions venture capital groups trading houses to the opportunities that existed in regional New South Wales. That worked and it pretty much met all our expectations but one of the unexpected things we saw was that regional companies recognised the need to package up their opportunities.

We are dealing with people who are very competent and able and who run good businesses and recognise good opportunities but do not interact every day of the week with people who are in the venture capital business, to whom it is a matter of probable indifference as to whether the investment is in Peru, Belgium or Dubbo. We have noticed there is a real opportunity in the market which we have now begun to exploit to help regional companies bring themselves up to a point of being investment ready. We have started that through all of our regional offices and are running investment readiness programs to help those companies package up but we would not have recognised that if we had not gone into the dynamic of seeing the interaction of those two groups. That touches on the very point you raise.

The Hon. I. COHEN: A few of us attended the salinity conference at Dubbo last week. I raised a sister community type of relationship in which a cultural exchange could look towards rejuvenating some of the country areas that have their backs to the wall, with the salinity problem. Has your department looked at that at all? You have mentioned student exchange, but what about the opportunities for people to get out of the city into country areas in a way similar to sister city relationships? How could that be used to boost productivity in country areas?

Mr HARRIS: I have to say that we have not done that other than through programs such as the Regional Business Investment Tour. The view that we tend to take is to target business-to-business if we can because that is the brief on which we are measured and that is the performance criterion that we work on. In terms of increasing the level of understanding, which I think is broadly what you are driving at, there is enormous value in that. If literacy, if I can use that word, or the literacy component in the issues that confront regional Australia, can be enhanced, that would be of enormous value not only to people who live in the cities but also to people who actually live in those country communities. While in many of those small communities there are real, genuine and visible challenges, there is also a presentation factor that becomes important.

If you tell people often enough and always that it is really bad, then they will begin to believe you. In recruiting inbound investments, that is an issue for us. I will go back to the example of the Regional Business Investment Tour which is how we got to the investment-ready issue. We found that

when we were putting the venture capital and trading groups into meetings in regional and rural New South Wales, they were being told immediately how bad things were. The issue for them was that if things are so bad, at the press of a button they could move the stuff on the screen. Their colleague who is working for Chase Manhattan in Peru says that there is fantastic investment there, and they decide they will go after that. I think there is a perception issue on both sides.

CHAIR: You have touched on a couple of countries in which we are particularly interested, Mondragon and Northern Italy. Last week we were visited by the Irish Prime Minister who pointed out that, in contrast to days gone by when the Irish fleet, as he put it, arrived in Australia in 1788 with a net export of workers from Ireland, currently Ireland is short of 253,000 workers, particularly in smaller country towns which seem to be having a boom. Have you done any investigations or do you have any comments on what is happening in Ireland's rural scene?

Mr HARRIS: We have actually looked at Ireland quite a lot because the Irish Development Board is one of the best development programs in the world. They are aided and abetted by extraordinarily large sums of money—mostly out of the European union—which have helped them, but that does not mean that they have not applied the money well. There are an awful lot of lessons to be learned. To compress a pretty broad issue into a couple of bite-sized pieces, what the Irish have done is pursue a niche opportunity. May I say that it is the same niche opportunity in a broad sense that Australia needs to pursue. The Irish have made sure that they have a very well educated, highly literate and technically adoptive group of people who have provided the single most important reason for businesses to actually seek to invest in Ireland.

The Hon. J. R. JOHNSON: Yet 20 years ago, Ireland was criticised for pouring so much money into education.

Mr HARRIS: It has worked and that is a matter of fact. Honestly, it is the factor that is very important for us as well because if there is a suite of activities that will help rejuvenate and retain the social fabric of regional Australia, it is by having, as I said before, a sustainable competitive advantage. We are not going to have a sustainable competitive advantage by seeking to set up factories to make Nike tennis shoes, paying people \$2.50 a day and competing with central Java. The niche advantage for us is a well-educated, literate, broadly based, skilled community and that is one of the great lessons coming from Ireland.

The Hon. Dr B. P. V. PEZZUTTI: I have some less cuddly questions. I noticed in the brief prepared by Paul Collits, which I have read in its totality, and on page 4 of the summary produced by the committee that there is a whole suite of the services that the government is "gonna" deliver to regions, such as the Regional Co-ordination Plan, the Regional Data Profile, the Premier's Working Together Forum, the Strengthening Communities Unit, the Office of Regional Communities, the Government Access Program, Rural Access Strategy, Regional Service Delivery Plan, Community Builders Web Site, Drugs and Community Action Strategy, Regional Communities Consultative Council and the Relocation of Public Sector Positions to Regional New South Wales.

When I tried to find out what, apart from talk, was involved in all of those programs, I was unable to find out how much use they are. I was unable to find out how much money is involved in all of those programs. Not one of them mentioned access to services such as education and health and

making the services the same in country and rural New South Wales as they are in the city. It is not necessary to answer today, but could you provide me with an indication of how much money is involved in the programs listed on page 69 to 76 of your submission and what those programs have done?

CHAIR: I should add that this inquiry will extend for a reasonable time. When you receive the *Hansard* transcript, if there are any comments you would like to make on the basis that in relation to some of the things you have said you would like to provide us with some more information, then do so.

Mr HARRIS: We are perfectly happy to do that. I think that a number of those matters are probably issues that you would want to raise with the Premiers Department when you speak to them because I think they are issues that are being handled there.

The Hon. Dr B. P. V. PEZZUTTI: In this wonderful document, "Rebuilding Country New South Wales", under "Background" on page 7, why did you use the National Institute of Economic and Industry Research May 1997 figures when the figures go back to 1995-96 and are put in as gross regional product at 1989-90 prices? It is the most extraordinarily complex table which means very little, so I just wondered if you could please explain for the reasons I have outlined why that table is included in that way. The next question I have is a very important part of this whole inquiry because it builds up to development of a plan. You can take this question on notice because it is complex. The other question I have relates to the Regional Infrastructure Management Plan to be completed by the end of 1999. Do you have a copy that you could send to the committee?

Mr HARRIS: I have not.

Mr CULLEN: That is something that has basically been undertaken by the Infrastructure Co-ordination Unit.

The Hon. Dr B. P. V. PEZZUTTI: The committee would need a copy of that, and I want to know where the money is coming from for the plan. It is very important that regional cities and areas understand what the Infrastructure Management Plan is.

CHAIR: When Mr Cullen said it was undertaken by the Infrastructure Co-ordination Unit, is that part of the Premiers Department?

Mr CULLEN: Yes.

The Hon. Dr B. P. V. PEZZUTTI: After all, the submission points out that the New South Wales Government released its Urban Infrastructure Management Plan in March 1998. As far as I am aware, the rural and regional plan has not been done yet.

Mr HARRIS: This is an issue that we will take up with the Premier's Department.

The Hon. Dr B. P. V. PEZZUTTI: The Regional Development Scheme and the Main

Street Program did not have very much money going into them for the whole of country New South Wales. It was \$3 million over three years, was it not?

Mr CULLEN: In terms of our budget last year for various regional programs, it was \$13.874 million.

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

Mr CULLEN: Yes, for those programs. But this figure represents predicted expenditure.

The Hon. Dr B. P. V. PEZZUTTI: You refer to case-by-case examination of matters. Could you explain the outcome in totality for the Northern Rivers or the Far North Coast of New South Wales, which I think is one of your regions, of intervention for the resurrection of the abattoir at Grafton by Ramsays? Could you include the benefits that Ramsays were offered and how that impacted on a very profitable and very successful operation at the Casino meatworks? I will give you all these questions now because we do not have much time left. If you will take the questions on notice and get the answers back to us, that would be good. The case study should have been written up in terms of achieved objectives. At the end of the project, it should have been written up to show what happened and how it was done.

On page 18 under "Objectives", the document states that the revitalisation of the regions and regional communities need a vision, leadership, partnerships, strategy and action. It is the action part I am interested in. It needs lots of money. How much government money is needed to achieve the objectives that the Government has set itself in this document? I do not want to know how much money has been allocated: I want to know how much money is needed. Establishment grants are referred to on page 20 and I want to know how much that may involve a year. How much money is going into the Community Economic Development Program in total? Is that \$13.3 million? Is that the figure that you have used?

Mr CULLEN: It is part of that.

The Hon. Dr B. P. V. PEZZUTTI: The other topic is information technology. I see that Kim Yeadon is on the job on page 22 where it is stated that he is developing new opportunities for industry, development and community involvement in information technology. Could you give me the result of his intervention and how effective it has been? Also on page 22 at paragraph 6.5, "Government Beyond The Major Cities—An Integrated Government Service Delivery Plan", it is stated that the principal aims are to provide equitable access to government services. Could you indicate also whether you can ascertain how close to equitable access country people are to education, health and transport?

This committee did a report on the Education Department's operation of regional headquarters and at that time we reported extensively on Ireland and on the establishment of major industries in northern England based on a highly educated workforce. What is being done by your department to ensure that a highly educated workforce exists and that educational opportunities are available in regional New South Wales in TAFE to make sure that people are job-ready? I notice that there is a deal of reference to the Central Coast. Is that considered to be a region?

Mr HARRIS: Yes.

The Hon. Dr B. P. V. PEZZUTTI: That is part of regional New South Wales?

Mr HARRIS: It is.

The Hon. Dr B. P. V. PEZZUTTI: Is the country embassy still operational?

Mr HARRIS: It certainly is.

The Hon. Dr B. P. V. PEZZUTTI: How much money is that turning over in terms of investment for country New South Wales? How much do you reckon it is helping to get money into regional New South Wales? I think it is great.

Mr HARRIS: The only figure I can give you off the top of my head is that about four or five years ago the country embassy was seeing approximately 8,000 on 9,000 people who came through its doors each year. Over the last few years, we have lifted that to 22,000 a year and we expect to break 30,000 in the next couple of years. It has been an extraordinarily valuable asset.

The Hon. Dr B. P. V. PEZZUTTI: Do they do analyses? What do they do with their exhibitions or field days? Do you have any estimate of how they have assisted? You do have some feedback mechanisms.

Mr HARRIS: We do. You stand much better chance of measuring the activity quite often than you do of measuring the outcome. You can guestimate the outcome. Generally, if it is successful, there is a reluctance to spread the word too widely on the part of the exhibitors until the deal is done.

The Hon. Dr B. P. V. PEZZUTTI: Do you get letters back from very happy companies which state, "As a result of this study we have written this?", or do they give you a number?

Mr HARRIS: They are often reluctant to give you a number. There is a standard form that we use whenever anyone does a presentation. We can get a qualitative estimate of the impact. It is harder to get a quantitative estimate.

The Hon. Dr B. P. V. PEZZUTTI: I wonder whether you shouldn't establish one of these in Newcastle as well.

Mr HARRIS: There is a very similar display area in Newcastle. We have it in the office. It is near the front of the building. It is a display area that is 20-odd square metres. It is actually quite a big area. You can put 80 to 100 people in there.

The Hon. Dr B. P. V. PEZZUTTI: I refer to the lifestyle comparisons on page 31, and to the table that has been produced. I would like you to explain to me what that table is attempting to point out. On page 32 the submission states:

Journey to work travel times are considerably less in regional areas as many employment opportunities are located within the local area.

Have you actually done any measurement of those travel times, or have you just put your finger up in the air? I know that a lot of people travel long distances to go, for example, from the farm to the hospital. They undertake long and arduous journeys twice a day, and not on public transport subsidised by the taxpayer. They travel under their own steam on difficult and dangerous roads. I want to know what the basis of that statement is. On page 32, under the heading "Country Lifestyle Program" the submission states:

To do so the Government will not only promote the availability of jobs in regional locations but also promote regional NSW as a viable alternative for the potential employee.

What does the Government do to get people from Sydney to work in country New South Wales? What does it do to find a work force, because there are many employers in country New South Wales in search of a work force. The other question is: With capital being able to move wherever it likes but with people not being so mobile, do you believe that capital will chase people?

CHAIR: I have seven questions on notice that I will incorporate in *Hansard*. You will get them when you get the *Hansard*. We will probably send you some more questions. The stuff you have given us today is a great start. The questions are:

1. What opportunities exist for strengthening social and cultural ties between metropolitan and non-metropolitan areas? (for example school student exchange)
2. Does NSW Department of State and Regional Development see any benefits in promoting the Arts and Entertainment industrial in rural New South Wales? What is NSW Department of State and Regional Development doing to expand rural New South Wales's exposure to the Arts and Entertainment?
3. What measures do NSW Department of State and Regional Development advocate for small rural towns to adapt to economic rationalisation of Federal and State Government agency offices and services?
4. Does NSW Department of State and Regional Development support the application of economic and social indicators to rural towns for the purpose of addressing inequity?
5. What are the major factors that contribute to the development of economic clusters?
6. How important is leadership to economic development of rural communities?
7. Under what conditions are economic cooperatives most effective? How appropriate are cooperatives for strengthening rural communities in New South Wales?

(The witnesses withdrew)

(The Committee adjourned at 2.35 p.m.)