



COMMONWEALTH OF AUSTRALIA

SENATE

Official Committee Hansard

EMPLOYMENT, EDUCATION AND TRAINING REFERENCES
COMMITTEE

Reference: Regional employment and unemployment

WEDNESDAY, 29 APRIL 1998

PORT PIRIE

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SENATE

EMPLOYMENT, EDUCATION AND TRAINING REFERENCES COMMITTEE

Wednesday, 29 April 1998

Members: Senator Crowley (*Chair*), Senator Tierney (*Deputy Chair*), Senators George Campbell, Carr, Denman, Ferris, Stott Despoja and Synon

Participating members: Senators Abetz, Allison, Bolkus, Brown, Colston, Forshaw, Mackay and Margetts

Substitute members: Senators Carr and Mackay

Senators in attendance: Senators Crowley, George Campbell, Carr and Ferris

Terms of reference for the inquiry:

- (1) An assessment of the factors that contribute to the disparity in employment levels between different regions and also between regions and capital cities, as well as the continuing high levels of regional unemployment, with particular reference to:
 - (a) the impact on job opportunities as a consequence of increases or decreases in the level of federal, state and local government funding and services;
 - (b) the direct and indirect loss of income to regional communities;
 - (c) its impact on the level of private sector investment and activity in regional communities;
 - (d) the effectiveness of labour market programs and vocational education and training on job creation in regional areas; and
 - (e) assessment of the effectiveness of current and previous governments' funding and program delivery in promoting regional job creation.
- (2) an examination of remedial strategies that have or can contribute to reducing regional unemployment, including any overseas experiences.

WITNESSES

ARNOLD, Mr Peter James, Chief Executive Officer, Port Pirie City and Districts Council, PO Box 45, Port Pirie, South Australia 5540 200

MADIGAN, Mr Kenneth Francis, Mayor, Port Pirie City and Districts Council, 85 Ellen Street, Port Pirie, South Australia 5540 200

MALCOLM, Mr Mark Stuart, Executive Manager, Port Pirie Regional Development Board Inc., 85 Ellen Street, Port Pirie, South Australia 5540 200

Committee met at 5.08 p.m.

CHAIR—I declare open this hearing of the committee. I welcome all those in attendance this afternoon. I have spent the day apologising for being late. You can understand that our apologies have now got to the stage of being heroic. We appreciate very much those in Port Pirie still allowing us to hear from you a good hour behind time. We are most grateful to you for accommodating us.

I make it clear that we knew when we came to talk about the impact of jobs and employment in regional Australia that if we went to the Upper Spencer Gulf region we would get no mileage if we went to two out of the three or one out of the three regional towns in the area. We were very insistent that we come to Port Pirie as well as Whyalla and Port Augusta. It means a crowded schedule. We are glad to be here and we are enormously appreciative of your tolerance for us being an hour late.

[5.11 p.m.]

ARNOLD, Mr Peter James, Chief Executive Officer, Port Pirie City and Districts Council, PO Box 45, Port Pirie, South Australia 5540

MADIGAN, Mr Kenneth Francis, Mayor, Port Pirie City and Districts Council, 85 Ellen Street, Port Pirie, South Australia 5540

MALCOLM, Mr Mark Stuart, Executive Manager, Port Pirie Regional Development Board Inc., 85 Ellen Street, Port Pirie, South Australia 5540

CHAIR—I welcome the representatives from the Port Pirie City and Districts Council and the Port Pirie Regional Development Board Inc. The committee prefers all evidence to be given in public but should you at any time choose to give your evidence, part of your evidence or answers to specific questions in camera you may ask to do so and the committee will give consideration to your request. I point out, however, that evidence taken in camera may subsequently be made public by order of the Senate, as has happened in the last few years. The committee has before it submission No. 21 dated 9 April 1998 from the council. Mr Mayor, are there any alterations or additions that you would like to make to that submission at this time?

Mr Madigan—No, but I think you need to know the city that you have visited. I extend a welcome to the members of the Senate to Port Pirie. We are very pleased that you have travelled so far and made the effort to come and listen to what we have to say and have a look at the city. The city has undergone two amalgamations in the past two years with rural councils. It is not usual that rural councils have the confidence or the trust in city councils to have an amalgamation. We feel quite privileged that we have been able to come together and form a region of 18½ thousand people.

As you have said, I think it is very important that you come and see the third city. There is a lot of difference between the three cities and that needs to be outlined to you. Some 21 per cent of the work force in Port Pirie is in manufacturing. That is considerable. They are facts that you need to know. They make us different from perhaps the other cities that you have visited.

Another thing you need to know is that Pasminco Bhas Smelters has recently allocated \$125 million to upgrade the smelter here. That means that we not only have a future but also have a very good future ahead of us. It makes us less dependent on perhaps the supplies in Broken Hill. The rural side of the amalgamation has provided us with great opportunities for tourism. From the rural point of view, it has provided them with great opportunities to utilise our facilities and have a say in what happens to the city, which they rely on so much for their services.

CHAIR—That is very useful information. I should complete the official business. Do we have a submission from you, Mr Malcolm?

Mr Malcolm—No.

CHAIR—Mr Arnold, you assist Mr Mayor?

Mr Arnold—That is right.

CHAIR—Is it the committee's wish that the submission be received? There being no objection, it is so ordered. Before we start, we note that today was the funeral of Bishop De Campo, who was a very faithful and very much appreciated and liked important person in this area. On behalf of the committee—Senator Ferris and I knew him; I certainly knew Bishop De Campo—I convey our sympathy to the city and to those associated with the bishop.

Mr Madigan—Thank you, I will pass that on.

CHAIR—Mr Mayor, would you like to continue speaking to the committee about the things that you would particularly like to draw to our attention?

Mr Madigan—Yes, there are a number of things. I have been through this before. You will remember that when Minister Howe came to the Spencer region five or six years ago he had just found a report on regional development in the archives in Canberra and it had been there for 20 years and nothing had been done with it. I am sure you can remember that. Minister Howe acted on that report but, unfortunately, funding was withdrawn with the change of government. To be frank, I find it difficult to identify what Canberra has been able to do to stimulate employment in regional South Australia.

CHAIR—Would you like some comment back on that?

Mr Madigan—Yes, certainly.

CHAIR—The information we would like from you, which is, in particular, on ideas you have on how to address this problem, is really what we here for. We were told today that, for example, government funding was provided for the initial research into the prospect of schnapper breeding at the top of the gulf around Port Augusta. It was proved to be a goer and now private enterprise is able to come in and pick up on that. The argument was put to us an hour ago in Port Augusta that there is a very good place for public sector dollars in the research area. We have also heard that it is very important that public sector dollars be spent on critical infrastructure. Public sector infrastructure has a multiplier type effect which allows other private investment to assist with job creation.

Mr Madigan—I think my chief executive officer would like to comment on that.

Mr Arnold—Not only in the area of aquaculture but in tourism generally is where we would like to see government funds spent on infrastructure. After two very recent amalgamations the council area has a population of approximately 18,000. Port Pirie makes up about 14½ thousand of that total. We have smaller rural townships and a fairly large farming area as part of that.

This afternoon Joy Baluch spoke to you. Joy would have put a submission to you on behalf of the Association of Provincial Cities. That submission was prepared by the South

Australian Centre for Economic Studies on behalf of the association. The Port Pirie City and Districts Council supports that submission.

I have a few more relevant points about Port Pirie. It was the first provisional city established in South Australia. Since then the population of Port Pirie has declined to a point where it is now equal in size to Port Augusta. It has been surpassed by Mount Gambier and Whyalla. Port Pirie's unemployment rate is the highest of the provincial cities, both in terms of total unemployment, which is 15.4 per cent, and youth unemployment, which is 39 per cent. Employment declined from 1986 to 1996 by 647 people—566 of those were from the manufacturing area. The employed population of Port Pirie has fallen faster at minus 1.3 per cent than the total population at minus 0.6 per cent.

We have had public sector job losses in AN, ETSA, MFS—the Metropolitan Fire Service—Telstra, SA Water and Port Pirie Regional Health Service. The rate of employment growth is minus 10 per cent. The Department of Social Security recipient ratio is 38 per cent.

We feel that there is a population drift away from Port Pirie towards Adelaide and other cities. Not only is the population decreasing but many of those who do leave us are high achievers. Therefore, there is a greater loss to our community. Our population decline means a decline in retail and a loss of confidence. Businesses are reluctant to invest in areas of little or negative growth.

The council does not feel that employment programs—which we have had many of over the years—have been of lasting benefit. We feel that the employment is not sustainable unless the business where those employees are is sustainable. Direct investment in private enterprise is seen as a more likely stimulus to improved employment outcomes.

We have talked about infrastructure. We certainly believe that there is a great tourism potential in the southern Flinders Ranges. We feel that it is currently grossly underdeveloped and undermarketed. Investment in infrastructure and in marketing is required before substantial private investment in those areas can be anticipated.

I turn to government enterprises. There seems to be little or no collaboration between the REDOs and our own regional development boards which, as you know, are a joint effort by state and local government. They need to be united in their aims. Higher tiers of government need to understand that one size does not fit all. Different regions experience different problems and solutions will also vary. Therefore, it is important that funding be direct with minimal interference.

This council has two economic development arms. We have the Regional Development Board, which Malcolm will talk about, and the Regional Tourism Board. Both are independent of but funded by the council. The former in association with the District Council of Mount Remarkable and the Northern Areas Council as well as the state government.

Employment is council's major aim for both of those enterprises. Federal and state assistance is required to enable both boards to become more effective. The boards must coordinate with neighbouring boards and the state and federal governments. However, we

believe the members of those boards know best what is required in this region and economic development will best be achieved by direct funding, largely free of political and bureaucratic interference. In summary, the council supports the establishment of a regional rejuvenation program, that Joy Baluch put to you, to coordinate the tiers of government to direct investment in private enterprise and in infrastructure and marketing to boost the tourism industry.

CHAIR—Thank very much, Mr Arnold. We should hear from Mr Malcolm and then we can ask questions of all of you.

Mr Malcolm—I thank the Senate inquiry for the opportunity to speak to you. Obviously we have not had a lot of notice or the opportunity to prepare detailed documents for you. The submission prepared by the Centre for Economic Studies is a good report. Generally we support it. The specific terms of reference of the inquiry are well addressed in that submission. The data and statistics that are provided are very relevant. The conclusions are quite obvious.

I do not think I will spend my time trying to demonstrate the enormity of the problem and the challenges that the cities in the Upper Spencer Gulf face. Clearly, they are challenges that other provincial and regional cities throughout Australia are tackling right now. Our problems are specific. Certainly at a more local level, the problems that we face in Port Pirie and in the immediate region that I work within are more specific again.

I will not particularly dwell on the specific terms of reference that were provided. I think they were generally well covered. I might summarise my thoughts on where I see the disparity of employment opportunities across regions and between regions and capital cities. I certainly concur with what has been said in that report that I have mentioned. I summarise by saying that those disparities of employment are related to the performance of our regions in terms of the terms of trade of the key industry that are contained within each region. Notably here it is metals and minerals processing and traditional primary industry pursuits.

Another factor is the relative impact on our region of structural changes that are occurring right throughout our economy. Obviously major changes of reform at an industry level impact on each region quite differently. If we look, for example, at Pasminco Metals, our largest single private sector employer, we find that they have had massive changes in employment and that is not because they are not performing as a company. It is quite to the contrary. They are producing more product and doing it better and at a higher quality and at world's best practice but with less people. That is not something new to you. I am sure that you would see that throughout many of our industries. That is particularly apparent here.

CHAIR—Mr Malcolm, did you say that it is \$120 million in investment that they are putting in? What exactly is that for? Is it for the upgrading of technological equipment?

Mr Malcolm—Yes, it is for a wide range of initiatives. Some of them are driven by the environmental issues, which is positive, but most of them related to improvements in productivity within their lead refinery. There has been major investment on the wharf in covering zinc constraints, for example. There has been massive investment in taking what was formerly the jarosite, which was dumped at sea years ago off Tasmania, and reconstit-

ing it into paragerthite. It is going through Pasmenco as we speak. More materials are being taken from it. It is a positive from a national and environmental point of view. It has required quite massive investment in technology there. They are the sorts of things that are happening in Pasmenco.

CHAIR—What is happening to lead?

Mr Malcolm—Lead as a product?

CHAIR—In terms of pollution. Are they intending to lower those levels even further?

Mr Malcolm—Certainly, that has been since the very early 1980s. There has been a lot of investment in that area. That has been done in conjunction with the state government. We still have in the city the Environmental Health Centre which is continually monitoring that. While I do not have the statistics at hand I could certainly provide you with those. I think Pirie can now boast that it has virtually reached the very moving targets that have been required at an international level. Blood lead levels in our children have declined to such an extent that it is really primarily a monitoring and continual improvement phase.

If I can just go on with the things that impact directly on regional economies. As mentioned in that report, one is the degree of specialisation. Obviously the more specialised you are the more vulnerable you are to economic shocks that can influence it. Also there is the relative impact of the government employment decisions. Certainly rationalisation is an example. Government departments shrinking back to capital cities has obvious impacts and that is well documented in there as well.

The actual nominal unemployment numbers and the rate of unemployment in any provincial city is also affected by the decisions of people in outward migration. Pirie has had only a very slow population decline over the last 20 years. That is reflective of the very long history of Port Pirie and the very close social ties people have. People are very reluctant to move. That tends to maintain quite a high unemployment rate here compared to some regional cities where there tends to be more immediate outward migration due to downturns in industry. That is a positive in that the social networks here keep people here. The consequence of that is the entrenched and chronic unemployment that exists in the city.

If I could now turn to looking at the board and how I think this inquiry relates to us. The Port Pirie Regional Development Board is jointly funded by state and local government. At this time, the Commonwealth takes no position and provides no real direct assistance to the development board. Our role in very broad terms is to facilitate economic development in our region. But quite specifically it is, in a sense, to grow the pie—to make our local economy larger for the efforts that the board is putting in.

We measure our success with two variables. They are the amount of investment dollars that we are able to attract into our region and the amount of measurable and direct employment outcomes, whether they be new jobs in our economy or our efforts in retaining existing jobs. Over the last six years, for instance, the board has, in cooperation primarily with the private sector, been engaged in projects that have created or retained around 600 jobs. The

cost of that has been about \$4,000 a job. That is taken over that entire period, the total costs of operating the board, its administrative costs and its direct assistance measures to industry.

We work specifically at an enterprise level. We will take initiatives that are at an industry or sector level, but, quite frankly, we have an annual budget as an organisation of \$310,000. The extent to which we can influence macro issues or industry scale issues is very limited. Where our success comes from is dealing at an enterprise level, particularly in small to medium size enterprises, with delivering their business goals. We have found that that has worked for this board and we have been able to achieve results with it.

What does that mean for this committee? What I am saying addresses the final term of reference which is looking for remedial actions for unemployment. We believe that while labour market programs have a place in addressing things like frictional unemployment—in other words, getting people to match opportunities that are out in the economy now. That is an important function but it does not create new jobs.

CHAIR—Could you begin to conclude because we are dying to ask you questions.

Mr Malcolm—The central point I am trying to make is that the labour market programs that have been pursued in the past have not really delivered full potential. They have not been able to deliver job creation which is essentially what the board is interested in. We have been frustrated in the last 2½ years with the apparent lack of interest from Canberra in my board and in trying to assist my board work with industries at an enterprise level to produce results. We have got experiences in trying to engage with some of the federally funded job creation programs. I would have to say that it has been extremely frustrating. I believe that it is often the case that we do not see the Canberra bureaucrats. They are distant telephone calls based only on submissions. There is very little positive interaction. You do not get this for example. I think that has left us with a feeling that we are just not getting the support for the things we do.

Senator CARR—The closure of your regional office would probably make that much worse, would it not?

Mr Malcolm—It does to a certain extent. If I can give one example. I think the Australian national rail reform transition program was a fundamental and the largest single initiative that I have seen to drive economic development in the regions affected by the withdrawal of aid. We continually found difficulty in getting money out of that program for the things that we believe are the priorities for our region. We have put submissions up that are well founded and based on our track record. For example, we invited the AN fund to participate in an initiative of this board to establish a development fund locally that would specifically fund at an enterprise level initiatives that would produce new employment. We could not even get it past the first post.

Senator FERRIS—What was given as the reason for that?

Mr Malcolm—The only reason given was that they do not want to develop a fund within a fund. The way that the AN fund was structured it was not really accessible for small to medium size enterprises that were looking to specifically create new employment.

The problem in accessing funds is that I always have to create a project to fit the criteria. Obviously that is not what your local economy needs. The program has to twist and turn to fit the projects that are sustainable and viable in the region.

We have promised and have shown through six years experience that we can deliver quite small amounts of money to our local economy and particularly small business where the initiatives are going to produce real employment outcomes. We demonstrated that track record in this document. We showed exactly how we would spend the money. We showed exactly how we would structure the fund. We offered you involvement in the fund and participation in the decision making process but it just does not get past the first post.

CHAIR—Are we able to have a copy of that document?

Mr Malcolm—You can certainly have a copy of it. I still have submissions in front of this fund so I do not want to jeopardise them.

CHAIR—You only provide it to the committee when you are comfortable.

Mr Malcolm—It is an example of some of the frustrations.

CHAIR—Do you want us to keep it private at this stage? One of the stories to certainly emerge from the hearings of this committee over the last day has been that, repeated again and again, getting at some of this money has been like drawing teeth from birds.

Senator CARR—Our report will not be ready for some time so I do not know that we would adversely affect your application.

Mr Madigan—Your report is going to take time. We need attention drawn to this particular issue.

Senator GEORGE CAMPBELL—What is important is that in all of the areas we have been to all of the regional development boards have projects in writing which they have costed and which they believe will substantially drive employment in their areas. It is important that we are able to look at them objectively in terms of their potential.

Senator GEORGE CAMPBELL—I have a question about something the mayor raised earlier. You talked about the regional development report that was gathering dust in Canberra which Brian Howe dusted off and started to implement. Can you briefly outline the sorts of projects that were being funded in that report and where the funding was withdrawn from and why the funding was withdrawn from some of those projects by the current government?

Mr Madigan—It was a change of government that felt that they were duplicating what was already being carried out and that was economic development.

Senator GEORGE CAMPBELL—Can you identify what they were and what was being done?

Mr Madigan—Tourism infrastructure, for instance, was one thing.

CHAIR—Meaning?

Mr Madigan—Such as signage around the large Flinders Range area and that sort of thing. I am not saying that that is the answer. There is an inconsistency in the performance of development boards and you must accept this. Some will have a report like this from the executive manager and others will not have such a good report. You must accept that there are 14 development boards in South Australia. Some are performing very well and some are average. We felt that if we had a good project we should be able to go straight to Canberra and not have to go through something that was set up by the federal government such as the Spencer Regional Development Organisation.

Senator GEORGE CAMPBELL—Are you saying that your experience of the REDOs was negative?

Mr Madigan—There is no question of that. We felt that was a duplication of effort. We could not see that they could do anything that we could not do with the funds. You have a classic example here of a development board that can participate—we cannot create—in 590 jobs which cost about \$2 million. What the executive manager did not say is that we created \$38 million worth of investment in that region. You need to tap in to these successful development boards.

Senator GEORGE CAMPBELL—What was the value of the funding to Port Pirie that was available under the regional development program?

Mr Madigan—That was subject to the projects that were put up. There were some projects like the one run by the aquaculture college at Port Lincoln which was a very able project.

Senator GEORGE CAMPBELL—Maybe we are at cross purposes. I understood what you said earlier on that that this was a report on regional development in this region.

Mr Madigan—It was Minister Howe's words that he took this report out of the archives, dusted it down and brought it back into the public forum.

Senator GEORGE CAMPBELL—And he provided specific funding for this area?

Mr Madigan—He provided specific funding.

Senator GEORGE CAMPBELL—Which was worth how much?

Mr Madigan—It went into millions. I think it was \$7 million over—I have to be very careful because this is on the record—three years plus a couple of hundred thousand dollars a year in resource support. The resource support is still going on because they had employment contracts in place.

Senator CARR—But the core funding was removed with the change of government?

Mr Madigan—The core funding was removed completely. It was chopped off overnight.

Senator GEORGE CAMPBELL—Without any analysis or assessment of whether or not it was effective?

Mr Madigan—It is just a decision. Now we have the officers who are still under contract still paddling around trying to do the best they can. If you have no money what can you do.

Mr Arnold—We feel that that funding would have been better spent if it went directly to the regional development boards that were already set up by state and local government.

Senator MACKAY—Can I come to that issue because I am quite interested in this. I am from Tasmania. Tasmania is a basket case in terms of its regional economy. It has the highest youth unemployment rate and the highest long-term unemployment rate. We are the instigator of the processing situation that you referred to earlier so there is a synergy there in terms of this region and Hobart.

I was the instigator of this inquiry based on the problems that Tasmania has. It has been very obvious over the last day and half that you could sit down and write the report now. Each region has the same sorts of problems, but each region has entirely different problems. One of the things that we are looking at as a committee is, if you have got a region like this where you actually need to provide the variation with regard to industry development and so on how do you do that. One of the messages that has come over very clearly—and various terms are used such as Canberra bureaucrats, bureaucrats, government, Canberra, Canberra, Canberra; none of us are from Canberra, we all represent our own states—

Senator CARR—I still like the place.

Senator MACKAY—It is very obvious that there has not been sufficient attention paid to service delivery at the coalface. What everybody is saying to us is that they have to go through layers of bureaucracy or layers of government. You mentioned that the REDOs came in and that you already had a consultative infrastructure in place and you felt that you wanted to go directly to Canberra with proposals from the development board that you had. Is that what you were saying earlier?

Mr Madigan—If you believe in bureaucracy you will support the REDO.

Senator CARR—Councils do not have any bureaucracy do they?

Mr Madigan—They have an unpaid bureaucracy.

Senator MACKAY—What we are trying to grapple with is the appropriate structure in terms of regional economic development and how you deliver employment programs at a regional level. Could you give us your perspective in that regard?

Mr Madigan—What you need to weigh up is that the ratepayers of Port Pirie from 1990 to 1998 have put \$200,000 a year of their rate revenue into trying to activate regional development. It was matched dollar for dollar by the state government. After that things got a bit easier. For the last eight years we have put in \$100,000 a year of ratepayers' money. Certainly we are getting probably \$210,000 from the state government, but you must admit that it is a significant contribution by ratepayers to put that sort of money into attempting to create development. I think that you have a good opportunity to say that the development boards are working, but they all work at different levels and different speeds. I believe they are the ones you should be supporting.

Senator MACKAY—What is wrong with the REDOs? Why are the REDOs inappropriate?

Mr Malcolm—Our one is simply too big. It covers something like 80 per cent of the land mass of South Australia. That is not really representing a region. It may in some terms, but it cannot in any way support it. I will go back to what we are. The board is not a bureaucracy. We do not tick boxes on application forms for grants. I have a business degree and I spend time with businesses and work together to achieve their business goals. It is not realistic, with a huge region, to have sufficient officers in place to do that work.

Senator MACKAY—What if you had more REDOs with smaller areas?

Mr Malcolm—They are there now. When you look at a region each person will have a mental map of what their home region is. If you look at the linkages that emerge from your local economy and your social linkages and put them together you will basically come up with a region. For us, our economic and social region is 25,000 people over 120 kilometres length. We can be effective in actually helping enterprise. If you make it too big then you need to stand back too far and you are all big picture and nothing on the ground.

CHAIR—How does that region fit with the Northern Spencer Gulf region?

Mr Malcolm—We are one of five boards that came together to agree to establish the REDO. In fact, we had no choice. So there were five development boards to create that. Effectively, you are looking at 80 per cent of South Australia. If you are looking at such a big land mass you may as well call it the state development board.

Senator MACKAY—The delivery of programs with regard to regional economic development and regional employment is critical. The process seems to be emerging as a gigantic issue. Is the primary concern about REDOs per se that they cover too big an area?

Mr Malcolm—In our case it did. In the Hunter Valley that would not be the case because you have density of population and industry.

Senator MACKAY—Are there any other concerns?

Mr Malcolm—We have had experience, been engaged and are still part of the REDO. We have found that when you bring together so many disparate interests you do not have a focus. You simply end up with an aggregation of everyone's wishes. Instead of one wish list

you end up with 10 jammed together. I saw some of the documentation coming out of it and it must have read really quite amateurish from a Canberra department point of view. Some of the parts often do not create something that is visionary. It becomes lots of disparate ideas and each fighting over the top of each other for attention.

Senator CARR—The submission from the Association of Provincial Cities, which I congratulate you all on, contains some extraordinary data. I am particularly interested in 3.6—the question of education and participation. What is your view of the effectiveness of TAFE? How are the TAFE services going in this city?

Mr Madigan—I think TAFE is vital to the city. We certainly would not be the sustainable community we are without the services of TAFE. There is no question about that.

Senator CARR—Are you generally happy or unhappy with the school system?

Mr Madigan—I have said before that I believe that the primary and secondary school education that we provide here in Port Pirie is unequalled in the world.

Senator CARR—I expected you to say that. I am very pleased to hear that. Do you think there could be more done by governments in terms of public investment in education given that in this city 70.8 per cent of people have not achieved any qualification?

Mr Madigan—Against what?

Senator CARR—Against Whyalla where 60.5 per cent have not achieved any qualification. I am not trying to denigrate the city in any way. I am making the point to you that if 70.8 per cent have not achieved an educational qualification does that not imply that a great deal more could be done by governments to improve the level of educational attainment by the citizens of this city?

Mr Madigan—What is the state average?

Senator CARR—The state average it is 61.7 per cent. I would have thought that in any circumstance if on average two-thirds of the people do not achieve an educational qualification in this state that is an appalling statistic. In terms of the economic competitiveness and employability of people, does the fact that people do have not educational qualifications make them more vulnerable and make it more difficult for them to secure what limited employment there is available in the region? Is there not an opportunity for government to assist by actually providing greater resources in terms of educational facilities? Is that not something the governments can do directly?

Mr Malcolm—You have to be careful not to look too simplistically at the figures.

Senator CARR—It is a pretty simplistic figure—70.8 per cent is not a bad figure.

Mr Malcolm—Remember there is no university education available in this city. A lot of young people from Port Pirie do get degrees but they have to travel away to get them. To pursue a job—

Senator CARR—But 0.2 per cent of your city have higher education. The figure is 0.3 in Mouth Gambier and 0.2 in Murray Bridge. We have 660,000 people in higher education in universities in this country, why are so few from this region? Is that something to do with the government's failure to provide the service?

Mr Malcolm—Remember you are talking about the people who have decided to live here. A lot of youth that pursue a career particularly in higher education and the university front have to travel away. Unfortunately, the job opportunities once they have achieved their degree keep them away.

Senator CARR—In TAFE it is about 25 per cent.

Mr Madigan—I think it is a question that we need to take on notice. We need to get some information and come back to you.

Senator CARR—I put it to you in this context. There is a general reduction in resourcing available by governments to regions—that is, the withdrawal of government offices, hospitals, roads, transport. In education in particular it strikes me that it is most noticeable in terms of the gap that is required to actually make or provide assistance. It is something very practical that governments can do in a very direct way, but it is hardly ever mentioned in terms of the impact of government actions in assisting people. Your own figures draw this to my attention. I am wondering whether or not they are the sorts of conclusions you can draw.

Mr Madigan—I will bring the educators of the city and the region together to discuss that particular point and see what they have to say. We will inform you of what their views are and what they believe needs to be done to correct that if it is an anomaly.

Senator CARR—The fact is that large numbers of people are employed in schools and educational facilities. I am not making a pitch just for those. I am saying that there are broader implications and I am wondering whether or not those are issues that have not been considered.

Senator FERRIS—Can I pick up Senator Carr's point if you are taking questions on notice. I would be interested to know the extent to which, for example, Pasminco may have encouraged its work force to undertake some distance learning qualifications? I would also be interested to know the extent to which Pasminco works back to the TAFE and perhaps back to the high schools to try to ensure that when it is recruiting staff the children and the young people have undertaken educational courses which naturally lead into them being job ready for recruitment with Pasminco.

Mr Madigan—You are talking about one of the leading companies in Australia. You would assume that they would be undertaking the steps that you have mentioned. I certainly know that there is ongoing training at all times and that they do utilise TAFE. To what extent I do not know.

Senator FERRIS—As Senator Carr says, it does not show up in these figures. I would be interested in that information if you could take it on notice. Can I ask a question here

which I also asked in Port Augusta which relates to the somewhat peripheral issue of poker machines. Within this very good Spencer Gulf submission there is mention of a loss to your city of \$5.6 million of a total loss per year in the Spencer Gulf cities of \$19 million. You also make the point in this submission that the number of gaming machines in the Spencer Gulf region is higher as a per cent of population than it is in the overall city of Adelaide by quite a large degree—that is, 7.2 per cent to 12 per cent. I wonder whether you could make any comments, perhaps as the mayor, on how you see the introduction of poker machines in this city? Would you like to comment on their expansion? Have you got any comments on any of the social implications of the quite significant loss to your area.

Mr Madigan—I think the Port Pirie ratio is 216.

Senator FERRIS—But it is also a significant loss of \$5.6 million a year.

Mr Madigan—I can give you a personal view of what I think about poker machines but whether that is relevant or not, I am not sure.

Senator FERRIS—Has the council ever discussed the social implications of this loss?

Mr Madigan—Yes, we have. It is not up to us to make the laws of the state. It is as simple as that.

CHAIR—It is also for you to tell us and to tell the state when either we or the state get it heroically wrong. In answer to questions, the witnesses in Port Augusta said that they believe that the pokies have been on balance more bad than good. You say in this report:

What is known is that the ratio of gaming losses to Community Benefit Fund dollar allocations to the cities is approximately \$73:1. That is seventy three dollars taken out, for each dollar returned.

That is not a good sum particularly for a regional economy that is trying to cope?

Mr Madigan—Once again I go back to the government that legislated poker machines in South Australia. It is not up to us to set state laws.

CHAIR—Would you tell the state government that pokies have been a bad thing or would you tell them differently?

Mr Madigan—I would tell them that my personal view is that if poker machines had to come in at all they should have come in on the basis of the successful model in New South Wales. They go to community clubs and stop at community clubs and do not go any further than community clubs. That is my personal view.

Senator FERRIS—Can I make the point to Mr Malcolm that if there was any enterprise in Port Pirie that lost \$5.6 million a year there would be community outrage.

Mr Malcolm—I would like to comment on that from the point of view of the board's interest. Obviously there are people behind me who know only too well the social implications. I will leave that issue alone. What frustrates me is that if there is \$5 million going out

of our region and a large proportion of that is finding its way back through taxation to the state government, what is the guarantee that it is not lost in general revenue. Why can that money not come directly back out and be driven, through local government and development boards, to foster something positive back into those communities? If we are raising the money what is so bad about us making the decision about how the money is spent.

Senator FERRIS—That is the point you make in the submission where you with say that the community benefit fund dollar allocations to the cities is \$73 to \$1. I make the point that when we are talking about funding for economic development in cities that if you could get \$5.6 million in funding for your city every year you would not be here telling me how bad things are.

Senator MACKAY—Can I raise one more question about services. Coming from Tasmania and having been involved in a previous inquiry on economic development and referring to the excellent submission that we have before us that we have already talked about, it seems that regional Australia suffers disproportionately with regard to services. Every time there is a cutback in services in, for example, health, education, child care or whatever regional Australia suffers harder than the cities disproportionately. That is certainly the case where I come from.

I will be political now. It has been a lot worse in the last 2½ years to be absolutely frank. I could go through chapter and verse with you the sort of cutbacks. It is the same everywhere I suspect. This was mentioned in your submission. I wanted to ask you a bit about that. What a lot of regional people are calling for is the restoration of their services. They want their Medicare offices back and their child-care centre kept open.

Mr Madigan—I am glad you raised that. When the Medicare office cutbacks were imminent, the CEO and I went to a great deal of effort in preparing a submission. We took it to Canberra. We were the only local government instrumentality in Australia to take the trouble to go to the minister and the CEO to put forward this argument. We believe we were fortunate. You are probably aware that we are setting up a model that you could take to every other region in Australia and that is that the provincial cities mayors and the CEOs will meet with the Premier and cabinet twice a year to discuss decisions made by government which affect regional Australia. That is a model that has been put in place in the last two or three months, but it could spread further.

Senator MACKAY—This is before the decisions are made. We have got to measure the impact of decisions on regional Australia beforehand.

Mr Madigan—We have not had this meeting yet. It is in its infancy. We do think that it is a model that will be copied around Australia.

Senator MACKAY—The impact of the withdrawal of service has not been measured properly in my view.

Mr Madigan—We have had a look at all the problems raised by the senator. The third report is going to address those problems and how best we can overcome them and what the remedies are.

CHAIR—What is left in Port Pirie by way of a Medicare office?

Mr Madigan—We have a Medicare office.

CHAIR—You have lost no staff?

Mr Madigan—I do not know about staff. We have a staffed Medicare office.

CHAIR—So you have a Medicare office that was supposed to close?

Mr Madigan—It was being discussed. The rumours were around that at the last budget there would be cuts and Medicare offices would be transferred into chemist shops or whatever. We prepared a submission on the foolishness of such a decision and the effect it would have on Port Pirie which is a regional centre where we have people coming 60 miles to do their shopping, to see their doctors and so on.

CHAIR—According to the *Advertiser* two weeks ago Medicare offices are going to close in Whyalla, Port Pirie, Berri, Gawler, Mount Gambier, Port Augusta, Noarlunga and Port Lincoln. I have to say that in the evidence we have now been told that Whyalla has not closed and Port Pirie is not closed.

Mr Madigan—I cannot say that. I am talking about the delegation 18 months or two years ago. That was the result then.

CHAIR—We are going to have to find out the facts of this story because it seems a bit difficult. I was concerned to read another article in the *Advertiser*. It seems to be more accurate on the evidence given to us around the Northern Spencer Gulf region. The article of 21 April this year states that a Sydney based employment firm Hospitality Horizons won a \$15 million contract to find hospitality work for unemployed people in rural Australia. The contract covers nine South Australia towns—Port Augusta, Port Lincoln, Port Pirie, Mount Gambier, Mount Barker, Berri, Angaston, Murray Bridge and Whyalla. So far it is very difficult to find them at all. Absolutely nothing has happened. There is no contact. Nobody knows who is doing what at all. The only thing we now know is that possibly Hospitality Horizons may subcontract to people in this region. Are you aware of this same problem in Port Pirie?

Mr Madigan—I can say, and I have said it publicly, that we have been very well served by the training organisations in our region in the past. I just hope that this government is not gambling with the future of our youth with this new employment training scheme.

CHAIR—There are a million questions. If more occur to the committee or if we need to follow up on further data or information would we be able to contact you and get you to provide further information? We did not want glorious, heroic theses but some dot points on any of the information we have asked for.

Mr Arnold—Certainly.

CHAIR—Thanks very much indeed. It has been a long day for you. We appreciate very much that you have stayed to provide us with an opportunity to talk to you. Mr Mayor, our thanks to you. It is some mark of respect for the work that we are doing that we find you prepared not only to attend but also to give us evidence. We will now proceed to the public forum. Can I ask you to introduce yourself.

Ms Whish—I am the General Manager of the Port Pirie Central Mission which is a caring agency of the Uniting Church. The Port Pirie Central Mission delivers services principally in the mid-north and York Peninsula areas of the state but also in the Port Augusta and Coober Pedy districts. If you get a picture of that map it is an enormous area. I wish they had provided me with a flying carpet not a car.

We have approximately 80 staff. As best I can get a handle on it, we would have about 3,000 clients per year. When I say clients, sometimes that is a family with numerous children. Our main areas of work are in the family services area—we have the alternative care responsibility from the state government, for example—in emergency accommodation with a number of SAAP (Supported Accommodation Assistance Program) programs and a lot of labour market programs. We have a skillshare program in the past. I can say more about the labour market areas if that is of interest to you.

Apropos the comment from the senator about education, as an agency we have great difficulty in getting qualified staff. I have had an extensive background in community services work and welfare work and I have never worked with a staff team with such a limited number of professionally qualified staff. It is a brilliant staff, do not mistake me, but many of them have been educated by the school of hard knocks rather than formal qualifications.

The overwhelming impression that I have in speaking to the substance of this inquiry is the grief in these communities that we are part of. There is grief about having to leave your community to deliver a baby unless you have an absolutely straightforward, uncomplicated pregnancy. If you are an elderly person you might have to move to a larger regional centre for residential aged care. There is a loss of being able to undertake your business affairs through banking services in the smaller communities. There is a loss of families when places retrench. I have only been in Port Pirie a short time but I have been hit with this grief of the loss of Pasmenco employment because they have reduced numbers, Telstra downsizing, the railways, the roads and so on.

Another subject of grief is the closure of schools in smaller communities. Another aspect is the major distances that people travel to work in order to maintain employment. Often one partner will have some work in, say, Pirie but the other partner travels to Roxby Downs to get work. It is important to remember what that means in terms of community disruption. It has repercussions on the voluntary effort and the sporting clubs. The grief surrounding the impact of domestic violence and the dislocation and so on that that causes.

I think the regional report is a magnificent document and I am thrilled to bits that the council has had taken the initiative to commission it. The thing that leapt out to me was the median income—not the average income—for Port Pirie is \$202 per week. I have felt that it

is a poor community and that made sense of it to me. A lot of things flow from that and the poker machines is one aspect.

Talking to your term of reference relating to the effectiveness of the current and previous job creation programs, while not taking away from anything that the gentleman said previously I am speaking very much from the mission's point of view having run a northern skillshare and being engaged in labour market training programs. We have had a new enterprise incentive scheme and we have a contract for that under the new arrangement as well. We have an 82 per cent outcome rate and it is something that the staff and I are very proud of.

Because small business is such a major employer in Australia and NEIS helps people to create small businesses that that is a very significant thing. Often they do not only employ the person who initiates the business they employ a partner and some of them have gone on to employ a few other part-time staff. We have not had a business that has taken off to the tune that it has suddenly taken on 100 employees. It is small scale but it is solid.

An example of a kickstart program that we were involved with had 12 participants and all but one of those gained work. They were full-time permanent jobs and they still have work six months later. That was about October last year. Eight of those were jobs in Alice Springs. We engineered them from here. Knowing that there was a need for hospitality trained staff and openings in Alice Springs we took them up. A couple of that group got work here but eight got work in Alice Springs.

We had an enterprise running called Junction Express which was a hospitality training restaurant in an old railway carriage at the tourism and arts centre. That had greater than 50 per cent outcomes in terms of getting people into work too. That included many special needs clients. We had to withdraw from that and close it in December because the funding went.

CHAIR—Could I interrupt and ask Ms Scholz to introduce herself and make a brief comment while you scan through the points that you particularly want to raise. If you have something written we would be pleased to accept it today or in the near future as a submission.

Ms Whish—I was going to ask whether you would like a written submission to back this up.

CHAIR—That would be great, particularly as you are giving us the social side of a lot of stuff that we have been hearing about here.

Ms Scholz—I represent the ACC and the REDO which is amalgamated in this region. I work for DOME, Don't Overlook Mature Expertise, which is a community organisation which looks after over 40 year olds and places them in employment. I am the chair of the Spencer Gulf Environmental Alliance which is the local environmental group affiliated to the Conservation Council. I am the surrogate mother of the kangaroo.

CHAIR—If you did want to put anything on the record in camera you can ask us to do so. What particular points did you want to raise with us, Ms Scholz?

Ms Scholz—I agreed with a lot of what Mark Malcolm said. I would like to say that the REDO is not that bad. It is actually quite a proactive organisation. However, it is probably too big. That is a problem in the region. One of the problems we have with the public sector in general is that officers are allocated according to population. I have worked in the public sector for many years and my region went from Snowtown to Coober Pedy and you go to Whyalla. All you do is travel in the car. There are many people the same. At the moment, I am covering Port Pirie, Port Augusta, Whyalla and the far north. In my lunch I pop to Coober Pedy which is only six hours drive. That is the main problem in regional South Australia.

There are not many public servants and they have too much to cover. It is humanly not possible to effectively service the people because the region is too big. You spend your time in a car with a mobile phone. That is a problem that has not been addressed.

Another point—and I think it probably came out time and time again—is that one of your colleagues Gareth Evans defined a committee where you take a good idea and quietly strangle it. I think that is what is happening. We are having too many committees, too many feasibility studies on feasibility studies. DEETYA has funded feasibility studies on business incubators. I think the regions need to get a more proactive role. Peter was right. We need to identify the people who are responsible, give them the money and go for infrastructure or job creation. It has been the same problem with the railway reform transition program. All the projects that have been funded are the ones that are never going to create any employment in the short term. It is very sad. It is being squandered.

CHAIR—What has it been spent on?

Ms Scholz—There has been money spent on the *Pichi Richi* which I think is good.

CHAIR—You might explain to the non-locals what the *Pichi Richi* is.

Ms Scholz—The *Pichi Richi* is a steam train that goes from Quorn. It is a tourist attraction. I think that is quite good. A lot of the submissions which have been proposed are not realistic. It is my personal point of view and not the ACC point of view that because we are so desperate in the region people jump at any opportunity, at any buzz word. Aquaculture is fine but it is not going to save us. We are not going to be the aquaculture led recover. It is not going to happen. The money has left. Give it to aquaculture because it is buzz, it is great. That is the only thing that is going to save us. No it is not.

CHAIR—What will save you?

Ms Scholz—It is what Mark said. We have a base of industry, we have a base of small business. This is the way we have to go. There is no point hoping that tourism is going to invade Port Pirie. It is not except if it is special events. What is existing now should be developed. Small business should be pushed.

Senator MACKAY—This is very important in terms of the things we were talking about earlier. What is required with regard to the structures of the REDOs in order to make them more responsive and to stop the sort of criticism we heard earlier?

Ms Scholz—I think the committee probably needs to be smaller. It is too big. The region is too big and it is probably not focused enough. I was not born in Australia as you can probably hear so I do not have this parochial attitude. You would find that Port Pirie, Port Augusta and Whyalla are separate entities. We have to look at it from a regional point of view. Until this is resolved—and this is a personal view—the REDO is not going to work as well as it should.

CHAIR—Ms Whish, could you give some comments about the human impact of poker machines because we really have to finish?

Ms Whish—The Central Mission has a break even gambling rehabilitation service. Since the program commenced in Port Pirie we have seen 69 clients of both sexes aged from 19 to 80. It is a considerable issue in the community. With all the difficulty of rural communities, like with domestic violence people cannot easily come and access a rehabilitation service because of stigma and privacy issues. We have to work in very different ways to perhaps our metropolitan service in doing that rehab.

Senator FERRIS—Do you get funding for it?

Ms Whish—It is funded through the state wide break even network.

CHAIR—If there is something else along those lines that we need we might have to contact you and ask you for further information. I know that there is much more we would like to ask you, but we must conclude our business today. I thank you once again, Pirie, for your tolerance in taking us so late and we will welcome your submissions when we get them.

Committee adjourned at 6.23 p.m.