

13th November, 2019

Senator Alex Gallacher
Chair
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator Gallacher and fellow Committee Members,

Please accept this submission to the Economics Reference Committee Inquiry into Regional Inequality in Australia. This submission discusses the Latrobe Valley with reference to points a.) – l.) of the Inquiry's terms of reference.

We wish to alert the Committee that Cheryl Wragg has an interest in this Inquiry having been employed by Senator Jess Walsh, on a casual basis for 30.5 hours in early October, 2019. This was to provide Senator Walsh and her office with expert local knowledge about the Latrobe Valley for the Regional Inequality Inquiry. Between 2012-14, Cheryl worked on a part time basis for Senator John Madigan, providing him with expert advice on the energy industry and the Latrobe Valley.

Terms of Reference

The indicators of, and impact of, regional inequality in Australia, with particular reference to government policies and programs in the following areas:

- a. fiscal policies at federal, state and local government levels;***
- b. improved co-ordination of federal, state and local government policies;***
- c. regional development policies;***
- d. infrastructure;***
- e. education;***
- f. building human capital;***
- g. enhancing local workforce skills;***
- h. employment arrangements;***
- i. decentralisation policies;***
- j. innovation;***
- k. manufacturing; and***
- l. any other related matters.***

Please do not hesitate to contact us if you have any questions or require further information about this submission.

Sincerely,

[signed]

Cheryl Wragg

[signed]

Peter Gibbons

About the authors

Cheryl Wragg is a professional researcher, advocate and writer. She has worked as a policy advisor at senior levels of the Victorian trade union movement, in the Victorian public service, in the Victorian community and welfare sectors, as an academic researcher and writer, and as a Federal Parliament political staffer for Senator John Madigan.

Born in Yallourn, Cheryl grew up in the Latrobe Valley and attended Moe High School and the University of Melbourne. Cheryl's family worked in the Latrobe Valley power industry and formed part of the leadership group of workers that led industrial, OH & S, and political organising in the Latrobe Valley from the 1950s to the 1980s.

In 2008, Cheryl co-established Moe and District Residents Association and was elected Secretary until 2012. During late 2015-2016, Cheryl worked in the RMIT ReActivate Latrobe Valley project.

Peter Gibbons is a retired LV power industry worker, a boilermaker by trade. He worked at Yallourn, Morwell and Hazelwood SECV worksites, and in construction of the Morwell Char plant and at the SECV Morwell briquette factory. Peter was an AMWU elected shop steward, OH & S steward, Secretary of the Central Gippsland Trades and Labour Council, AMWU regional organiser and, later, AMWU Victorian Assistant Secretary.

In 2008, Peter co-established the Moe and District Residents Association Inc. and was elected Vice-President. From 2012-16, he was one of the two elected Councillors to West Ward, Latrobe City Council representing Moe, Newborough and district.

From 2012-2016, Peter participated in various community committees, Committees of Council, and Council related projects including the first few years of the RMIT ReActivate Latrobe Valley project and during the formative stages of the Future Morwell Future Latrobe Valley Plan.

Some observations about State and Federal government attitudes and practices towards the Latrobe Valley

Since the late 1980s, State and Federal governments of all political persuasions have variously mismanaged the Victorian energy industry (electricity and gas sectors), disrespected the Latrobe Valley community, our regional physical environment and economy as regards jobs, been unresponsive to repeated, numerous calls for positive change and assistance, and used a range of divisive methods to actively thwart local efforts to effect change.

As far back as the 1960s and '70s, the Central Gippsland Trades and Labour Council began calling for a genuine transition plan to diversify the region's economy, create new industries and re-focus industrial development on achieving good community and environmental outcomes. Instead of constructive transition planning, we have experienced an active and quite deliberate undermining of community capacity, the ongoing erasure of stable jobs from our regional economy limiting access to local employment. Apprenticeship places in the LV power industry peaked with an annual

intake of 1000 approx. during the early 1980s. By 2019, only a dozen or so apprenticeship places are available in the LV power industry annually.

Professor Bob Birrell's 2001 report, *Latrobe Valley: Victim of Industrial Restructuring*¹ identified employment in the Latrobe Valley power industry shrinking from approximately 11,000 jobs in 1988 to 2,600 jobs by 2001. Most of the job stripping occurred during the Victorian government's corporatisation of the SECV, in the period 1989 to 1995, under the dictates of what would become known as National Competition Policy.

Each power industry job has a regional economic multiplier of 2.5- 4 jobs. This translates into a further indirect job loss in the Latrobe Valley economy in the period 1989-2005 of 21,000 to 33,000 jobs. This accounts for severely depressed local business conditions, business closure and further job loss ricocheting through the regional economy.²

Various tactics were used during the de-structuring process to downsize and outsource the power industry jobs. Following repeated rounds of voluntary redundancies, SECV management used a deliberate programme of public degradation and humiliation to try and shake as many workers as possible from their jobs. We can't forget SECV management making an example of some workers by rebranding them as 'The Vegies' and forcing them to tend vegetable gardens in full public display *a la* prison inmates.

From 1990 to 2005, more than 5000 Latrobe Valley residents - economic refugees - migrated away from the Latrobe Valley. From 1991 to 1996, 8% was wiped off the value of LV housing prices and, from 1996 to 2001, 4.3%. In real terms, LV average housing prices declined from \$80,325 to \$70,750³, despite a 77% increase in sales.

This forced exodus has continued to impact the Latrobe Valley adversely, hollowing out our population profile. <https://www.abc.net.au/news/2019-04-15/figures-show-latrobe-valley-youth-population-drop/11000784>

A 2019 report by the Victorian Department of Education analysed the number of Latrobe Valley school age children in 2018 compared to 1990. 2018 enrolments were 4000 less than 1990, a decline that happened only in the Latrobe Valley, caused by families leaving to escape SECV privatisation and unemployment. <https://www.abc.net.au/news/2019-04-15/figures-show-latrobe-valley-youth-population-drop/11000784>

The distorting effect of privatisation has created an ageing population in the Latrobe Valley.

Table 1 drawn from the ABS 2016 Census quick stats⁴ shows a hollowed-out demographic. Relative to Victoria and Australia, the Latrobe Valley population has significantly less persons in the age range 20 to 49 years and significantly more persons in the age range 55 to 79 years.

¹ Birrel, Bob Professor- *Latrobe Valley, Victim of Industrial Restructuring*, Centre for Population and Urban Research Monash University September, 2001

² Ibid

³ *Trends in Australian non-metropolitan housing markets, 1991-2001* authored by Maryann Wulff, Margaret Reynolds, Ernest Healy, Stephen Legg and Scott Baum for the Australian Housing and Urban Research Institute Swinburne- Monash Research Centre, October 2007 AHURI Final Report No. 107 https://www.ahuri.edu.au/_data/assets/pdf_file/0015/2139/AHURI_Final_Report_No107_Trends_in_Australian_non_metropolitan_housing_markets_1991_2001.pdf

⁴ https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/20504

Age	Latrobe Valley	%	Victoria	%	Australia	%
20-24 years	4,768	6.5	413,792	7.0	1,566,793	6.7
25-29 years	4,559	6.2	441,266	7.4	1,664,602	7.1
30-34 years	4,476	6.1	447,927	7.6	1,703,847	7.3
35-39 years	4,066	5.6	404,026	6.8	1,561,679	6.7
40-44 years	4,252	5.8	401,887	6.8	1,583,257	6.8
45-49 years	4,658	6.4	402,043	6.8	1,581,455	6.8
50-54 years	5,033	6.9	378,371	6.4	1,523,551	6.5
55-59 years	5,216	7.1	357,616	6.0	1,454,332	6.2
60-64 years	4,858	6.6	319,840	5.4	1,299,397	5.6
65-69 years	4,406	6.0	291,397	4.9	1,188,999	5.1
70-74 years	3,191	4.4	218,203	3.7	887,716	3.8
75-79 years	2,505	3.4	165,115	2.8	652,657	2.8
80-84 years	1,718	2.4	119,895	2.0	460,549	2.0
85 years and over	1,759	2.4	127,993	2.2	486,842	2.1

Table 1: 'This is the country of old men': the Latrobe Valley, an ageing population

As at June, 2018 more than 10,000 Latrobe Valley residents were receiving the aged pension, and more than 4500 the disability pension.

Family composition ⁵	Latrobe Valley	%	Victoria	%	Australia	%
Couple family without children	7,628	40.6	559,717	36.5	2,291,987	37.8
Couple family with children	7,200	38.3	709,965	46.3	2,716,224	44.7
One parent family	3,740	19.9	234,596	15.3	959,543	15.8
Other family	237	1.3	27,800	1.8	102,559	1.7

Table 2: The Latrobe Valley has more older couples without children and more one parent families with children

The Latrobe Valley has a significantly higher level of one parent families than the Victorian and Australian average. This is the result, in part, from decades of 'welfare dumping' by the Victorian government into the Latrobe Valley's public housing stock. In addition, among local young people Professor Bob Birrell found early school leaving, educational under-attainment, lack of access to employment and apprenticeships, material poverty and related family stress contributing to family break ups and adding to the number of one parent families.⁶

Disturbingly, we became aware recently of an organised child pornography film industry operating in Gippsland that preys on at-risk families experiencing housing insecurity and material poverty.

⁵ https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/20504

⁶ Ibid pp 2

Only last week, the *Age* newspaper reported an ongoing shortage of child support services for Gippsland and related crisis. Related articles are linked below.

<https://www.theage.com.au/politics/victoria/child-abuse-thousands-of-calls-for-help-go-unanswered-20191102-p536ty.html>

<https://www.theage.com.au/politics/victoria/government-fees-the-heat-on-child-abuse-hotline-failings-20191104-p537de.html>

An intersection of such factors has created a ‘conductive context’ in the Latrobe Valley that makes it unsafe for vulnerable families, particularly women and girls.⁷

The ABS Index of Socio-Economic Advantage and Disadvantage (SISEIFA-IRSAD) shows the Latrobe Valley’s major towns have become ghettos of disadvantage over the last 20 years. Attachments 1a, 1b, 2a and 2b show 2006 and 2016 SISEIFA maps of relative socio-economic advantage and disadvantage for Moe and Morwell, respectively. They illustrate the transformation of residents in these towns from modest material comfort to widespread poverty.

Prior to privatisation, many business and professionals, high paid bureaucrats and academics set up home on acreage outside of the Valley’s major towns. Post privatisation, they were joined by high income power industry workers, permanent contractors and managers. Hence the SISEIFA maps showing the major towns surrounded by outlying areas of relative advantage.

For unemployed power industry workers who stayed in the Valley, many left their families to join Australia’s ‘fly in-fly out’ labour force, searching for employment as far afield as north Queensland and north western Australia. ‘Fly in-fly out’ employment still characterises a sizeable portion of the LV skilled workforce with all the attendant problems of community disengagement, family and marital stress.

Small area labour markets data for the March 2019 quarter shows Moe’s unemployment rate at 9.5% and Morwell at 13.7%: at double digits for more than 25 years.⁸

The downward spiral of the Latrobe Valley’s regional economy is graphically represented in a commissioned report by Dr. Peter Brain, National Institute of Economic and Industrial Research. An excerpt appearing as attachment 3 shows the Latrobe Valley economy actively shrinking, our gross regional product over the 2003-2013 period sitting at -0.05%, the worst GRP of any region in Victoria.

Power industry maintenance jobs remaining in the Valley post privatisation were relocated to private contractors, mostly on a precarious basis. Maintenance shut downs in the power industry have become short, sharp affairs of intense activity using a casualised workforce, including people without power industry experience. These conditions have heightened the risk of worker injury or death. Four serious incidents over the period 2006 to 2012 are reported in the articles linked below:

<https://www.adelaidenow.com.au/news/worker-survives-10-storey-fall/news-story/fcefcf1a45b03399d3709d4efc15ba0f>

⁷ Kelly, Liz - The conducive context of violence against women and girls, *Discover Society*, March, 2016
<https://discoversociety.org/2016/03/01/theorising-violence-against-women-and-girls/>

⁸ Department of Employment, Skills, Small and Family Business - *Small Area Labour Markets Australia March quarter 2019* Labour Market Research and Analysis Branch Labour Market Strategy Division p 16

<https://www.theage.com.au/national/unions-on-alert-as-man-killed-at-power-station-20061210-ge3rii.html>

<http://www.latrobevalleyexpress.com.au/story/1182358/workers-narrow-escape/>

Cost cutting in ageing power stations continues to expose workers to risk of injury and death. Eight incidents over the period 2014 to 2018 are reported in the articles linked below:

<https://www.theage.com.au/national/victoria/power-plant-owner-accused-of-disregarding-safety-after-worker-s-death-20181115-p50g54.html>

<https://dustsafetyscience.com/power-plant-fire-yallourn-australia/>

Full time mine jobs continue to be reduced and casualised. In 2001, Roche-Theiss-Linnox (RTL) won the Yallourn mine contract and, to cut costs and jobs, replaced mine dredgers with its 'D11 bulldozer method'.⁹

On 31st October, 2019 the following 'positions vacant' advertisement was in the *Latrobe Valley Express* by RTL:

'opportunities for Experienced Plant Operators, Loy Yang, Casual Positions. RTL is in the process of establishing a pool of experienced multi skilled Plant Operators to work at Loy Yang. If you are an experienced Plant Operator with skills in any of the plant listed and you are interested in being considered for a position...excavators (up to 200 tonnes), bulldozers (up to D11), graders, water trucks (up to 773 CAT0, rigid haul trucks (up to 785 CAT), articulated dump trucks (all sizes).'' (p26)

The LV power industry continues to employ a few hundred or so unit control operators, technical officers, plant operators, supervisory/management/administrative officers and market traders. Many of these full-time grey collar jobs are held by people in their mid to late 50s and fast approaching retirement, the cause of a succession planning crisis in the industry.

The worker-management culture in the Latrobe Valley power industry might be characterised as one of mutual cynicism and disrespect. The incentive of generous salary arrangements and the fear of unemployment keeps ageing workers at their stations and closely controlled by a 'back-of-the-axe' style of management industrial relations:

<https://www.afr.com/politics/agl-to-shut-down-loy-yang-in-union-dispute-20170504-gvyoeb>

<https://www.abc.net.au/local/stories/2013/09/27/3858033.htm>

Bewdy!: unemployed men *and* unemployed women

From the 1940s to early 2000s, the Latrobe Valley was home to a sizeable textile, clothing and footwear manufacturing sector (e.g. Sportcraft, Givoni, Diamond Cut Lingerie, Kayser, Valentine-Lee, Rocklea Spinning Mills, to name a few). La Mode Industries (ladies underwear manufacturers), established in Morwell in the 1940s, had a workforce of 300+. It was the largest employer of women in the Latrobe Valley.¹⁰

After La Mode closed in 1965, government procurement policy saw the expansion of electronics and telecommunications manufacturing industry in Victoria. Ericssons telecommunications manufactories were set up in Broadmeadows and Morwell. Located in the ex La Mode building in 1967, women who had previously worked as TCF machinists took up employment opportunities at Ericssons electronics factory, its workforce growing to approximately 800. Ericssons continued until

⁹ <http://www.rtl.com.au/projects.html#cur-yma>

¹⁰ <https://www.latrobevalleyexpress.com.au/story/5043930/woven-into-the-fabric-of-history/>

1988, closing at the same as the Victorian government commenced offering voluntary redundancy packages in the SECV.

Over the next twenty years, the LV experienced the near complete closure of the TCF and electronics/telecommunications manufacturing, with around 3,000 mostly women workers losing their jobs. In 2001, Rocklea Spinning Mills, Moe, closed with the loss of 80 jobs and, in 2003, Sunicrust bakeries factory, Moe, closed with the loss of another 60-70 jobs.¹¹

The Kennett-Stockdale government's hospital privatisation failed 'experiment' began and ended in the Latrobe Valley with the closure in 1998 of Moe Community Hospital, Traralgon Hospital and Hobsons Park Psychiatric Hospital.¹² An important, comprehensive history of LV hospital privatisation is maintained at this link. https://www.bmartin.cc/dissent/documents/health/la_trobe.html

Employment arrangements for many health industry workers, mostly women, were destabilised. The quality of hospital and health service provision in the LV and wider Gippsland was undermined. Although health is now one of the Valley's largest employment sectors, the Latrobe Regional Hospital continues to be a problematic model. One of its efforts won LRH a guernsey/gurney? on ABC TV's *Four Corners*. <https://www.abc.net.au/4corners/health-hazard/11493580>

Poker machines and the Latrobe Valley

Poker machines were legalised by the Labor-Kirner government in 1992 and proliferated across Victoria by the Kennett-Stockdale government. It is well-established that the highest number of poker machines are located in the most disadvantaged municipalities. In 1998-99, three of the most disadvantaged local government areas (LGAs), Bass Coast, La Trobe, and East Gippsland, had the highest numbers of poker machines per adult. Not surprisingly Bass Coast and La Trobe also had the highest losses per head of the major regional LGAs.¹³

Poker machines hit the Latrobe Valley during the period of high job loss and related redundancy payouts to ex-power industry workers. The average accrued *entitlements* payout was around \$40,000 per ex-worker. The SECV and the Victorian government did not make compensation payouts to workers for job loss nor did they provide any structural readjustment assistance at individual worker or regional level. Ex-workers were not counselled to stay away from the numerous poker machine venues scattered throughout the Latrobe Valley and adjoining Bass Coast municipality, home to the holidays shacks of many power industry families.

In 1998-99, Latrobe City and Bass Coast had the highest levels of poker machine loss by adults in those rural and regional municipalities ranked as the most disadvantaged, by SEIFA Index ratings. Latrobe City and Bass Coast were also in the top five of adult losses by poker machines in Victoria, including metropolitan municipalities.¹⁴ At that time, Victoria was described as the state government most dependent on gambling taxes [arising from] the combination of a high rate of pokie tax and reduced state revenues from other sources and means.¹⁵

¹¹ <https://www.theage.com.au/national/mill-crisis-puts-200-jobs-at-risk-20031023-gdwlii.html>

¹² <https://www.greenleft.org.au/content/action-save-moe-hospital>

¹³ Doughney, J. (2002), 'Socioeconomic banditry: poker machines and income redistribution in Victoria', T. Eardley and B. Bradbury, eds, *Competing Visions: Refereed Proceedings of the National Social Policy Conference 2001*, SPRC Report 1/02, Social Policy Research Centre, University of New South Wales, Sydney, 136-154

¹⁴ Ibid Greater Maribyrnong, Yarra, Darebin, Latrobe City and Bass Coast.

¹⁵ Ibid.

Suicide and the Latrobe Valley

During the period 1989 to 2000, the Latrobe Valley was under siege and experiencing a depth of hopelessness that is hard to describe. Locally, anecdotal reports of ex-power industry workers suiciding correspond with a noticeable spike in recorded suicides amongst men aged 25-54 in Victoria during 1997-1998.¹⁶

Neither the Victorian nor Federal governments provided additional, occupationally focussed suicide prevention programs or related assistance to our region during the period of highest job loss. After pushing the LV, they left us to free fall, like the men in despair who jumped off Yallourn power station's cooling towers.

In 2008, after morphing into Beyond Blue's chairman, Jeff Kennett acknowledged 'his treatment of the valley was too brutal – "I would try better to understand the impact of change"'.¹⁷

In 2019, the Latrobe Valley experienced Victoria's highest increase in the rate of accidental overdose and death, 300 percent in the last ten years. Thirty years after power industry corporatisation started, we're still in free-fall. How hard is that to understand?

<https://www.news.com.au/national/victoria/news/rural-towns-150km-from-melbourne-mired-in-accidental-overdose-deaths/news-story/bcb028634eaf88d99404928113091063>

The narrative of wrecking the LV regional economy, leaving it to free fall

Mr. Kennett's belated observation speaks to State and Federal governments failing to develop a process to empowered regional advocacy and safeguard the interests of the LV region. When corporatising and privatising the SECV and our regional hospitals, there was no consideration of appropriate structural adjustment assistance by the Kirner and Kennett-Stockdale Victorian governments and the Hawke, Keating and Howard Federal governments.

The Commonwealth implemented policies that lowered and, finally, removed tariffs, all but destroying our regional manufacturing sector and the jobs of thousands of women. There was no consideration *then or now* of non-tariff assistance measure to protect regional businesses and jobs.

No government established *any* process to enact a fair and just transition of our regional economy. This is still the situation today.

Harking back to an earlier Senate inquiry is a useful reminder of the policy settings then, foundational to the policies of today. Submissions to the *2000 Senate Select Committee on the socio-economic consequences of national competition policy* provide contemporaneous observation and analysis, like Submission 12 of Professor John Quiggin:

National Competition Policy fundamentally affects all aspects of Australian life, but has been introduced and implemented through bureaucratic processes that avoid public accountability. National Competition Policy differs from earlier attempts to promote competition by virtue of the assumption that competition is always and everywhere desirable and that where competition is in conflict with other values, there should be a presumption in favour of competition...

¹⁶ ABS Catalogue Number 3309.0. 55.001 Suicides Recent Trends Australia

https://www.griffith.edu.au/_data/assets/pdf_file/0033/359754/GriffithMen_WEB.pdf

¹⁷ <https://www.smh.com.au/environment/down-in-a-troubled-valley-20091211-koms.html>

Unlike previous microeconomic reform initiatives, National Competition Policy is a comprehensive program, which has been imposed from the top levels of government without any consultation with those affected, and which is not subject to significant democratic accountability or control...

The comprehensive nature of National Competition Policy is the most obvious departure from previous microeconomic reform initiatives, which involved the reform of particular classes of policy, such as tariff policy, or particular industry sectors, such as telecommunications. By contrast, National Competition Policy establishes general requirements that must be satisfied by any government policy or private agreement. In combination with the short deadlines imposed for the assessment of policies, the comprehensive nature of National Competition Policy creates significant difficulties for groups concerned with the outcomes of the policy process, including producers, workers and consumer organisations.

Since the Policy is required to apply to all sectors of the economy and to many social arrangements that would, in the past, have been regarded as lying outside the scope of economic policy, it is phrased in very general terms, which give little guidance to the appropriate conduct of public benefit tests in specific sectors. Nevertheless, it is required that the public benefit tests be conducted in a manner that the National Competition Council deems to be consistent with the Act. Government agencies and private organisations that do not comply with this rather vaguely specified mandate are subject to legal and financial sanctions, including the loss of Commonwealth funds and the possibility that existing arrangements will be deemed to contravene the Act.

The discussion above also illustrates one aspect of the top-down nature of National Competition Policy. In the past, policies affecting particular sector of the economy were normally formulated in consultation with the groups most directly concerned, including producers, workers and consumer organisations, sometimes collectively described as 'stakeholders'. Similarly, the boards of statutory authorities typically included representatives from these groups as well as members appointed by government. By contrast, advocates of microeconomic reform, such as Sieper (1982), generally regard groups representing producers and employees as vested interests, which should be excluded, as far as possible, from the policy process. The only interest recognised as legitimate is that of consumers, and consumer interests, it is argued, are best protected by competition rather than by consultation with consumer groups.

Under National Competition Policy, consultative approaches to policy formulation are generally discouraged. In particular, corporatised statutory authorities are required to maximise profits. Their managers must therefore satisfy their fiduciary obligation to shareholders without regard to the effects of their decisions on other concerned groups, even where the concerned groups may be supported by the majority of the shareholders, that is, the public, in their capacity as taxpayers and ratepayers.

Under National Competition Policy any activity not consistent with profit-maximisation, such as provision of services at subsidised prices is required to be treated as a community service obligation (CSO) and explicitly funded out of general revenue...

Finally, National Competition Policy is largely exempt from democratic accountability. It is, of course, open to the Commonwealth Parliament to amend or repeal the Competition Policy Reform Act. But apart from this theoretical possibility, it does not matter whether policy changes required under National Competition Policy have majority public support or, indeed, any public support at all...

The standard economic approach to policy normally involves a willingness to consider government intervention in situations where the ideal assumptions are not satisfied. By contrast, advocates of competition policy tend to prefer imperfectly competitive markets to any form of government intervention.¹⁸

¹⁸ Professor John Quiggin, *Submission to Senate Select Committee on the socio-economic consequences of national competition policy*, 1999, Australian Research Council Senior Research Fellow, James Cook University pp 1, 8-10

According to Sir John Monash, any plan is better than no plan. Armed with that insight, he changed the course of the Great War, built much of Melbourne's lasting civil infrastructure, rolled out the State Electricity Commission of Victoria to bring electricity for the first time to the homes, farms and businesses of most Victorians. National Competition Policy and other neo-conservative policy settings were and are assertively the opposite – anti-plan, anti-intervention, anti-assistance.

Adopted by all the major political parties, NCP was part of the suite of neo-conservative policies implemented in Australia during the 1980s and '90s. These reset the apparatus of government to be anti-government and anti-public interest. NCP was a triple bottom line in reverse, empowering government departments and bureaucrats to act unaccountably and without regard for the social, economic and environmental damages they wrought.

It is no small accomplishment to wreck a regional economy, destroy lives and livelihoods intergenerationally, and stall Victoria's and Australia's *energiewende*. And, even if public support wasn't necessary, it was still useful to craft a persuasive narrative to carry forward this nihilistic endeavour.

This narrative described the SECV as inefficient, indebted, monolithic and sluggish, its assets 'gold-plated'. Its workforce was lazy and underworked, too big, over-unionised and unmanageable. Electricity prices were too high and SECV customer service unresponsive. The Latrobe Valley and our community were characterised as too working class, too bolshie, too bogan, too aligned with the publicly owned SECV and thus, in part, responsible for its ascribed failings. Just like the SECV needed a good dose of corporatisation and privatisation to 'shake it up' by exposing it to the cold winds of competition, its 'militant' Latrobe Valley workforce deserved a good caning to bring it to heel.

Here's an example from the Productivity Commission, a Commonwealth agency mouthpiece for NCP:

'Improvements in the performance of government business enterprises and in the provision of infrastructure are important objectives of NCP. Past studies of government business enterprises identified clearly that: They typically suffered from poor management, excessive or inadequate capital investment and over-manning which added considerably to costs'¹⁹.

Bob Birrell's observation that the benefits of electricity industry restructuring were externalised outside of the Valley, the costs localised and concentrated in the Latrobe Valley is not an aberration of NCP implementation. Rather, according to the Productivity Commission, this outcome is desired and expected. Here's how the Commission's 1999 Review put it:

'In assessing NCP impacts and reporting on opportunities for further reform, the Commission has been guided by the operating principles and general policy guidelines contained in the Productivity Commission Act 1998. Like the terms of reference, they require the Commission to consider impacts on overall community welfare, as well as on specific industry and community groups. This community-wide framework implicitly recognizes that policy change typically involves both winners and losers, benefits and costs. While the costs imposed

https://www.apf.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/ncp/index

¹⁹ Productivity Commission 1999, *Impact of Competition Policy Reforms on Rural and Regional Australia*, Report no. 8, AusInfo, Canberra. p XXVIII

on particular groups need to be taken into account, they do not provide a justification for forgoing reforms where those costs are substantially outweighed by benefits to the wider community.²⁰

In their various Reports, the Productivity Commission was unashamed in its characterisation of NCP as creating 'winners and losers'. Under NCP, the interests of regions were pitted against each other as were groups of workers and classes of customers like so:

'Figure 10.3 illustrates a general tendency for the regions estimated to have the largest job losses from the direct effects of labour-saving NCP reforms to have the highest increases in income per person employed. For example, because of reform of electricity, generation, Gippsland in Victoria is estimated to have the largest net loss of jobs, but the highest increase in income per person employed.

...This does not necessarily mean that those remaining in employment in areas estimated to experience job losses will have incomes which are high relative to the national average. It merely means that the estimated increase in income per person employed can be above average if the regional output gain is distributed among those engaged in production in the region.'²¹ (1999 p. 305)

A translation of these weasel words into plain English? That classes of workers retained by the corporatized and then privatised LV-based electricity industry (such as unit control operators) have benefited from large pay increases at the expense of those workers who lost their jobs (such as the maintenance work force). Job numbers have gone down, ipso facto productivity has increased, the spoils distributed amongst those workers retained in the industry's core. Winners and losers are the new, natural order.

The Productivity Commission's 1999 review points to a huge, unreasonable cost of NCP borne by the Latrobe Valley. It responds using a range of mental and verbal gymnastics to explain away this fact. Not that the inconsistency mattered to them. In their world view, the Latrobe Valley was merely collateral damage in a necessary process of change that must not be slowed, stopped or modified by regional assistance measures:

Much of country Australia is coping with changing circumstance in a positive manner...In those regions, the general 'safety net' measures will probably be sufficient to address the difficulties faced by individuals disadvantaged by change...For some communities adversely affected by change, it is possibly too late for government to consider region-specific adjustment assistance. For example, much of the adjustment to change in some small communities has already occurred where reforms were well under way prior to NCP (eg the closure of rail and electricity depots). In some communities, though, there remains a legacy of people disadvantaged by change. Measures to improve occupational and locational mobility of unemployed workers, or measures to reduce the transaction costs of changing locations, could expedite the decline of some communities. **In the Commission's view, it is important to recognize that adjustment assistance should focus on helping individuals to meet a changing environment. It is not about stopping change or maintaining all existing communities.'** (their emphasis)²²

Their preferred approach of 'helping individuals' and 'universal assistance' was Productivity Commission-speak for unemployment benefits.

Armed with this [ir]rationale, no government has cared then or since to repair the damage they caused. The notion of investing in the creation of 11,000 new jobs in the Latrobe Valley has never

²⁰ Productivity Commission 2004, *Review of National Competition Policy Reforms*, Discussion Draft, Canberra, October p 4

²¹ Ibid p 305

²² Ibid p 394

been discussed, proposed or mentioned publicly. As thousands of previously skilled workers were left wasting away on the dole to contemplate a once meaningful work life, some \$1.4billion of NCP payments passed quietly from the Commonwealth to successive Victorian governments for a job well done. Presumably, Treasury stashed these alongside the \$24billion approx. netted from SECV asset sales.²³

The incoming Bracks-Brumby Labor government had no appetite to criticise NCP and privatisation. In fact, it was hiding its delight behind the scenes:

State cabinet documents obtained by *The Age* show that the Brumby Government regards privatisation as enormously successful, giving Victoria "one of the most competitive electricity markets in the world".²⁴

Readjustment assistance aka random acts of (vote garnering) charity

This context sets the terms for structural readjustment assistance to the Latrobe Valley taking the form of modest, irregular gestures by Labor governments delivering random acts of charity. Designed and bestowed by self-serving bureaucrats, without any interest in or intention of disturbing the neo-conservative order of things, their gestures include the failed 2001 Latrobe Valley Ministerial Taskforce (\$100million), the failed 2004 Transit Cities program, the 2007 A Fairer Victoria: Strong People, Strong Communities policy suite, the failed 2012-17 Advanced Lignite Development Program, and the failing 2017 Latrobe Valley Authority (\$266 million) and related Latrobe Valley Economic Development Program (\$40million).

During 2011-12, at the height of marketing the Clean Energy Future Package of legislation, various Commonwealth Ministers visited the LV. We were even blessed with the presence of then Prime Minister, Julia Gillard. When meeting power industry workers in Morwell, the Prime Minister promised to stand with the Latrobe Valley through carbon tax implementation:

"It's not my intention to leave this community, or indeed any other community in the country, in the lurch the way we saw them left in the lurch in the era of privatisation under the Victorian Liberal government," she said in Morwell.²⁵

Yet, instead of providing any dedicated assistance measures to our region, her government stood shoulder-to-shoulder with the LV's privately-owned power generators, passing them more than \$2billion in energy security payments and free carbon permits. Not a cent of this was spent in the Latrobe Valley, the cash immediately off-shored by their overseas owners as windfall profits.

For its part, in 2011-2012 the Baillieu-Napthine government redefined the Latrobe Valley as extending from Longwarry to Heyfield, Yarram to Port Albert. The effect was two-fold: diluting the concentrated impacts of carbon tax forecast to hit Latrobe City and, secondly, giving the Victorian LNP government license to pork barrel 'adjustment assistance' for election purposes into LNP strongholds outside of the LV.

In 2017 and during the lead up to the 2018 election, the Andrews government embraced the 'new' Latrobe Valley, too. Since Hazelwood's closure, communities from Longwarry to Yarram have felt the love of Labor's Latrobe Valley Authority (LVA) as it shovels out \$266million+ to refurbish

²³ <https://www.theage.com.au/national/victoria-and-sa-private-powers-shining-lights-20020914-gdukkr.html>

²⁴ <https://www.smh.com.au/environment/down-in-a-troubled-valley-20091211-koms.html>

²⁵ <https://www.theage.com.au/national/victoria/pm-assures-latrobe-valley-over-carbon-tax-20110716-1hiyw.html>

community halls, re-turf bowling greens, build new sporting pavilions here and netball courts there, a \$3.5million cricket centre of excellence in Moe, a \$56million aquatic centre in Traralgon. For months, every north-bound motorist crossing Morwell's Jane Street bridge has been greeted with the good news of the LVA's 'Valley of Sport' initiative, proudly advertised in its HQ front windows.

Meanwhile, almost concurrent to the LVA's creation and operation, from 2016 to 2019 Latrobe City's crime rate has increased. It is currently sitting at Victoria's second highest of 13,034.5 crimes per 100,000 head of population. In truth, the LVA's front window should have read - Valley of Poverty-related Crime.

Year ending	Criminal Incidents	Rate per 100,000 population
June 2016	9856	13,207.9
June 2017	9973	13,313.7
June 2018	9647	12,826.6
June 2019	9838	13,034.5

Table 3: Criminal Incidents by Local Government Area: Latrobe

Lest the LVA and its bureaucratic masters in Melbourne haven't compared the crime stats across their 'new' Latrobe Valley, for their convenience, we've listed them in Table 4.

Local government area	Year ending 2019 Criminal Incidents	Rate per 100,000 population
Baw Baw	3347	6252.8
Wellington	3015	6816.6
South Gippsland	1138	3820.5
East Gippsland	3263	6883.1

Table 4: Criminal Incidents Y/E June 2019 by Local Government Area: Baw Baw, Wellington, South Gippsland, East Gippsland

The number one criminal incident across all of Gippsland is theft. If these other municipalities were willing to forego their contrived 'Latrobe Valley' status, forego, too, related random acts of tax payer funded kindness in preference for properly managed assistance to the Latrobe Valley, perhaps Gippsland's epidemic of theft might drop.

Properly managed assistance as part of a well-focused industry policy might avoid other theft and loss problems, too.

During 2018, we watched the Steelvision venture crash and burn spectacularly. With its promise of 52 new jobs in Morwell, the company received \$400K in LV-State assistance monies even though Steelvision was insolvent, owing 400 creditors some \$21million+. Senators may be aware of Steelvision creating a fiasco for the Federal Parliament, its security upgrade unfinished, the building entrance shrouded in scaffolding for months.

Recently, the LVA's own unfinished \$17million Gippsland Hi-Tech Precinct in Morwell lost its private partner, Fujitsu.

In 2017, the joint state-Commonwealth \$90million Advanced Lignite Development Program finally fell over. Its last unsuccessful project proponent was found to be almost insolvent.

Then there's the SEA Electric car factory, its enthusiastically-promised 500 jobs shrinking to less than 250 and counting, before the first sod is turned.

Back in 2011, the Moe Telstra call centre, one of the few lasting LV Ministerial Taskforce initiatives to create ongoing employment, was suddenly closed at a loss of 114 jobs. We appealed to then Federal Minister for Telecommunications for government intervention. His response reminded us that Telstra was a privatised entity, no longer under government remit.

In 2014, the Abbott LNP government spent \$12million scoping out the sale of ASIC's highly successful data registry and related centre in Traralgon. Established in the early 1990s, it employs more than 250 people. During 2015-16, a spirited anti-sell off campaign was waged by Senator Nick Xenophon, Get-Up, the Greens, and Australian journalists. Despite the data base's establishment and location being Keating government initiatives, during the campaign Federal Labor is reported as sitting on the fence.²⁶

In late 2016, the Turnbull government dumped the sell off after deciding there was no net financial benefit to the government. Impacts on the LV economy didn't rate a mention.

A detailed list of promised but failed Latrobe Valley ventures over the decades would run into the dozens. We started this submission by asserting that governments had and continued to mismanage Victoria's and Australia's energy industries, of which the Latrobe Valley's industrial base is an important sub-set. Our region's situation is a testament to governments adhering to the wrong policy settings, failing to develop and implement contemporary industry policy, to take a joint Federal-State approach, failing to invest seriously and adequately in industry development and job creation and continuing to pretend, despite being ensnarled in energy industry dysfunction, that nothing needs to change. We assert that fixing up the mess in the Latrobe Valley is at the centre of unsnarling Australia's energy problems and remediating the problems left by NCP and privatisation.

So how *do* you create 11,000 jobs, remediate mines and end emissions?

On 6th June, 2018 the German Federal Government appointed the 32-person Commission on Growth, Structural Change and Employment (GSCE). The Commission was tasked with finding an agreed way to reduce emissions by 62% by 2030 and:

'...creating futureproof jobs in the regions affected through cooperation between the Federal Government, the Federal States, municipalities and economic actors... 2. Development of a mix of policy instruments that bring together economic development, structural change, social acceptability, social cohesion and action on climate change and, at the same time, establish perspectives for sustainable energy-producing regions as part of the energy transition. 3. This also includes necessary investments in the regions and economic sectors affected by structural change for which existing federal and EU support instruments will be deployed in the regions affected on an effective, targeted and priority basis and for which, in addition, a structural change fund, comprising primarily federal resources, will be deployed.'²⁷

In January, 2019 the Commission handed down its final report. Its approach is noticeably different, opposite in fact, to Australia's National Competition Policy. To achieve such significant emission reductions hinges on finding social acceptability and that, in turn, depends on:

²⁶ <https://www.theguardian.com/australia-news/2016/sep/15/nick-xenophon-urges-malcolm-turnbulls-government-to-suspend-sale-of-asic-registry><https://www.smh.com.au/business/planned-sale-of-asics-corporate-registry-a-body-blow-to-latrobe-valley-20140523-38uci.html>

²⁷ *Commission on Growth, Structural Change and Employment, Final Report*, Federal Ministry for Economic Affairs and Energy (BMWi) Public Relations, Berlin, January 2019 p 2

Socially balanced and equitable distribution of the advantages and burdens: To ensure that the end of coal-fired power generation, and the energy transition, can continue to be borne by society in the future, this fundamental reorganisation must be equitably designed over-all. This means that the advantages and burdens are spread as equitably as possible across society.²⁸

This report doesn't refer once to winners and losers. On the contrary, social equality, preservation of social cohesion and the embellishment of democracy are of central importance:

A successful structural development will make an important contribution to preserving the basic free, democratic order.²⁹

Nor does it use the passage of time as an excuse to do nothing. The Commission acknowledges the economic damage caused to eastern Germany's lignite dependent regions during the 1990s, comparable to that experienced by the Latrobe Valley in the same period, and factors in appropriate remediation and proactive structural assistance:

The collapse of large portions of eastern German industry following German reunification also left deep wounds in the lignite industry. Operational restructuring in the energy industry in subsequent years also led to further sharp slashes in employment that escaped public attention. This economic slump was a key contributor to a significant drop in greenhouse gas emissions in Germany, particularly in the 1990s. The regions and the people living there rightly expect solidarity from society and policy-makers. Structural policy measures must therefore be particularly cognisant of people's experiences in the Federal States of eastern Germany. The Commission is aware that successful structural development in all mining areas is an ongoing process and **a reactive structural policy is not enough. The common objective must therefore be proactive structural development so that the regions, which currently still place an economic emphasis on coal-fired power generation, can, with political support, develop other sustainable industrial value-creation models that build on existing strengths.**³⁰ (our emphasis)

Their approach is opposite to that of successive Victorian and Federal governments towards the Latrobe Valley - well described as a *reactive structural policy*.

Right now, \$27million of Victorian government funds are being used by an insolvent company to destroy the heritage-listed Morwell Briquette and Power Station, one of the most significant industrial heritage sites in Victoria. This is contrary to the expert advice of the Heritage Council of Victoria, contrary to the approach that values and utilises significant industrial heritage to reactivate regional economic activity. Unlike the approach advocated and used by Germany and internationally, the Victorian government is grossly disrespectful towards the Latrobe Valley's cultural identity and fails to understand the importance of our identity in reshaping and strengthening our future:

Structural development must address the particular features of the regions. It must take into account the mining areas' different starting positions and prospects and follow mining-area-specific strategies. Structural development supports and strengthens the cultural identity of the regions. The short-, medium- and long-term structural growth dimensions must be considered in a balanced way.³¹

They have not nominated an arbitrarily-decided package of financial assistance and established an agency to dole it out *a la* the Latrobe Valley Authority, hoping some will stick. Instead, the

²⁸ Ibid p 4

²⁹ Ibid p 9

³⁰ Ibid p 3-4

³¹ Ibid p 9

Germans have fashioned a plan, a set of goals glued together by principles of societal responsibility, competence and good governance:

The goal of structural policy measures must be to sustainably develop industrial value chains in Germany. The goal must be to provide for the adequate replacement of value creation and employment in mining areas to compensate for the fall in, or loss of, value creation from coal. The goal is the sustainable modernisation of Germany as an industrialised country, the protection and creation of co-determined work protected by collective labour agreements, and a largely greenhouse-gas-neutral society by 2050.³²

They understand and underline that by looking after their people, their livelihoods and their regions, by tending to their economic and wealth creation machinery, by educating and training their young people and employing them meaningfully, they will achieve their goal of reaching zero emissions by 2050.

Not once does the Commission's report use the terms 'just transition' or 'transition justice'. Theirs is not a feelgood roadmap of empty platitudes. It is a hard headed plan that distributes economic justice as the means of repositioning their society's energy sources and energy utilisation technologies. This is what serious industry planning and proactive structural development looks like.

It is in this context that the quantum of assistance, reported in German and international media at the time of the Report's release – some 40billion Euro or \$64.5 billion AUS – must be considered. A rough back-of-the envelope pro-rata calculation would see an equivalent quantum of some \$22billion invested by governments to reposition the Latrobe Valley's economy, remediate the mines, adaptively reuse our industrial heritage, and create 11,000 jobs in industrial value-creation models that build on, rather than squander, our strengths. Rejuvenating the Latrobe Valley's economy will move Australia down the path of zero emissions.

To conclude, regarding this Inquiry's terms of reference, in particular points *e.) – h.) education; building human capital; enhancing local workforce skills, and; employment arrangements*, we summarise the accumulative impact of privatisation, de-structuring and related State and Federal government policies over the last thirty years as:

- all but destroying local apprenticeship training opportunities in the metals and electrical skill areas;
- frittering away local human capital by withholding access to skilled, stable employment and, consequently replacing dignity and modest material comfort with intergenerational unemployment, poverty, stress and disengagement from community;
- squandering the once considerable local skills based by allowing the power industry workforce to age without adequate replenishment, discouraging skilled, blue-collar workers from continuing to reside in the Latrobe Valley, and encouraging young people, if they are materially able, to leave the region and not return;
- supporting casualisation and other precarious employment arrangements, encouraging local employers to employ appropriately skilled and experienced workers from outside the region rather than preferring local residents, training and giving them an opportunity to work;

³² Ibid p 10

- deepening the gender segmentation of the workforce so that very few high paying jobs in for example, the electricity and pulp/paper manufacturing industry are filled by women, with women clustered in aged care, health and retail sectors;

Regarding this inquiry's terms of reference, in particular points *i.) – l.) decentralisation policies; innovation; manufacturing; and any other related matters* we note some further impacts of bad State and Federal government policies over the last thirty years as follows:

- the loss to Australia of Ceramic Fuel Cells Ltd and their solid oxide fuel cell product, Blue Gen. Rather than supporting to completion the commercialisation of Blue-Gen and the realisation of \$300million in public and private R & D investment, in 2015 Victorian and Federal governments allowed the company to fail financially, allowed the sale of 140 technology patents to the Chinese National Petroleum Company for a knock down price of \$13million, and allowed CFCL's important value-chain to be offshored, totally and permanently in China, Italy and Germany;
- failure to ensure the commercialisation of integrated, drying, gasification and combined cycle (IDGCC) technology created by the SECV's Herman Research Laboratories. This is despite some \$750million of Commonwealth and Victorian government assistance from 1995 to 2010 to realise this important energy transition technology;
- the Commonwealth government continuing to allow energy technology innovations developed by CSIRO, funded by Australian taxpayers, to be commercialised and manufactured in China with no value chain development in Australia. CSIRO's 2016 partnership deal with China's Thermal Focus company is a recent example of China capturing the wealth creation from Australia's research and development effort:

"CSIRO's technology combined with our manufacturing will help deliver solar thermal as an important source of renewable energy in China," Mr Zhu said.³³

He might well have added 'with no concomitant job creation in Australia';




- failure by the Victorian government to support the design led ReActivate Latrobe Valley project and the Future Morwell Future Latrobe Valley Plan.
http://www.latrobe.vic.gov.au/Our_Community/Our_Region/Future_Morwell

³³ <https://www.smh.com.au/technology/csiro-sells-concentrated-solar-power-technology-to-china-20161128-gsz8gh.html>

Disadvantage: Moe

The ABS Index of Disadvantage measures disadvantage using a set of 20 variables from the 2006 ABS Census. It then uses these to rank Collection Districts (each containing approximately 200 households) so that the national average is 1,000. Score below that indicate disadvantage, while scores above indicate relatively well-off areas.

Legend

-  Railway station
-  Railway line
-  Collector districts with SEIFA scores

SEIFA scores

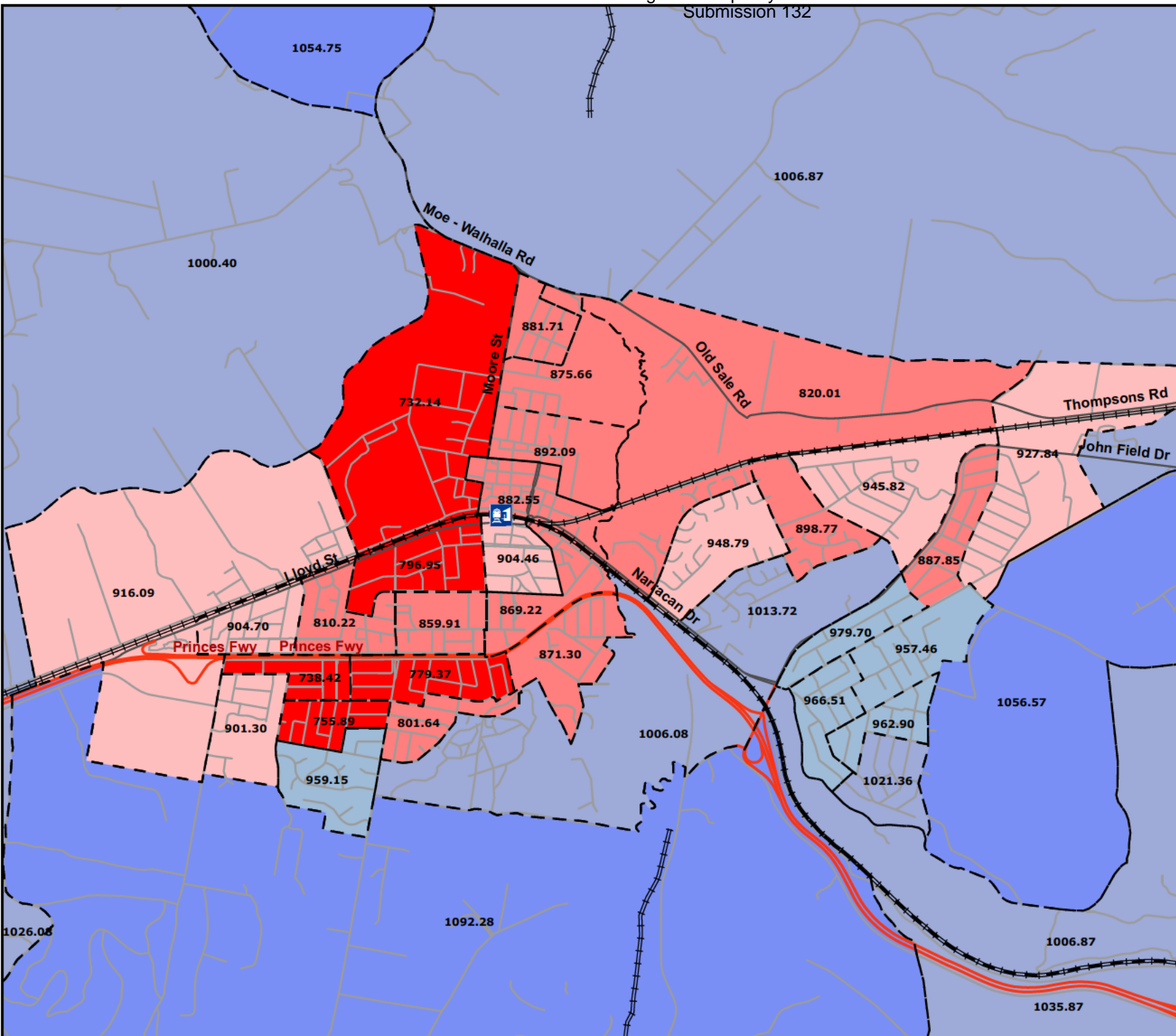
- Below 700
- 700 - 800
- 800 - 900
- 900 - 950
- 950 - 1,000
- 1,000 - 1,050
- 1,050 - 1,100
- 1,100 - 1,200
- 1,200 - 1,300

Other

- Highway
- Arterial roads
- Local roads
- Lakes

Some areas in the outskirts of this town (not affecting the interpretation of the map) may have been excluded








SEIFA variables explained (Technical Paper)
Reference: http://www.abs.gov.au/websitedbs/D3310114.nsf/home/Seifa_entry_page



Disadvantage: Moe












Socio-Economic Indexes for Areas (SEIFA) is an ABS product that ranks areas in Australia according to relative socio-economic advantage and disadvantage. SEIFA has 4 indexes. The Index of Relative Socio-economic Disadvantage (IRSD) is shown. It summarises variables that indicate relative disadvantage and ranks areas from most disadvantaged to least disadvantaged. SEIFA data and Technical Paper can be found at:
<http://www.abs.gov.au/ausstats/abs@.nsf/mf/2033.0.55.001>
The latest Australian Statistical Geography Standard (ASGS) boundaries can be found at: <http://www.abs.gov.au/geography>

Legend

-  SA1 boundaries
-  Railway station
-  Railway line
-  Highway
-  Arterial roads
-  Local roads
-  Lakes

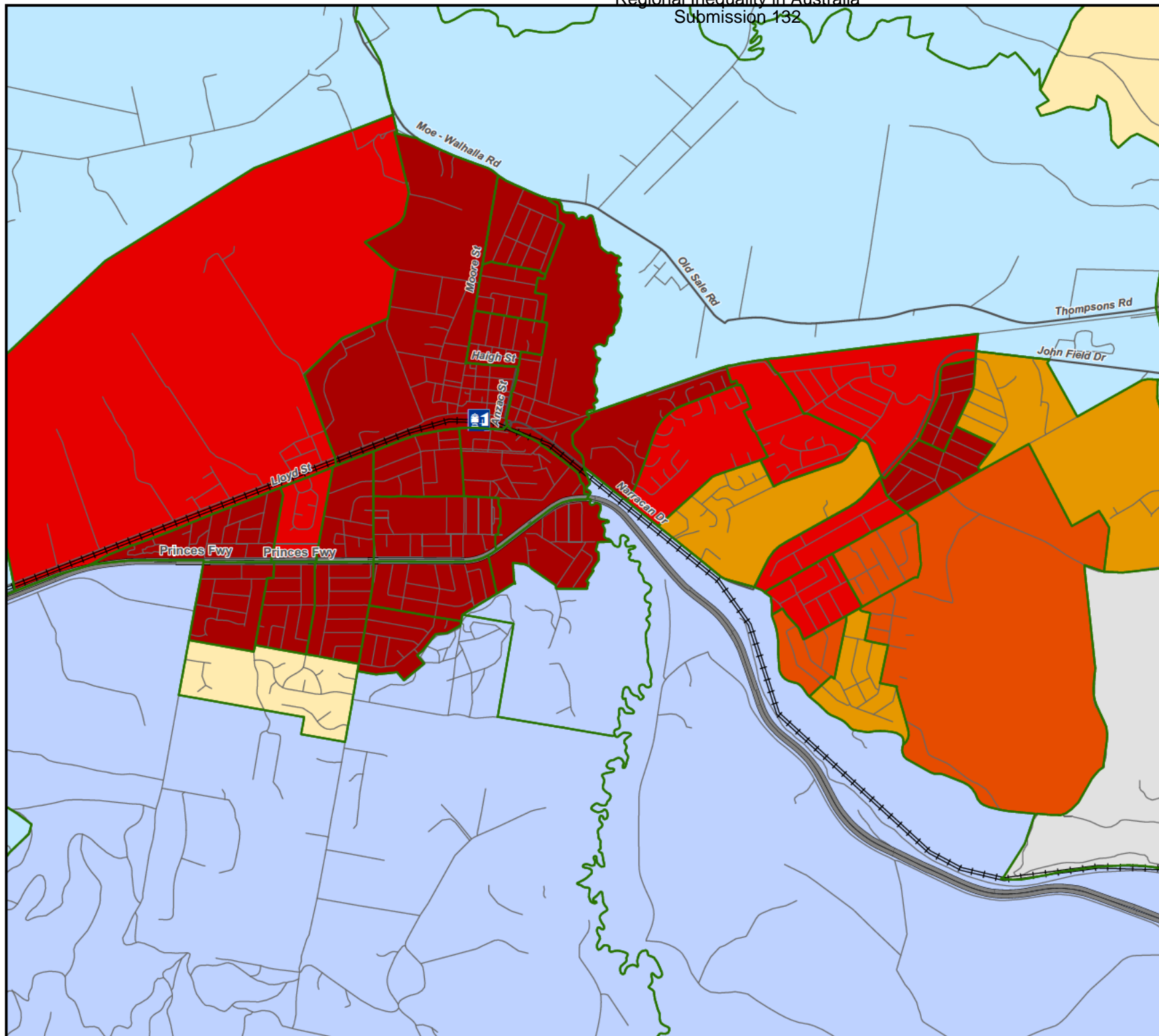
SEIFA scores

Decile*

-  1 Most disadvantaged
-  2
-  3
-  4
-  5
-  6
-  7
-  8
-  9
-  10 Least disadvantaged
-  No SEIFA score

*Deciles: all areas across Victoria are ordered from lowest to highest score, then the lowest 10% of areas are given a decile number of 1, the next lowest 10% of areas are given a decile number 2 and so on, up to the highest 10% of areas which are given a decile number of 10. This means that areas are divided up into ten equal sized groups, depending on their score.




Some areas in the outskirts of this town (not affecting the interpretation of the map) may have been excluded



Disadvantage: Morwell

The ABS Index of Disadvantage measures disadvantage using a set of 20 variables from the 2006 ABS Census. It then uses these to rank Collection Districts (each containing approximately 200 households) so that the national average is 1,000. Score below that indicate disadvantage, while scores above indicate relatively well-off areas.

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-  Railway line
-  Collector districts with SEIFA scores

SEIFA scores

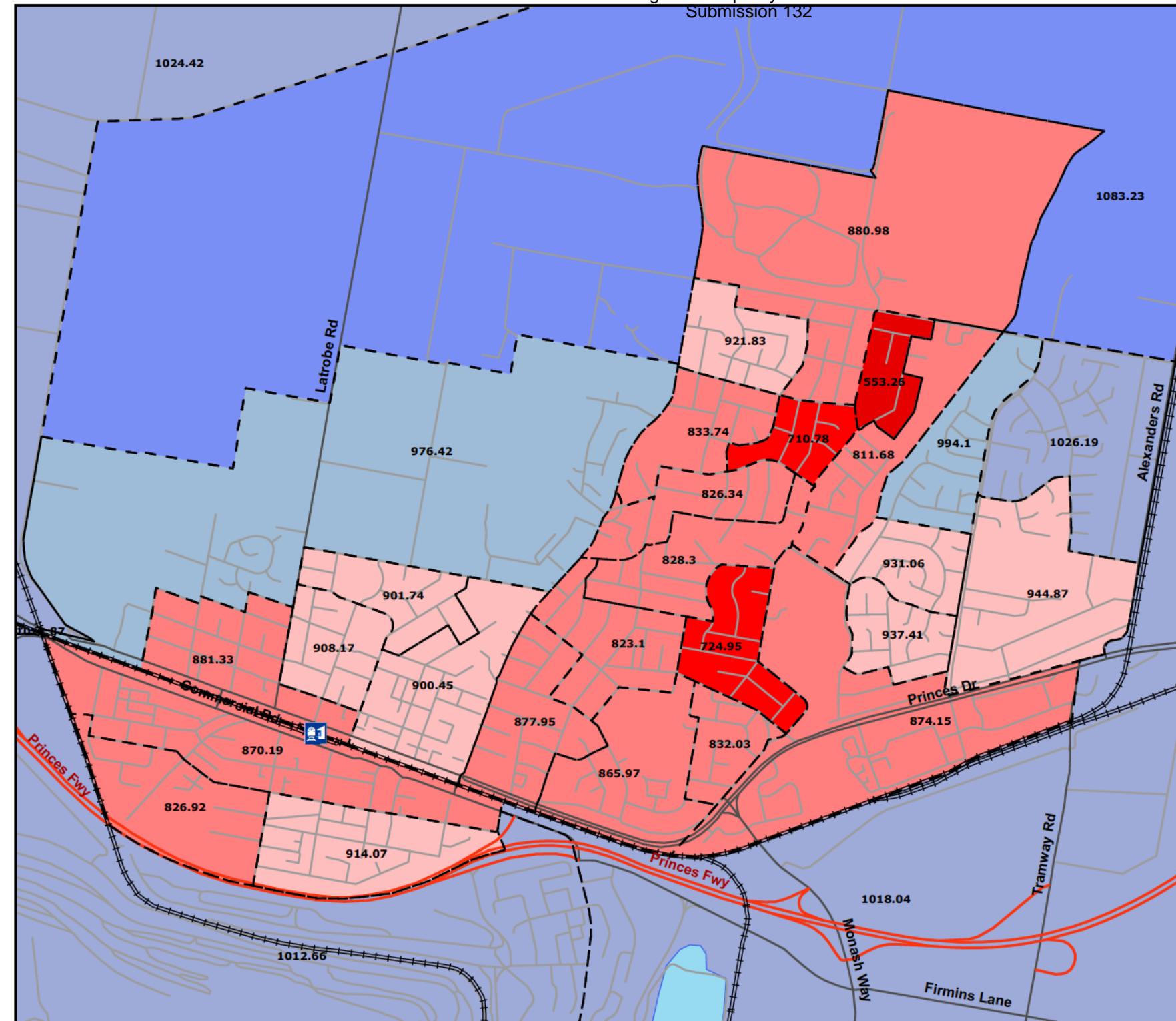
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Other

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SEIFA variables explained (Technical Paper)
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Disadvantage: Morwell












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Legend

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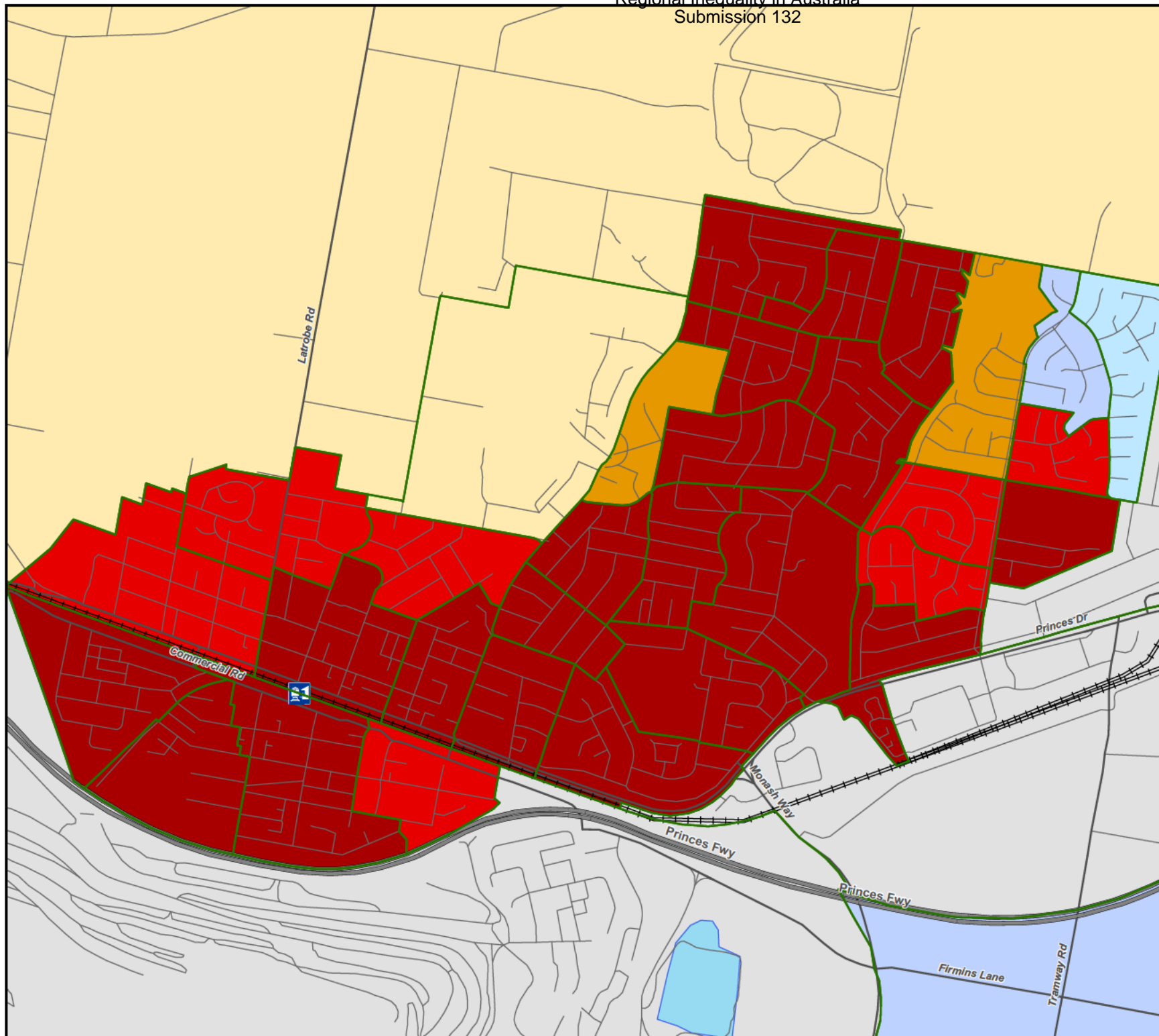
SEIFA scores

Decile*

-  1 Most disadvantaged
-  2
-  3
-  4
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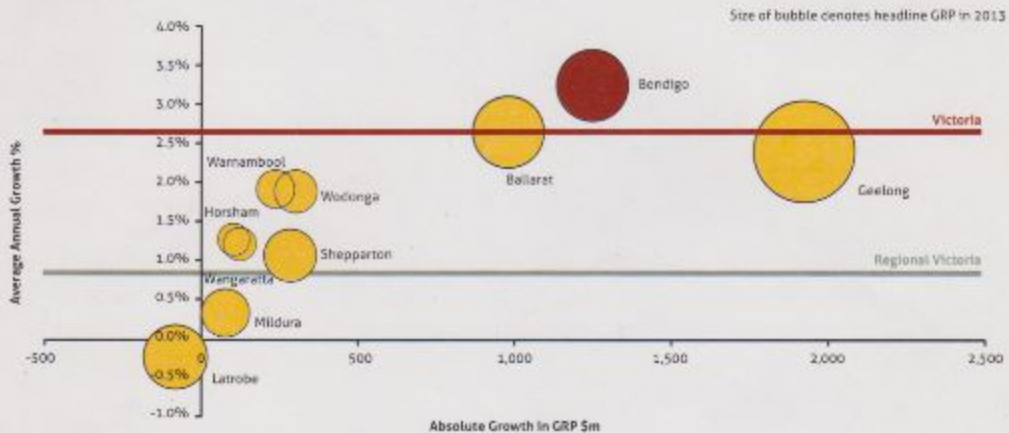
3. Overview of the Bendigo Economy

This section provides a brief overview of the Greater Bendigo economy. It is not intended to be exhaustive, but rather provide only a summary of pertinent features.

Bendigo is now the third largest concentrated economic base in Victoria behind Melbourne and Geelong with an annual Gross Regional Product (GRP) of over \$5.1 billion in 2012.

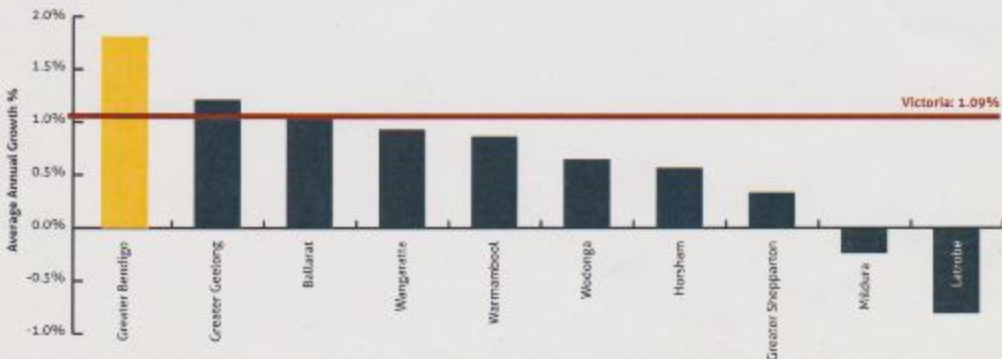
Greater Bendigo's GRP grew by approximately \$1.3 billion in the period 2002 to 2012. The rate of growth was 3.4% per annum - the fastest rate of growth for all regional cities in Victoria for the period.

► Growth in Headline GRP 2003-13



(Source: Regional Development Victoria - RDEV 2013)

► Growth in GRP per capita 2003-13



(Source: Regional Development Victoria - RDEV 2013)