



ECONOMIC DEVELOPMENT COMMITTEE

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INQUIRY INTO IDENTIFYING WORLD'S BEST PRACTICE BY GOVERNMENTS TO EFFECTIVELY STIMULATE EMPLOYMENT OPPORTUNITIES IN QUEENSLAND

TRANSCRIPT OF PROCEEDINGS

FRIDAY, 4 SEPTEMBER 2009

Brisbane

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Committee commenced at 8.30 am

CHAIR: We will call the public hearing of the Economic Development Committee to order. This committee conducts this hearing pursuant to the resolution of the Queensland Legislative Assembly of April 2009 which appointed it. This resolution requires the committee to monitor and report on issues in the policy areas of employment, infrastructure, transport, trade, industry development, agriculture and tourism. Today's hearing is to assist us in our inquiry into identifying world's best practice by governments to effectively stimulate employment opportunities in Queensland. This inquiry was referred by the parliament on 23 April 2009.

I would like to commence by introducing the other members of the committee here today: the deputy chair of the committee, Fiona Simpson, member for Maroochydore; Tracy Davis, member for Aspley; an apology from Shane Knuth today, member for Dalrymple; Jason O'Brien, Deputy Speaker and member for Cook; Lillian van Litsenburg, member for Redcliffe; Jan Jarratt, member for Whitsunday; and I am Evan Moorhead, and I am the chair and the state member for Waterford.

We have received a number of apologies from members and officials who were invited to attend as observers. We will ask that that list be incorporated into the *Record of Proceedings* today.

Mr Ray Stevens MP, member for Mermaid Beach
Mr Derek Pringle, Master Builders Association
Mayor Bob Abbott, Sunshine Coast Regional Council
Ms Anne-Marie Birkhill, Ilab Incubator
Mayor, Cr Lorraine Pyefinch, Bundaberg Regional Council
Mr Mark Ryan MP, member for Morayfield
Cr Col Meng, Mackay Regional Council
Ms Rosemary Menkens MP, member for Burdekin
Ms Dorothy Pratt MP, member for Nanango
Mr Steve Dickson MP, member for Buderim
Hon. Minister Peter Collier MLC
Ms Grace Grace MP, member for Brisbane Central
Hon. Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development
Hon. Stephen Robertson MP, Minister for Natural Resources, Mines and Energy and Minister for Trade
Hon. Judy Spence MP, member for Mount Gravatt
Mayor Val Schier, Cairns Regional Council
Mayor George Creed, Gladstone Regional Council
Mayor Michael Brunker, Whitsunday Regional Council
Mayor Mick Kruger, Fraser Coast Regional Council

The proceedings here today are lawful proceedings of the parliament and subject to the Legislative Assembly's standing rules and orders. Witnesses should have been provided with the guidelines for witnesses appearing before parliamentary committees adopted by the Legislative Assembly which the committee is bound to follow. Have you had an opportunity to read these guidelines?

BROWN, Mr Stephen Graham, Private capacity

DOUGLAS, Dr Alexander Rodney, Member for Gaven

Mr Brown: Yes.

Dr Douglas: Yes.

CHAIR: Under the guidelines you may object to answering any question put to you on the grounds that the question is personal and not relevant or the answer may incriminate you. The committee will not require you to take an oath or affirmation; however, we expect witnesses to respect the proceedings. Recording of today's proceedings except by Hansard is not permitted. It is our intention to keep to the time frames provided for the hearing program. We will finish at 4 pm, not before. I would ask that you keep your opening statements and answers succinct.

If you do choose to take any questions on notice we ask that you take the opportunity to provide answers in writing by 14 September 2009. We will start today's proceedings with individual submissions. I ask you both to state your name before we start.

Dr Douglas: Dr Alexander Douglas, member for Gaven.

Mr Brown: I am Stephen Graham Brown of Hall Road, Elimbah and I appear as a community-minded private citizen.

CHAIR: Thank you. We might start with you, Stephen. We ask that you start with an opening statement. You can make that brief because members have had an opportunity to read your submission.

Mr Brown: Certainly, I will. I have also provided a copy of this for Hansard to help them. My message today is drawn from the Latin language: *civium industria floret civitas* which translates to 'by the industry of its people the state flourishes'. We clearly have a choice or a range of choices over time as to whether we continue to reproduce the status quo or promote change. Each comes with consequences and an underlying set of values. I feel we should shape our shared future for a greater focus on opportunity and investment in social, economic, cultural and technological advancement. Central to this is social and economic inclusion and positive discrimination may be necessary beyond the normal targeted groups. Hope is important for every Queenslanders irrespective of gender, age or other attribute. Accepting that we live and work in open, social and other systems of interdependence, we should consider carefully new ways of thinking across both educational and employment components of life and the necessity for lifelong learning, both formally and informally.

The key part of this approach is to overcome the structures of disadvantage experienced by people in various target groups. We need new efficiencies, effectiveness, equity and ethics and to understand fully that everyone can contribute to a healthier and more sustainable community. Work may need to be shaped for people rather than people shaped for work if we are to build sustainable and healthy communities for tomorrow, particularly in the light of demographic change and life longevity. Basic human rights of access to education and employment should be available and respect for our unique abilities, capacities, skills, knowledge and other attributes embraced as we, coming together, are greater than the sum of the parts.

People wanting to work part-time or people with disability or health conditions must have the opportunity to be included. The alternative is the status quo disadvantage and blame game of linear, standardised and one-size-fits-all approaches. Non-productive employment, unemployment and underemployment all attract costs—social, economic and industrial. Qualifications can see one perceived as overqualified for a range of positions. Employment opportunities in regional and city fringes can be limited. Other barriers include the preoccupation with full-time employment and absence of positions for associate professionals in education and health. Perhaps access to skills building is limited when the ABS definition for being employed last week is disproportionate to self-esteem or productivity. Yet another concern is difficulty of accessing suitable references for people in the targeted groups: long-term unemployed, underemployed or those with health and disability issues. My social work perspective is that people with disadvantaged status attract further disadvantage.

Speaking personally, I depend on my wife for support and would love the opportunity to contribute to greater cohesion, balance and sustainability in my chosen career path. It is now 43 years since I first went to work and I have graduated from university four times and am still engaged academically in the hope of shaping my future. Yes, I have applied for positions, emailed expressions of interest, been ignored and rejected many times. I need to ask: where are the work practices in education and health that facilitate my ongoing professional development and contribution for achieving greater work and community balance? If I have difficulties navigating the road map, how many more fall by the way or find the task too daunting? Where should the government as an employer lead?

CHAIR: Thank you. Dr Douglas, do you have an opening statement that you would like to share with the committee?

Dr Douglas: I have made a submission. My concern is based around the fact that, currently, the unemployment statistics in Queensland are skewed. Currently, the highest rate of growth in unemployment on the eastern seaboard of Australia is in the electorate of Gaven. Roughly, that is an area that covers from Coomera to the north, Mudgeeraba to the south and east at Carrara. Largely, the people who are unemployed or underemployed are involved in the major construction on the Gold Coast. Currently, construction on the Gold Coast is running at 50 per cent in major construction and probably close to 80 per cent in middle order construction.

For people who do not understand the quantum of money that is involved and the amount of income that is generated via GST and income tax alone, you are seriously looking at about 30 per cent of the state's income. It is serious money. Currently there are about 2,500 contractors in the electorate who are seriously affected by issues relating to the fact that they cannot engage in major high-rise construction and middle-rise construction. At the same time as this is occurring, they cannot lock into an ongoing income which will sustain them and their families. The difficulty is that we actually need these people for building the types of things that we need for the further growth of both the community and also the state's income.

In terms of economic times, many people believe that because of the nature of those industries people will tend to drift towards places whereby their benefits improve because the construction is differentially weighted. In other words, the market tends to move up the seaboard of Australia and different parts of the country are developing at different rates, and that is the way the market works. The reality in modern times, though, is that to build these large-scale constructions and particularly the middle-rise constructions, the skill set that you need of these people is quite remarkable because of the complexity of their construction. You do not easily replace them. They are not all young people and they are not all old people. There is a mixture of all of them and their skill set is not necessarily defined in terms of a degree or anything, but we actually need them.

In one fell swoop at the moment, as a small little microcosm of a micro-economic thing, we have a problem with people who are greatly underemployed and, in some cases, unemployed and it is disproportionate to the rest of the state. We cannot afford to lose these people. There have been some

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incentives announced in Victoria in an attempt to see whether they can attract some of these people into their industry to see whether that will actually drive them forward. I think that we have to have economic incentives to maintain this workforce primarily. I do not think these people are asking to be spoonfed, and some people would actually say they should be living off the benefits of the income from better times. The problem is that one never knows as time goes along when that rainy day is going to be. Certainly rainy days are the enemy of the construction industry.

What I have proposed is along the lines of micro-economic reforms in other countries—and I am not basing it on the cash for clunkers idea in the US. Basically, German models and even a lesson model which was originally pioneered by a guy called Amartya Sen, who won a Nobel prize in 1998—he is an Indian guy, Bangladeshi, and he had a protégé, and I am trying to remember his name. Basically, the idea was that if you want to get change incrementally you start at the bottom and you work upwards; you do not work from the top down, particularly when you have these types of problems. The Germans currently have a model. For those who read German newspapers—and there is no point in me bringing it along here because it is all written in German. For those who are German speakers, it is pretty easy to read. The newspaper is written for 11-year-olds. It is interesting. The leader Angela Merkel is a most interesting woman. She has achieved this power by the coalitions of support. The whole idea is that she survives by dragging all the minority groups together. She comes from an East German background. They have the same problem we have got. She has proposed with their economic people that to maintain certain industries and different parts, particularly the construction industry, in order to keep people employed and earning an income at these critical times that they actually get people to renovate their own homes, which is what my original submission here today was. In other words, you keep people going through that time by them actually working on their own endeavours. They can either pay that money back to you or you give them limited grants and get them going that way. So you make micro-economic hits.

Some people would say it is only federal initiatives. Remember, they are a Federation, too. They have regional governments as well. These are regional government initiatives. I am not seeing those regional government initiatives. Certainly governments are saying they have this broad base building plan which is a centralised type plan. But this is micro-economic stuff. Some people say, 'I can't dip my toes in the water in that area.' But I think they can. What I would like you to consider is that this is a unique problem. It has possibly a unique solution. If we do it correctly you maintain a very significant workforce when we scale up to basically go back and there is potentially going to be a boom within a couple of years. It will come. When it really gets going it will be substantial. They are building big buildings. These are seriously large things—not just tall, but massive in the base. They take years of construction and there are thousands of people on site. To give you an idea, currently on Soul—on the building—there are 2,500 people on site—on one building site. At The Oracle when it gets going up to the next scale of towers there will be nearly 3,000 people on site. These are seriously large constructions and there is a lot of money being spent today. That is what I wanted to tell you about.

CHAIR: Thank you. We might start with some questions. I will start first. Stephen, in your submission you refer to the need for generic employment skills. What do you think those generic employment skills are?

Mr Brown: I think employment skills look at two levels. They first of all look at skills that children come out of school with and going at the base entry level, if such a thing exists anymore in our economy. The second one is the graduate skills of critical thinking, reflection, problem solving at a higher, more conceptual level and having reliance on the theories and values and looking at the assumptions that are being made behind them and how these are being driven.

Ms SIMPSON: I had a question more specifically to your profession. I note you made reference to vocational requirements for practice.

Mr Brown: Yes, I did.

Ms SIMPSON: That is potentially more an emerging issue with people's access in the workplace and the ability to fulfil those requirements. Is this a specific issue that you believe needs to be drawn to the attention of legislators in the education department?

Mr Brown: I think it is. As I understand, legislators made some provisions and the regulators have set up a system which I am not sure whether the union has actually agreed to or not yet, but that is probably immaterial. Effectively, it means most teachers will face registration renewal in 2010 and recency of practice will come in. That requires you to work so many days in the last five years whereas previously it was so many days in 10 years. It is more days and less time to qualify. I certainly qualify over 10 years; I do not qualify over five years. How that is going to apply I am not sure because the rules do not seem to be yet firm.

The other issue is that the regulatory body has made principals responsible for professional development, including their casual staff. However, when you go to the schools and you say to them, 'I need facilitation for my provisional status to full registration so therefore I do not have this problem so much at the end of the year,' they say, 'It's not our responsibility.' So there is a problem there. If it played out fully across a number of provisional registrations of teachers you would suddenly have a very big skill shortage in the schools at the end of the year. Therefore, it is an issue that is emerging and one that needs some deep consideration.

Mr O'BRIEN: I just want to refer to one line in your submission calling for a more plain English selection process. Could you tell us about your experience with that and perhaps go into some more detail about what you mean by that?

Mr Brown: Bureaucracy gobbledegook. Whenever you apply for a position in the Public Service they come up with this ideal template that you are supposed to be able to match. It is not always plain English as to exactly what they want because they vary the weighting on it depending upon information that is not known to the candidate necessarily. It is also disadvantaging the people who are not in the service and looking for a shift sideways or upwards; they do not have the same opportunities. They can do some research online these days, but they do not have the same opportunities to see exactly what it is that people are looking for, what skill sets they should best market when they put their applications in if they go to interview. I would say very largely that, because people are disadvantaged that way, most people outside do not seem to get to interview. That has been my experience, anyway. I have had I think one interview with Child Safety last year. That would probably be the first interview I have had for a permanent job in at least five years, and I write fairly well I think.

Ms JARRATT: One of the statements you made in your opening statement was that you would like to see work shaped for people rather than people shaped for work. I would like to hear a little bit more about that. I am wondering whether you are thinking in terms of the fallout from this particular global financial situation or whether you are really referring to a broader social agenda there?

Mr Brown: I am referring to both. I think the current financial situation has provided a spotlight on the problem, maybe an excuse for reshuffling people, redesignating jobs. Some things have been good about it such as I think I mentioned the training on the fifth day and negotiating of hours better. There is a broader social situation. For argument's sake, people with mental health and disability issues cannot work in a full-time job. In most cases it is beyond them to do the number of hours for a full-time job, yet they want to work. They want to be part of the community. They want to reconnect. They want to be able to sustain their families.

Those are the sorts of issues I am looking at. It is both economic and social. What does it amount to? Some of these people have extreme levels of creativity. They manage to sit on that edge that gives them that boost of being creative, but they do not have the opportunity. It is a shame when resources are out there and they are not tapped. It is a bit like the old style when we used to say, 'These are women's jobs and these are men's jobs and never the twain shall meet.' I know with teaching and nursing now that is becoming more of a cross, but they still are predominantly women's industries and the tags and the expectations that go with them are there. Does that answer your question?

Ms JARRATT: Yes, I think so. Thank you.

CHAIR: Dr Douglas, your submission talks about the vulnerability of an area that is very reliant on one industry. I think the Gold Coast City Council submission to our inquiry made a very similar point about a region that was reliant on an industry, particularly tourism, or a small number of industries: tourism, property development and construction. How do you think the Gold Coast can move away from being reliant on a narrow set of industries?

Dr Douglas: I think that the Gold Coast is still probably in an early development phase. I would not say it is in an incubating phase, but it is probably well before a mature phase. The reality is that it is built on the number of tourists per year. Currently, we are getting about nine million tourists a year. They are targeting about 15 million by 2015, which is another six million people a year. That will mean an incredibly large demand on the system. The construction demand in the community will remain incredibly strong. Irrespective of wanting to divert industry away, you cannot stop certain things occurring. People will still come. They will still want to come to the place to holiday and to retire. We have those twin types of problems currently and also young families feeding industry. It is all very well to say, 'We can try to focus more on education stuff.' That is what they are trying to do. Griffith University on the Gold Coast has been massively developed. The Southern Cross University and all the schools for example—there has always been a big education component. For people who do not know, there is a massive industrial component on the Gold Coast—enormous manufacturing businesses. I mean seriously large global exporting businesses. Remember the old mineral sands thing which built all the mineral sands development things and all the alluvial mining things? To this day it is a Gold Coast based company owned by BHP. It is a billion-dollar industry. Massive dredges are being built all the time. People do not see it because it is only one component.

When I talked about the income to the state, we have to realise that we are in a growth phase, too; we are growing. It is acknowledged every day we sit in parliament when we talk about the millions of people coming. To feed that you require income at the other end to make it all happen in all the other regions. It is not to say that one area should receive more benefits, but it is still in an early phase. To try to divert those interests away into other things is going to fail because the primary demand of the tourism based industry, which is what feeds the whole thing and then drives the construction, will continue.

Is it bad for the state? I do not think it is. Remember, Dublin sees 52 million tourists a year. They do not think they are at a static level. They are aiming for about 70 million. In the next 20 years on the Gold Coast if we are aiming for 25 million to 30 million tourists, we will need another 100 hotels. Can you imagine how many young people would have to work in those things and the staffing requirements, the education levels et cetera? It all goes together. You cannot get away from it.

Is it a growing business? Yes. As we are getting older and as we are reducing the size of our families, people are travelling. Six million Australians travelled outside the country last year. Seven million travelled internally—actually on a holiday. That is going to grow. As with everything, we are going to get new jets—the A380s, which will hopefully be a direct flight ultimately. We are going to see a lot more Europeans here—it is a safe place to come. We can probably double the inbound tourism. I know they would love to go to Brisbane, but the reality is that they will come to the Gold Coast and they will go to the reef and a few places like that. We have to build to actually take them.

The reality is that no, we cannot divert away from it. We are still in an early phase. It is a massive income generator for the state and we have to be realistic. That is why I made the submission and that is why the Gold Coast City Council would have made a submission. We need to take micro-economic steps at this point and we need to do them as a matter of urgency.

Ms SIMPSON: Just to pick up on the point you were making about the whole submission process as someone looking for work—predominantly looking for work, would I be right in saying, in the public sector—am I understanding correctly that you are saying that when you put submissions in you are trying to meet the selection criteria but there is not necessarily clarity about what the workplace is actually looking for, so you find yourself in that cycle? I may be paraphrasing you, so please feel free to disagree with me. Do you believe there is enough feedback to people seeking work when they go into this process to really find out what the employer is looking for so they can then target their efforts more appropriately with their submissions and perhaps where they put their submissions?

Mr Brown: There is certainly feedback in the public sector—and I will talk to that first—if you score an interview. If, however, you have just made an application and you have not been short-listed, there is very little feedback in most cases. You ring the contact person and they are not available. Sometimes they get back but most times not. As to whether I am only looking at the public sector, no, I would consider the non-government sector as well. As you will have noticed from my qualifications, I have almost finished a social work degree. I have taken an advanced diploma at the moment because I needed to have a break from that and try something else for various reasons. So my interests are wide. I have done social work placements in mental health support organisations and I would be quite happy to work in those. However, most of those prefer to see people come from TAFE and perhaps have more experience working in the industry. My knowledge is sufficient or my skill set is sufficient, but I do not have the track record on the ground for that industry. I guess I am a little bit in limbo either way.

Ms JARRATT: Either of you may answer this because as I am listening to you I am hearing that one of the issues seems to be an overqualification for the types of jobs that may indeed be available in any community around the state. As I go around I see some sectors in some areas are still looking for workers and cannot find them and in others there are lots of people who are unemployed and looking for work. I suppose I am wondering whether you can comment on this aspect of qualification, and it comes down to mobility as well. Is it an unreal expectation in a time of crisis where we are seeing unemployment rates rise quite steeply that people need to rethink where they are in terms of the work that is available, be it just for a short period of time? Is that a realistic expectation, to ask people to consider where they might need to go and what they might be needing to do in the short term to get through?

Mr Brown: It is always a reasonable expectation to ask somebody to travel a reasonable distance to engage in a productive outcome such as work. When I first started doing relief teaching I think I covered from Pine Rivers across to Redcliffe and up to Mountain Creek and all in between. I would say that is a reasonable distance. When I first became interested in perhaps lecturing at university the qualification was a masters degree. Now the qualification is a doctorate before they will seriously look at you. Qualifications in run-of-the-mill jobs in the Public Service these days quite often require a degree. Why, I do not know, because years ago you came in with your junior certificate and you learnt how to do the job on the job and were still able to do it. There is always this question.

In relation to the other part of the question, particularly in health and education, the qualification situation seems to have dispensed with roles that support those such as the associate professional and the technical grade. They are still in the award as at 2007. I am talking particularly about health professionals level 2, the technical support position rather than the HP3 or the HP4, the team leader or case manager-type jobs. The award still provides for it. It still provides for health promotion officers under the HP2 level, but the jobs at those levels are not advertised very often at all. I think I have seen one in mental health at HP2 level in the last two years and it was at Ipswich. Even if I had wished to go that is an awful way from north of Caboolture to travel to work.

Dr Douglas: I would like to answer that at a much lower level. That is really the submission I have been working on at a micro-economic level. The circumstances at this time are different to many other circumstances so they dictate what should happen. In terms of their training and those sorts of things, I do not think we are going to suddenly change their training as such and we are going to get them to retrain because their view of time is much shorter than possibly some others who are suggesting that. In terms of sticking to that micro-economic theme, it is basically can they afford to do what some are suggesting that they might do, which is the issue of mobility? These people even have difficulty with getting a bus, having a roof over their heads. They are in serious economic troubles on a day-to-day basis just feeding themselves. For example, suddenly in the electorate we have gone from feeding 25 families with emergency supplies to 370. They do not have money for buses. They cannot afford to run their cars; they cannot put petrol in them. They cannot get a lift to work. There are not enough bus services to get them to Brisbane

the places that it has been suggested they might go. What I am suggesting is that we incrementally look at keeping them employed within their domicile until things change, and they tend to change so quickly on the Gold Coast. I have not got a crystal ball. I do not know when things will change, but things appear to be improving.

I suggested in the House that this is very similar to what occurred in 1971. For those who do not know, it was a double dipper. In 1973 the oil shock came and basically that is what slowed things down. However, the Gold Coast built through the second boom. We tend to hit it and then climb out and that is probably what will occur on this occasion. We need the people. Sure, there will be others who come—and there are thousands who come every week of whom we get about three-quarters. The reality is that at a micro level—and I do not know whether they sent all this stuff up—but we want to make sure we can just transport the ones we can get; make it so they can get a bus from point to point and they can get a job. It is very difficult at that sort of level. The mobility of getting people further away is a little harder. We have already got thousands of commuters coming to Brisbane every day and we do not need to increase that. In fact, we need to decrease that if we can get them off the roads. Proportionately, just as many will get on the roads as get on the rail.

My suggestion has been to go back one step, think of it at a micro level, think of it in much shorter time frames. In terms of retraining, do not bother trying to retrain them. The reality is that they are probably going to stay in the same industries. We have plenty of people who do fly-in, fly-out stuff, which you probably have where you live. We have huge numbers of those. For a period they were literally being laid off in their thousands, but that has all restarted again as the gold price has picked up primarily and some of the other mines have reconnected, particularly some of the coalmines whose contracts are back online. Those people are not a problem; they have never really been a problem and they are largely contract staff. They were certainly making large demands instead of saying they were unemployed, but technically they are not a problem. It is this core group.

If I could make one further point, one of the big changes under the SEQ plan that people do not realise, particularly on the Gold Coast, is that the redesignation from rural A to residential A or residential B—and those terms do not exist anymore—means that people who work in the construction industry who have trucks—they only have ones and twos—cannot park their equipment. Under the new rules, which basically the council has to implement as part of the government direction, they cannot park them at home. We do not have the space to store any of that equipment anywhere else. That is the problem in our case; we just do not have available space for it. It is a ridiculous proposition that has come across and it must in the short term be reversed. If you could do something really positive, one of the big things would be to suggest as a matter of urgency that they reverse that immediately and work out how they are going to provide parking space for things like tractors, front-end loaders, bobcats and stuff like that. This is a real problem. In my electorate 2,500 people have received letters demanding they remove their equipment from their yards. It is preposterous and people are really worried.

Mr Brown: Could I perhaps add a comment to that? I would like to look at it from my area. The north-east industrial park of Burpengary and the light industry now at Elimbah on the old side of the highway that has just come through the rezoning will provide a number of industrial jobs in the area that are badly needed because currently everybody drives to the Sunshine Coast or Brisbane for work. They also in turn will drag some services up there that we were promised by a government department years ago. I believe that forestry was the one that was being tipped around the edges. We need to put money back into our local community. If we keep taking it out and spending it in Brisbane or the Sunshine Coast it is not helping the disadvantaged status of many people in Caboolture. The fact that we have joined Moreton Bay Regional Council may in time assist us. But they are very different communities and have different needs.

CHAIR: In terms of those different communities, do you think that government plans around training, industry and labour market programs need to be tailored to each of those different regions?

Mr Brown: I think they do. I also think that we need to look at some of these plans. For argument's sake, there is a big push at the moment for anybody who has a degree to go and do a year's post-grad and go and teach. However, the people going through teaching careers are not getting jobs so where are these people going to go? Are they going to go on the jobs out of which I am getting 20 days a year and then that means I will get five, if any? That is just one example of something that seems to be a bit amiss. There does not seem to be any great integration or coordination in some of these policies. They seem very hit and miss.

CHAIR: How do we make sure that the training that people undertake is actually in what industry wants to employ people? I suppose that is for either Dr Douglas or Mr Brown.

Dr Douglas: I would like to follow on from what was just said. There are many ways of cutting up a cake or trying to solve a problem. Certainly the circumstances often dictate the best possible solution. At this point in our area—and I think that the point that was being made here is that it is area specific. I am sure that in each of your electorates it is all different. It is more area specific at the moment because the impact of certain things targets areas—and you do not necessarily understand all those reasons for it, but you see these little things changing. So you need to immediately respond in the best possible way that suits them. My suggestion in our area is micro-economic. I have looked at many other areas because I have tried to work out why we are so different and all that sort of thing. I think the small steps from the bottom up approach is a far better way.

What does that mean? The principles of those theories are that basically you enrich these small groups with small amounts of money to actually get them to provide those services. The original principle—I do not know if you have read this stuff—was about the idea that if you have a lady who runs a small sewing business or something like that in a small community and provides services to workmen to hold their clothes together, you are better off giving her 50 rupees or lending her 200 rupees to buy a sewing machine. Then she pays you back, and that is the whole idea. That was the principle that came out. Lots of people laughed at it, but I tell you what, it is an amazing thing. When you spread that out it is amazing how it works.

When you try a top-down approach in times of difficulty where the problems are difficult, you cannot get a one-size-fits-all approach. The trouble is that, try as hard as you may with the best staff in the world, you cannot individualise for each region. So you are better off going one or two levels below and then starting upwards. You have to be prepared to fail, though, in some areas.

Ms van LITSENBURG: Dr Douglas, I understand some of the things that you are saying, coming from Redcliffe, because I had a lot of those issues in Redcliffe on a much smaller scale. I looked at all of the tourist type towns—Noosa, Port Douglas and all of those places right up the coast—and found that they all had these sorts of issues and the sorts of things that you were talking about where you have work that is cyclical, work that is low paid and part-time like your tourism and hospitality stuff and then your development stuff—those sorts of things. They seem to add particular characteristics of people exactly as you were describing to communities. I guess something that you have just touched on is: what do you think we could do to diversify either people's skills or the sort of job possibilities for those people that they could pick up and take down? As you say, if they were in construction where they were making good money sometimes, that is going to be the industry they want to remain in mostly. In down times what sort of industries, what sort of productivity do you think communities like this—your community but also those right up the coast—could develop?

Dr Douglas: What works in Germany currently is that two things are getting them to a job. One is transporting them—somehow facilitating that process. It is a simple step and incredibly easy. There are multiple different ways: everything from taxis through group travel, buses, all sorts of stuff, subsidising those sorts of things, travel. The other thing was renovating their houses. It is the most crazy sort of thing. In other words you say to people, 'We want you to renovate your home.' In fact, in Germany they believe it had a seven times multiplier effect. In other words, it drove local industries and all sorts of things. It was cheap.

CHAIR: On behalf of the committee, I thank you, Dr Douglas, member for Gaven, and Stephen Brown for sharing with us both your submission and your evidence here today. Thank you for your time again.

FERGUSSON, Ms Susan, Executive Director, Research Policy and Legislation Division, Department of Education and Training

ANKER, Mr Brian Andrew, Deputy Director-General Innovation, Department of Employment, Economic Development and Innovation

BERMINGHAM, Mr Mark David, Acting Deputy Director-General, Employment and Industry Development, Department of Employment, Economic Development and Innovation

HENNEKEN, Mr Peter, Director-General, Department of Employment, Economic Development and Innovation

LOW, Mr Paul, Association Director-General, Industry Development and Innovation, Department of Employment, Economic Development and Innovation

STEVENSON, Mr Adam Alexander, Executive Director, Strategic Policy Coordination, Department of Employment, Economic Development and Innovation

CROSSMAN, Dr Peter John, Assistant Under Treasurer and Government Statistician, Queensland Treasury

McKENNA, Mr Peter William, Director, Queensland Office for Regulatory Efficiency, Queensland Treasury

CHAIR: The next witnesses are the Queensland government representation. Thanks for coming this morning. The committee is conducting this hearing pursuant to the resolution of the Queensland Legislative Assembly of April 2009 which appointed it. The proceedings here today are lawful proceedings of the parliament and subject to the Legislative Assembly's standing rules and orders. Witnesses will have been provided with the guidelines for witnesses appearing before parliamentary committees adopted by the Legislative Assembly, which the committee is bound to follow. Have the witnesses had an opportunity to read that document? Will Hansard record that the witnesses have agreed that they have had an opportunity to read those guidelines.

Under the guidelines you may object to answering any question put to you on the grounds that the question is personal and not relevant or that the answer may incriminate you. The committee will not require you to take an oath or affirmation. However, we expect our witnesses will respect the proceedings. Recording of the proceedings other than by Hansard is not permitted. It is our intention to keep to the time lines provided for the hearing program. If you do seek to take questions on notice, we ask that you provide those answers to the committee by 14 September 2009. As we start, I ask you to state your name for the record. On the advice of the member for Whitsunday we might ask that, given the size of the delegation this morning, you might identify yourself if and as you speak. Due to the time constraints on the hearing today, I ask for a brief opening statement. Members have had the opportunity to read your submission.

Mr Henneken: Peter Henneken, Director-General, Department of Employment, Economic Development and Innovation. Clearly, Queensland and Australia have been hit by the global financial crisis. After achieving record low unemployment of 3.5 per cent in June 2007, Queensland's year average unemployment rate is forecast to rise to 6.5 per cent in 2009-10 and is forecast to peak at 7.75 per cent in 2010-11. This represents 175,000 individuals and their families affected by the economic recession.

In terms of the committee's terms of reference of the inquiry, the OECD and other international bodies have provided advice to governments about dealing with the global financial crisis. The advice in general terms has been the use of appropriate fiscal stimulatory packages, appropriate monetary policy, with the fiscal packages focused on projects that can be started quickly and projects that build productive capacity for the long term. They have also suggested that is the opportunity to look at the regulatory environment in jurisdictions and have also made recommendations about training and labour market programs to build skills of the workforce and retain attachment to the labour market for the period following the recession when those skills will be needed.

To the extent that it is within the state government's policy responsibilities, Queensland has recently released the Jobs First: Delivering Jobs for Queensland policy statement and is consistent with the international advice. The policy statement reaffirms the commitments to the 100,000 jobs target and it sets out a four point plan: firstly, to build infrastructure to keep the record building program going; secondly, to develop skills for the future to ensure that Queensland is prepared for recovery; thirdly, to support new and traditional industries to enable industries and business to emerge, grow and transform; and, fourthly, to develop new job creation programs to assist unemployed Queenslanders to get back to work. This plan constitutes a strategy to maintain existing jobs, create new jobs and move unemployed people back into work to mitigate the growth of long-term unemployment and youth unemployment and its associated social cost.

Jobs First builds on the government's significant strengths and achievements to date and includes a number of new initiatives to meet the needs of Queenslanders during the economic downturn such as the \$18.2 billion record building program, which will protect 127,000 full-time equivalent jobs during 2009-10; a \$6.45 million expansion of the Industry Capability Network, which will see an additional 100 firms assisted; a \$10 billion JobsAssist Program, which is a preventative approach to job losses focusing on building business resilience to stop job shedding where possible; and, lastly, the new institutional or pre-apprenticeship training model has been developed to give individuals a head start at a time when fewer businesses can take on an apprentice, which will provide around 2,000 places. The Sustainable Resources Communities funding will boost employment in regional areas. The Skilling Queenslanders for Work initiative will see \$101.77 million invested in 2009-10 to create 8,935 jobs and assist 21,000 Queenslanders. In addition, an investment of over \$120 million will provide 46,000 training places to job seekers through the Productivity Places Program. As well as these, my department continues to work to achieve solid outcomes on the jobs front through its rapid response teams and the Green Army and by streamlining mine approvals and backing the petroleum and gas industry growth.

CHAIR: Thank you. Did the representatives of Treasury and Education seek to make a brief opening statement as well?

Dr Crossman: I am Peter Crossman, I am Assistant Under Treasurer and the Queensland Government Statistician from Queensland Treasury. The Under Treasurer has asked me to thank you for the invitation to appear before the committee and has asked me to represent the views of the Queensland Treasury here today. Queensland Treasury has key roles and responsibilities in monitoring and understanding the economy of the state of Queensland and of Australia and other economies. The reason for this is the need to monitor revenue and expenditure currently, over the next budget period and in the forward estimates periods. Treasury, therefore, has a key role in the analysis of economic conditions and outlook and, indeed, in economic analysis generally as well as a key role in developing the state's economic policy and strategy. Treasury also has a key role in statistics, particularly economic statistics relating to Queensland's economic structure and performance.

The Queensland government's economic strategy is outlined in the budget papers, Budget Paper No. 2, Chapter 4, Economic Strategy in particular, which explains that Queensland's economic strategy focuses on positioning the Queensland economy for a strong recovery from the global recession while simultaneously supporting jobs. The strategy notes that Queensland's productivity growth has outpaced the national average over the past decade and that the government is seeking to lock in future productivity gains with substantial ongoing investment in skills, innovation and economic infrastructure. In the face of the global recession, the Queensland government's economic strategy comprises four key elements: jobs, infrastructure, skills and innovation, and responding to climate change. Additionally, the government remains committed to ongoing regulatory reform and, in that regard, my colleague Peter McKenna, the Director of the Queensland Office for Regulatory Efficiency from Queensland Treasury, is here, mercifully, to help me to answer any questions.

The salient economic issue facing the Queensland economy is the continual need to deliver productivity growth. Growth can occur simply by adding inputs, for example, by population increases. While this is welcome, it is illusory in terms of incomes and growing prosperity. Growth in gross state product per capita can be decomposed into contributions from labour productivity, that is, working smarter; giving workers more and better capital, that is, tools for the job; and labour utilisation, for example, working at a greater intensity or squeezing more workers out of the population into active work. Of these components, the most important is labour productivity and its concept of working smarter and using better tools. The government is working hard at public sector investment, and the role of the private sector in business investment is equally important.

The idea of working smarter is the concept of being innovative, that is, doing things differently and better. Innovation can only occur when two conditions are met: firstly, the right incentives. Is there a sufficiently compelling reason to change? The second is flexibility. Is there an ability to change or are there too many restrictions in place? These simple ideas should be at the forefront of all policy analysis directed at delivering productivity improvements through innovation. For example, competition is important as an element of flexibility. Barriers to entry may prevent new and innovative firms from entering an industry, which may inhibit innovative products or services being produced and available in the market. Very briefly, key areas of risk facing Queensland along with other economies include global financial and economic conditions, the ageing of populations and climate change. On the other hand, key factors supporting Queensland are our resource endowment, our skilled workforce, our social environment and our security. Queensland is well placed to continue to perform strongly economically.

CHAIR: Anyone from the Department of Education and Training?

Ms Fergusson: My name is Sue Fergusson. I am the Executive Director, Vocational Education and Training Policy. I represent Director-General Julie Grantham, who is unable to attend the hearing due to another commitment. I would like to assist the committee by providing an overview of the main elements of a strategic approach adopted by the government to developing the skills of the state's current and future workforce. The department administers the state's vocational education and training, or VET, system including the public provider TAFE Queensland. The department works closely with the Department of Employment, Economic Development and Innovation, the Department of Treasury and other agencies in relation to skilling issues as part of a whole-of-government approach to employment.

As a starting point, the Queensland government's investment in VET is based on the premise that a skilled workforce is a key determinant of productivity, economic and employment growth and the employability of individuals. Research undertaken in the development of the Queensland Skills Plan confirms the trend towards greater demand for higher skilled workers and fewer lower skilled workers as the impacts of globalisation and technological change continue to transform our economy. Individuals with post-school qualifications and skills are less likely to experience prolonged periods of unemployment and enjoy a greater earning capacity during their working lives that holds through economic cycles.

The department's strategic approach to skilling Queensland's workforce is perhaps best summed up by reference to three major areas of activity and investment. The first of these is the Queensland Skills Plan, launched in 2006. It comprises 24 systemic reforms across four themes: a training system that works for Queensland, works for employers, works for trades and works for individuals. The implementation of these reforms has modernised the state's VET system, making it more responsive to the needs of industries and individuals. The Skills Plan was revisited in 2008 and further measures were adopted to ensure it remains responsive to changing economic conditions.

Secondly, in recognition of the centrality of a skilled workforce to economic growth and rising living standards for all, the Queensland government's *Toward Q2: Tomorrow's Queensland* plan has as one of its themes for Queensland: Smart Queensland—delivering world-class education and training. Under this theme the target is that three out of four Queenslanders will hold a trade, training or tertiary qualification by 2020.

Queensland is participating in the Council of Australian Government's national human capital agenda, which has already seen announcements on major investments in skilling which will bring significant benefits to the state. One of the major initiatives of COAG is the Productivity Places Program. More than \$400 million over four years in state and federal funding will be spent through PPP in Queensland to provide vocational education and training qualifications for up to 150,000 Queenslanders. This will include opportunities to upskill and reskill over 100,000 workers and provide opportunities for over 46,000 job seekers to help them gain employment.

Many of the major reforms of the Queensland VET system such as the Skills Plan were developed during a period of prolonged strong economic growth, falling unemployment and chronic labour and skill shortages that were exerting inflationary pressures through increased labour costs and production bottlenecks. The global economic environment has seen labour market conditions ease, necessitating new measures to ensure that the state is optimally poised to take advantage of the stronger economic conditions when they return.

Of particular concern is that, historically, employers have tended to scale back their investment in skilling during subdued economic times, increasing the likelihood of skilled shortages occurring when economic activity increases. The government is actively encouraging employers to continue to invest in skilling during these difficult times. New measures have been announced including a payroll tax incentive for apprentices and trainees announced in March 2009; an employment safety net package announced in December 2008, which includes \$20 million for an apprentice and trainee package to ensure completion of training; a tripartite trade training task force comprising government, employers and unions to develop measures to mitigate the impact of the global economic environment, including an out-of-trade register and reviewing the 10 per cent structured training policy. On 25 August 2009 the Premier announced the pre-apprenticeships skills model, which my colleague Peter Henneken referred to earlier.

CHAIR: One of the submissions the committee has received is from the Local Economic and Employment Development program of the OECD. Their submission essentially says that, in a diversified country like Australia and Queensland in particular, the regional disparities in industry, labour markets and skill needs are significant. How does the state government make sure that its policies are tailored for industry, skills and training needs from region to region across Queensland?

Mr Henneken: There are probably a number of aspects to that that we can advise the committee on. The first thing I would say is that the Commonwealth has appointed six employment coordinators for the regions most impacted by the downturn. I understand the regions are the Logan-Ipswich corridor, the Caboolture area, I think there are two—my colleague Mr Stevenson can correct me—in the Wide Bay area and there is Far North Queensland in Townsville. My department is working very closely with those employment coordinators through a number of aspects in terms of our own employment programs to coordinate those with the Commonwealth. But I think we also have a role through the department in terms of identifying potential employers who may have jobs available for people who come through various labour market programs.

The second issue that I would raise in terms of the regions is that the department has continued a focus on regional development that was implemented in the previous term of the Labor government, and that focus has now been strengthened by a joint arrangement with the Commonwealth through the establishment of Regional Development Australia which establishes a number of regional development committees right throughout Queensland. The focus of those committees is on both economic and social issues. In addition to that—and I can get my officers to go into more detail if the committee so desires—the department's industry development focus also has a regional focus. There are a number of centres for enterprise which have been established in regional Queensland. For example, the centre in Central Queensland is obviously focused on mining and mining services and so on. So, yes, as occurs in Australia, Brisbane

there will be regional disparities in Queensland. In Queensland there are regional disparities in terms of the impact of a slowdown on particular industries. I believe that the department has a number of policies in place to at least ameliorate that or to address some of those issues.

Ms SIMPSON: Good morning. I want to follow on from that question about regional economic development but ask more specifically. There are various programs in these enterprise areas and special projects, but my question is this: are there specific economic development plans that are published for each of the regions that the department is coordinating? When I look at, say, something like the South East Queensland Regional Plan, there are a lot of good words in the plan about economic development, but there is not a clear economic development plan that stands alone and is available to look at for South-East Queensland and then the subregions and similarly up and down the state of Queensland.

Mr Henneken: Queensland is not an island and regions in Queensland are not an island, so to focus specifically on particular regions in a broad sense is obviously difficult. But, clearly, there are some strengths in particular regions. As I mentioned, mining is an area of particular strength in Central Queensland. The department is working—and my colleague Mr Low can give you more detail—in the Surat Basin on the opportunities through the liquefied natural gas process or liquefied coal gas industry. So while there are not detailed economic strategies for each particular region, the department's focus on particular industry sectors obviously has a regional focus. For example, the marine industry is focused on particular parts of the state. The aviation industry is focused on particular parts of the state. Mining services, as I mentioned, is focused on particular parts of the state and tourism is focused on particular parts of the state.

Ms JARRATT: Just to carry this theme one step further, one of our submissions—I was quickly trying to find it; I think it was the Australian Industry Group—suggested that one way of addressing the issue is to have a regional focus but then to have a sectorial stream—a champion for each of the major sectors that can look not just across Queensland but indeed even more broadly to really map out the supply chains, the steps and the groups that are there. They also mentioned that there was some funding from the Commonwealth government to establish some sort of system like this, but I have to say I was unaware of it. Is anyone able to tell me more about that? If not, I will have to find the submission and come back to it.

Mr Henneken: I will pass that one to my colleague Mr Bermingham, I think.

Mr Bermingham: The Commonwealth has entered into this space as well, and they have done it based upon some comparative strengths of Australia and there are two elements of it. They have introduced a program which is called Enterprise Connect which is a very targeted program Australia-wide to provide services to those particular firms and particular industries which can make the biggest difference. They have also set up a number of centres of excellence (innovation centres) throughout Australia as an area of expertise to respond to certain industries. For example, there is the creative industries and there is the mining technology industry which is up in Mackay. The idea of it is that they do accept that there are some industries that Australia has a comparative advantage in and that they need to have a more targeted and intensive type of approach to it.

Irrespective of where those centres are set up—for example, the Mackay one, which deals with the mining industry, has an Australia-wide focus—their arms and legs are the officers who are attached to Enterprise Connect and who go out there to deal with those industries and those sectors. The first interaction is to do a pretty intensive analysis of an individual firm—where you are at, what are the challenges you are facing, what is world's best practice, what are the things that you need to do to step up to the mark.

In a lot of the cases they are able to provide financial incentives—up to \$20,000—to bring in third-party specialists to help them in the implementation and to change their practices. But also they can call upon these other specialised centres where there are other experts there to bring together a higher degree of intervention to help those firms.

CHAIR: Before we move on to the next question, I understand that Mr Low had something to add to the previous answer about regionally directed initiatives.

Mr Low: Yes, as Peter Henneken indicated, we are taking a regional development focus in many of our industries. I think he cited at the time the LNG industry in Surat moving through to Gladstone. The LNG facilitation unit has been transferred into DEEDI on the basis of providing a strong industry advocate for economic development around the LNG sector. Obviously, it is a key resource opportunity, but there are a lot of other spin-offs in other industries up the supply chain that need to be identified and pursued. So as part of DEEDI's focus at a whole-of-government level, the LNG facilitation unit is about unpacking what those opportunities are in the Surat region all the way through to Gladstone in terms of multiplier economic opportunities as well as looking at the skills requirements needed to support development of that industry in that sector.

It is important to note that DEEDI's focus is on the economic development strategy elements but we also have a role in terms of facilitating broader regional development outcomes that are related to the economic outcomes that we are seeking. In other words, when we go into an area to try to promote an industry, there is a whole range of community facilities and other infrastructure that is needed for the community in order to support those economic outcomes that we are trying to achieve to make sure that

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we can attract the labour market there as well as identify other infrastructure and capacity constraints. That is a key focus when we identify particular sectors in the economy. We are taking a sectoral view of our opportunities and then looking at the wider economic benefits that can spin off that and making sure that we align all of those as well as government approval processes to make sure that we achieve a maximum out of the industry development opportunity. Surat is a good example of the other direction that we are going in that area

CHAIR: Thank you.

Ms DAVIS: My question is to Mr Henneken. I am a small business owner in my other life and I note your commitment to reducing regulatory compliance burdens to business, which is quite welcome. How will you be engaging with business, in particular micro and SMEs, to get their feedback regarding the cost to their businesses of regulations as part of that review?

Mr Henneken: Can I answer the member on the basis of, I suppose, what DEEDI is doing and then I might get my colleague from Treasury to also provide a response. One of the arrangements we have entered into with the Australian Industry Group is to place an officer of the department with AIG. The Department of Justice and Attorney-General, particularly the Office of Fair and Safe Work, has also placed an officer with AIG. The purpose of that is for those officers to actually engage with individual enterprises to see what the specific impact of the administration of regulation, decision-making processes and so forth—paperwork et cetera—has on individual enterprises. That work will then, obviously, shape our response to regulation and so forth and will provide input to the regulatory reform process that Treasury is driving. I really should refer to my colleague Mr McKenna from Treasury to give you a rundown of the government's regulatory reform program.

Mr McKenna: We are coordinating a whole-of-government review of the existing stock of regulation. So we are looking for all agencies to review their existing stock to see if there are opportunities to reduce the regulatory burden. What we are looking at is to see if there are regulatory requirements or administrative processes—for example, regulatory requirements that are obsolete that we can remove or administrative processes that we can start to streamline—to ease the burden on business.

We have a review process that is two-phased at this point. The first phase is starting now and that includes five agencies—some of the bigger agencies, including DEEDI—and that is a three-year simplification plan. Next year starts the second phase, which is the remaining agencies. We have an oversight committee that looks over this. It consists of me, Premier and Cabinet and the Public Service Commission and we are looking at the directions of those reform activities. We are encouraging and we are expecting that all agencies engage with their constituents and their key stakeholders and we expect to see the result of that and we can see that inform the directions that the reform program is taking.

As Peter said, we are sitting with DEEDI on this project with AIG. We have said that the outcomes from that project will be informing the specific agency's reform programs. We are about to start to talk to other industry associations, such as Commerce Queensland and others. I suppose the invitation is generally there that if there are people who have some concerns, bring them forward

Dr Crossman: Perhaps can I make a strategic comment in relation to that. Regulation is, I think, a very difficult balancing act. Clearly, some regulation is demanded to make markets work better, to provide societal outcomes and so on, but too much regulation, or unnecessary regulation, creates serious restrictions on the flexibility of the economy and, arguably, society. Therefore, it is a critical component of improving productivity outcomes and economic growth for the state.

Ms van LITSENBURG: Over the past five years secondary schools have had a real push for vocational training and starting young people into apprenticeships and TAFE courses and doing a lot of work experience. How has that impacted on their ability to get work when they leave school? Do we have any statistics about how that helps them stay in the workforce over the longer period? Has that helped with getting young people into the workforce and helped our economy?

Mr Henneken: I might refer that to Ms Fergusson.

Ms Fergusson: I think the Education and Training Reforms for the Future, which were introduced in about 2002 and which encouraged a broader range of activities to be included in the senior phase of learning, have been highly successful. According to the ABS survey of education and work, year 12 or certificate II vocational attainment for people aged 20 to 24 in Queensland is now at 84 per cent, having risen from about 77 per cent at that point. Queensland is now very close to the best performing jurisdiction in Australia around senior schooling or equivalent attainment.

We also know from the census and from other labour force statistics that people with year 12 attainment and entry level vocational certificates tend to be much more closely attached to the labour market. Their employment participation is much higher, for example, than somebody who has not completed year 12 or its equivalent. Those people may only have a workforce participation rate of 50 per cent—53 per cent or something like that—whereas people who have completed year 12 have about a 70 per cent workforce participation rate. They also tend to stay in the workforce for longer. I suppose as a matter of choice they can stay until they reach retirement age, whereas we see people who do not have high school qualifications tending to drop out of the labour force quite young as they are unable to do low-skilled physical types of work. They also have much less mobility. So people who have qualifications tend to be much more mobile in the labour market as well. I hope that answers your question. I could present you with some more statistics but I would need to look them up.

CHAIR: If you could provide those statistics, that would be helpful.

Mr O'BRIEN: My question is probably for Sue or Adam. It concerns the graph on page 7 of this document that shows that Far North Queensland has the highest percentage of unemployed people in Queensland, at 8.3 per cent. One of the things I find in my electorate, particularly in Aboriginal communities on Cape York, is that there is a myriad of training providers and job shops which have some responsibility for working with the training providers—Commonwealth and state agencies on the ground. As the local member, I am very confused about the interface between all of those—Centrelink and CDP. They also change as different contracts are issued to training providers and employment providers. My question is: what work are we doing with the Commonwealth to stabilise and simplify those arrangements in those communities?

Ms Fergusson: As you would be aware, recently the Commonwealth announced about \$3.8 billion worth of expenditure on an overhaul of the Job Network, now rebadged and I think retendered to different providers as Job Services Australia. I can tell you that we have a very close working relationship with Job Services Australia in terms of implementation of the Productivity Places Program and particularly the job seeker component. We also work closely with our DEEDI colleagues in relation to their employment programs. We have managed to negotiate a situation where the Commonwealth recognises referrals through state government employment programs as employment service providers under the component of the Productivity Places Program, which is directed at job seekers. Peter might want to comment on that.

However, the key in terms of ensuring a smooth transition to the labour market really does start earlier. It starts in school, it starts with enhancing literacy and numeracy levels, improving school retention, and enabling young people to find a pathway into further education or employment. I am pleased to be able to say that the Western Cape College has been able to dramatically improve school retention for Indigenous communities at both Aurukun, Mapoon and Napranum.

Mr Henneken: Mr Chair, I might put a broader framework around the issue of Indigenous employment. Indigenous Australians are the most disadvantaged people as a community in our labour market. That has been recognised through the COAG process. COAG has agreed to halve the gap in the difference between Indigenous employment and the rest of the communities employment levels. That gap is quite substantial. At the state level, one of the things that we have done to better coordinate the Commonwealth and the states is that we do have a joint Commonwealth-state task force on employment. That encourages a process where both Commonwealth and state officials can access each other's labour market programs and funding for particular initiatives.

On top of that, there are a couple of particular projects run around Indigenous employment in the public sector. We have made a substantial commitment to set a target whereby Indigenous employment in the public sector will match the Indigenous report to the population. The government has also been working very closely with the Indigenous employment covenant or the Australian employment covenant, which is a project started by 'Twiggy' Forrest to encourage predominantly the private sector. Having said that, the government is talking to the AEC about how the government can work with the AEC in terms of creating jobs for Indigenous Australians.

CHAIR: Some of the submissions that have come from both industry and unions have questioned the enforcement provisions around local industry plans. Is there something in place to make sure that Queensland businesses are benefiting from those LIPs? Do we measure that? How do we evaluate whether those LIPs are effectively implemented, particularly by GOCs?

Mr Henneken: I will ask one of my colleagues to go through the details. The local industry participation plans need to be seen in the same context as the Industry Capability Network. I think the two programs work very closely together. As you are probably aware, the government has committed additional funds to the Industry Capability Network. As I said, my colleagues will have some of the numbers in terms of how successful that has been. Clearly, both programs need to be put into context: in the long run it is in our interest to have an open economy and it is obviously in our interest to meet our international obligations around those sorts of issues. I will get Mr Bermingham to take you through the detail of the local industry participation plans.

Mr Bermingham: I suppose the starting off point with the Local Industry Policy is really the principles that it is couched in. The principle is not to add to the whole-of-life cost for projects, nor adversely affect quality or timeliness of delivery. So for this reason the approach is to engage with competitive firms rather than give a preference or a mandate preference to a particular firm. It is a multistage process and one of the first parts of it is that if projects fall within the category it is mandatory that a Local Industry Policy applies and the process of local industry participation plans applies.

In terms of those projects, most certainly for capital assets, it is over \$5 million and they are government purchased capital assets. In terms of government funded major infrastructure projects, it is \$5 million in terms of South-East Queensland and \$2.5 million in regional Queensland. We do an analysis of what the government's procurement projects are on a regular basis. When projects are identified that fall within that category, contact is made with the relevant agency immediately so they are aware that they have obligations under the Local Industry Policy. That involves them so when they embark upon the tendering process they ensure that embedded within the tendering process is an obligation upon those who wish to supply that they must undertake elements of that Local Industry Policy, which is to give full, fair and reasonable opportunity for local industry to supply. They have to document that in terms of what they

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will do to ensure that they can give that full, fair and reasonable opportunity. They need to incorporate within the documents weightings that need to be taken into consideration in the assessment of those particular tenders.

As well as that, the ICN is available to help both the proponent and firms to be able to respond to that. The ICN is able to help break down projects so they are in bite size pieces so that individual firms can understand what they are. They can also help in terms of appropriate weightings. Most certainly because of their database of capable Queensland firms, they can bring to bear to that opportunity those competitive Queensland firms that are well placed to compete for it.

I need to make a comment that to prepare Queensland firms for an iterative process, you do not wait for a project to occur. The ICN and the department is constantly out there doing supply chain analysis and gap analysis, saying, 'What do we need to do with our industry sectors to get them up to the stage that they are competitive?' The other part they are doing on a regular basis is that invariably firms find it quite difficult to actually tender for projects. It is a skill in its own right. We also have a comprehensive program where we are actually helping individual firms to tender for government works and, again, we will help them out through the ICN to do that and through the government agency.

The next part of the process is obviously the commercial decision of choosing who is the competitive firm to be selected. It must be a commercial decision because there are other elements that I spoke about which are quality, the whole-of-life type elements of it, and fitness for purpose, that still need to be part of that tendering process. At the end of the process a report does come back to the agency to say how successful it was and I will give you some statistics in a second. During the process and after the process, we undertake random audits just to say: are people respecting the principles of it, are there flaws in the process, was there a lack of understanding, is there more that we need to do with government agencies or with firms to make sure that they are able to respond?

In terms of just sharing with you some of the statistics, I will just use 2008-09 as a case study. The ICN identified there was \$2.73 billion worth of contestable work packages. It is interesting that the word 'contestable' is very important because the actual projects that went out there were over \$4 billion, but there are some elements of any particular projects, for example, aggregates for road building, that will always come locally. You will not import that. So you take that out of the consideration. If you kept it in there you would just be inflating your success factors, which is not what this is about. There are definitely some specialised items such as turbines. Queensland and Australia do not have capabilities in certain specialised equipment, so you exclude those. Of those contestable packages of \$2.73 billion, \$1.88 billion was awarded in 2008-09. Of this, \$1.11 billion or close to 60 per cent were awarded to Queensland companies. Another \$0.46 billion or 25 per cent were awarded to other states and then there was \$0.31 billion, which is just under 17 per cent, were imported. That gives an indication of just how successful this process is in terms of giving local firms the chance.

There are also cultural aspects of it. A lot of major proponents have existing supply chains. This policy has not been around that long, but it is interesting to note the cultural change of 'I have my supply chains and I'm comfortable with that' to introducing the idea that there are other local firms that are quite competitive. What we are finding now is that we have actually increased the competition and the value for money by this policy as distinct from the comfort zone of their existing suppliers.

CHAIR: Thank you. We have a few questions to get through so we might ask for answers to be succinct. Fiona?

Ms SIMPSON: Thanks very much. Peter, Fiona Simpson, member for Maroochydore. I have a question for Peter Henneken—because there are a few Peters here—about the follow-up in regard to regional development and it may also have an application as far as the Treasury statistics. The question is: does the department have analysis of the state of each of the regional economies using lead indicators and not just lag indicators?

Mr Henneken: The department certainly has a very extensive database of regional statistics and ABS statistics through OESR. There was an extensive document put together in the past 18 months to two years of each of the regions, their capacities and so forth. The government's forecasts in terms of economic activity are essentially done at the whole-of-state level, but that is not to say that in terms of industry development we are not aware of what is going on at a regional level and, in particular, industries and so on. That is probably not formalised. That is done on a qualitative basis and it is done through our regional offices and so on. For example, recently we are working very closely with the mining, engineering and services supply industry. Clearly with the downturn, at least in terms of prices for mining commodities, there has been a slowdown in capital expenditure by mining companies, so the department clearly monitors that. It is aware that it has an impact then on people who supply capital equipment to the mining sector. We are working very closely with that industry and that industry has a pretty substantial regional dimension in terms of productivity initiatives, alternative markets, new product areas and so on.

In that sense, while there are no formal lead indicators by regions, the department does monitor very closely and does have an intelligence network where it can identify problem areas. Another example is obviously around tourism. Again, that has a regional dimension. The government has committed \$36 million over the next three years for initiatives around the tourism industry, both demand initiatives, in other words, encouraging additional people to come to Queensland, and supply initiatives, for example, developing new product in Queensland industries.

CHAIR: Dr Crossman, there seems to be something in your field about lead and lag indicators and your role as the government statistician. What is Queensland Treasury's perspective on that?

Dr Crossman: Thank you. The primary focus of Queensland Treasury in forecasting and projecting parts of the economy relates, of course, to the state as an aggregate. That is primarily because it relates back into budget needs. However, we produce what I can only describe as a vast array of statistics, both ours and the ABS's. Most of those are available on our website. There is an extensive amount of information, statistical information as well as other information, about the regions of Queensland. There are tools on our website that enable the community, in fact, to develop up-to-date regional profiles that they specify with the tool, which can inform communities right across the state about the latest social and, particularly, economic statistics. As I say, many of those statistics in any case for regions of the state are available through our website and are published there.

Because of the global financial crisis, we have commenced research work on examining the impact of that and possibly its future impact on regions of the state, but that work is still, I guess, research work and is not yet completed. As I say, traditionally the focus of Treasury is on the state aggregate and not on regions. Unfortunately, perhaps, we do not have a vast body of regional economic analysis and forecasting to hand. I doubt that we would, as a department, concentrate on that. I think we would see that as primarily a role of the Department of Employment, Economic Development and Innovation, which has carriage of regional economic development.

Mr Low: I might add to that. Obviously through DEEDI we have a very extensive network of regional centre directors right across the state—that is, Townsville, Mount Isa and a whole bunch of locations. They have a very forensic focus on what is happening in the sectors within their geographic areas as part of unpacking the supply chains and part of the centres of enterprise. I was in Townsville last week when all of the northern directors assembled. Particularly for those between Townsville and Mount Isa, they were sharing data about what is happening in their local economies both in terms of qualitative issues—that is, what is happening on the street at this point in time—and also in terms of taking a look at what is happening in the economies in the various sectors in each of those regions. So on the ground where we have an extensive network of regional centres where our development presence is strongest, we do have a focus at that level to understand what is happening in those local economies and what the opportunities are, particularly in terms of the supply chain and supporting the work of the ICN, the Queensland Manufacturing Institute et cetera. I do not know whether Mark Bermingham wants to add anything, but that is a perspective for you.

CHAIR: Again, very quickly.

Mr Bermingham: Thank you. If there are not the formal lead indicators, most certainly there is a very logical and a rigorous evidence based applied application to what we do in the regions. The types of attributes that we look at are not only the statistics produced by Treasury and the Commonwealth government and even the local government through the state of the regions reports but we look at other things—and I emphasise this—with engagement with industry, because at the end of the day it is industry that can glean the opportunities and make it happen, so you need to do this in consultation. But we look at elements of diversification—in other words, what can we do for this region to give it some type of shockproofness in terms of whatever may happen with regard to its reliance upon a single market, the global financial crisis or the carbon constrained world.

We particularly look at the capability of the industries in terms of their value-adding capability. Again, we just do not simply want to grow or dig it up and sell it. Rather, how can we grow the economic cake? We look in particular to its alignment and interaction with other sectors—that is, can it be a catalyst where there can be a whole lot of supply chains which can build off and benefit from an industry that we are concentrating on? With regard to sustainability, I think at the end of the day what you want to do is concentrate on those things which reflect and are responsive to what the future is. Without any type of market there is no good concentrating on an industry, and we need to have a global focus there. So you always look at its propensity to see if it has a position in the export market. Again, you also need to work on competitive strengths. If the fundamentals are not in an area, do not pursue it because you will never create those fundamentals.

CHAIR: Okay. We might have to keep moving.

Mr Bermingham: My final comment is that this is then interpreted into regional priorities, and there is also their propensity for R&D and to be innovative. So they are the elements we take into account.

Mr O'BRIEN: Just having a look at the graph on page 8 of this document, there are some very up-to-date statistics and figures provided there with regard to apprenticeship and traineeship commencements. It is a very sad set of figures by the look of it. I note that we have 125 per cent payroll tax rebates for apprentices and traineeships, but clearly from that graph they are not being taken up. Given that those statistics are up to date, is there any cause for optimism? Are there any other strategies we should be undertaking? Is there any way we can convince businesses to hold on to or to take on apprentices besides what we are doing?

Mr Henneken: One comment I would make on that table—you have actually confused us a bit, because you talked about a graph and I am trying to find lines on a page somewhere.

Mr O'BRIEN: Sorry; the table on page 8.

Mr Henneken: But I would say apprenticeship and traineeship numbers, both in training and commencements, have been at a very historic high and clearly that is a positive for Queensland going forward. But I will ask Ms Fergusson to talk about the initiatives that her department has taken to ensure that all apprentices and trainees who lose employment are, in a sense, captured and efforts made to allow them to continue and initiatives to positively enforce increased numbers.

Ms Fergusson: I will preface my remarks with some statistics on where apprenticeships are trending at the moment. I can tell you that from 9.30 this morning when this statistical bulletin was released from the National Centre for Vocational Education Research trades training apprenticeships had declined by 21.2 per cent nationally in the March quarter 2009 compared to the March quarter 2008. That is by far the largest impact on structured training arrangements. Traineeships seem to be holding up quite well. Within the trades, the areas most affected are in those industries which are contracting. Not surprisingly, construction is down by more than that, as is mining. Queensland's figures look similar to the national figures, if not a little worse. This is obviously a matter of considerable concern given the persistent skills shortages that we experienced during the boom in the construction and mining sectors.

The Queensland government has established the Trade Training Task Force to look at building demand for apprenticeships and sustaining employer engagement with apprenticeships. In Queensland we have the 10 per cent training policy which applies to our \$18 billion capital program. That is a way of helping to sustain, I guess, the demand side for apprenticeships as well during the downturn. In July the Council of Australian Governments agreed that the 10 per cent policy would apply to the national stimulus packages, and we are in the process of implementing that now. So we are making some concerted efforts to hold up the demand side to continue to retain apprenticeships in their trades. We also established an Out-of-Trade Register in Queensland. We did that first and then the Council of Australian Governments followed us by asking all of the states in July to establish out-of-trade registers to place out-of-trade apprentices.

In Queensland, as I mentioned in my opening statement, we have earmarked \$20 million worth of training funds to schedule block training during down times for employers. We are working with the Training and Employment Recognition Council to make sure that apprentices who are stood down do not then drift off. We are trying to make sure that the social welfare system enables apprentices who have no income because they have been stood down to draw the youth allowance—the benefit that applies to people who are studying—and family tax benefits and things of that ilk as well.

Ms DAVIS: I note that there is a commitment to increase the proportion of Queensland businesses undertaking R&D by an amount of 50 per cent. I am very interested to know what percentage of businesses currently engage in R&D.

Mr Henneken: Thank you very much, member for Aspley. Dr Crossman mentioned that early in the piece. The key to economic growth in Queensland and anywhere really is around productivity. I think labour participation is the other factor but productivity is clearly the key. A key component of that is innovation—doing things differently, skilling the workforce, using skills in innovative ways, working closely with your workforce to look at different ways of working, new products and so forth. The innovation issue is a key target in the Q2 initiatives.

My colleague Mr Anker has the current number which is about 36 per cent. I will ask Mr Anker to outline the whole range of programs and initiatives that my department runs to foster innovation because innovation is key to future economic growth and, in a sense, what we can do with economic growth.

Mr Anker: The figure that Peter just used is 36 per cent. Within the Australian context it is the highest per state. The next highest would come from I think WA. Overall in Australia there are about 32.4 per cent of businesses innovating. In Queensland it is 36 per cent. We are marginally above the national average. Two components of that are the research and development—

Ms DAVIS: Can I just clarify that what I am particularly interested in is research and development as opposed to innovation as a whole.

Mr Anker: Yes. Two components of the innovation include research and development and innovation generally. In relation to research and development, it is typically those firms that are actually undertaking a larger step investment in innovation that are doing it. Australia is, compared to OECD nations, around middle ranking. We are not happy with that obviously. We want to increase that.

What we are doing in terms of that is ensuring that our business community, our sectors and our regional locations are engaging with the R&D infrastructure that is in place in the state. As you know, in the last 10 years or so the Queensland government has put in around \$3.6 billion worth of investment into R&D and innovation generally. The key component for the state is to ensure that business is engaging with that. We are doing that through a multitude of ways. It is actually positioning the universities and research organisations to better understand the needs of industry. That is bringing joint capabilities together and packaging those that industry can access. It is also preparing the individual firms to actually access that R&D.

If you are an individual firm knocking on the door of a university research institution, you do not know where to go. We are looking to put some flags in place to ensure that they understand what capabilities are available and what expertise is available to ensure that they have access to it. Existing industry, and particularly at the sector level, needs to be able to articulate what their needs are and turn that into an R&D

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question that can then be adopted by the universities to articulate. We are doing that in several ways. We are running R&D forums and technology clinics which package groups of people together. We are looking at the fabric of the numbers of firms that we have in the state. There are 400,000 of those. Not all of those will want to engage with an R&D activity. If you do it by sector and by major company and work with the supply chain you are then coming up with manageable numbers to ensure that they are in fact engaging with that community.

Part of our funding of universities and research organisations also captures a number of performance indicators we want them to achieve. Part of that is then looking at their ability to engage with industry, looking at their ability to actually spin out companies and commercialise that IP into the marketplace and also attract new investment by industries outside the state, outside the country wishing to come to Queensland because that R&D infrastructure is in place.

Ms JARRATT: I think you have partly answered my question in that response. I am aware that successive governments in Queensland have put great investment into developing research institutes in the non-traditional areas. A lot of research we can see going back into businesses in those traditional areas. But in areas like bioengineering and nanotechnology and translational research, I am wondering if you can tell me how this type of investment in this non-traditional area of research, which is fairly groundbreaking internationally, will contribute to positioning Queensland for the upturn in the economy?

Mr Anker: Part of our investment is to ensure that we are building new industries for the future. You mentioned biotechnology and nanotechnology. Some of those are industry sectors in their own right. They are also important enablers for the traditional sector. It is a two-pronged approach. We are working with biotech companies to actually bring their skills, capabilities and intellectual property to traditional firms like food processing, marine and those sorts of things. We wanted to ensure that we are capturing the benefits back into the traditional sector.

We also wish to build Queensland's capability in building new types of industry in the state. We have put a significant investment into health and medical research. We are wishing to turn that into economic activity in the attraction of businesses that actually take that IP into the marketplace. For example, we have put a significant contribution of funding into the Translational Research Institute at the PA Hospital campus. That will attract nearly 1,000 scientists who will be working on drugs, vaccines and solutions in the health and medical field.

That is good in its own right because it is actually employing a number of highly qualified staff and attracting that staff to the state. That is one element of the equation. The other element is to ensure that those innovations, those inventions, those intellectual property packages are actually maximised to benefit the state. Part of our plan under the biotechnology strategy is to build a biopharmaceuticals Australia initiative which is a scaled up manufacturing facility for drugs and vaccines for clinical trial.

If we invent something and put it into the marketplace too soon we do not get enough economic benefit from it. We are wanting to add to the ability to take those inventions further down the pipeline before they enter the marketplace.

CHAIR: I wanted to squeeze in one more question before we finish. One of the submissions we have received from one of the industry groups has very diplomatically suggested that maybe 15 industries in the Smart Industry Policy is too many. It seems to me that those 15 industries come to that policy with very different reasons. Some are globally competitive industries that require significant government infrastructure. Some are regionally significant industry. Others need business facilities but not a whole lot of infrastructure. Is 15 industries too many for a small economy like Queensland?

Mr Henneken: Clearly comparative advantages in Queensland are around its resources and agriculture. There is no doubt that they should be part of the focus. They are our bread and butter industries. It is important though for Queensland if it is to diversify its economy.

Clearly, what we have seen with the GFC is that we are actually quite lucky that agriculture stayed up at least for the first part of the downturn. If both agriculture and mining had gone down Queensland would have been more significantly hit than it was. One of the things you have to do when you have that sort of resource is build on that resource by, firstly, developing industry downstream of those industries. Some of the industries identified are downstream. Secondly, if you want a modern economy that is resilient and can live in a very competitive environment, you do need the high-skill, high-wage sectors. We have attempted to identify a number of those that are at the early stage of development so that we actually get in at the ground floor in some of those industries. Whether it is sort of 15 or 12 or 10 or 18 I think is a moot point, but I think each set of industries that we have identified have features or regional components that I think justify some focus of, sort of, government support and resources.

CHAIR: That concludes this session. Thank you to all witnesses and thank you to the government for the resources that you have obviously dedicated to our hearing and the submission today. For witnesses and attendees today there is morning tea on the colonnade if you would like to join us and the committee will resume at 10.45.

Mr Henneken: Thank you, Chair, and the committee for inviting the department and I wish you well on what is obviously a very important topic for Queensland.

Proceedings suspended from 10.32 am to 10.51 am

WELTERS, Dr Riccardo Anna Martinus Hubert Maria, Lecturer, James Cook University

CHAIR: I call the hearing back to order. We have with us Dr Riccardo Welters from the James Cook University. The committee's hearing is conducted pursuant to the resolution of the Queensland Legislative Assembly of April 2009. The proceedings here today are proceedings of the parliament and are subject to the standing rules and orders of the parliament. Witnesses will have been provided with the guidelines for witnesses appearing before parliamentary committees adopted by the Assembly that the committee is bound to follow. Dr Welters, you have been provided with a copy of that document?

Dr Welters: I have, yes.

CHAIR: Thank you. You have the opportunity to object to questions that are personal and not relevant or questions that may tend to incriminate you. The committee does not require an oath or affirmation but we ask witnesses to respect the proceedings. We do intend to keep to the time frame as much as possible, even though we are running slightly late. Would you mind stating your name and position for the record?

Dr Welters: My name is Riccardo Ana Maria Ibeseth Martinez Welters. That is a Dutch name. It is very Catholic to have five names, but so be it.

CHAIR: You have received a copy of our issues paper and seen our terms of reference. Would you mind starting with an opening statement about what you think is world's best practice in employment creation.

Dr Welters: Let me give a bit of a background of who I am. I am a Dutchman. I did my PhD in the Netherlands in 2005 on long-term unemployment. That is my key expertise area. Then I went to Newcastle in New South Wales and worked for two and a half years in a postdoc position at the Centre of Full Employment and Equity which is one of the key research centres in Australia on labour market stuff. Then I went to James Cook University where I am a lecturer now.

You provided me with these documents a few weeks ago. I have been looking at that. Unemployment is the main area that I am researching. We have seen this increase in unemployment throughout the world, not just in Australia or Queensland. The Queensland labour market comes from a better position than the Australian labour market because the unemployment rate was a bit lower here than it was in Australia. That is still the case, but nonetheless there is a stark increase in unemployment—not only in unemployment but also in underemployment, which is the people who have a job and who want to work more hours than they currently do.

If you look at the underemployment rate, that has gone up starker than the unemployment rate, which tells you what is happening in the Australian labour market. Employers are firing people, but they are more slashing hours trying to hold on to workers. There is probably good reason for that. The unemployment rate was so low we had skills shortages so the last thing employers want is to get rid of workers because they will need them probably in a few years time when the economy recovers. Then it is going to be tough for them to find them. So that is, I think, the main reason why they are not firing that many workers. The expectations were that the unemployment rate was going up to 7, 8, 9 per cent, maybe 10 per cent. That has not happened yet. I think the main reason for that at the moment is that employers are slashing hours and not so much slashing jobs.

Then we come to the labour market of Queensland. While I was thinking about it I thought, well, I am not sure a labour market of Queensland actually exists. There is not just one labour market in Queensland. We have regional differences with regional problems. There is not going to be a one-size-fits-all strategy here that is going to get Queensland through the rough periods. I went online on the ABS website. That is the unemployment rate. The red area is high unemployment and we have low unemployment elsewhere. So what you can see here is that there are big differences within Queensland. But even if you accept that and you are going to look in one of those areas, and you look, for example, in Brisbane, you will see big differences within a city looking into suburbs.

Now, the Centre of Full Employment and Equity have developed an EVI, which is the employment vulnerability index. I don't know whether you are familiar with that. Is that something you want to come back to later?

CHAIR: If you could talk about that, that would be great.

Dr Welters: Now?

CHAIR: Now is fine.

Dr Welters: What coFEE, the Centre of Full Employment and Equity, has done is last year, when it was clear that the economic crisis was going to hit Australia, they decided to develop an index of employment vulnerability within suburbs. So you are going to look at the population in a suburb and say, okay, what is the education level of those people, what occupation do they have, what type of industry do they work in and a few more of those key indicators of job loss risk. If you then look at the suburbs you can determine which suburbs have a higher risk of job loss. They did that for the whole of Australia and here is the map for Brisbane. You can see the blue, that is the centre, has low job risk, but the outer areas—as you can see, in the city that is where the lower occupation people, the lower educated people, people working in the manufacturing industries—that is where the job risk is. So it is not only regions which differ; there are also huge differences within the cities, and Brisbane is obviously the main city in Queensland.

CHAIR: When you have finished using the document would you mind giving us a copy of it?

Dr Welters: I got an email yesterday saying that I could make a submission. I have not done that yet but I can do that for you.

CHAIR: Fantastic. Thank you.

Dr Welters: That is my opening statement. There is no such thing as a Queensland labour market. There are huge differences within regions, within cities. I brought the report that has been drafted. It is not only talking about Brisbane; it is talking about all the majors. It is talking about Townsville, Cairns, Rockhampton, Mackay. There you can see where the trouble is in the labour market.

CHAIR: One of the things we have been grappling with is that, as our economy matures, a lot of the lower paid, lower skilled jobs have disappeared and have been replaced by higher skilled, better paid jobs. It used to be that if you had difficulty getting into the workforce you could go and dig ditches for the council, or be a porter for Queensland Rail, or whatever the case may be. So that has essentially created a growing barrier to entry into the workforce. How can government policy address those growing barriers as our industries mature?

Dr Welters: I think you are exactly right there. The jobs that you are mentioning are all low-key, low-occupational, low-educational jobs, but there is one more common factor to these jobs that you mention and that is they are public sector jobs. You were talking about rail; you were talking about infrastructure. These are all tasks of the government or tasks that the government did until the early 1980s, I guess. From then on, all of that has been privatised and disappeared. So the private sector is not going to create those kinds of jobs. That is not going to happen. So it is the government that has to do it.

Ms SIMPSON: To follow that up, obviously the economy is a lot more complex than that. Take an industry such as the service sector. There will be skilled work in the service sector but there will be a variety of levels of skill required. Would it be fair to say, though, that there are opportunities in some of these sectors that tend to grow as an economy matures? You still have the higher end occupations, but people are outsourcing a lot of the tasks that they used to do themselves. In this particular service sector, which is more in the private sector, what opportunities do you see as far as lowering the barriers that may exist for lower skilled workers in these arenas?

Dr Welters: It is certainly true. What you are talking about is that dribbling-down effect. So you create a higher skilled job, a higher skilled sector. That is also what you talk about in your paper. You are talking about creating jobs in innovative sectors and high-technology sectors et cetera. The idea is that if we create those kinds of sectors there will be a dribbling-down effect to jobs which are suited for low-skilled people. Surely that is true. So I think it is a matter of locating which high-technology sectors will have the biggest dribbling effect, if I can use that word. I think the key example is obviously the mining industry. The other one is the natural gas industry. That is going to create a lot of low-skilled work eventually. So I think they would be sectors that would be very promising to Queensland.

CHAIR: Thank you.

Ms JARRATT: One of the inescapable things about life is that we are all getting older. I am wondering whether you can make any comment about the role that the ageing population plays in employment vulnerability?

Dr Welters: I have been doing some studies in long-term employment, and it is pretty obvious that someone who is unemployed for longer times will see a lower chance of getting back into employment, because he loses skills and he loses maybe even the drive to search for a job and all of that. That is part of the ageing population as well. The unemployed are ageing as well. But that is probably not what you are referring to. The ageing population I do not see as a major issue, actually. It might change the sectorial output of an economy as they have different interests, but that should also provide opportunities to other sectors to grow and that would create jobs again. So I do not see that—

Ms JARRATT: I think one of the things is that the older we are, the more we were used to having a job for life and that just is not available to us. Is there a resistance factor there?

Dr Welters: Yes. We have seen in the last 10 years—it is not only Australia; it happened worldwide—this change from a job for life. The concept of employability has been introduced. You should be employable. It does not necessarily mean that you have a job, but you should be employable. I think the main reason we have lost the idea that you would get a job for life is that there is no job for life anymore. If you go back to the 1970s or even before that—up until the late 1960s—we had close to full employment. We had two per cent unemployment and that was it. That was frictional unemployment. So that is people working between jobs. That was not a problem. We did not have any underemployment. Everyone was working full time. So from the 1970s onwards, you will see a big gap appearing between labour demand and labour supply. There is more labour supply than labour demand, which then essentially means that you cannot employ everyone anymore. So there is always going to be unemployment unless the government intervenes.

So that is where the concept of employability also arises, because all of a sudden we have understood that there is not a job for everyone so the best thing we can do is make sure that everyone is employable. Yes, I think unemployment is going to be structural if the government is not intervening. Because that is my bottom line: the government has to do it.

Ms van LITSENBURG: I come from a community that is quite insular—from Redcliffe, which is just north of Brisbane. It is a community that is gentrifying but has a history of 70 per cent of people being on one benefit or another and a high degree of elderly people. But on top of that we also have a very large percentage of our population who volunteer. So there are people who want to engage in the community. So we have a community that is fairly engaged. We are looking at ways that we can increase and create employment for people. Is there any way you can think of, in terms of the bigger economy, that a small community like ours can do that sort of thing?

Dr Welters: Yes, and that is what the Centre of Full Employment and Equity calls a job guarantee. So, yes, there are these areas like Redcliffe. I am living in Townsville. Obviously it is much bigger, but if I drive 100 kilometres to the west I will find those places as well. These economies are just going to be too small in the bigger scheme of things to independently survive or grow. They are not going to grow; they are going to sit there. So what you are going to get is that the best people in Redcliffe will move to Brisbane, because that is where they are going to find a job. So you get a bit of a brain drain to Brisbane, which is not going to help at all your village.

What you are saying is that 70 per cent of these people are unemployed in one way or another, or they are on one benefit scheme or another, and they are doing volunteer work. So the work that they are doing is probably very much appreciated in the area. Why, then, would the government not fund that kind of volunteer work and make it paid work? That is the only thing you can do. This job guarantee would mean that the government is going to provide a job to everyone who is willing to work and who does not have a job. It does not have to cost too much. If you go through the report—and it is not this report; it is another report—you can see what it will cost. It is not going to be an amazing figure.

The main thing is that these people are living in Redcliffe. They want to stay there. They do not want to move anywhere else. So the best thing you can do is bring the job to them and not bring them to a job. There is also a spatial element to it. What type of volunteering work are they doing?

Ms van LITSENBURG: Working at information centres, cultural centres, libraries, Meals on Wheels—all of those sorts of things.

Dr Welters: Yes. Thirty years ago the government would do that, but they would not do it now anymore. So there are work opportunities there—this type of work that you are talking about. The people who want to do the work are there. The only thing that is missing is a wage and it does not have to cost too much to do that.

Ms DAVIS: Dr Welters, as you have studied overseas, are you aware of what other governments are doing internationally to address the issue of unemployment?

Dr Welters: Yes. There are all kinds of active labour market policy schemes, if you like, which are there just for what I like to call the hard core layer of the unemployment pool. If you look at the unemployment pool, you will see some short-term unemployed who are between jobs and then there is the long-term unemployed who are there for years and do not have much hope of getting out of it. So the governments internationally in Europe, because that is where I come from, are trying to target those people. They give subsidies to firms when they recruit those kinds of people and make sure that they get some work experience which would lift their chances of finding a job. That is the best part of the unemployed pool. Then you get the hard core part. They are going to get some public jobs provided by governments just to make sure that they get into a work rhythm again. That is a big thing. If you have not worked for several years, then you do not even have a nine to five rhythm, and that is the first thing you have to solve. That is where it stops because most European governments are not going to look into the last group, which are those who have medical problems, health issues, drug abuse issues and all of that. They are very hard to get back into the labour force.

The problem with these policies is that it comes back to the issue of employability. What you are going to do is raise their chances of finding a job, because that is what you do, but that comes at the expense of someone else. So the way I see the labour market is that there are X number of jobs available and there are more people who want the jobs, so there is a job queue and the one who is sitting lowest in the job queue is going to have a problem because he is not going to find a job. If that person does some training, his position will raise on the job queue and he might have a better chance of finding a job, but that comes at the expense of someone else because someone else will be bummed out. So if you are going to analyse all of those programs at the micro level, you will see that they actually work because they raise the chance of people finding a job. But at the micro level you do not see the macro consequences, because the macro consequence is that someone else is getting bummed out. So at the macro level these programs do not work simply because there are not enough jobs.

Mr O'BRIEN: One of the projects you are working on at the moment is '*A just transition to a renewable energy economy in the Hunter Region, Australia*'. Obviously in Queensland we have a very large coal based industry. It is a very important industry for us. Can you tell us what some of the preliminary findings of the research are? I am concerned about the threats, but I am more interested in the opportunities that the transition makes and how we can best make use of those opportunities.

Dr Welters: That was a report commissioned by Greenpeace actually. That report is finished. That was early last year I think. In Australia we had this discussion about if we introduce an emissions trading scheme we will see jobs go overseas. That was the political story. If you were going to have any discussion

about greening the economy, then politicians would say, 'That is going to cost jobs. We are not going that way.' So Greenpeace were anticipating all that and they wanted to know whether that was actually true. So they commissioned CofFEE to do a study about what would happen if you shut down all the mining industry in the Hunter, near Newcastle. How many jobs would that cost and what would happen if you replaced those jobs with a renewable energy sector? We looked into that. I particularly looked into that. We came to the conclusion that you were going to create more jobs than you would lose, because the renewable energy sector creates more jobs than the mining industry would lose. That is the macro picture.

If you do that—and this is where a 'just transition' comes from—the problem is that the jobs you destroy are different from the jobs that you create. So the people who are going to lose the jobs in the mining industry are not necessarily the ones who are going to get the jobs in the renewable energy sector. So you cannot do that overnight. That is one conclusion, because you want to keep those people on board. The ones who lose their jobs should get back into employment in this renewable energy sector, but that is going to take years because there is a skill mismatch there. So if you want to have this just transition you have to spread it over several years and use that time to reskill the people who were laid off in the mining industry. So you have to be very careful in doing that.

CHAIR: On that map you provide—I think I have seen that report before.

Dr Welters: It was all over the media.

CHAIR: The area that I represent is one of those marked in red.

Dr Welters: What was that TV program? Was it *Insight*?

CHAIR: Yes.

Dr Welters: I remember that the *Insight* program was done in Logan because that was the worst area in this respect.

CHAIR: Yes. What a lot of employers say and what a lot of people who work in those labour market programs in those areas of locational disadvantage say is that what they need is not necessarily the actual skills of doing the job but basic employability skills. They want someone who will turn up to work on time, who will effectively communicate in the workplace and work in a safe and legal manner. How do we get that balance right between training people for skills and having what I think you referred to as employability?

Dr Welters: It is true. If you go through the literature of the last 10 years then you will see that unemployment is often seen as an individual problem. It is the problem of the unemployed—not skilled enough, attitude problems maybe. But, if you dig a bit deeper into the story, you will see that it is not so much an individual problem. There is the individual element there obviously. But it is also about the social elements and the environment. Logan is probably a nice example of it. That is what this report is doing. You will see in Logan that the unemployment rate is high in general, which means that there are many 20-year-old kids who have never seen their father go to work. If that is the case, that is going to affect that person as well because if no-one gets up at eight o'clock in the morning in your street then why would you? That is one issue. The second is that if no-one in your street is working then you might say, 'Well, what are my chances of finding a job?' So it is not an individual issue; it is also a regional issue—a suburb issue, if you like. What was the question again?

CHAIR: How do you give people those skills not necessarily to do a job but to be employable?

Dr Welters: I think that is pretty successful in Europe. This is public sector employment. Something that I would also suggest should happen here is the government—and we come back to the volunteer jobs that you were talking about. They should also exist in Logan. There are all kinds of public sector work that could be done in Logan. It need not be very sophisticated work. But if you give someone a job to clean the street or clean the park and do that between 9 and 5 then at least you get that person going between 9 and 5. Everyone appreciates that type of work because it is useful work and these people might also enjoy doing that kind of work. If you do that they get this attitude from getting up and working from 9 till 5. If they do that for a certain time then you can step it up and say, 'Okay. Now we're going to look at training.' We have dealt with the basic elementary issues of work attitude and then we are going to build it and say, 'We're going to train this person in a certain area.' But you have to start with the attitude issue, otherwise it will not work.

CHAIR: How should labour market programs differ from downturn to upswing? Obviously over the last two years we have seen the Queensland economy go from massive growth to a significant reduction in that growth. What should we be doing differently now and what should we be doing in an upswing?

Dr Welters: The main issue is apprenticeships. This is one of the issues. The first thing that happened when the economic downturn hit this economy was that apprenticeships were out and no-one was going to do it anymore. The private sector is not doing that anymore to a lesser extent, let us put it that way. I do not want to say they are not doing anything. From a private point of view it makes sense. If you are a firm and you have to tighten the belt, then something has to go. The first thing that goes is apprenticeship training because that is only a long run thing and you want to survive the short run. So let us not focus on the long run. Obviously there is a big problem there because if you are not training your apprentices now then they are not going to be ready in two or three years when you desperately need them.

From a private firm perspective it makes sense to do it because you have to look at the short run and we will see what happens in the long run. From a public perspective it does not make sense because you need those people in three years time. That is something that the government should do. The government should intervene there and say, 'If the private sector is not doing it we have to take that role and train our youngsters in order for them to be ready in about two or three years time when we desperately need them.' That is going to happen. It might be a crisis now, but in four or five years time we are going to again be looking at skills shortages.

CHAIR: One of the things I have seen over recent years is that there seems to be this sort of change in the burden of training. It has gone from essentially being something shared between employers, employees and the government and there seems to be a greater focus on private training prior to entering the workforce. Systems like apprenticeships and traineeships make sure that a person has a job in the industry and the training is relevant to what they are doing. Putting the focus back on the individual to do the training before they have a job runs a risk I think of a person doing training for a position they will never take up. How do we make sure that people are doing training for jobs they will have? Training people on jobs they might get is a risky prospect.

Dr Welters: It is a risky prospect and it means that the motivation of the person involved is low because they ask, 'What I am doing here? I am not sure I'm going to get that job.' It comes back to this employability issue: there are not enough jobs—simple. I can show you a graph—it is on my laptop somewhere—which shows that until the late eighties labour demand and labour supply was matched and from there on there is this gap starting to appear between labour demand and labour supply and there are not enough jobs there. When you talk about training, who was the big trainer until the seventies? It was the public sector. We have seen all these privatisations where you get these private-public partnerships where we say, 'Okay, if we privatise all these public enterprises then they are going to run more efficiently.' I am not so sure about it because the first thing that goes is all these public goods because training is a public good. It is the first thing that goes. It was the public sector which was doing all the training and that has disappeared and the private sector is not going to take over that role permanently.

Ms JARRATT: We have spent a lot of time today talking about training and apprenticeships. What about the other side of the coin and that is the tertiary side of the equation, the academic pathway to employment? In this country I have certainly noticed the huge shift in emphasis from where once I think we only ever thought about a tertiary future, an academic future, or straight into employment. Now the emphasis is largely on training and apprenticeships because it matches the types of jobs that are out there. What is the international experience in that? Are we travelling the same path as most nations in the world in this refocusing on to skills training rather than an academic pursuit or is this something peculiar to Australia?

Dr Welters: No, it is not. It is the same in the rest of the industrialised world—let us focus on that. Let me rephrase it a bit. You are talking about all these innovations that you want to do. You want to invest in those high technology sectors now. If you want to do that you also need the people to work there. You do not want a situation where you have to recruit them from abroad. You also need a first-class educational sector in this country, especially in Queensland, and I am not sure that we have it.

I am a lecturer at a university. So I am lecturing first year subjects and I have done that in the Netherlands, I have done it in New South Wales and I have done it here. I am not impressed with the kids who come from secondary school. There really is an issue there as well. We really need to improve the primary and secondary educational systems here. Some people say, 'We have to improve our universities and spend more money on universities.' But if I am a lecturer at a university I cannot increase the level of teaching if the influx of students cannot do it. If you increase primary and secondary teaching quality, I can simply raise the level at university.

Ms SIMPSON: I have a question back on employability. I am wondering if there has been much research done about the age that young people engage in the workforce and how that might translate to so-called employability or work ethic? I will frame it this way: a lot of formal training has gotten longer and longer. On the one hand the time that someone enters into full-time employment in the workforce is more delayed depending on the training pathways they take, yet on the other hand you also have more young people, particularly in urban areas, with access to part-time work when they are going through high school. Has there been any research done into whether those young people who engage in the workforce on a part-time basis before entering into their long-term unemployment are more adjusted to the workforce?

Dr Welters: I do not know. Probably. There is an issue there that is particularly interesting in Townsville, and I do not know if there is someone from Gladstone here. Kids at age 16 have to make a choice: will they go into vocational or tertiary education or will they accept the \$100,000 job in the mining industry? While it is very lucrative to take that \$100,000 job in the mining industry and then not do the training that maybe you should do and which you will probably need in 10 to 15 years, if you are 16 you are not really thinking about what will happen in 10 to 15 years. So that is an issue to me.

If there is one industry that prospers in a crisis like this it is university. We have an increase in enrolments by about 20 per cent. So you can see how it works. If jobs disappear then people come to university. Without knowing whether any research has been done on that, and there probably has been, I think it is pretty obvious that there must be a link. I can see that 60 to 70 per cent of my students have not only part-time jobs but full-time jobs. I do not know how they do it. They do full-time study and hold down Brisbane

full-time jobs. That will ease their way into the labour force for sure, because most of their jobs are casual jobs and not really very pleasant jobs. So from taking those kinds of jobs they know, 'This is not where I should end up, so I had better get my university degree.' I think there is a link between the two, yes.

CHAIR: Thank you, Dr Welters. It has been a great opportunity for us to hear from you on what is obviously an area of passion for you over many years.

Dr Welters: Yes, it is.

CHAIR: Thank you for sharing time with us this morning. We will now move on to the next session.

Dr Welters: Do you want me to write a short essay on this?

CHAIR: If you can. I am sure that would be helpful.

Dr Welters: Is there a deadline on this?

CHAIR: The sooner the better, I think.

Dr Welters: I thought that. I will do that.

CHAIR: Particularly some of the material you referred to. If you could provide us with a hard copy of that that would be good, or an email copy.

Dr Welters: That is fine.

CHAIR: Thank you.

COPEMAN, Mr David, Campaigner, Australian Manufacturing Workers Union

MOHLE, Ms Elizabeth, Assistant Secretary, Queensland Nurses Union

TODHUNTER, Dr Liz, Research and Policy Officer, Queensland Nurses Union

CHAIR: Good morning. The committee conducts this hearing pursuant to a resolution of the Queensland Legislative Assembly of April 2009. The proceedings today are lawful proceedings of the parliament and subject to the Legislative Assembly standing rules and orders. Witnesses will have been provided with guidelines for witnesses appearing before parliamentary committees adopted by the assembly, which the committee will follow. Have those attending been provided with that document? Yes. Thank you.

Under the guidelines, you have an opportunity to object to questions on the basis that they are personal and not relevant or that it may tend to incriminate you. The committee does not require an oath or affirmation but asks witnesses to respect the proceedings. Today's proceedings will be recorded by Hansard but not otherwise. We will try to keep as close as we can to the timeline for the hearing program. If you do choose to take a question on notice and provide a later response to the committee, we would ask that you provide that to us by 14 September.

We have provided attendees with an opportunity to provide a brief opening statement. The committee has had the opportunity to read the written submissions made so we would ask that you do keep your opening statement succinct. Beth?

Ms Mohle: Thank you very much. The Queensland Nurses Union welcomes the opportunity to provide a submission to the Economic Development Committee on this vitally important issue of job creation in Queensland. I am the assistant secretary to the QNU. With me is Dr Liz Todhunter, who is our research and policy officer. I will take our submission as read and instead will highlight a few of the major issues from the submission that we wish to bring to the attention of the committee. Our verbal submission will focus particularly on current and future skills requirements for the Queensland economy in relation to health care, with particular emphasis on the nursing and midwifery workforce.

As we highlighted in our written submission, the Australian health sector is a significant contributor to our economy in a number of ways. According to ABS labour force data, the health workforce makes up around seven per cent of the Australian civilian workforce. It is a workforce that is steadily growing due in large part to the ageing of our population and increased demand for health services. The health sector is growing fast. Between 2001 and 2006, the 23 per cent growth in the numbers employed in health occupations was almost double that of all other occupations. Continuing strong growth in the health workforce is predicted going forward.

The other angle from which to view the health sector's contribution to broader economic development and performance is its role in promoting optimal health, treating illness when this arises and facilitating a prompt return to health following illness when this is possible.

The costs associated with the burden of disease are not just an issue for those of the family and the people it affects. There are economic consequences for this as well and they need to be taken into consideration. Take the burden of heart disease. A recent Access Economics study found that there will be around 90,000 heart attack or chest pain events in Australia in 2009, with just under 10,000 of those suffering expected to die as a result of that. Access Economics estimates the total costs associated with these events to be \$17.9 billion. This total cost is made up of direct care costs estimated at around \$1.8 billion, indirect costs in the value of health through disability and early death will be an estimated \$12.3 billion and indirect costs resulting from lost productivity will be about \$3.8 billion. When you look at figures like that, the very strong economic case for shifting the focus to primary and preventive health care is clearly evident.

Despite the obvious importance of the health sector in economic performance, insufficient attention is paid to developing an integrated strategy that recognises the importance of the role that it plays. A particular area of policy neglect that is of great concern to the QNU is that of the health workforce. As we highlighted in our written submission, the current nursing and midwifery workforce shortages in Australia and overseas are dire and they are predicted to worsen. QNU modelling based on available ABS data predicts that there will be a shortfall of 14,000 nurses in Queensland alone by 2014. It is actually predicted to get much worse over the next 20 years given that 60 per cent of the current employed registered and enrolled nurse workforce will be retiring over that time.

The data should be of great concern to the members of this committee given the significant health service expansion that has been planned for Queensland over the next five to 10 years. We do not have enough nurses and midwives already to meet the current demand for services. How is the increased demand arising from new or expanded services to be met? Part of the answer to date has been to recruit more nurses from overseas to fill this void.

According to recent data from the Department of Immigration and Citizenship, for the 12 months to 30 June 2009 registered nurses topped the list of occupations granted 457 visas, with 3,850 visas granted—an increase of 17.9 per cent from the previous year. This increase in visas granted for registered nurses is all the more significant when you consider that the number of visas granted to the other 14 top occupations on the list declined in the previous 12 months, some by as much as a third.

The other response we are seeing from health service employers across all sectors—public, private and aged care—is to change the skill mix of nurses by employing a greater number of lesser qualified or unqualified people to perform nursing work. This should be of concern to all in the community given the impact that this will have on the quality of care provided. The QNU has been arguing for some time for the development of nurse- and midwife-sensitive indicators to monitor the impact of skill shortages.

The situation with regard to nursing and midwifery shortages is of such concern to the QNU that we launched the 'Nurses. For you. For life.' campaign late last year to draw attention to the implications of failing to address the current and worsening workforce shortages. One of the primary objectives of this campaign is the establishment of an overall national workforce plan for nursing and midwifery that fits in the context of a national health workforce plan.

Such a national plan is required because this is a national problem that affects all sectors and will require the development of strategies by state and federal governments, unions, the education sector and employers across the public, private and aged-care sectors. For example, one specific strategy that will be required will be to dramatically increase the number of nursing places at both universities and TAFEs. There are significant issues, however, that need to be addressed in relation to clinical placement time required for these students. So very much more work will be required in both the education and health and aged-care sectors to see this become a reality. No time can be wasted given the significant lead times associated with producing appropriately qualified nurses and midwives. Yet an appropriate sense of urgency is not evident.

Although Queensland Health has made great advances in the development of strategies to attract and retain nurses and midwives in recent years, this activity alone will not be enough to meet the nursing and midwifery shortages, especially given the significant services that are to come online in Queensland over the next five years or so. Providers are, in effect, going it alone across all sectors to address these issues. But the solution to the shortages will be found in a concerted national effort, not in state or territory governments or in providers in the various sectors developing their own strategies. Taking such an approach will only result in robbing Peter to pay Paul.

We were pleased to see that in November 2008 COAG actually announced the establishment of a national health workforce agency that was to drive their agenda. Although this agency was to have been established mid this year, it is still to be set up.

A national plan, a plan that is underpinned by evidence, is urgently required to drive the health workforce agenda going forward. The Queensland government of course has a key role to play in developing strategies that feed into such a national framework for nursing and midwifery workforce planning.

We give many examples in our submission of potential strategies that the Queensland government could implement. Without revisiting all of these now, we would like to stress the important role that the VET sector can and does play in the education of enrolled nurses and assistants in nursing. The Queensland government should be congratulated for the increase in funding that has occurred in recent years for enrolled nurse education in particular, but more could be done.

The previous Beattie government implemented a child-care industry strategy that involved significant funding for child-care workers to achieve certificate based qualifications. The QNU believes that a similar targeted strategy is required for the aged-care sector, especially given the need to increase the number of workers in the aged-care sector with appropriate qualifications given the increasing acuity of the residents that they are caring for in that sector.

Such a strategy would have a significant positive economic impact and would also be of great social benefit to the community of Queensland. The government can also implement targeted health sector related employment strategies for the disadvantaged, including Indigenous people and the long-term unemployed. Thank you very much for listening to that brief submission. We are open to answer any questions after Mr Copeman has given his submission.

CHAIR: I call Mr Copeman.

Mr Copeman: Firstly, can I thank the committee for instituting this inquiry. It is a very important time to be looking at issues of economic stimulus, employment and training. It is an important time not just because of the current economic situation we find ourselves in and the change in the resources wealth; it is also important that things are on the horizon that may result in the fundamental restructuring of parts of the Australian economy, including placing a price on carbon and addressing the challenges of climate change.

I would like to pass on the apologies of the state secretary of the AMWU, Andrew Dettmer. Currently we are fortunate to have the Treasurer visiting the state council of the AMWU and so we decided that we would divide up our forces. I am here to speak to the committee today. I am very grateful for that opportunity. Forgive me if there is any lapse of knowledge. I may take some questions on notice if there is something that the state secretary could have answered that I will not be able to.

There are some very clear recommendations that I would like to add to. In addition to the list of recommendations that I hope you all saw in our submission, I think there are some elements that I should probably update or address. Let me start by contextualising it.

The focus of the Australian Manufacturing Workers Union submission is trying to ensure that the Queensland government has an effective industry policy that will develop manufacturing. We see this as the area where we have knowledge that we can contribute to the questions that you ask in the inquiry. Within that, we believe that one of the key ways that we can develop an industry policy and develop a strong manufacturing economy is, in part, through the government making sure that in its own procurement and its own spending it does not just look at cost but also looks at value for money. Value for money includes the jobs that will be created either in Queensland or overseas. It includes the taxes that will be paid. It includes the on-flow benefits that come from buying from Queensland, from spending money in our own economy and from developing our own industry. Not only is it just continuing to support purchasing from Queensland but also it is to be potentially competitive in then selling on to other markets, both within the private sector in Australia and internationally.

With that overall framing, I turn to our specific recommendations. In relation to the oversight for the local industry participation plans, these are one of the mechanisms that the government has established to try to ensure there is thought and preparation put into the process of procuring so that if there is a local provider, if there is a local manufacturer or business, they are actually considered. That is what it is there for. The project proponent will actually find out that this element of what we are buying is made here and we could source it here.

It is there because otherwise that thinking sometimes does not happen. It is there because often when we are bundling up the purchasing that the government is doing and we are going out to large scale primary contractors these organisations, these companies, often have their own supply chains. Unless there is some level of impetus or some kind of push for them to consider local providers, they will just go, 'We know where we make that. We make that in our sister factory in Korea. We have our own supply chain developed and we will use them again.' Often Australian manufacturing and Queensland industry are losing out, not because they are not competitive but because if we are bundling up procurement to such a level we are effectively creating a market where we are going to a large international tender or large project principal contractor who will then supply what they are most comfortable with.

So these are important documents. Unfortunately, they are not being treated as the important documents that they are. We as the Australian Manufacturing Workers Union have experience where these documents are only submitted after the tender has been released. An example is of a tender that was submitted two days ago for more than \$1 billion worth—depending on what comes in, but the ballpark figure is about \$1 billion worth—of energy distributors. It is an effective project by government to group together all of the energy providers in Queensland—Energex and Ergon—to purchase the infrastructure that they are going to need for upgrading our distribution infrastructure. But what has happened is that a tender has gone out and there is no local industry participation plan. In the case of the distributors, this is for stuff that was 55 per cent manufactured in Queensland of local content. Some of the core steel comes from overseas, but some of the work was being done here. So that is one instance that we can bring to the committee's attention.

The second issue that we have been raising quite extensively and therefore I will not go into huge detail is the procurement of passenger trains—200 passenger trains. Somewhere in the order of \$1.6 billion worth of trains is going to be procured. We have been raising our concerns that the project proponent—in this case, Queensland Rail on behalf of TransLink—was not only not seeking to maximise local content but they were instead going around actually specifying that they wanted to see a minimum of local content, that they were actually asking for a model which involved an importation of trains. That is outrageous. We have alerted the government to that. We believe that that situation is being addressed. But what there needs to be and what this committee can look at in terms of its ambit for the broader structural change is a stronger process for ensuring that what we have in the Local Industry Policy, which, on its face, is a strong policy, is actually implemented.

In terms of updating the first recommendation, I think I talk here about the economic committee seeking an additional mandate. What also needs to be inserted in there is that all of these local industry participation plans must be lodged with the Department of Employment, Economic Development and Innovation—DEEDI—before any tender goes out. If that happened and if these LIPPs get signed off by DEEDI before they go out, then that sets in a mechanism. A second element in our recommendations is that we refer to amending the Local Industry Policy to mandate the development of detailed industry development plans. Just to explain that, this is something that Victoria is looking at, but it is something that in Queensland we have done and we can do better. The local industry participation plans kick in at \$5 million worth of procurement or \$2½ million in regional areas or where it is of a particular strategic importance to the government.

While that is a lot of money, in terms of government procurement that is small change. For that level, the AMWU believes that what we have in the local industry participation plans in terms of the criteria for assessing, which you will find on the eighth page of the Local Industry Policy, is adequate. But when you are talking about spending \$1 billion worth, what is possible then is not just determining who can supply the relevant inputs and the relevant components to this for the contract as it exists now. When you are looking at long-term bundle procurement such as the current government is focusing on, you actually have the possibility to develop an industry. If you are going to be buying something for 20 years, it may be that right now in Australia in our local industry we only make 20 per cent of those inputs. But if they know that

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there is 20 years worth of work and there are contracts coming up, there is the potential over that period to have a plan for developing it. It may be that we have the capacity available to build it and it may be that we have the technology; it is just that there has not been a guaranteed market.

Australia is a small economy and one of the main challenges we have had to the manufacturing industry is a small domestic market. We know that and therefore the AMWU encourages an export focused development market. But at the same time you can use your domestic market to get to a bundle of market that is large enough for you to sustain the industry, and that is what we believe needs to happen. The budget pressure that exists in terms of the government trying to deal with the stress that has been placed on its budget by the economic downturn is resulting in a policy of bundling, in a policy of trying to get the maximum cost cutting that various government agencies can. We understand that and we are alive to that concern. We are alive to the impact of our credit rating on government finances, and the government needs to be a good economic manager. But good economic management should not be only about price; it should be about value for money. One of our concerns is that one of the value-for-money issues that is not being incorporated is the long-term benefits that flow through an effective procurement process that does develop local industries. That is what this submission speaks to and that is what I would be happy to speak on further.

CHAIR: Thank you. Queensland has a higher proportion of small business than the rest of the country and yet we have these massive infrastructure projects. How do we give small business the ability to access those infrastructure projects?

Mr Copeman: This is an issue and the bundling up of procurement is actually making this more of an issue, so where there have been existing relationships between government and Queensland industry those are now under threat. One of the things that needs to happen is that there needs to be some level of assessment of procurement when the initial tenders are being drawn up of the size that is able to be dealt with by Queensland industry. It may be that in some cases you still want to have a bundle up, because you want to achieve that cost saving. What then needs to happen is that there needs to be more effective involvement of the Industry Capability Network to be able to bring together small and medium enterprises so that, instead of competing, as a group they can put in a joint proposal and will be able to ensure that they can compete with big international players.

One of the key elements is that often when you are getting a large procurement the process of tendering is a barrier. So you will have a principal contractor. If you are tendering, for example, for a building which has significant inputs, you will have a principal contractor which will be for the whole construction but then you will have subcontractors on structural, on electrical, on IT and on hydrodynamics. In those areas that is where our Queensland small and medium enterprises come in, and what needs to happen and what needs to be mandated is that the Industry Capability Network, which largely recognises the best in the country and which does a really good job and should be supported and continued, needs to be mandated to be in there assisting not just the primary contractor but the substantive second tier and third tier contractors to make sure that they know who the local suppliers are.

The ICN does not come to them and say, 'You've got to take a local supplier,' but it just makes sure that the local supplier knows about this contract and that the subcontractor knows that these goods exist and can be made in Queensland. So that is one of the key things. It needs to be mandated that not just the top level provides the local industry participation plan but further down subcontractors are also mandated just to have the ICN involved. That does not impose an extra regulatory burden on them; it just means that a government funded efficient process of a database of suppliers in Queensland industry is available to those second and third tier contractors. So that certainly is one part of it.

Ms SIMPSON: Thanks very much. I appreciate your comments about the bundling, because that is an issue not only in manufacturing but across construction in general and other service areas. I think it raises a very valid point as being a barrier to entry for people who are in the market or able to grow their businesses potentially in the future. In your submission you mentioned the greater difficulty with government owned corporations and this issue of the Local Industry Policy and also Queensland Rail specifically. This issue has arisen recently with regard to this particular contract, and we are still waiting to see how that is all going to come out. However, what you are saying is that it should be mandated that these Local Industry Policy plans are actually submitted upfront prior to the tendering and that that also be a requirement of GOCs.

Mr Copeman: Absolutely. The Local Industry Policy applies to government owned corporations. Unlike an environmental impact statement or a financial risk assessment, it is not legislated. It is not mandated by legislation that these things have to be assessed. So there is sometimes a level of confusion within government about when and to what extent these local industry participation plans have to be implemented. That is something that needs to be addressed.

We were very concerned that new management within Queensland Rail was not quickly bringing these local industry participation plans into effect with its tender of the passenger trains. It seemed to be doing some advocacy or some communication to some of the key tenders that was explicitly contrary to government policy. Now, I believe that has been addressed. I hope so. That is private conversations between QR and the tenderers, but I am optimistic that it will be. But it is not just an issue for QR; it is an issue for a range of government owned corporations. Obviously Energex and Ergon is another one we are

seeing. This has been brought together but, again, it is an issue where the AMWU is going to have to bang the table and say, 'We want the policy that we were involved in forming that we believe is in the best interests of Queenslanders being implemented.'

Ms van LITSENBURG: My question is probably for Dr Todhunter, but it can go right across. I am looking at a lot of the sick and injury issues that you have across the industry. How does that affect the way that you develop your labour market? Also, how does that affect your skilling? And how does it affect what you are able to do in terms of getting the job done and having the staff required? I guess David would probably have that wider industry base.

Ms Mohle: The health industry has a very high level of injuries like strains and sprains. It is getting better over recent years. It is good to be able to report that, because of the use of hoists and other devices to assist in terms of manual handling. A concern that we have is not so much the injury rate but the diseases or disabilities that are associated with ageing. Given that the nursing and midwifery workforce is ageing, as I said in my submission, over the next 20 years 60 per cent of the current nurses are going to be retiring. That is a really significant challenge. I do not think anybody really has their head around that in terms of what it means for the health workforce.

Nurses are not alone. All of the health workforce is ageing. That is going to mean we are going to have to redesign the way that we do work. It is going to mean that we have to look at different patterns of work in terms of shiftwork. As you get older, you cannot cope as well with shiftwork. It means that you are going to have to look at—and it has come up at our annual conference on a number of occasions—facilities for people who have chronic diseases at work to be able to cope with their disease. So, if they are a diabetic, they have an area where they can go to inject themselves with insulin, or if they are having dialysis there is space for that sort of thing. That is a concern that we have, and the ageing of the population and nurses and midwives is a part of that. The average age of currently employed nurses is 45. That is a significant issue that I think all providers of services—public, private and aged care—have to turn their attention to. The aged-care sector has an older age cohort in terms of the employees, so it is more significant for them. That is a comment that I would make about disability generally.

Mr Copeman: Your question was in relation to injury or skills shortages?

Ms van LITSENBURG: How injury and skill shortages interact. In the nursing workforce a high percentage do end up having injuries, and so that would affect their skills.

Ms Mohle: Labour force attachment. It is also reflected in the fact that there is a higher proportion of nurses who work part-time, for example—about 50 per cent of nurses and midwives work part-time. That is a result of a fair few other factors as well in terms of family responsibilities. Because of the ageing, new patterns of work, as I said, in terms of increasing part-time work and different forms of employment, are going to be an important strategy for addressing that, I think. It is an issue that needs to be looked at.

Ms van LITSENBURG: So does that affect your ability to provide the services?

Mr Copeman: In relation to the AMWU, obviously a number of our workers work in not unsafe workforces but workforces that involve very strong forces—using heavy metals, using welding, using high levels of power and heat. As a result of that, I guess one thing that is currently very much at the front of our mind is the national standardisation of the occupational health and safety rules. We are concerned that Queensland needs to be strong in advocating that we do not go backwards. We support a national standard as long as it is national best practice. It should be national best practice in occupational health and safety, not going down to a statistical mean that reduces our safety.

We have taken a lot of pride as a lot of our members work in shops which take an immense amount of pride in the number of days injury free. It might be 2,000 hours or whatever injury free where no time has been lost. That is the kind of goal setting that we want to have—the inspirational goal setting we want to have—and we want to see that from government as well when it comes to occupational health and safety rules.

Mr O'BRIEN: It is probably smaller companies, David, but it came up in my electorate recently. It is about just how local is local. How do you define 'local'. An example came up in Weipa with a company from Cairns getting a contract to manufacture some schools in the area. Of course those Mexicans from Cairns were coming up and stealing jobs from people in Weipa. I just wonder whether the union has a view on how it defines 'local', particularly at that smaller level. At the larger level I think 'local' has to be Queensland, but at that smaller level does the union have a view about how it would define that?

Mr Copeman: The union I work for is a strongly internationalist union. So we believe in rights for workers across the world. But I guess in terms of our focus in developing local industry there are two elements to it. One is—and it is a Queensland broad one—if you are looking across Queensland there are particular areas of great priority. One of the things we are addressing at the moment is an incredible downturn in mining and heavy engineering manufacturing.

A study recently released by DEEDI shows that in the Fitzroy area and the Fraser Coast a lot of the manufacturing shops are at 50 per cent capacity. This is for heavy engineering and mining equipment. This is an area that is very important because it is one of the areas of industry that Australia and Queensland is competitive in. We are manufacturing mining equipment that is going across to Chile. We are manufacturing mining equipment that is going around the world. We have some of the world's best technology and practice, but right now because everyone stopped ordering from mid last year there is a significant impact on regions.

We would like to see local industry being 'Queensland'—and I mean under Australia and New Zealand is actually the standard when it comes to local industry policy, because we have a common trade area. In terms of government processes, where there is a particular impact in an economically distressed or financially stressed region, then that makes these procurements in those regions more important. That is an area that local policy should account for. If the trains leave Maryborough and are not made in Maryborough, that is going to have a huge impact. It would not have the same impact if that was lost from Queensland, but if it was lost from Weipa or lost from Maryborough, that is taking a huge employer out of the economy. There is a study that the Fraser Coast Regional Council has had done which says that something in excess of 20 per cent of the local economy is reliant in one way or another on the manufacture of trains.

Ms DAVIS: My question is for Beth. In my electorate we have quite an ageing population, so I would seek comments regarding that issue in terms of nursing, not necessarily midwifery. I also noted and was surprised by the average age of nurses, given I understood that there were enough nursing student places to allow for the increase. How do we address the issue of getting younger women and men in as nurses and retain them? Whilst I have no particular position on this, I would like your input: when I was growing up it was nurses going through the hospital system and now it is a degree course. I am not suggesting for one moment that we go back to the old system, but I wonder whether there is any capacity to complement each of those with each other in order that students are able to get on-the-ground clinical experience which you mentioned in your opening that they do not appear to be getting.

Ms Mohle: Firstly, in regard to nursing courses the demand is there. They are oversubscribed, actually. They are significantly oversubscribed. So there is not a problem with attracting people into nursing.

Ms DAVIS: I was not saying that the courses were not filling.

Ms Mohle: But there is a problem that there are not sufficient places. So the demand is there, but the universities are not creating the places. Indeed, the TAFE sector in Queensland has done a lot better than the university sector in terms of creating additional places in recent times for enrolled nursing positions. So we have a huge problem there in terms of a disconnect between the education sector—more so the university sector—and what the system requires, be it Queensland Health or private providers or aged-care providers.

That is why there is a need for a national workforce plan. We have to do the maths, if you like, in terms of predicting how many nurses and midwives we are going to need into the future and, therefore, how many we have to prepare through our universities and TAFEs to get there. That is very important. That is where we see that there is a need for a national agency.

I have to say, as I mentioned in my opening remarks, that Queensland Health has done a lot of great work in the last couple of years in terms of increasing the number of nurses and midwives that they employ and retaining them in the system through a whole suite of strategies—in terms of EB outcomes and a whole range of other things—that have made Queensland Health an employer of choice. But there has to be a look at the whole system because, in going to Queensland Health, they are coming from the local aged-care facility or the private hospital which may not have the same sorts of conditions. So there is a need for a national approach to this. It needs to be underpinned by the evidence. As I said, we need to do a lot of significant modelling about how many nurses and midwives we will need going forward and then put the courses on at universities and TAFEs, because it is not just going to be about university prepared nurses; enrolled nurses and assistants in nursing have a role to play as well. That is where the VET sector is very important.

Picking up on your point in terms of the university sector itself, there is no way that we can ever go back to hospital based training, because it is so complex now the work that a registered nurse or a registered midwife is required to do. But we definitely have to look at strategies to make sure that nurses and midwives are more work ready. The difficulty that we have, which I have already flagged, is the fact that there is a huge pressure on workplaces for clinical placements now, anyhow. They are not coping with the demand for nurses and doctors and other clinically based professions to get their clinical experience now. One way around that that we find works is to employ undergraduate students or TAFE students at hospitals and other health facilities during their training in positions like assistants in nursing. We have even created a position called undergraduate student in nursing within Queensland Health so they can fulfil that role whilst they are studying so that they become used to the culture of health, they get to know their way around hospitals. They are working within their scope of practice. That is the important thing. They are not doing stuff outside of their scope of practice. But they are getting cultivated to the culture of health.

So there is a lot more that can be done, but do not underestimate the significant challenge that clinical placements are for the whole of the health system right now. That is why that national health workforce agency is really a critical stage in addressing the whole process. We really need to grapple with that. The National Health and Hospitals Reform Commission report particularly had a whole chapter on this sort of issue in terms of the health workforce and the preparation of health workers into the future. So it is a bit of a challenge. That is why it needs not only state and territory governments to be looking at this but also a national framework.

Ms JARRATT: It is good to hear your views about the whole employment issue. I want to ask David about that area, because I know you have made some comments about training and skills. As the member for Whitsunday, I am well aware that we have come out of a period of intense skill shortages. In towns like Mackay and Airlie Beach we have not been able to get tradespeople to come in and do the domestic things that traditionally tradespeople have done. I think we even gave a sigh of relief recently, thinking that that might turn around, but of course we are going to enter that period again in the future. But for now, as there is this downturn in the mining industry, we see the numbers of first-year apprentices dropping dramatically. Could you articulate some of your views about what you think the government can do to address that whole area of skills development but particularly in this period of time?

Mr Copeman: There are two things. One is the broader question of skills development and one is the impact that the current economic downturn in particular industries is having on the skills base that people have at the moment. Starting with the second one, particularly with mining, engineering and heavy engineering manufacture, this is a competitive export industry and it is going to be critical for the companies involved that they keep the skills that they have, and they know that. They are doing whatever they can to hold on to staff. They are going back to four-day weeks, they are trying to get the guys to work part time or whatever, but they are trying to hold on to people in those areas, because they know that once the economy turns around they are going to need them and that they are going to have that same problem of skills shortage.

It is one time when employers are actually incredibly cooperative with the AMWU. They are coming to us and saying, 'Help us work out a plan that we can hold on to these guys.' Obviously, we are now all in agreement on that. We want to make sure that our members stay in a job and they want to make sure that they are in a job and so does the boss.

We believe that in that area the government needs to be doing more. In Victoria and in South Australia, the government has been a little quicker to act—both the state government and the federal government there—in terms of looking at training. I think the previous witness mentioned this. During an economic downturn, when the work is not around, you train. That is what intelligent companies do. That is what intelligent individuals do. That is what companies should be doing, but at the same time many of them are struggling just to make sure they can keep people in the place.

So one of the proposals that we mentioned here is potential government support for a day's worth of training in some of the most affected industries in the most economically stressed regions, because those people and those jobs are critical in those regions—in the Fraser Coast, in the Far North. It is critical that we keep people in those jobs for our state's economy and for the economies of those towns and communities. So one of the things that we are recommending is for the state government to look, with the federal government, at some kind of training process and a day's paid training so that, if they are going back to four-day weeks, on that fifth day they are still at work, they are still getting paid and they are getting the training that they maybe did not have the time to do when everything was hot and things were running.

In terms of the broader skills issue, one of the tendencies that we have noticed—and it is interesting that, again, the speaker from the previous session mentioned this—is that some employers are looking at quick fixes, of trying to get a small module of training that will get them what they need from that employee right then. But if we are going to be working in trade exposed industries, if we are going to go through the fundamental change of the economic change of a CPRS—carbon pollution reduction scheme—we need people who are not holding a narrow skill set but who actually have a breadth of skills, which means that they have the durability to be able to, as the economy changes, work out what they are doing.

I was speaking to a spray painter who works for Downer EDI at Maryborough. She is a second-year apprentice. Her apprenticeship is going to be critical for her. Even if she gets laid off, she knows that if all she can do is paint trains she has only potentially two or three employers in the state. But if she has her ticket and if she is a tradesman—or a tradesperson—spray painter then she will be able to find work in other places. So one of the things we push is that training needs to happen through the existing trades so that people do not just have a small skill that they can apply right now to that current employer but they have a life skill that they can then use into the future. So we would very much encourage a deepening of incentives to ensure there is a continuing uptake of apprenticeships and continuing training in trades processes.

Ms Mohle: Can I respond quickly to that as well. In terms of nursing and midwifery and in terms of skills shortages, nursing is the worst occupation. You can speak to the people from the Commonwealth department in terms of skill shortages across all specialty areas and all categories of nurses. It is probably the most pronounced of any occupational group across-the-board. That is really quite significant and quite entrenched.

What we suggested to the federal government in 2002—the previous federal government—during the Senate inquiry into nursing was that until such time as the nursing shortage is addressed and we haven't got a shortage anymore that there actually be a HECS and PELS holiday in terms of university fees. They said, 'Oh, well, if you did that you would have to do it for everywhere that is in shortage', and I said, 'Well, you should be', in response, but that didn't get anywhere. I note that the federal government has done that to some degree for maths-science teachers. They have actually halved the HECS fees. A similar thing could be done in terms of the TAFE sector. A problem with TAFE is that you have to actually find about \$12,000 to do an enrolled nurse course. You have to find those fees upfront. What we are

saying is if you had the equivalent of a HECS scheme for those people who were wanting to do TAFE qualifications it would be a huge, huge bonus. Something like that is a very concrete thing that would very much significantly address shortages, we believe.

CHAIR: Last question.

Ms SIMPSON: I have lots of questions. I appreciate all of your contributions. I might go to that issue you have just mentioned with ENs who are mainly coming through the TAFE based sector training. Is there an opportunity in the range of ways that we train to have a better articulation between ENs and RNs and even be able to take components of that to count towards further training?

Ms Mohle: That is absolutely a huge issue for us. It is part of our campaign as well, that we do need to have better articulation not only between EN and RN but between assistant in nursing, which is a certificate based qualification, certificate III and IV then into an EN course and then into the registered nurse course. Unfortunately, all the educational institutions have different requirements and do different things. We do need a national approach to that, we think. National registration and accreditation that is happening for health professionals from 1 July next year will help set up a framework in that regard, we think. That is something that we have been arguing for for some time, that is, better articulation and consistent articulation across the different categories of work.

CHAIR: Thank you, and thank you to our witnesses. Thank you, Dave, Beth and Liz. Thank you for taking the trouble to share your submissions and your time. The committee will now break for lunch until 1 o'clock. There is lunch provided for witnesses and attendees so hopefully you can stay around and we that can talk about those issues more. We will resume at 1 o'clock.

Proceedings suspended from 12.22 pm to 1.01 pm

JOHNSTONE, Mr Aaron, Policy and public affairs manager, Australian Industry Group

GSCHWIND, Mr Daniel, CEO, Queensland Tourism Industry Council

CHAIR: Thank you for attending today. There is a bit of a spiel that we need to go through before we start, so please bear with me. The committee conducts this hearing pursuant to the resolution of the Queensland Legislative Assembly of April 2009. The proceedings here today are lawful proceedings of the parliament and are subject to the Legislative Assembly's standing rules and orders. Witnesses will have all been provided with guidelines for witnesses appearing before parliamentary committees adopted by the Assembly which the committee will follow. Have you been provided with those guidelines?

Mr Johnstone: Yes.

Mr Gschwind: Yes.

CHAIR: Under the guidelines you may object to answering questions put to you on the grounds that the question is personal and not relevant or that the answer may tend to incriminate you. We have yet to have that happen, mind you. The committee will not require an oath or affirmation but we do expect witnesses to respect the proceedings. A record of today's proceedings will be made by Hansard but not otherwise. We have two hours set aside for industry groups and we might deal with each in turn. We will start with the Australian Industry Group. Can you state your name for the Hansard record, please?

Mr Johnstone: Aaron Johnstone, Policy and Public Affairs Manager with the Australian Industry Group.

CHAIR: The committee has received your submission so there is no need to repeat that, but we would appreciate it if you would like to make a brief opening statement.

Mr Johnstone: Thanks, Chair. Thanks for the opportunity to have an input into the inquiry and to be here today and be part of your deliberations on this very important topic. The Australian Industry Group is one of Australia's leading industry associations. We represent a broad group of members with particular focus in the manufacturing, construction, engineering, transportation, logistics, services and waste management area—a fairly broad group of members. We have a pretty good handle on what business conditions are like and what the economy is like for those members. We are in constant contact with our members. Like all good industry associations we regularly survey our members and find out what their concerns are. We are also in regular one-on-one individual contact with them as well to hear what their business conditions are. Consequently, we have a lot to say on employment, on employment generation and on jobs and we welcome the involvement of this committee.

Our submission gives a fairly brief response to each of the questions that are being considered by the committee in relation to employment generation and growing employment and keeping employment in Queensland, but I would just like to highlight three underpinning themes of our submission which I think are important to note. First of all, in terms of employment generation we believe that the most fundamental thing to focus on is economic growth and making sure that business is allowed to grow and prosper and to do what it does best in creating and maintaining jobs. That is the first point.

The second point that we would like to raise that underpins our submission as well is that state governments play an important role in economic growth and consequently employment generation within the context of the federal system of Australia but also in terms of international conditions as well. In terms of what state governments can do, state governments play an important role in areas such as the tax and regulatory environment to encourage investment for industry. State governments also play a very significant role in education and training, making sure that the skills of the population can foster economic growth and appropriate business conditions. State governments also play an important role with modern infrastructure networks, making sure that industry and companies can be productive through areas such as freight and transport infrastructure and energy as well. Fourthly, state governments also play an important role in fostering industries of strategic importance to the state through the targeting of incentives, export advice et cetera. State governments also play a role in making sure that they are what we call modernising government: making sure that they deliver goods and services as efficiently and as effectively as possible. State governments also play an important role as a purchaser of goods and services as well and helping industry have the capability to be part of those government projects.

The final thing that I wanted to highlight in our submission, which we think is an important part, is that there needs to be some, I guess, reconceptualisation of what Queensland's competitive advantages are and what the natural resource advantages are of Queensland. Government and the population historically has focused on traditional areas which we have seen as our advantages, such as related to the mining sector, agriculture, those types of sectors.

Mr Gschwind: Tourism.

Mr Johnstone: I knew there was a third—tourism. We think there needs to be some reconceptualisation of that. Queensland has changed a lot in the past 20 or 30 years and we can draw upon what our natural advantages are to evolve in, I guess, a new set of natural advantages or competitive advantages. They are three aspects of our submission that we would like to highlight and would welcome the opportunity to answer any questions that you have or to discuss anything further with you. If there is something I don't know then I will take it on notice, if that is okay, and get back to you.

CHAIR: I should have said in the opening that if you do choose to take a question on notice we would prefer it if you could provide it to the committee by 14 September. I will start. The government submission to the inquiry provided some quite stark figures about apprentice training rates, particularly at the end of the March quarter. As we go through this economic downturn, what do we need to do to ensure that we have the tradespeople of the future when we come out of it?

Mr Johnstone: There are several things that we can do and they fall into shorter-term and longer-term strategies. I think short term there does need to be an openness to skilled migration. I think a fostering and an encouraging, if we have skill shortage areas, to bring skilled migrants in as well. That is one part that is important to consider. But we need to continue this refocus in our education system, which has already started, on trades, on vocational education and training, and move away from the traditional university focus which is often in our secondary schools, which is important, but to refocus that attention away on things such as VET in schools and making sure that young people who are coming through the schooling system see trades as a good option. Our surveys show that the biggest skill shortage area out of all our members which they see coming up is in those trades and technicians areas. I think we refer to that in our submission as well. There needs to be a focus on that.

There also needs to be a focus on looking at the set of incentives that are in place for taking on apprentices and trainees. When we talk to employers they give mixed messages and mixed views on incentives and on what makes it easier for them to take on apprentices and trainees. If you asked an employer, they would tell you that they would like more incentives or a range of incentives in place—for example, not paying payroll tax. They would always like more incentives, but they would also like the systems in place to be much easier for them to take on apprentices, to get them into college, to get them into TAFE and to make it easier dealing with the bureaucracy as well. It is a mix of things like that. In summary, it needs to be a set of short-, medium- and long-term strategies which they can adopt.

Ms SIMPSON: Aaron, you mentioned in your submission about local industry and the importance of government being able to use local industry in manufacturing. I cannot quote the exact section. We had a submission from the manufacturing union just prior to this session and they were also emphasising the local industry participation policy. Is this policy something that has been on the radar for AIG as far as its implementation is concerned for your stakeholder groups?

Mr Johnstone: Yes, absolutely. It has been particularly highlighted in the recent downturn. When things were good there was not as much focus on it, although some companies were focused on it. But particularly in the downturn, as companies try to diversify their contracts and get new orders in, there has been a real focus on making sure that government staff, government procurement officers, are all aware of the Local Industry Policy. We are not sure that that is the case. We suspect that there are probably some inconsistencies across government in terms of the rollout of that. So I think there does need to be a focus on looking at Local Industry Policy and its rollout—it is quite a good policy—and to make sure that anyone in government who is involved with a purchasing decision is aware of it.

It is something which our members have a strong view on. There are also other strategies to try to get local industry better involved with government projects. For example, there is a network called the Industry Capability Network, which is based at QMI Solutions. It is a network which works with local manufacturers and other businesses in helping them compete for government projects and also to foster a greater understanding of what industry's capabilities are in terms of delivering projects. That is another important way.

Ms JARRATT: Aaron, I note in your submission that your members are telling you that regulation is one of the aspects that hinders their ability to prosper. We had a presentation by one of our union groups, and the comment on part of that, specifically in relation to OH&S, was that as we move towards harmonisation in this area nationally they would not like us to take a position of lowest common denominator or easiest path through but that Queensland have some very strong and effective OH&S regulations that protect their members. Where is the middle ground between the two positions and how do we reach that?

Mr Johnstone: I suspect there is a lot of middle ground. We do not want to say, 'We want a national system for the sake of having a national system.' We want to see consistency across state borders but we also want to see systems which result in safer outcomes for workers and for workplaces. At that broad level we agree with it. I suspect we probably have different views on what that is about.

There are two aspects to the national harmonisation review that will probably change for Queensland should it go ahead, which we strongly support. The first area is the reverse onus of proof for employers. That is likely to change should it go through. Basically under the current system in Queensland when an incident happens the onus is on the employer to prove their innocence. In a way it is the reverse from what occurs in general criminal law, where the prosecution needs to prove that you are guilty rather than you prove your innocence. So the current proposal in the national harmonisation review is that the onus would be on the prosecution to prove that the employer did not meet its obligations to provide a safe workplace. So that is one thing that will change.

The second thing that will change is that there will be a 'reasonably practicable' test in Queensland which currently does not exist. In other states, with the exception of New South Wales, there is a 'reasonably practicable' test for employers to say that they did everything which was reasonably practicable.

practicable to ensure that the employee was safe at work. That is something that will probably change. It is similar to the case in Victoria. If you look at Victoria's figures you will see that they have better safety outcomes than Queensland in many areas. They are the two areas.

The other area that will probably change is that there will be an increase in fines for cases where employers are shown to be negligent, which we support. We have some reservations about that but, on balance, we think that is okay because employees do need to ensure they have a safe workplace. I am not sure if that answers your question.

Ms JARRATT: I am not sure we got to the middle ground, but it is good to know your point of view and to drill down into that.

Ms van LITSENBURG: Under the current economic situation, obviously things have not been going as well as they were a couple of years ago. In terms of when your industries are going to recover and get back to full employment, how do you see that happening? What is it that you would expect us as a government to do to support you? There are a couple of things I want to know. Do you see the industry actually making some changes and modifications as it moves on or starts again, and how can we help you with that transition to get back to full employment and to be fully engaged?

Mr Johnstone: In terms of where our members are saying things are going, we did a survey in July and the majority of those said that they believed the recovery will take place in the first quarter of next year. But these things move quickly, so if we asked them last week then I suspect it might have been higher. So the majority said that the recovery will be in the first quarter of next year. One-sixth of those surveyed said that the recovery was already underway. Our monthly surveys show that things are improving. For example, our performance and manufacturing index, which was released on Monday—this document here—showed that for the first time in a long time manufacturing was above the 50 benchmark. So it was in expansion phase, as opposed to contraction phase, where it has been for a long time. I can leave a copy of that for the committee. So things are looking up. We are not out of the woods just yet, as other people say, but things are looking up.

In terms of what businesses are currently doing to change, it alludes to some of the things I was talking about earlier. They are looking at where their next orders are coming from and looking at diversifying where their orders are coming from. As one of my colleagues says, the business development managers or the sales managers within companies have had to change from being order takers—just taking orders—to order makers. So they need to go out to find work. They are also looking at new markets. So previously companies who have not been involved with the mining sector, for example, are now looking at the mining sector and those who have not been involved with government projects have been looking at government projects.

So they are looking at taking up that good business practice of diversifying where your next customer is going to be as well as other things they are doing. They are revising their business plans, making sure that they are looking at their discretionary spend, looking at where they are focusing their discretionary spend and a whole lot of other things. Many of our members have made changes to the employment; they have gone to four-day weeks and have encouraged staff to take leave, and our data supports that as well, particularly in the manufacturing sector. They have done everything they can to try to stop any job losses because the skill shortages have been fresh in their mind. They really have spent a lot of time investing in people. They do not want to lose that investment quickly. They are doing everything they can to stop that. They are some things that they have been doing.

In terms of what government can do to help this, I guess it goes to some of the things that we have put in our submission, which is an overall framework of an approach—anything from supportive tax and regulatory environment to investment. There are also some short-term things which government can do to assist business, short-term business advice, for example, helping businesses manage in those tough times. DEEDI, the Department of Employment, Economic Development and Innovation, has some of those programs. There are programs through organisations such as QMI Solutions as well which give specific advice for businesses who are managing in those tough times. That is short-term activity.

The other major thing the government can do, which we have said repeatedly, is to keep the focus on the infrastructure program. The infrastructure program has played a critical role in buffering our members and buffering Queensland industry from the full impact of the global financial crisis. That gives a bit of a summary.

Ms SIMPSON: On the issue of taxation—and I know in your submission you outline some of the areas obviously where state governments have an impact on the business environment. Do you do surveys or have membership feedback in regard to the comparative taxation regimes and regulatory impacts across state jurisdictions and also compared to our overseas competitors?

Mr Johnstone: We did a survey in March this year focusing on regulation and taxation as well. We did not ask the question about the levels of taxation. We asked them which areas of taxation they would prefer to be reduced, and they always talk about payroll tax, which is not surprising; payroll tax has come up often. In terms of the regulatory issues, when we compare states and territories in terms of regulation, Queensland has variable results. It does well in some areas compared to other states. Other states clearly stand out in terms of some areas. For example, in relation to workplace health and safety, our members more commonly say that the system in New South Wales is much more difficult than in Queensland or Brisbane

Victoria. It is variable in other areas as well. I can provide the committee with a copy of our survey that we did in March which compares regulation and how companies across our state borders find different regulatory environments.

In terms of the regulatory environment, it is not just the actual letter of the law; also critically important is the ability of staff to administer the regulations, provide advice and to help companies meet their regulatory obligations, not just point to the regulation, if you know what I am saying. That is another important thing to consider in this.

Ms SIMPSON: And the issue of timely decision making and clarity?

Mr Johnstone: Yes, absolutely, particularly in the planning environment, and the EPA/local council environment is very important in that as well. That is something which Queensland did not rate in compared with New South Wales and Victoria. Our members probably expressed a slightly higher dissatisfaction with that in those states. Part of that is probably due to the policy environment but part of it is also due to the growth in Queensland. There has been significant growth in Queensland and keeping up to speed with everything which needs to occur on the planning front also comes into play. The government has developed new planning legislation to try to address some of those issues.

Mr O'BRIEN: I just want to pick up on one of the comments you made about DEEDI and the advice that they have been giving to some of your members. Can you give us some feedback on that? Are members satisfied with the level of support they are getting? Is it useful? Is it helping?

Mr Johnstone: In terms of the specific program which I just discussed, this particular one is only just starting to roll out. I think it is called JobAssist. I have not had any feedback on that. Generally our members are very complimentary of the services they receive from the department. They generally find that the service that they receive from the department is very useful in terms of helping them with their business. I guess they would always like more information about the types of services which are available. Sometimes it is a bit of a maze for businesses to locate that information. I was in a business yesterday in the south of Brisbane. They have recently come to this company in the manufacturing industry in the past four or five weeks. He needed to find out who is who in the local department. He has found that information and he is appreciative of that. Generally our members are complimentary of the services they receive from the department.

Ms SIMPSON: I have a question on the training issue, which is a little bit of a change in direction. I noticed you mentioned group training companies and their advantages. Is this a sector where you have seen much shift with your members in terms of training opportunities? I guess because there has been a contraction people are letting apprentices go. Has there been any ability for that sector to take up any of those traineeships? Has there been any analysis of that, given that at least they can keep their training going?

Mr Johnstone: Qualitatively yes, the stories we hear support that. I am sure there is data around which shows whether there has been a shift to group training companies from general employers. I would probably have to get back to you on that one. I have not picked up any data but it makes sense, though.

Ms SIMPSON: It is a question that you can always follow up with some of the group training companies as well.

Mr Johnstone: Yes, that is right. For your information, we have a group training service through us as well, through the Australian Industry Group Training Services. I will check what data we have available.

CHAIR: I have one last question. Businesses are out there trying to prevent the loss of workers. Obviously the key to that seems to be early intervention. If government has a toolbox of early intervention strategies to stop redundancies, what would be in that toolbox from AIG's point of view?

Mr Johnstone: Firstly, there needs to be general business advice about how to manage in tough times. That is one aspect of that toolbox. The second aspect of the toolbox—I would just focus on business strategies themselves and you would get some advice from businesspeople who have been in similar situations and what they have done. That is one thing you would do. Secondly, there would be a really clear, concise document listing programs available to help businesses. There are lots of programs out there and they occur both at state and federal government level. So there needs to be really clear information on that. That point goes back to what I was saying before: it is how much information there is out there. Businesses are usually focused on their business and meeting their customers' needs; they are not so much focused on what government incentives there are. That is something which would be in that toolbox. Another thing which could be in the toolbox is general information about the economy or their markets. We always urge businesses to join industry associations as well. That is something we pride ourselves on in terms of helping businesses deal with the good times as well as the bad times. We provide a range of information to businesses to help them manage during tough times, to retain staff, for example, and to keep operating.

CHAIR: Fantastic, Aaron, thank you for your time. Thank you for taking the time to submit to the committee and thank you for your submission as well. We will now move on to Daniel Gschwind, who is here on behalf of the Queensland Tourism Industry Council. We have received a submission from a group called the Tourism and Transport Forum. We were keen to hear a Queensland perspective on tourism and employment in that industry. We would appreciate it if you could provide an opening statement covering your view on how tourism can create employment for Queensland.

Mr Gschwind: Thank you very much. We are a membership based employer group. We have members throughout the state and throughout the sectors of Queensland. We also act as an umbrella group for the regional tourism organisations, of which there are 14, and also the sector associations, of which there are probably about 22. They are members of ours. We do not control them, but we try to bring our collective interests together under our brand, if you like.

I will make a few points about tourism generally. As you would all know—in some of your electorates tourism is probably the driving part of the economy—we have across the state 119,000 full-time employees and about 84,000 part-time indirect employees on top of that—that is, employment that is generated from tourism activity on top of the 119,000. They are very strongly regionally dispersed across all regions including Cook in the Far North all the way to the border and inland as well.

Tourism also contributes very significantly to the export income of Queensland. That is both genuine international exports and interstate exports, if we can put it like that. Ultimately that is what it is all about—bringing money into the state from wherever we can get it. Tourism makes a very significant contribution to that.

On top of that, our products and our services are the ultimate Australian made, Queensland made. The jobs are here and the profits stay here almost to an exclusive extent. They are highly compatible with other objectives that I think the Queensland government and the community has—namely, environmental protection, community development and energy development. We think we fit in extremely well not just as an economic contributor but also as a community development activity.

Our industry is subject to many adverse impacts, globally and nationally. We all know that. We hear about that. You would all hear about it. But we are a fairly resilient industry, I would like to think. We are well used to dealing with severe adverse events.

We do have losses as a result of the current state of affairs, particularly in North Queensland. The ABS estimates that the losses in the accommodation sector—that is, accommodation hotels—are in the vicinity of 2½ thousand for Queensland, measured in March, compared to the year before that. A big share of those losses are at either end of the state—namely, in Cairns and on the Gold Coast. Probably more than half of those 2½ thousand losses in accommodation are probably at those two ends of the state.

In the hospitality part of the industry—namely, restaurants and catering—the losses were less and possibly not even there on average. The restaurant and catering industry reports fairly steady employment. It is changing a lot. It is going up and down if you measure individual businesses. But, on average, employment has stayed fairly steady.

One aspect that we find difficult to measure is creeping unemployment—that is, the reduction in hours of casuals and the reduction in hours of part-time workers. That is probably contributing to the general sense of doom and gloom that we see a little bit in Cairns and to some extent on the Gold Coast. It is probably bigger than what we measure in the ABS statistics of employment or unemployment.

One concern that we have is the potential loss of skill and experience out of our industry as those 2½ thousand and possibly others depart. With them departs the skills and experience that they had. For us that is of concern in terms of the recovery which, as you say in your paper, will inevitably come.

We do believe that tourism shares a competitive advantage with this state and globally has strong competitive advantages based on its brand. We have a strong brand. We have a strong presence in the tourism market globally and nationally. We have very well-known iconic assets that draw people here—from the Barrier Reef to the Wet Tropics to the beaches of the Gold Coast. We have access better than any other state. We have multiple access points, both international and domestic. That is more than any other destination around the country.

We have fairly strong industry coordination, notwithstanding that we have such a dispersed state and such a multifaceted industry. We have a fairly strong common sense of purpose, I would like to think. That has been achieved through industry organisations—not just ours but others as well—and also assisted through Tourism Queensland, which is obviously a statutory authority of the state government.

I have to say, we have some very good areas of collaboration with government agencies, particularly in the skills and training areas. We have made enormous inroads over recent years. That is proving to be a real bonus now in this particular climate. I can elaborate on that if you wish me to do that later.

There are four areas I would like to draw attention to in terms of where the government comes into this and where the government can help with creating jobs and retaining jobs. We group them into broadly four areas. The first one would be regulation, fees and compliance costs. It is a recurrent theme. It has been mentioned by my predecessor here. It is consistently mentioned.

I am quite certain and confident that no government, to my knowledge, has ever set out to create regulation that undermines jobs or undermines business. I am certain of that. However, the reality is that, in the detailed work that various departments and agencies do, changes to regulations pop up that indeed have the effect of undermining government policy in terms of job creation and job retention. There is no doubt about that.

I can give you examples if you wish, but it is generally the increase in fees. There was one particular aspect of the EPA's activities where a fee for an activity that an employer undertakes without any change to the service provided, without any change to the emissions that come from this activity, after 17 years of staying at \$1,500 has suddenly gone up to \$10,600. There was no warning. The bill arrived and it says that next year they will be paying this.

I am sure no-one intended to harm this business. I am quite certain of that. But the effect will be, combined with other fees and charges that have gone up similarly, that somebody's job may be at risk. Some casual may lose their job. Some part-time worker may find their hours reduced because somebody has to find the \$10,000 to pay for this increase in fee. That is just one example of what does go on. It is often under the radar. It is not usually a single enormous new regulatory burden that is thrown at business deliberately. It is the cumulative effect of many small pieces of regulation that affect the viability of a business.

The second area where government clearly plays a role and plays a fairly constructive role is in skill development and labour participation. I think there are plenty of examples, certainly in our sector and indeed with our organisation, where we work constructively with government agencies, particularly the Department of Education and Training. We bring together the training providers, employers and the government agencies other than the Department of Education and Training to allocate the resources that the government invests in training and education in an efficient way. I think we have come a long way in that regard.

One example in terms of staff retention is the Productivity Places Program, which is a federal-state collaborative effort in which we participate. Our organisation alone will probably allocate in excess of 600 training places through that program to existing workers. Existing workers get upskilled hopefully in anticipation of the upturn that may come around the corner soon. That is one program that works very well. We have other collaborative arrangements with government agencies to support those kinds of initiatives. We think they work very well. We would like to encourage governments to support such collaborate initiatives in that space.

The third area of government which is specific perhaps to our industry is demand stimulation. I am thinking, of course, of the investment that the Queensland government and successive governments have made for a long time—innovatively I have to say, initially—to support the marketing and promotion of tourism in Queensland and with it the promotion of Queensland full stop. Queensland has always enjoyed government created competitive advantage in that space, and other states have tried to emulate the success that Queensland has had for the last 25 years. We think that investment is well worth it and an investment that returns handsomely to the community of Queensland and to the government of Queensland through taxes and charges that are raised from the tourism industry as a result of the marketing.

The fourth area is infrastructure. That is a commonly mentioned theme. Perhaps not so commonly referred to is tourism in that space. We would like to see tourism mentioned more when talking of infrastructure. We have some very good examples of publicly owned or built infrastructure that supports tourism. I am thinking of the investment in national parks infrastructure, for instance, which we think should be accelerated. In support of the infrastructure job-creating projects that the government is talking about, we think there is a good case to be made to accelerate investment in national park infrastructure. There are community amenity infrastructure projects that could and should be supported. There are some very successful examples from the past in some of your electorates, the Airlie lagoon and the foreshore developments in Townsville and Cairns. They have returned amply not just to the tourism industry and not even principally to the tourism industry but to the community through real estate increases, through business activity—all around those areas. In fact, there would be case studies of successful public investment that is well warranted. Unfortunately, it is a little overlooked when there is talk of coal terminals and particularly mining investment. We have smaller chunks of investment potentially that would generate significant employment not just in the construction phase but also in an ongoing way. Those are the four areas where I think activities could be focused. I am happy to take questions.

Ms JARRATT: Thank you for that, Daniel. It was very comprehensive. Not only does the tourism industry—which in the main is a collection of a whole range of small businesses—have to contend with the challenges of the economic downturn; it, like all industries, will soon face the challenge of moving into a carbon constrained economy. There are some distinct challenges in that, not the least being the green tape that will come on top of the red tape that you have already talked about. I really want to know from you today whether you see any opportunities for Queensland in this new type of environment that we will be living and moving into.

Mr Gschwind: I am very happy that you are asking me this, because I hope the carbon-conscious environment is going to add to the competitive advantages that our industry can bring to this state as a result. The tourism industry is front and centre when it comes to climate change for two reasons particularly. One is that our assets—if I can put it like that—are genuinely threatened. In the House the outlook report for the Barrier Reef was tabled only on Tuesday. That report says that the most significant asset for our industry is genuinely threatened. We are in the spotlight on that front, but we are also in the spotlight when it comes to being seen to do the right thing. We are an industry sector that is very visible. We are very much under scrutiny constantly. We have to demonstrate to our customers and to the entire globe that we are acting responsibly.

I think we can do that but we can only do it if we can collaboratively with government ensure that, in our attempts to do the right thing—measure our emissions, reduce our emissions—we are not tangling ourselves in the green tape you are talking about. It has to be industry driven and be a collaborative effort with government to reduce our emissions, to reduce our exposure and to enhance our adaptive capability. We will have to adapt. We all know that. That is a well-understood fact. No matter what we do here in Queensland, in Australia, climate change—whatever it will do—will move ahead. So we have to adapt in some way.

Our industry I think is in a good position to be a leader in that, to help make visible what can be done and how it can be done. Two weeks ago our own organisation, with the Great Barrier Reef Marine Park Authority, launched a climate change action strategy for marine operators, for instance, where in collaboration with individual operators we are telling them how practically they could respond to the changes that we are already seeing. They are out on the reef. They see it every day. What can they do to put themselves in a better position, put the industry in a better position and put the state in a better position?

I do think we have a competitive advantage. We have a good reputation as a green place, as a responsible place, as a well-managed place when it comes to our ecological assets. We have to focus on that. I think we can make a lot of it.

Ms SIMPSON: Transport costs would have to be one of your biggest risks as far as the markets go. Given, one, some of the uncertainties with the airline market where some of those services are going and, two, the cost of petrol, what analysis have you done as to those impacts in the various regions?

Mr Gschwind: You are quite right. The aviation routes are pipelines. You turn them off and on, and the industry lives or dies by it. The north experienced that very painfully about a year ago when Qantas decided to reduce some of its services from Japan, for instance. There was an instantaneous impact felt in the north throughout the industry. There is no denying it. I do not think anybody I have ever met can give me a comprehensive view of what the aviation industry will do in the near future, let alone the longer term. It seems to be quite unpredictable in some sense.

Fuel costs drive the aviation costs: you are absolutely right. I am aware—and we have engaged with the aviation industry—that globally they have taken incredible steps to reduce fuel consumption through innovative technology, through route redesign and through scheduling changes. In fact, previously they were not forced to do this so much, but as a result of them doing it most airlines, including Qantas, have reduced their fuel costs quite substantially. We can only support the airlines in doing this.

We are absolutely aware that we are subject to their willingness to fly to our destinations. Successive governments—national and state—have worked with airlines to encourage them to maintain faith in destinations, to understand the responsibility they have to a degree to the destination, the mutual interest they have in terms of developing a destination, but it is tough. What can I say? We would like to have highways that are not subject to commercial needs on a day-by-day basis. We would like people to be able to come at whatever time they wish at a price they can almost determine themselves, but instead we rely on airlines that hold their hand on the tap for access. It is a very difficult question to answer, Fiona.

Ms SIMPSON: And the drive market with the petrol costs and the impact of petrol?

Mr Gschwind: Petrol cost is clearly one factor that influences the drive market. We were certainly concerned when fuel prices escalated 18 months to two years ago to \$1.50 to \$1.60. We were obviously concerned because it plays on the mind of the consumer. Every five minutes of driving people see a petrol station where the petrol price is very high and they get worried about it. That stops people from driving; there is no question about it.

The reality of a change in fuel price—whether it impacts on the propensity to travel in the car to a holiday destination—is probably not as big as some people suspect. We know that the drive market has held up reasonably well recently. Of course, fuel prices have come back from the heights of two years ago, but the drive market has held up reasonably well. It is a factor but maybe not the biggest one.

Mr O'BRIEN: I was going to ask you about the air routes because we talk about nothing else up in Cairns, as you mentioned. The government strategy has been to try to build the charters out of China and Japan. What else could we be doing as we move forward in other markets and things like that? What are you guys doing as well, I suppose?

Mr Gschwind: I am so glad you asked me about airlines! We are trying to work with airlines, as I said, to build the business together. At the end of the day, the tourism industry on the ground is in the same business—that is, getting money out of the visitors. It is the same business as the airlines, so we are in it together. The industry on the ground is, of course, stuck on the ground and the airlines can decide to fly an aircraft from anywhere, at the drop of a hat virtually. So we have to continuously convince them that we are building a joint business. We have to engage with them in the market activities. That is taking place through the regional tourism organisations like TTNQ, through the state government and to some extent through the federal government as well.

I think the charges regime is an issue. The federal charges regime, I have to say, is an issue that we have some concerns over in various instances. For instance, we have advocated for some time that the passenger movement charge is too high and is set at an inappropriate level, given what it was originally set up to do. So we think we are working against our own interests through the, as I say, federal charging regime, which is one small thing we can do.

Mr O'BRIEN: You talked about the Great Barrier Reef and the Wet Tropics being iconic destinations. I was wondering whether you have a view about that World Heritage branding. Is it still important in the international marketplace and should we be extending it into places like Cape York?

Mr Gschwind: Internationally it has probably not worked as well as it could have. I do not think that is our fault; I think it is the way the brand was globally managed. It has not quite done what perhaps most people expected to happen. I think the reef ultimately stands on its own reputation, as does the Wet Tropics. The federal government has decided—you may or may not be aware—to embark on a national landscape strategy which is, if you like, yet a new way of looking at the world. We were a bit sceptical initially but we are supportive of it now.

There is currently a process in place to list the Barrier Reef as one of the 20 national landscapes, so we would support that. Whether it is under the brand of 'World Heritage' or not, we need to certainly build more of our marketing and product development activities on the basis of those assets and, importantly, we—and when I say 'we' I mean the government and the community—have to financially support this.

We are at risk, for instance, in the case of the Barrier Reef Marine Park Authority, of funding reductions as a result of the reduced tourism visitation, because tourism visitation contributes to the funding. The Wet Tropics Management Authority similarly is at risk of funding reductions through federal and state measures to reduce costs. We have to be very careful not to undermine our capacity to build economic activities around those assets.

Ms DAVIS: Daniel, you mentioned that regulation fees and compliance costs are a very big issue for your members and you gave us an example where there was an increase from about \$1,500 to over \$10,000. I would be very interested if you could share where those costs went or what area they were assigned to, and whether you are receiving increased numbers of calls from your members about increased fees and charges of that sort of magnitude?

Mr Gschwind: I do not know whether there is an increase in increases, if I can put it like that. I do not know whether there is suddenly more activity going on in that space or not, but I am certainly aware that more businesses find it hard to deal with those increases because of the situation they are facing. They become more conscious of it. Every business is looking at its costs at the moment. So they become a lot more aware of the fees and charges, and the compliance costs they incur as a result. If you want the details, do you want me to send through what the charges are? I do not want to misquote it now. I have it here and I am happy to let you know what kind of charge that is.

CHAIR: Thank you.

Mr Gschwind: Certainly it is an issue. Increasingly, businesses are aware of it and it is the accumulative effect that causes trouble.

Ms DAVIS: I think all of the panel would agree that it seemed a very large hike in the fee—

Mr Gschwind: Indeed.

Ms DAVIS:—and we would all be quite concerned that those sorts of hikes were happening across-the-board and how a government is attending to those inquiries—so when your members make representations about their concerns, whether the relevant departments are listening and how they are handling those inquiries.

Ms van LITSENBURG: I have a couple of questions. First of all, something a little bit speculative: every time there is a downturn the tourism industry is the first hit and it often takes a little bit longer for it all to ramp up again, and then you are ready to go down before anyone else does. Is there a way of insulating the industry against those things? What steps do you think you might take?

Mr Gschwind: You are quite right. It does not seem to matter what happens on the planet; somehow it affects the tourism industry. It is quite true. Whether it is a pandemic, a financial issue, a transport issue or a terrorism question, somehow it plays on the minds of the consumers who change their travel behaviour, do not travel, spend less or whatever. You are quite right in that. Experience is a good teacher. We learn gradually to expect the unexpected. That is something we do a lot better. We have better ways of also communicating with government agencies, federal and state, in anticipation of that. It is often the fact that we used to stand around not knowing who to talk to next and what to do next. I think we have become a bit better at that.

The one thing that I think with government we can work on a bit more is to build the resilience into individual businesses. You referred before to some programs that DEEDI is running. We also engage with DEEDI and with some of our own trainers to provide mentoring support before something happens. How do you prepare a business? How do you insulate your business? What measures do you take, as I said, in the case of the unexpected? We do not know what is going to happen next, but generally either people stop coming or you have some logistics issues such as you might not be able to move people out of a hotel.

It was an interesting situation just recently with the swine flu. The health department, I think, was actually very proactive, state and federal. It was extremely well managed, I thought, generally speaking, in terms of the information that went out. We had also a presentation from the health department. A lady explained what would happen, for instance, at the border, at the airport. She explained that people with high temperatures would be advised to go home. I said, 'What does that mean for a person who arrives Brisbane

here on a holiday?’ She was stumped by the question. She said, ‘Well, they just have to stay in a hotel.’ But it is not entirely clear what that person would then do. Would that person have to explain that to the hotel owner? Would the hotel owner have to evacuate the rest of the rooms or the floor? Who pays for the hotel room if that person has to stay for a prolonged period? Those are areas where we probably have to do more work, because the implications for the non-resident population in a place like Queensland are very, very significant. But building business resilience into individual businesses is probably what we want to do.

Ms van LITSENBURG: My electorate of Redcliffe has a very fledgling tourist industry and we are just starting to get the infrastructure—a few short-term accommodation buildings and some Moreton Bay based charter operations and other tourism industries. How would you see a small community like Redcliffe trying to develop a tourism industry when you have got Brisbane and the Gold Coast on the south side and you have got the Sunshine Coast on the north side? How would you see us going ahead?

Mr Gschwind: I think we have seen, perhaps accentuated through the current economic situation, a refocusing from consumers on local attributes—the local experience. That is maybe a global phenomena where people look a bit closer to home to what is actually going on in their own backyard, and areas like Redcliffe and Moreton Bay more generally obviously have opportunities. The first step that is usually required—and we are actually working with some regions in that space—is for the region itself or the community to get its own head around what it is. What do they want to be? What is it that makes them? What is special about Redcliffe compared to the Gold Coast or Noosa? You cannot sell what you have not got. You have to understand what you are and where you want to be. Once you have established that, it is then relatively easy to say to somebody through marketing or other means, ‘Come and share that. Have a look at that. Experience that with us.’ I think the step that is most often overlooked is a coordinated sense of identity at the beginning of this process. Once you have that in place, it does not happen by itself, but it is much easier to see where to go.

Ms van LITSENBURG: Thank you.

CHAIR: Thank you for your time today and sharing that with us.

WALKER, Mr Robert, Chief Executive Officer, AgForce

CHAIR: Mr Walker, thank you for taking the time to come to make a contribution to our committee's deliberations. Please bear with me, but there is a spiel that I have to go through before we start. The committee conducts this hearing pursuant to the resolution of the Queensland Legislative Assembly of April 2009 that appointed it. The proceedings here today are lawful proceedings of the parliament and subject to the Legislative Assembly's standing rules and orders. Witnesses will have been provided with the guidelines for witnesses appearing before parliamentary committees adopted by the Assembly which the committee will follow. Have you been provided with a copy of that document?

Mr Walker: Yes.

CHAIR: Thank you. Under the guidelines, you can object to questions put to you on the grounds that the question is personal and not relevant or that your answer may incriminate you. The committee will not require you to take an oath or affirmation. However, we expect our witnesses will respect proceedings. Recording of today's proceedings is undertaken by Hansard and not otherwise. If you do choose to take a question on notice, we would appreciate it if you could provide that to the committee by 14 September 2009. Would you like to make an opening statement outlining how AgForce sees the Queensland government in terms of what is world's best practice for creating employment in Queensland?

Mr Walker: Certainly. First of all, I might just open up with what AgForce is. AgForce is Queensland's leading agricultural representative or industry body. Essentially, we represent cattle producers, sheep and wool producers and grains producers right across Queensland. We represent over 3,500 producers in total and offer a range of services to our members, including being an industrial union of employers, and also provide information, training and other services relevant to the industry. We also are a member organisation to the National Farmers Federation, which is the national body based in Canberra.

In terms of the industry as a whole, I thought I might just give you a brief idea of the contribution of the industry to the state. In 2008-09 Queensland Primary Industries estimates that directly the agricultural, forestry and fishing industries will contribute about \$10.06 billion from the farm gate to the gross state product. However, I think that needs to be taken in context in that the agricultural sector should not be seen as a stand-alone industry and that it is just the start of the supply chain from growing to selling commodities and underpins businesses up and down that supply chain. So I think we need to add on to the \$10 billion the contribution of logistical services for the production inputs such as fertiliser, which annually contributes about \$5.1 billion; the food and beverage manufacturing sector, which contributes a further \$3.5 billion; the food wholesale and retail industry, which contributes about \$3.6 billion annually; and the food services industry, which contributes about \$1 billion annually. So collectively this complex and integrated production and distribution system created or supported about 12 per cent of the gross state product or some \$22.7 billion in 2006-07.

With regard to how that directly relates to employment, the 2006-07 ABS statistics showed that 78,000 Queenslanders were directly employed in agriculture. There were 17,000 jobs that were supported by input and service suppliers to the industry; 46,000 jobs in the food and beverage manufacturing sector; 90,000 jobs from the food retail and wholesale industries; and 40,000 jobs for the food services industry. So 272,000 jobs or one in eight Queenslanders are partially or entirely supported by food and agriculture. I think what is important to also note is that almost 80 per cent of the direct jobs and 40 per cent of the food and beverage manufacturing jobs are in fact regionally based. For a state like Queensland, which is Australia's most diversified state in terms of its population, I think that is vitally important to this inquiry.

In terms of the impacts on employment with regard to the industry moving on, I think that the previous two speakers echoed what many industries are experiencing—that is, that continued layered effects of regulation, policy decision making and legislation have significantly increased direct costs and indirect costs to the industry. In 2007 the National Farmers Federation did a report which showed that, if you look at grazing farms alone, they had a total expense of just over \$14,000 per annum relating to bureaucratic red tape which equates to approximately 16 productive days taken out of a grazing farm to deal with red tape which equates to four per cent of the total expenses of a grazing farm. That is heightened even more in a mixed farm situation, with expenses totalling about \$35,000 per annum. Some \$30,000 of this is direct overhead expenses imposed by red tape and about \$3,500 for wage expenses. Importantly, there are a further 20 days of productive work taken out of that farm to deal with associated tasks or approximately four full working weeks. Again, that is about three per cent or four per cent of the total productive value of those farms. So the continued layer of regulation is causing a significant impost on the industry.

The second most important thing that is affecting the viability of the industry moving forward is inefficiency of the transport regime in regional and urban Queensland. The cost of delivering raw products to manufacturing centres and then on to the retailing outlets is significant. We have a current situation in Quilpie where we have a train that transports cattle to a processing plant. However, the two diesel locomotives that transport that cattle are actually in Brisbane at the moment getting fixed. So there are thousands of head of cattle in and around Quilpie that are currently grazing. Their productive output at processing is declining every day that they sit in the feedlots. That is also having a diminution on the farmers themselves in terms of fodder and food and the productive use of that land. So that is a clear example of the impact an ailing transport system is having directly on my members.

There are also some looming impacts of climate change coming up. In particular, it was mentioned the recent impacts of reef regulation and also the regrowth and land-clearing moratorium that finishes up on 7 October this year. Whilst we have been working with the government at various levels and various departments to ensure that, one, our members are educated about what is possible and, two, we get a good outcome for them, a good outcome for the state and a good outcome for the environment, we have been to some extent left in the dark about the possible outcomes post the moratorium, particularly on regrowth, which comes up on 7 October.

So there are some issues around tenure, because all of these issues impact on land tenure moving forward for our members and our producers. Whilst we have been negotiating and working with governments in good faith, there is a growing unrest out there due mainly to uncertainty and the continued impacts and the layering of regulation and legislation on what was and remains and we hope into the future will be a viable industry.

CHAIR: Thank you for that. I want to start with a question about the opportunities of agriculture. Particularly, how do we do a better job at turning our primary production into secondary processing and manufacturing? What do we need to do to make sure that we are not just growing things and selling them but we are actually growing things and employing people to process them?

Mr Walker: I think the No. 1 thing is to invest more money into our transport system to make sure there is increased efficiency in delivering product from the farm gate to the manufacturing and processing plants. I think that is a big roadblock and hurdle. We have situations in every major city in this state that processes raw product that need investment of funds in terms of transport.

There are issues up north where B-doubles are not allowed within 20 kilometres of the processing plant, mainly because the current transport system and road system cannot accommodate them—not that they cannot get there, but the bridges are old, they have not had investment, they need upgrading. But governments, local and state, are failing to listen to local concerns. So there is gross inefficiency in transport and decades-long underinvestment.

Ms SIMPSON: I will take up your points in regard to the transport logistics chain. So it is not only investment in the road network. You mentioned before the rail network and the uncertainty of being able to utilise that. I know that there is still a lot of uncertainty as to where things are going with movements within Queensland Rail, but has there been any discussion about a framework that gives producers more certainty going forward as to what their access is going to be to the rail network?

Mr Walker: In short, no. There has been a study recently by consultants. I am not quite sure of the detail, because I have not read the study. We have been talking to the government and Queensland Rail, but I would have to say that there is no certainty. There is no clear direction from within the government or Queensland Rail about the future of routes particularly. There has been talk about closing down some very important rail stock routes. For example, the transport of grain from the Downs into the city is a major issue. I drove down from Toowoomba on Wednesday and it is choked with trucks. Investment in an upgrading of the rail system from the Downs to transport grain into Brisbane at the ports would be a wise investment. But again, these are issues that are not new; these are issues that have been around for a decade. I suppose, like many other industries, the rural and pastoral industries are frustrated that we continue to see an underinvestment in rural transport needs.

Ms SIMPSON: I have a supplementary question in that regard. Is it fair to say that if some of these rail routes are closed some of those jobs will go interstate because of the change in where people send stock, for example to an abattoir?

Mr Walker: There is no doubt. With my example about Quilpie, we have already seen examples that producers are looking to transport cattle to South Australia to be processed. The cattle are stuck in the feedlot. The value of that feed is going down. The price of the cattle diminishes because they are undernourished. So producers are looking to transport stock to other states for processing. There is no doubt about that.

Mr O'BRIEN: I want to ask you about the regulation that you opened your comments with. I assume that a lot of the regulation is becoming more prevalent in regard to environmental protection. The difficulty we have as politicians is that we are under more and more pressure to come up with green policies and to protect the environment. I understand that the farming sector sees that as an impost on them. It is the question of our age: how do we protect the environment and grow the economy?

Mr Walker: Can I say at the outset that I think, in the main, producers are good land managers. There is little value in them overfertilising their land, which runs off into the rivers, which runs into the reef. One, that is wasting money and, two, they recognise that it is not good land management. I suppose what the farmers are stuck in the corner with is that they are the primary producer. So there is no opportunity for them to pass on the cost, because they are the first seller. The producers and then the retailers have opportunities to onsell that cost of compliance.

I think there is no doubt that environmental issues are going to be a key impact on the industry. We are dealing with wild rivers legislation, for example. We have dealt with them, in the main, in North Queensland and we are now dealing with them in the Murray-Darling Basin areas and we hope that we can come to a successful resolution. But that is through negotiation; it is not through the imposition of legislation or regulation.

With the recent announcement this week on the reef policy, again, we have been working with the government to find a practical solution to that. So it is not as if we are standing on the outside and throwing stones at the government. We have been working with the government, but it is the continued layering of regulation and legislation and fees and charges and costs, either direct or indirect, that is having the greatest effect. I think governments need to be cognisant of the fact that we are the first line and we have very little opportunity to pass on those costs. In fact, they are actually getting passed on to us.

Ms SIMPSON: Back on the issue of regulations, we have had submissions from DEEDI and had reference made to reviews the government is doing about regulatory reform. It is a bit like mowing grass: I think every few years the government announces that it is having another review of the regulatory process. My question is: what input has your organisation had to give feedback formally into that latest review process? Is that something that industry is being asked to seriously engage in upfront before regulations are made and then also the review of those that are on the table?

Mr Walker: I would say that we have been actively involved in more recent years in the development of regulation and legislation. Can I also add that in my previous life I have been involved in many, many inquiries into regulation and red tape reduction and I have never seen anything come out of any inquiry. In fact, there are two Productivity Commission inquiries and findings that haven't been implemented. We enjoy a good relationship with government on many levels and we actively put our case forward on particular regulation, but I think like many other industries we are frustrated with the lack of willingness of governments right throughout Australia to implement a genuine red tape reduction program that sees an ongoing benefit to industries right across Australia.

CHAIR: In relation to the question of transport infrastructure, with the resource sector we spend significant amounts of money building transport infrastructure and then those costs are recovered by producers. Is there a point where we could have the same arrangement with the agriculture sector?

Mr Walker: The difficulty as I see it, and I will have to take the question on notice to an extent, is that the mining sector is differentiated from the agricultural sector in that there are very few producers in the mining sector where in terms of the agricultural sector you are talking about hundreds if not thousands of different producers of varying qualities and various sizes. So to administer a program like that would probably outweigh any benefit in terms of collection.

CHAIR: You do have a whole lot of producers. I am particularly thinking of the industry that I know well from my own electorate and that is meat processing. There are a small number of processors and a great number of producers. Are there opportunities for collaborative arrangements for infrastructure and infrastructure pricing even if it is at that centralised end of the supply chain? I mean, I understand that there are thousands of beef producers. There are about three or four major beef processors. Are there opportunities for that type of infrastructure agreement, like the ones we have with the resource industry and like the ones that are being developed now with grain?

Mr Walker: I will have to take that question on notice. We do not represent the processors so I will have to take it on notice.

CHAIR: Okay.

Ms SIMPSON: Off the back of that question, there is a federal review into taxation that is looking at potentially different methods of charging transport, one being on distance. This would obviously be of concern if that was translated into the agricultural industry in the regions of Queensland. Have there been submissions from stakeholder groups about what the potential impact would be if government sought to impose taxation based on distance?

Mr Walker: My understanding is that the National Farmers Federation made submissions on that issue, but I am not aware of the detail.

CHAIR: Thank you for that. We appreciate AgForce taking the time to help our inquiry. Can we now move on to the Queensland Resources Council.

ROCHE, Mr Michael, Chief Executive Officer, Queensland Resources Council

LANE, Mr Greg, Deputy Chief Executive Officer, Director of Skills Policy, Queensland Resources Council

RYNNE, Mr David, Chief Economist, Queensland Resources Council

CHAIR: For the record, would you mind recording your name and position.

Mr Roche: My name is Michael Roche, chief executive of the Queensland Resources Council. I am joined by my deputy chief executive, Greg Lane, who is also our director of skills policy and next to me David Rynne, our chief economist.

CHAIR: The committee has had the benefit of reading your submission to the inquiry and we thank you very much for doing that. Would you like to make an opening statement with further issues that you would like to highlight for the committee.

Mr Roche: Thank you, Chair, and thanks for the opportunity to address the committee today. As the chief executive of the peak industry body for the resources sector here in Queensland, I can assure you that the availability of a skilled workforce has been a constant priority issue for my members for a number of years. The future for employment sustainability and growth is inextricably linked to the economy and the major industries which drive it. The resources sector represents directly and indirectly approximately 20 per cent of Queensland's economic output and 12 per cent of Queensland's employment.

Our submission to this inquiry summarises the economic importance of the sector to the state, including employment outcomes. Through the downturn my member companies have played an important role in skilled workforce retention, including apprentices and trainees as a platform for growth in the inevitable turnaround and recovery in resource sector markets. Significantly, the future growth potential of the sector, if realised, would vastly exceed the size and value of the sector in 2008—that is, prior to the economic downturn. Coal and metals mining and mineral processing all have future growth potential. Coal seam gas, including LNG, the management of coal seam gas water, underground coal gasification, coal to liquids, carbon capture and storage technologies and leading-edge mining technologies are all examples of potential newer spin-off industries that will require skilled workers. It is government's accountability through its legislation and its industry development policies and regulatory decisions and practices that can help achieve this potential.

There are some dark clouds on the horizon in the form of the emissions trading scheme at the federal level and at the state level sovereign risk and investment discouragement issues around arbitrary prohibitions on uranium mining and shale oil developments, for example. These are developments which should be allowed to stand or fall by being allowed to go through a full EIS process.

Government should have leading regulation, but it also must have top-class regulators and a capable bureaucracy able to balance regulation with industry development if our potential is to be achieved and employment outcomes reaped through diversification and growth of this existing powerhouse contributor to the state. The QRC does not object to the new machinery of government arrangements which have seen the creation of the new superdepartment of Employment, Economic Development and Innovation. However, it is disappointing that there will be nearly eight months since the creation of the agency before the director-general will actually take up office. The QRC will also be watching closely for any signs that the mines and energy capability of the new superdepartment is being degraded. In particular, we will be watching closely to ensure that the department has the resources to deliver implementation of government election commitments, such as those relating to project and tenure approval streamlining and case management and also the positioning of Queensland as the greenfield exploration capital of Australia. To sum up, with the correct policy and regulatory settings, government can make a major contribution to employment through the existing and emerging resource industries which the QRC represents.

CHAIR: Thank you. The committee attended the Queensland Centre for Advanced Technologies open day early last month and we saw a presentation by Mr Lane about the workforce needs. Coming after a whole lot of stories about job losses in the mining sector I think we were staggered not only by the significant gains in employment over the last 12 months but also the projected need for workers over the next 10 to 15 years in your sector. How do you think government can help you meet those demands, particularly for regional employees, and will there be a change in the skill mix of the workforce demands in that period?

Mr Roche: Thanks very much for that question. I think we have outlined in the submission that government's role is particularly powerful in establishing the educational platform that will ensure the skills availability in the future. We highlight in the submission that there is no silver bullet solution. It will take time to ensure that the education system, the training system and the university system are actually geared up to work for industries such as ours. We think there is an important role for government through its education and training department in taking a more holistic view on these skills needs so that we are not proposing a solution that addresses the resources sector only but we should be looking at the skills needs for the major industries of this state. Where there is an overlapping skills need we should be looking at a collective approach in response.

Certainly in terms of the future we would see that the industry workforce will increasingly need to be skilled. That is already the case. But with the advent of new technologies and also with the advent of deeper ore bodies in the future and more difficult conditions for recovery, we are going to need different approaches to how we mine, which will mean more technology. That will require different skills sets moving forward.

Ms SIMPSON: Thank you for your submission. I want to note some of the infrastructure issues that you have raised on pages 16 and 17 of your submission, particularly those that relate to Queensland Rail. Obviously there are decisions of government at the moment as to the potential sale of sections of Queensland Rail. Some of that pertains to the coal network. You have made reference there to other infrastructure such as the Mount Isa-Townsville line. What do you see as the role of government as far as the investment time frames for economic development are concerned? Some are saying that government should move to a purely commercial return model. Others would say that they have the ability to invest over a longer term than the private sector. What would it take, do you think, for the economic development of that line from Mount Isa to Townsville to get uptake?

Mr Roche: In general we are comfortable with a model of commercial negotiation and contractual arrangements between minerals producers and infrastructure providers. One caveat there is that, at times, government can make a difference in terms of the timing of investment by being prepared to give a go-ahead to a project rather than wait until every last 'i' is dotted and 't' is crossed in those commercial negotiations. At times we have referred to the Northern Missing Link project as an example where government might be prepared to move more quickly than the commercial negotiation process may allow.

In the case of the Mount Isa-Townsville corridor, you are looking there at an extraordinarily long haul—nearly 1,000 kilometres of rail line. It was first built back in the 1920s by a visionary government who thought that there was some potential in the Mount Isa minerals province. Over the years that line has tended to be kept barely alive with minimal investment. We are seeing the effects of that with two major derailments in the past week. We saw about eight weeks of that line's operation lost during the wet season earlier this year. We know that for that line to deliver the goods, literally and figuratively, it needs substantial investment in the quality of the sleepering, in terms of signalling and in terms of the quality of the rolling stock. We had hoped that perhaps it would get a guernsey in the Building Australia Fund allocations. It appeared as the next rung down. It did not attract funding but was given an honourable mention by the Commonwealth government. That did not translate into dollars. My fear is that, until government sees the long-term potential of the north-west minerals province as something that it has a stake in, not least through a boost in royalty income, we will just continue to see minimal investment in the line and we will see what we have seen over the last 12 months: derailments, speed limitations and a line that, without further major investment, will quickly run up against capacity.

Mr O'BRIEN: You mentioned in your opening address the need for top-class regulators. Is that because you think we do not have top-class regulators regulating the mining industry?

Mr Roche: No. I think sometimes people put all the focus on legislative instruments as being what regulation is about. It is as much about people as it is about the quality of the legislation. A few years ago the Minerals Council of Australia did a major survey of both the quality of regulation and the administration of that regulation across all jurisdictions. What was stark about Queensland at the time was that we were up there with the best in terms of the quality of the regulation, but there was a gap in the rating of the quality of our administration. I put that down to, in part, a starving of funds for the regulator. That is probably still the case.

We have very dedicated people in the Mines and Energy area of DEEDI led by a very good associate director-general, Dan Hunt. They need more support, not less. In the implementation of the government's new commitments on streamlining of project approvals, tenure approvals in allocating projects and a case manager to guide them through the labyrinth of regulation, they need people. They cannot just be words; they need to be matched by quality people.

CHAIR: Your industry is a bit like AgForce in that it is predominantly regionally based. I suppose that throws up a different set of challenges around skilling and community infrastructure as well. I know there have been some initiatives in place. Are there opportunities for better integration of land use, infrastructure, skills, industry and jobs into some sort of regional planning process?

Mr Roche: We do have a very active involvement in the government's current regional planning processes. We would like to think that the current gap in those processes would be addressed, which is the Surat Basin. There is currently no regional plan from east of the Maranoa and west of Toowoomba. It is quite startling when you think about an area that is going to be a major energy province for coal seam gas, coalmining, coal liquids and, of course, a potential hot spot or even a current hot spot in relation to competing land uses between mining and agriculture. That is one way that the regional planning could be improved—actually address what we call the white space in the state's regional planning framework.

The other thing that we need to make sure does work is the Sustainable Resource Communities Partnership that was entered into by the Queensland government, the Queensland Resources Council and the Local Government Association in August last year. In fact, the steering group for that partnership met just two days ago. We have a work plan to make sure that we are addressing a lot of issues that you have raised in terms of service delivery gaps, infrastructure and skills needs. We are very committed to making that Sustainable Resource Communities Partnership work. In part, it is about identifying what are the roles

for government, including local government, and what are the roles for companies, in terms of both investment and planning for the future. One of the best things we can do better in this state is have a better planning framework and better data set so that everyone knows what infrastructure will be required over the next decade.

Ms SIMPSON: I would like to follow on from that, and I appreciate your comments in that respect. We have had contributions today from DEEDI. One of the questions I asked was about whether there were regional economic plans that they had in place or were developing across the state or what analysis they had of what was happening in the various regions. You have just identified that we have regional land use plans in parts of the state but there are other places where you have significant economic development but not necessarily a consistent coordinated land use planning regime. This is obviously a submission you have put up to government before to try to coordinate that process and have consistency.

Mr Roche: That is right. It is something about which we remain hopeful. The government has been working through a range of other plans—the so-called Blueprint for the Bush plans and also important areas such as the north-west, where there is a draft plan out for consultation. We are hoping that the Department of Infrastructure and Planning's planning resources will quickly be diverted to address the booming area of the Surat Basin.

Mr O'BRIEN: One of the questions I asked DEEDI this morning was about the coordination of training, employment providers and training providers in remote Indigenous communities. I note that you have mentioned it also in your submission. Can you give us some information about what you mean by that? What do you mean by better coordination between the agencies? What do you want?

CHAIR: Tell us what you want.

Mr Lane: I guess we are looking for what the Premier was trying to achieve through the amalgamation of various government agencies into larger agencies—information flows and decision pathways that move across traditional line agencies that focus on achieving outcomes that are consistent with overall government policy, rather than with the inputs to various segments of programs that are controlled in different line agencies. So ultimately what we are seeing through our Indigenous project is that everyone who is participating has the best will in the world to achieve an outcome for the Indigenous people. However, they only have a very narrow band of authority over funds or program specialities and can only make decisions within that. Then they have to interface with someone else in another area and so on. So we have a domino effect. What would be very valuable I think is if government could actually create an integrated decision framework that allows government to achieve its policy outcomes and make decisions more effectively in real time with the other stakeholders such as industry and community groups who are trying to achieve these outcomes. So it is an aspirational goal which I think we are starting to see through the government's realignment of its agencies, and we encourage that to be driven forward to its most optimum effect.

Mr O'BRIEN: Okay, but you have not seen it happening on the ground yet.

Mr Lane: Not yet. It is still early days.

Mr O'BRIEN: Are you guys involved with Andrew Forrest and his initiative?

Mr Roche: Some of our companies are. What the Queensland Resources Council did about 2½ years ago was commission the Centre for Social Responsibility in Mining to take stock of Indigenous employment activity already underway in the resources sector and gaps and needs. The centre recommended that we run a pilot project on Indigenous employment and business enterprise opportunities in north-west Queensland. We entered into an MOU with the state government on that about two years ago. We, in collaboration with the state government and the federal government, have an on-the-ground project now happening, a project coordinator and a range of activities ranging from some of your basic education—numeracy, literacy—

Mr O'BRIEN: Ready for work.

Mr Roche: Ready for work training through to job placement. I think the aspiration of Mr Forrest's program is admirable. Our experience in the work that needs to go into one of these programs and the lead times involved and the on-the-ground commitment that is required is much harder than many might think when you wave around a headline 'Aspiration for job creation for Indigenous Australians'.

Mr O'BRIEN: Can you tell us some of the outcomes of the pilot? It has been going for two years.

Mr Roche: As I say, the preparations have been in that period. Right at the moment it is probably exactly the wrong time to be trying to place additional people into jobs. But we do have a number of our companies who are setting themselves targets both in terms of taking people on through job readiness programs and short-term work placements through to boosting permanent numbers of Indigenous employees in their workforce. I would hope that the bigger runs on the board will come as companies move into a re-employment phase. At the moment the industry has been treading water, as you would understand, for the best part of the last 12 months.

Ms SIMPSON: I probably have more questions on the logistics chain. On the issue of investment—and it is relevant to the agricultural sector and the mining sector as the distances involved to get to markets or to the ports are great—does there need to be a different transparent framework that government brings to investing in economic infrastructure? In other words, there are supposedly business cases that are done into various infrastructure projects which normally are not published and they are supposed to have some

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component of economic benefit that is generated by that infrastructure. Is there a case of having transparency in that process, particularly given that a lot of the economic generation is out in the regions yet it is not where the population is?

Mr Roche: In terms of rail track for the coal sector, that is a reasonably transparent process now through the regulatory undertaking process with the Queensland Competition Authority. Where it becomes less transparent is where Queensland Rail seeks to identify certain projects as being special and different to sit outside that regulatory process and to try to reach agreement with companies outside of the access undertaking. That is currently what is happening with the northern missing link. It has not been a highly successful process to date. That could be said to be down to seeking rates of return that are not reasonable or justifiable, but at the moment there is a commercial process trying to resolve that one.

As a matter of principle, we prefer the more transparent process through the access undertaking, where Queensland Rail identifies the capital investment that it needs to undertake, the competition regulator approves that level of investment and the value of the existing asset base and approves a rate of return and from that flow access tariffs that are paid for eventually by the companies. It is a system that works. The system of less transparency where Queensland Rail seeks to pursue certain projects outside of that framework is yet to deliver the goods.

CHAIR: The resource sector seems to be characterised by a smaller number of large players. That has given it an upper hand in terms of research and development and innovation but a very integrated supply chain with a lot of OEMs and contractors servicing the industry. But it appears that the real opportunities for innovation are amongst the smaller contractors and the OEMs. How do we ensure that the research and development and innovation that goes on in your sector at places like QCAT are being delivered into those OEMs and into other contractors, particularly in terms of exporting those innovative techniques overseas?

Mr Lane: Certainly the larger companies are massive investors in R&D, as you identify, and I guess they could be considered to be ground breakers or leaders for the introduction of new technologies which ultimately, while developed in consultation with universities or other bodies, have to be spun off to equipment manufacturers et cetera. It is through that process that the technologies then become available to the wider workplace. At the moment the amounts of money that the major companies are investing in R&D cannot be matched by the small to medium players. Their niches in innovation, I suppose, are not so much in groundbreaking areas but in areas of improving efficiencies in existing technologies that are being used or equipment, for example. So the process is there.

I am not sure that government can do too much in the interim to accelerate the transmission of that information and intellectual capital. But it is trying, to its credit, and it has been working with us, for example, and with the manufacturers in the areas of technology for this sector to look at how that could be pulled together. Many of these producers and inventors are fairly small themselves and do not have a lot of infrastructural support around them to be able to commercialise and take forward their discoveries. So they actually welcome the intervention of the government there to form cohesive industry groups to be able to partner with others to take their learnings forward, perhaps to gain access to further mezzanine funding for further development of products et cetera.

CHAIR: It seems like the export opportunities for those technologies are not necessarily with the BHP Billitons or the Rio Tintos but with the Hastings Deerings and the Hitachis and those providers. At the presentation we saw the difference between the closed innovation which was competitive and the open innovation across the industry. Our resource sector is so well renowned, but how do we get those groups export focused to sell what we know overseas?

Mr Roche: I suppose one of the things I can say there is, leaving aside the equipment manufacturers who by and large are pretty big multinationals and do develop product in consultation with customers, our customers are very good at coming up with ideas for the equipment manufacturers to improve their products. Many of those ideas come out of Queensland and are built into the new product or retro-fitted to existing product. I think what Queensland has also done is become the home for some very good success stories in terms of resource sector related technologies. I think of companies like Runge and GroundProbe, and the major export efforts of majors such as Xstrata Technology. So big and small, we are doing very well in getting that new line of business I referred to in my opening remarks in terms of innovative mining related technology.

Ms SIMPSON: I am happy with the submissions. I have quite a detailed outline in regard to sovereign risk issues and current government policy. Unless there is anything else you would like to add to the issues of the public interest discretionary powers of the mines and energy minister that you have supplied in your submission?

Mr Roche: Just in terms of that point that I was making about sovereign risk in my opening remarks, I think it is important to not underestimate the power of the certainty that is provided by the framework we have in Queensland where companies take risks in terms of developing projects through to an EIS stage but being allowed to go through that process without premature policy decisions to halt a project or make those investments knowing that there are no guarantees of a project going ahead. But if they can satisfy rigorous standards under an EIS and environmental authorities handed down by government, then we do not see the need, therefore, for separate policies picking and choosing winners as we currently have in some instances in Queensland.

CHAIR: Thank you for your time. URC and AgForce, thank you for your time today. Given we are running slightly ahead of time we will come back at 10 past 3 to hear from QMI Solutions and the University of the Sunshine Coast.

Proceedings suspended from 2.54 pm to 3.14 pm

PETTIGREW, Mr David Kendall, Manager, Strategy and Business Development, QMI Solutions Ltd

THOMAS, Professor Paul, Vice-Chancellor and President, University of the Sunshine Coast

CHAIR: I welcome Professor Paul Thomas and Mr David Pettigrew. The committee conducts this hearing pursuant to the resolution of the Queensland Legislative Assembly of 23 April 2009 that appointed it. The proceedings here today are lawful proceedings of the parliament and subject to the Legislative Assembly standing rules and orders. Witnesses will have been provided with the guidelines for witnesses appearing before parliamentary committees, adopted by the Assembly, which the committee will follow. Have you been provided with a copy of those guidelines?

Prof. Thomas: Yes.

Mr Pettigrew: Yes.

CHAIR: Thank you. Under the guidelines you can object to answering questions that are personal and not relevant, or answers that may tend to incriminate you. The committee does not require an oath or affirmation but expects witnesses to respect the proceedings. Recording of today's proceedings other than by Hansard is not permitted. We have had an opportunity to read submissions from both the University of the Sunshine Coast and QMI Solutions. Paul, would you like to make a brief opening statement?

Prof. Thomas: Yes, thank you, I would. In my submission I try to be as positive as possible about some of the things that we can do on the Sunshine Coast, in particular with reference to the university in concert with government at various levels and business and industry. I would like to point out a couple of issues that I think are quite serious ones at the outset which I have alluded to in my submission but I would like to amplify.

The first relates to the way in which we use 'region' in the state. We are clearly for planning purposes in the South East Queensland Regional Plan, seen as part of the South-East Queensland greater conurbation, but in that respect I think the Sunshine Coast misses out on the kind of monies that are put into infrastructure projects such as Boggo Road, for example, and the technology developments there—hundreds of millions of dollars. Similarly, the university compared with metropolitan universities misses out on the hundreds of millions of dollars that have gone into the University of Queensland and QUT. As a region within the south-east, I think the Sunshine Coast is suffering more than any other region in the South-East Queensland corner.

If we apply 'region' to the state, it seems that areas further north—north of Gympie, for example—have enterprise centres and get particular attention and support from government that we do not get because we are not identified as an enterprise centre. However you use 'region', whether it is in relation to South-East Queensland's greater conurbation or regional Queensland proper, it seems we fall between the cracks. I think that is unfortunate, and I think it is in need of serious address, because a number of things economic flow from that including, for example, the direction of prospective industries. They tend to go to the northern regions or to central Brisbane. That is the first point.

The second point I would like to emphasise—and I have made this very clear in my submission—is that I think universities are capable of generating jobs far greater than any other institution in our society. The recent KPMG report, following the Productivity Commission coming up with much the same sort of thing, suggests that universities are the best investments we can make. The University of the Sunshine Coast has grown at 10 per cent every year since we opened in 1996. We are one of the fastest growing universities in the country. Under the Bradley recommendations for growth of higher education, across the next decade we are probably one of the best positioned universities in the country to address the social inclusion agenda and intensify teaching and research. We will double in size in the next decade regardless of what happens with the economy.

The potential for us in partnering with state government and with business and local government is absolutely enormous through the innovation centre, where we have established an accelerator and an incubator, which has generated 50 companies across the last six years and 500 jobs. We only receive \$125,000 a year in support from the state government, compared with iLab in Brisbane getting millions and not producing quite the success rate per head of population.

Now with the Sippy Downs town plan confirmed and development starting to go ahead, I think we have a real chance of investing in that—governments, ourselves and business—and starting to occupy space in that Sippy Downs town centre to make it catalyse jobs. I think there are potentially thousands of jobs that can be taken up and developed fairly quickly if we work in concert with one another.

CHAIR: David, did you want to make a brief opening statement outlining some of the key points from your submission?

Mr Pettigrew: Yes, I would, thank you. A little bit of background on QMI I think might be useful contextually. QMI was established in 1993 as a not-for-profit company. It has its own board. There are four founding members to QMI. Two of them are state government departments, currently DEEDI—Department Brisbane

of State Development or whatever it morphs into at the time—and the Department of Employment and Training or DET; and the University of Queensland and QUT, the USC—University of the Sunshine Coast—didn't exist at the time, I am afraid.

CHAIR: Point proven.

Mr Pettigrew: QMI is very focused on the manufacturing sector, small to medium manufacturers in Queensland. So it is quite a narrow bandwidth that we address. Given that 98 per cent of employment in manufacturing is in SMEs and that manufacturing is the largest employment sector for full-time in the state, it is an important sector to be focused upon. We actually drive to assist companies to achieve world's best practice in four primary areas. The first is competitiveness. That is very hands on, one-on-one with companies that have applications that we work at. There are support activities at the company level like cost reductions, factory layouts, assisting companies in a fairly pragmatic, practical way, using measurement tools like benchmarking to allow them to assess their progress so this becomes an objective process, not a subjective assessment.

We also work in the innovation space which helps a company with its top-line cost and growth activities. We support companies there in four key areas: it is innovation in their products, in their processes, in the services that they offer, not that we are in the service business, and also in the business models that they use—so some of their manufacturing, strategic planning type activities. This is a very important element. QMI was established as a technology diffusion agency. That means that we try and scan the world for what relevant technologies are out there for SMEs and bring them back and try to apply them. Australia carries out 2 per cent of the world's research; therefore, by definition, 98 per cent of that activity is happening elsewhere in the world. SMEs are generally too busy focused on what is happening in their business to spend the time to be looking at what is happening world-wide. So it is a key element to try to support manufacturers in saying these are current applicable technologies for your organisation. They may be large significant pieces of hardware like incremental sheet forming or rapid prototyping where QMI has been involved in the past. It could be something as simple as a chain tensioner that is applicable across a wide range of industries and will reduce costs.

We also work in the knowledge technologies business, with issues like Lean Manufacturing had, helping companies with their new product development processes—cost reduction sorts of activities. In the skills arena, MSQ, Manufacturing Skills Queensland, is a division of QMI and focuses on two activities: firstly, providing advice to government as feedback from industry on what skills development and skills formation strategies are required and then assisting industries, the companies themselves, with their own skills development internally and also their skills retention. Finally, through the ICN division—ICN is part of QMI—trying to give local SMEs the maximum full, fair and reasonable opportunity to bid on government business and, wherever possible, private infrastructure projects. That is through the LIP, government's Local Industry Policy.

In all of those areas we offer a blend of either partially government subsidised or fully company funded activities to support those companies one-on-one. An important thing to pay attention to in this process is some recent research that has been done by Professor Rachel Parker of QUT. She looked at a number of technology diffusion agencies, including QMI, which have a very strong correlation with the willingness and ability for companies to uptake new and innovative technologies using a trusted intermediary—so a third party. Being not-for-profit, QMI does not have the commercial imperative and so ends up being viewed by its client base, the companies with whom we deal, as not having any hidden agenda or a commercial driver to sell a particular product so the advice is viewed as more fair and impartial.

Those are the key areas in which we operate. All of those things are underpinning the logic that says we are never going to go to a business and say 'Please employ more people'. We are going to go to a business and say, 'We want you to be more effective.' That will then lead to the growth which then is a key employment driver. From the day it was founded, employment and increased exports and revenues were the underlying measures of QMI's success.

CHAIR: Thank you, David. We have heard concerns today, particularly from employer and employee groups, about enforcement of the local industry participation plans and particularly in respect of how small SMEs can enter that supply chain for the big infrastructure projects. You have made some comment on it in your submission at page 3. How would government do better at enforcing local industry participation plans?

Mr Pettigrew: The local industry participation plan is not designed to be an enforcing tool. It is to allow local companies to gain a full, fair and reasonable opportunity to bid. So companies have to win the work on their own merits. The enforcement element that we were referring to in there was really trying to make sure that wherever possible any project that is subject to putting in an LIP actually has to do so. At the moment that tends to be voluntary. There are no penalties associated with not putting one in so that then creates the opportunity for organisations, willingly or inadvertently, to run round the outside of the intent of the policy. Any project regionally over \$2.5 million or in the south-east corner over \$5 million should be putting in an LIP identifying how local companies are going to get full, fair and reasonable access to bid on the project.

CHAIR: Is that happening and how do we enforce it? Do we need LIP police?

Mr Pettigrew: I think that greater scrutiny of the process would assist. The only projects under which the legislation is enforceable are those projects that employ government funds over \$2.5 million and \$5 million. It is then a matter of saying to the organisations that the elements of government through which those project funds are being channelled need to be scrutinised to ensure that they are actually complying with the LIP.

Ms SIMPSON: My question is to Paul Thomas. Thank you very much for your submission. In your verbal summary previously would it be fair to say that there is a lack of definition of the regions or subregions within the context of government policy? I do have some questions following on from that. I do not want to editorialise what you are saying, but if there is not a clear definition or recognition of regional economies it is hard then for government to apply a strategy that would drive the benefits of growing those economies. That would be fair to say?

Prof. Thomas: Yes. I think there is genuine confusion in my mind and in the CEO of the regional council's mind as we have discussed together the South East Queensland Regional Plan—for example, how the Sunshine Coast is being dealt with. At Sippy Downs at the university, the new township that is to develop as a new university town—which could be exemplary in the world because I know of few universities that have generated a preplanned town next to them from the word go—has enormous potential. But we are being talked up in the South East Queensland Regional Plan as a subregional centre with Maroochydore as the regional principal activity centre. Nowhere else in the document, the South East Queensland Regional Plan, is 'region' used to refer to an area like the Sunshine Coast. It is all part of South-East Queensland. As a result of not having that clarity I think that per head of population the Sunshine Coast is quite clearly in my mind the most disadvantaged region or community in the whole of Queensland.

Ms van LITSENBURG: In terms of the sorts of technologies that you take either from around Australia or around the world, what sort of technologies do you take and how do you measure whether they are going to be useful for Australian companies? And is part of your role some of that commercialisation of new technologies that are wanting to launch onto the market?

Mr Pettigrew: There are a couple of examples of that. Historically, QMI have been involved in a number of hardware technologies. Issues like rapid prototyping were introduced and QMI identified the opportunities for that and set up a service in Queensland, which ran as a bureau service. Fundamentally, that technology was in what we call market failure, which means it was not commercially viable. There were some commercial operators who attempted to set up and the businesses did not succeed because the technology itself did not have any level of knowledge. So QMI went out and promoted those technologies—ran workshops and seminars and introduced companies to that—to the point where the technology was spun off. It became viable and QMI exited it. It is not QMI's role to run a business as a profit-making concern. It sold it and moved on to another technology. Similarly, with the water jet cutting technology, the first machine came into Australia and we ran a number of diffusion activities to make companies aware of that. When there were six or eight machines in the country, QMI sold its machine.

In answer to your question relating to how we assess those technologies, there is an element of judgement concerned in that, and the risk associated with that process is trying to pick winners. Knowledge technologies have a higher level of uptake. With things like the Lean Manufacturing tool kit, QMI has been promoting that for some time and is starting to move away from that, because there are a number of commercial providers in that space now. It is not that we should exit the whole process immediately, but it is a staged exit from that sort of area.

With the picking of the technology, we have the advantage that we are a relatively small economy on the world stage. We look at other manufacturing areas and say, 'What are the trends and what are the directions that have been taken?' An example at the moment is that we are investigating the nexus between things like automation and vision control and process technologies, because with the ongoing skill shortage within the manufacturing sector—and we have a temporary hiatus due to the global financial crisis, but it is not going to change the underlying demographics of manufacturing—there will be a need to try to automate things that have previously been unautomatable to free up the skills that we have in manufacturing to do the things that we need skilled people to do. Skills and even employment in manufacturing is an ongoing issue, which I am sure the committee is aware of.

Ms DAVIS: Professor Thomas, thank you for your submission. I was particularly interested to read about the business incubator and business accelerator programs and in particular the business incubator. Would you take a moment to expand a little on that for me, please?

Prof. Thomas: Yes. In 1997 we were given some information by the then regional development organisation of a survey they had undertaken of business activity on the Sunshine Coast. It was demonstrated that most of the small businesses—or micro businesses, more appropriately—collapsed within five years of being established. They looked across the wider Sunshine Coast at where some kind of support was needed most and it was needed most in the area of Maroochydore, secondly in Caloundra and thirdly in Noosa.

It was quite clear at that time that the regional councils were not prepared to do anything to support these businesses that were at risk. So we took a decision as a university to start becoming serious about our mission as a university in not only providing access to higher education but trying to provide economic

development that would produce jobs so that some of our students, for example, as well as the local businesses could be retained on the Sunshine Coast in a viable form instead of us contributing to the brain drain. If we had not done that, we would have been graduating students out of the region, really, for jobs in Brisbane and elsewhere. So we became quite serious about supporting business.

I managed to get through council, on the basis of half a million dollars each from all three levels of government plus \$5.5 million and the land from the university, to establish what we then called an innovation centre, the first part of which was an incubator, where we attracted small businesses with robust business plans that had real possibilities of generating jobs and we supported those. As I say, we have supported 50 brand-new businesses and generated over 500 jobs through those businesses, some of them linking up with major companies internationally like Adobe, for example. So it has been a genuine success story. The incubator was, within three years of starting, Australia's incubator of the year.

We then expanded that and used the term 'accelerator'. For those businesses that had graduated from the incubator and wanted to expand further, they could find a place in an accelerator, where up to 20 people could be employed as opposed to five, six, 10 in the incubator. They were more robust businesses at this stage and we are also supporting those. There are links with our growing research capacity and there are links with the student body, some of whom gain experience with the firm and some of whom gain jobs on graduating and learn about entrepreneurialism firsthand and actually generate their own companies. We have had examples of that.

So we have really taken that seriously as the third-stream activity of the university as well as teaching and research, our core activities. But when I argued to the Bradley committee that was looking at higher education and argued the case for third-stream funding to support initiatives such as this, they talked that down on the basis that this was economic development, this was a state government responsibility, it ought not to be the Commonwealth's responsibility in funding higher education. In the Bradley report that was brought down they did not, in fact, support third-stream activities when to a regional university like ours it is absolutely fundamental. Our legitimacy depends on it because, as I said, if we just graduate students and they become unemployed on the Sunshine Coast or move elsewhere, I believe we would have failed the region as a university. So that third-stream activity is fundamentally important.

At the moment we have the compact process, as it is called, ahead of us with the Commonwealth where I will again argue for support financially for these kinds of third-stream activities, but my chances are pretty slim because Bradley has laid out the agenda for higher education development. That is why I am so now dependent on local government, state government and other federal government initiatives that might support us in our economic endeavours.

CHAIR: The committee has had a strong look at the Smart State agenda, which has seen a whole lot of significant science and technology developments, particularly in Brisbane but in other regional centres as well. The challenge that I see we face is how do we turn that research and development that we have put in place over the past few years into business innovation and jobs? How do we build that link? I suppose it is a question for both witnesses before the committee.

Prof. Thomas: As I have alluded to already, with minimal amounts of money—\$125,000 from the state, which is really all we have seen on an operating basis of Smart State money at the university until some research recently has been supported. But as far as the topic that you are talking about, which is turning innovation into jobs, \$125,000 a year for five years is what we have had from the state as opposed to iLabs' millions of dollars doing similar activities. I have paid \$1 million of operating moneys, in addition to the initial capital moneys, and we have created over 500 jobs. We are translating what we do very quickly into jobs, whereas I think some of the projects, although very worthy, in Brisbane are pretty sophisticated research projects—they are research infrastructure projects—where I think jobs are not immediately generated from those very important initiatives. They are longer term.

Investment in a university like the Sunshine Coast, investment in the kind of companies that we are attracting, I think would produce immediate results. I think doubling or quadrupling the kinds of monies that we have now would see a significant difference where we have not only operated at Sippy Downs successfully but could also at Kawana, where the hospital is going to be generated, and in places like Cooroy or Maleny, where there are also needs that we think we can meet with appropriate support from the state.

Mr Pettigrew: I think there are two important elements that we need to be considering in this process. The first is recognising the fundamental disconnect often between the research organisations and SMEs. There is a time scale issue and also a funding issue. The small amounts of money or the urgency of a problem that an SME has does not generally fit with a research program for a higher education institution.

However, getting SMEs engaged in that process is a critical part of improving that linkage and applying the research in a practical real-world sense. We have some small initiatives going on there. There are joint employees, both with the University of Queensland and with QUT, where a person is employed fifty-fifty. That sort of stronger support in that environment would make a big difference in trying to recognise and foster those linkages between what the university does and how it gets applied in the SME sector, because research tends to be funded, as previous witnesses were saying earlier in the mining resource sector, by very large organisations that have the deeper pockets.

The second thing that fits in here is looking at what are the downstream effects of those major research projects. As an example, one of CSIRO's flagship projects at the moment is looking at titanium. Australia is the world's largest producer of titanium all-bearing bodies. We export all of that stuff for processing into metals. Titanium is frequently used in the defence industries. There is a worldwide shortage of the stuff and it is a restricted material for re-export from the United States. CSIRO, together with the University of Queensland and some other organisations and institutions, are looking at alternative transformation methods using powder processes to turn that into a useable product at a lower cost and that will be directly applicable in Australia.

The SME application for that is very much the downstream activities. There are post-processing heat treatment finishing and those sorts of operations which are SME based and SME focused that would be directly applicable in turning a major research initiative into something that the local industry could support and get active with. So we are doing a little bit of work at the moment with some support from DEEDI in trying to investigate that, but that kind of initiative with stronger backing from DEEDI and from government could make a substantial difference to developing a whole industry infrastructure in a critical area where there is a worldwide shortage.

In spite of what the global market is doing, there is a market for titanium based projects. We have eventually got uses in Australia with the JSF Defence project—the joint strike fighter—processes. So there are products and applications for Australia in that environment and markets for our smaller companies and it is an SME focused sort of activity. So it is analysing what those research elements are and asking, 'What are the downstream flow-ons where SMEs can actually actively participate?' and supporting that actively by government.

Ms SIMPSON: I have another question for Professor Paul Thomas. Obviously with the work on the Sunshine Coast, I can testify that we have seen a very clear demonstration of your strategy from the start of the university to strongly interface with business and community, and I think the incubator and the accelerator are great success stories. My question is about this issue of regional economic development plans. In earlier submissions there have been suggestions from DEEDI about government programs. My question is this: do you think there is a benefit in actually pushing to have a clearly articulated regional economic strategy for the Sunshine Coast and for all of the other regions and not just land use plans such as we have seen with the South East Queensland Regional Plan?

Prof. Thomas: Yes. There is no question in my mind that we need that. I think we need subsets within the South East Queensland Regional Plan. We need clearly articulated plans for Ipswich—and they are much more obvious than they are for the Sunshine Coast—and similarly for the Gold Coast and Brisbane. Certainly, the Sunshine Coast is almost bereft of a regional plan and largely that is not just a responsibility of state government but lack of regional planning as well. That is now starting to happen. But if we have that regional plan clearly articulated, we can then start talking about subregional plans. If we are to mobilise expertise, for example in the Sippy Downs subregional centre—and it really is, as the South-East Queensland plan suggests, going to be a technology hub—what does that actually mean? What does it mean about what is expected from the university? What is expected from business? What is expected from the state government? What is expected from local government? With those kinds of indications of detail, we can really start making a place like the Sippy Downs technology hub subregional centre a reality with teeth instead of it just being idle rhetoric at the moment, which it largely is.

CHAIR: One of the titles used in the Smart State agenda is about these iconic clusters, and that sort of seems to be what you are talking about. However, I want to go back to the ICN issues for QMI. In terms of getting those SMEs to participate in infrastructure spend and large tender processes, the construction industry has been doing it for a long time in terms of alliance contracting and those sorts of things. How do we get those alliances? What can government do to say to SMEs, 'Form a tendering alliance to make sure you're getting your fair share of government contracts'?

Mr Pettigrew: The detail of that question is a little beyond where I live within QMI, so I am happy to take some of that on notice and provide a bit more detail from the chap who heads up the ICN, Peter Robinson. Broadly, the current initiatives that we have are working through with the major project houses to identify what capability requirements they have and then to work with the companies one on one to assess how well they align with the requirements of the major project houses. So it is allowing SMEs to get their foot in the door.

The second element—once they can actually meet those requirements—is to identify what major project elements fit within the elements of the project itself and then to align those organisations. So it is using the government infrastructure—the contacts through DEEDI and through the industry bodies—to identify what the project elements are. ICN has a fairly extensive database of organisations which it can draw on and say, 'Here would be a range of participants who may be able to contribute to this particular project.' We have started doing some work recently, more through the traditional QMI operations, with some consortia work and also a similar thing at the moment with EDI in looking at a major contract requirement and saying, 'What cluster of suppliers within that organisation or to the organisation can collaborate to try to meet that larger contractual element?'

CHAIR: So in that sense you have moved beyond just the one-to-one ICN work to a sort of one to many. Is that what makes up a cluster arrangement?

Mr Pettigrew: Yes, we are seeking to make that move. We have a couple of initiatives going on there. I could not say at this stage that it is a fully established operational process and here is a defined methodology, but it is definitely an area that we are trying to explore.

CHAIR: Great.

Ms DAVIS: David, thanks for your submission and for the chat outside. With regard to the MEGS project which you talk about here in your submission, can you tell me how you think it needs to be expanded, other than you have noted that there are only 24 schools involved in the program at the moment? Can you tell me how you see that as expanding and whether it will be state-wide or whether it might be regionally based in order to connect students with prospective employers?

Mr Pettigrew: I am afraid that that is a level of detail that I am not living in. There is the need to expand it. I will ask Erik Salonen, who is our manager for that area, to respond specifically to the detail of that question. I am afraid that is a bit out of my area.

CHAIR: Professor Thomas, in terms of building a science and technology base in Queensland there has been a lot of concern about developing long-term viable science and technology careers. How do we do that? What do we do to make sure that kids want to enrol in science and technology and that there is a job for them after tertiary study?

Prof. Thomas: It has to start early. We are seeing a massive expansion ahead of us with the higher education reforms the Commonwealth government has committed to which will see hundreds of thousands more students enter higher education. We already are extraordinarily active in our schools, with programs like Headstart for example, where some of our best science lecturers and some of our best business lecturers go in and they talk respectively about science or entrepreneurship or innovation and generally heighten aspirations of students to consider higher education in numbers that they are not currently turned on to.

We are now scoping to what extent we go down into the lower end of secondary school and even into the upper years of primary school to widen the aspirations of students that we know have to be attracted to the system if we are to be competitive as a nation. As I said earlier, I think the University of the Sunshine Coast is probably one of the most promising universities in the country at the moment in terms of its position to attract larger numbers. We have grown at 10 per cent a year since we opened. There are few universities in the country that can match that proportionately. We are beginning to specialise more and more in those things that will contribute to long-term regional advancement. That includes innovation, putting people into jobs, familiarising students during the course of their graduate studies with companies in the innovation sector or with successful small businesses on the coast.

Some 20 per cent of our students, that is about 1,500 of them, currently want to start their own business and through programs like Enterprisers, which are an adjunct to the degree programs, we are giving them the opportunities to learn from successful entrepreneurs and successful, enthusiastic lecturers the sorts of skills that can give them a lifetime of knowledge fast, on how they can succeed in areas like the Sunshine Coast. So in some small way, but importantly in a region, we are making a significant contribution in that respect.

Ms SIMPSON: Professor Thomas, I have a question with regard to the regional economic plans. If there are to be more effective regional economic plans throughout the various regions how clear are the regional report cards from government? Are there good reports with regard to the comparative state of the regions and the challenges they individually face? I premise that question on the basis that I know that your university has hosted a state of the region conference for a number of years for the Sunshine Coast. That is not something that has necessarily been replicated throughout the state so we have good comparative data available to show the state of the various regions.

Prof. Thomas: I agree with the tenor of what I think you are asking. Is the kind of investment that government is making transparent? Is the record of success or otherwise that we are achieving recorded transparently? Are we projecting that information in ways that are most meaningful? I do not think we are. I think we are short on all of those counts.

The state of the region conference has, for a number of years, even though we have hosted it, been causing me considerable concern because of the lack of balance in that state of the region set of presentations. There seems to be an opportunity for people who want to have a crack at one thing or another to present there. There is not a balance of what is being invested, what is being achieved and what our aims are for the future.

What I have been instructing my staff to do is try to have the current group that has organised the state of the region conference disengage so that starting next year there will be a state of the region conference organised by the university itself, not by consultants, along with, hopefully, the regional council and the state government. Hopefully, we can start to address in a more balanced way and a more even-handed way the kinds of things that a region like ours on the Sunshine Coast ought to be addressing.

When I look at things like the South-East Queensland plan and try to get a picture of what is happening in each of the regions and what the different partners are contributing and achieving I cannot say that it is terribly transparent. For the Sunshine Coast it is really a sad indictment of how little we have been able to achieve in defining exactly what we want in an economic development plan.

Ms SIMPSON: I have a supplementary question to that. To have snapshots of the health of each of the regions we need some agreement about what those lead and lag indicators should be, what we should be measuring, how they translate to a plan and then how well we are achieving the plan. Is that the sort of thing that you will be looking at?

Prof. Thomas: Very much so. We have started that process already. John Knaggs, the CEO of the council, and I have been working over the last month through a number of groups that are now splitting up into smaller groups to define those very kinds of things that ought to be the indicators that we concentrate most directly on.

CHAIR: Last question for the day. I have one for David. In terms of the skill shortages, how do we ensure that the training we are providing is matching the skills needs of industry? Manufacturing has traditionally had skill formation through work based training like apprenticeships and traineeships but it is less and less so now, particularly in areas like food processing and those sorts of things. Whether in manufacturing or beyond manufacturing, how do we make sure that pre-employment training is matching employment options?

Mr Pettigrew: There are a number of elements in trying to tackle that. The first issue with the pre-employment training—and I think you probably noted in the submission that there was some prevocational training mentioned in the food sector, for example—is making sure we have industry input and clarity about the process. One of the elements that MSQ undertakes is a number of industry forums across the state which try to collate and feed into the debt training process as an input to government and say that these are the things that industry is asking for in terms of its training requirements.

There is substantial training funding available and we want to make sure that we are directing it in the right places. So that mechanism does exist. From all reports it has been reasonably effective. There are still a whole lot of areas of need. There is always the dichotomy as to whether the need that industry is stating is actually a demand issue or just a local whinge.

An example of that is that we have had a number of anecdotal comments and feedback about adult education which changed substantially with TAFE a number of years ago. It is difficult for somebody who is not undertaking an apprenticeship to go and get training in welding or turning or machining through an adult education process. Part of the argument that TAFE had raised was that it was very much seen as a hobbyist requirement through the adult education process. So that is not being offered. It is hard to get that training other than through a prevocational course—and that level of detail frequently is not in the prevocational area—or as part of a full trade or accredited training program.

It is the alignment of what the industry actually wants, which is only going to be gained by asking them—and we have mechanisms in place to try to do that—with what training programs are available. Has that answered the question for you?

CHAIR: Yes, it has. Thank you to Professor Paul Thomas and David Pettigrew for their time today. That concludes our hearing. Thank you to our witnesses and attendees today and particularly to my fellow members of the committee and our research staff—Lyndel Bates, Margaret Telford and Anne Fidler. I would also like to thank Hansard for their patience during the day, particularly when there were a number of Dutch names reeled off quite quickly. The transcript of today's hearing will be on our website as soon as we can finalise it. This will probably take about three weeks. If you would like our final report please be sure to give your details to our staff who will make sure that we send a copy when it is finalised. Thank you again.

Committee adjourned at 3.56 pm