OUTER SUBURBAN/INTERFACE SERVICES AND DEVELOPMENT COMMITTEE

Inquiry into growing the suburbs — infrastructure and business development in outer suburban Melbourne

Broadmeadows — 6 March 2012

Members

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NORTH Link

Mr M. Butera, executive director
The CHAIR — I would like to welcome Mick Butera in his capacity as executive director of NORTH Link. There are some formalities I am going to reveal to you, Mr Butera. These are formal proceedings — an extension of the Parliament of Victoria. All the material that you will contribute today will be recorded by Hansard, and the transcript will be available to you in approximately two weeks. You will be able to make any corrections by way of typographical or spelling errors.

What you have to say in this hearing is protected by parliamentary privilege, only while this hearing is sitting in this place and at this time. If you were to add comments outside of the physical domain and currency of this hearing, parliamentary privilege would not necessarily prevail. Parliamentary privilege is extended during parliamentary hearings of this nature so that people can speak in a fulsome way in terms of any opening remarks they may have and in an unfettered way in response to questions from members of the committee. On behalf of the committee and our staff, we welcome you and we invite you to start off with your opening remarks. From time to time we might interrupt you, but we are conscious of giving you a good parcel of time, even though we have started later.

Mr BUTERA — Thank you for the invitation. I believe you have copies of the stuff that I sent with my original submission, so you have all of the research and our two latest papers: one on NBN, Melbourne’s North — the Perfect Connection, and the regional economic overview. As I understand it, you only want to hear from me for about 10 minutes or so and then have a discussion.

The CHAIR — We are comfortable with that, yes.

Mr BUTERA — The main point of my presentation will be on the opportunities and threats for the development of Melbourne’s north and its employment, but I will start very briefly with a bit on our organisation, just in case people are not familiar with it. NORTH Link’s aim is to facilitate partnerships between government, education and industry in Melbourne’s north. To that effect we are supporting the seven LGAs and their CEOs and mayors. We went with them to Canberra, for instance, last November and presented upwards of $160 million worth of projects as well as a position paper on why Melbourne’s north and the NBN was a perfect connection for that particular piece of infrastructure.

Our aims are to grow Melbourne’s north at a rate greater than that of Melbourne and Australia. Put simply, it is to make sure the north does not get left behind. We are talking about GDP growth. We have promoted Melbourne’s north as competitive, connected, innovative and with high liveability. We have attempted to create pictures of Melbourne’s north, a narrative if you like, and we have tried to create a total picture as well as individual parts of the narrative. For instance, we have identified Moreland as perhaps funky, bohemian and arty et cetera; Darebin for its cultural diversity; Banyule for its medical precincts; Nillumbik for its professionals; et cetera. The point of that is in addition to the total narrative sometimes the individual components will create a picture that contributes to growth.

All of our work is underpinned by very strong research. We believe the research necessary to base future decisions on has been completed. It is under NORTH Link’s name, but I must stress that this is being done in total partnership with the seven LGAs. We have not completed this research in a vacuum. We have undertaken this with consultation that informs desk research. The research has been undertaken in the main by *National Economics. We have additional pieces of research under way that will be undertaken by other groups, which I will go into. We have had a look at Melbourne’s north *post-GFC and gained an understanding of that. In addition there are our other publications, which you are familiar with.

In terms of opportunities for Melbourne’s north, we feel there are regional growth opportunities in a number of areas. The Hume-Whittlesea industrial complex, for want of a better word, is where manufacturing activity is now clustering. Of the 58 000 jobs in manufacturing in Melbourne’s north, 22 000 are in Hume and 9000 are in Whittlesea. Whittlesea is skewed a little because it also has a high level of construction. Maybe consideration should be given to creating a narrative around this — a Hume-Whittlesea industrial complex, as opposed to a Parramatta industry complex.

A bit of research that we did — it seems a long time ago now — in 2005 has had the desired effect. It has stimulated and aroused people’s interest in office commercial accommodation and the fact that there is a need for it, and you may observe it is springing up all over the place with quite a way to go. We identified a number of inhibitors to office commercial accommodation development, which were in that report, many of which relate to the image of Melbourne’s north.
The CHAIR — Can you give us a few bullet points in terms of the inhibitors?

Mr BUTERA — The initial inhibitors were the fact that people would be looking around for office commercial accommodation and there was a scarcity of it. There was nothing there, so they stopped looking. Because they stopped looking, developers felt that there was no need to build any; there was no demand. In fact when we undertook this research a number of people indicated that we were wasting our time — that there would never be any demand for office commercial accommodation in Melbourne’s north. We took a flagship, the MAB office complex over at University Hill. MAB was also viewed as being a bit silly to undertake such a venture because it was said that no-one would ever go there. It was a resounding success. We used it as something to demonstrate that Melbourne north’s image for office commercial accommodation was wrong, that it was an area that was growing and that it was an area where high-quality office commercial accommodation would be undertaken very well and very quickly.

The CHAIR — What would have diminished the image?

Mr BUTERA — What would have diminished the image? I think long-held misconceptions about the nature of Melbourne’s north being simply an industrial complex with manufacturing and little else and not much in the way of universities and education. As local residents we know that is not the case, but people from the outside looking in still have the old image of Melbourne’s north. Associated with that there is promotion of regional investment opportunities in greenfield and brownfield sites.

There are opportunities at Melbourne Airport. Melbourne Airport is a city within a city. I think it employs something like 12 000-plus people at the moment and there is room to grow that even more. The amount of space it has — I am pretty sure it is about 2000 hectares, which is a staggering amount of space to have. The aviation training academy is something that could be used to really go high-tech for the region, if we establish a facility that goes across all the employment requirements of airport construction and development.

The next area of opportunity is medical and university precincts. We have a huge medical precinct in Heidelberg and what is now emerging as an even larger one in Cooper Street, Epping. These are areas that still have room for growth, as do the university precincts with the AgriBio centre over at La Trobe University. We are looking to make the Melbourne wholesale fruit and vegetable market something more than just a place where people swap money for fruit and vegetables and instead create a total concept there. We are working with the state government working group on that; we are a member of that working group and we are proceeding with that. There will be opportunities from the carbon economy, which I will not talk about too much now.

Business incubators were mentioned earlier. This is a very important thing for Melbourne’s north. I am a foundation board member of the Darebin Enterprise Centre; formed 13 or 14 years ago now, this is very successful. We took a bit of land which was not all that useful and made it into something that has stimulated and grown many businesses, 50 at any one time. It has now expanded to an arts incubator at Northcote as well.

The CHAIR — Was that based on a particular model, or is it something that has grown out of the vision of locals?

Mr BUTERA — We very carefully studied the successful business incubator models in America, in particular one by a fellow called Richard White. One of the things we identified was the minimum amount of floor space required to actually make it self-sustaining. I should add that both incubators are self-funding. They raise the income to run themselves. One of my employees, Paul Smarrelli, is the foundation chair of the Brunswick Business Incubator, which is even bigger than the Darebin business incubator.

The CHAIR — Did you say the Darebin incubator was 15 years old?

Mr BUTERA — The Darebin incubator is about 14 years old.

Mr ONdARCHIE — Thirteen to 14 years old.

Mr BUTERA — Thirteen to 14 years old, yes.

The CHAIR — On reflection, is that a successful model?
Mr BUTERA — Absolutely. It would not be able to continue if it did not do three things: raise funds, which we all must do to in order to survive; graduate businesses into bigger businesses; and continue to attract more businesses. The idea is to kick them out of the nest, so to speak, after a period of three to five years and give somebody else a chance to come in and have a go. It has been successful, but managing that process can be challenging. Obviously removing a successful business means that you will have to find another one to pay the rent and the leases to replace the other business at the incubator. So it has been very successful. I am not sure that I have answered your question, Jan.

The CHAIR — I do not want to dwell too much on this; I would like to hear the rest of it first.

Mr BUTERA — Okay. There is room for more business incubators. This is one of the areas we have all always had an eye on but we would need some support from government to get going. This would have two effects — it would enable a business incubator to be established and would maybe kick-start the major development over at Merrifield by having a business incubator there.

Manufacturing is still the largest employer in the region with 58 000 people. There are many opportunities there. Recycling and waste management firms are springing up across the region. There are issues involved in enabling them to go about their business, with which perhaps governments could assist. The food industry is growing at an enormous rate in Melbourne’s north.

The CHAIR — Could I just interrupt you regarding your oblique comment about government involvement in recycling waste management. What do you mean by that? Do you mean the regulatory regime?

Mr BUTERA — With the collection of waste material specifically. To give you one example, there is a company that collects the plastic wrap around bulky goods that are delivered to people. That plastic wrap has paper printing on it and so there could be something around separating that. Policies about how plastic wrapping is collected and what is printed on it would make the role of recycling much better. Recycling at the moment is still very Dickensian in the way it takes place, and a bit dirty. It probably needs to be mechanised; it probably needs to take a step up. So there could be some involvement in the economic collection of the waste. There is also a role to play in the breaking down of waste such as computers in order to recover their base metals. These are areas that a detailed examination might produce a more efficient approach to collection and distribution for recycling.

The CHAIR — Are you aware of any stockpiling of things that have actually been recycled in terms of market fluctuations for those materials?

Mr BUTERA — They all carry stockpiles. Many of them really do look a little bit Steptoe and Son-ish issue still, but I am not really too aware of this area. I am not saying it does not exist; I just cannot contribute to that particular point.

The CHAIR — Thank you. Please proceed.

Mr BUTERA — There is an enormous opportunity in the food industry as the middle class in Asian countries starts to develop appetites for processed foods such as dairy and meat. Demand for those foods has a flow-on effect to metals engineering because if you have processed meat and dairy, you need refrigeration and other metals engineering-related products. It is growing.

What has happened is that, in the main, many of the children of migrants have established extremely successful food processing businesses based on things that their parents used to do in the backyard like making cottage cheese. We have Floridia Cheese with 200 employees. We have Bertocchi Smallgoods making salami. We also have Chris’ Dips with 300-400 employees. He started at his mother’s kitchen table and graduated to her garage. He then got a garage somewhere else and has just grown and grown and grown. These are high-quality products too. There are huge opportunities. The food companies are all major exporters, virtually without exception now. More can be done to help them access the growing markets of India, China and Asia.
On manufacturing niches and intellectual property, it is not just food. It is also metals engineering companies that can produce niche products — companies like RMD, which is actually located in Sunshine but have a long association with the north. They are into gate controls and sensors and the like. It is moving from a relatively low value-add metal product to something bigger, or companies that are producing noise control devices that have graduated from insulation companies. There is even a company exporting commercial kitchens from Australia. There is an opportunity for these companies, with the right sort of assistance — not hand-me-down subsidy assistance but specialised, high-level intellectual property assistance — in some cases to become very sophisticated companies.

On increasing regional productivity, there are skill shortages. We are doing things about that.

The CHAIR — Can you expand on the skill shortages?

Mr BUTERA — Basically companies are short of switched-on employees who are willing to have a go and willing to be trained and learn. I am not saying that apprenticeships have gone out the window; they have not, and they are important, but many companies are more interested in getting a person who has the right attitude and who they can train rather than a person who has the right skills but the wrong attitude. Every company is basically looking for good employees; it is about as simple as that. That is what we have experienced. Companies will put off putting employees on if they do not think they can get the right employees. You can actually create a job, if you like, by convincing a company to take a chance that you will deliver them an employee who will add value and profits to their business.

The CHAIR — To what extent do you think that message has resonated with education providers?

Mr BUTERA — The problem with education providers — secondary schools — is that there is a bit of a vacuum gap with careers advisers, because unfortunately a lot of careers advisers are people who perhaps have been put into that for many and varied reasons. They do not have sufficient experience of the broad range of jobs. One should never generalise, but there are a lot of them who are of an academic background rather than a trade background or have a knowledge of trades. We could do worse than get trades teachers who are in their mid-50s or 60s to act as careers advisers, because those people can provide real mentorship and nitty-gritty knowledge of jobs as opposed to general knowledge.

The CHAIR — Have you made those views known to a provider — say, the local TAFE institute here, Kangan, for instance?

Mr BUTERA — Yes, we work closely with the local TAFEs, but the problem is not at the TAFE level, it is at the secondary school level.

The CHAIR — Please proceed.

Mr BUTERA — Many of these companies in the $5 million to $10 million turnover range — as far as business systems that record data that can be used for continuous improvements go, they have none. They sort of have financial information that they can throw at the accountant for a balance sheet and a profit-and-loss statement six months after the end of the financial year. They are running their business very much in an intuitive manner, which is fine, but the old saying 'If you cannot measure it, you cannot improve it' applies. Putting in a system that measures financial and non-financial data is a very disruptive thing for a very small business. If assistance could be given with the implementation and establishment of it — that is the hardest thing for them to do — operating it then becomes relatively easy.

We have two commonwealth contracts to deliver the Enterprise Connect program. That is business advisers who go in and have an intimate look at a firm and make suggestions for improving productivity, profits and employment. In many cases they lack business systems. In cases where we have been able to get them to implement a business system, we have seen doubling and tripling of turnover and a need to move to new premises as a result of that. That would be one thing I would suggest the government could really assist with and spend good money on.
On export facilitation, Austrade used to run a program called TradeStart, the emphasis of which was not on picking winners but on helping people become winners. That program has been filleted. It still exists, but it has been filleted, and the emphasis is not on developing winners but on picking winners. That really is a severe failing.

The next point is increased engagement of education and industry. We are involved with placements of university students with industry. We undertake greenhouse projects, for instance, where mechanical engineering and manufacturing engineering students help firms reduce their energy costs by examining the total resources they use — machinery, land and equipment. That can be extended. Obviously there are problems with the numbers. What you can do when you are placing small numbers of students becomes a different proposition if it is going to become a global activity, but nevertheless we still do quite a lot of it with La Trobe and RMIT.

The CHAIR — Does that actually convert to job opportunities for those on placement? It is like a three-month interview that would actually convert —

Mr BUTERA — Yes, many of them are offered job opportunities. Many of them have been offered jobs with Sustainability Victoria or other companies, and some of the things they have unearthed for companies — for example, there is a company called Armstrong Industries, located out here in Thomastown, which manufactures Laminex floor tiles. A student was engaged in a life cycle analysis and recycling of those tiles — how to best recycle them. That is turning into a major activity and a multi-thousand-dollar opportunity for Armstrong Industries.

The CHAIR — I am not sure if this is something you are able to answer, Mr Butera, but in terms of the student population seeking higher education, can you dimension the number of people who would be coming out of the Hume City Council area to study those sorts of engineering and green economy-based career directions? Is that student cohort coming from areas other than Hume? Is the Hume population of those seeking higher education looking to that new industrial base?

Mr BUTERA — I cannot give you the exact figures, but obviously the participation rate of Hume students in the maths and sciences is not as high as it should be, and steps should be taken to remedy that situation because of the 22 000 jobs in manufacturing in Hume. Not all of those jobs are science-based — there are obviously white-collar jobs and administrative tasks involved — but steps need to be taken to stimulate maths and science take-up in Hume. The figures will be in our research in terms of comparative figures, but I cannot quote them to you just at the moment, Chair.

The CHAIR — Thank you very much. Please proceed.

Mr BUTERA — In the end we presented a major paper to the commonwealth — to Stephen Conroy and his assistants. “NBN and Melbourne’s North The Perfect connection”. Melbourne’s north has close to a million people, so that is one-twentieth of Australia’s population of 20 million. It is a pretty big group, and we are trying to say to the federal government, ‘Here is a region where an integrated rollout of the NBN can produce a 20 per cent productivity improvement’ — we have had that modelled by National Economics; it is in the study — ‘and up to a 7 per cent employment improvement’.

We are at the moment in the process — and this is in partnership with the seven councils; it is not just NORTH Link — of NORTH Link and the RDA supporting the seven CEOs and mayors as a collective in a number of activities, including a regional digital strategy. That will percolate to the seven municipalities for their LGA regional strategy. With that we hope to convince the federal government that a rollout in Melbourne’s north would meet their needs in terms of their interest in high uptake. We have strategies that can help with that.

Melbourne’s north has three connectivity points. I am not sure if you understand how the NBN in Australia has 121 points that roll out to everybody. Apart from the ones in proximity to the city, Hawthorn and the bordering east, Melbourne’s north has connectivity points in Northcote, Preston, one at South Morang and one at Tullamarine. That is 4 in the region out of 121 in Australia. It is going to be a big advantage. That is what we are working on the moment — a regional digital strategy.
Ms GRALEY — I have a quick question. It requires you to embellish on some of the points you have already made. I note the report you have referred to, *Northern Exposure — an Analysis of Office and Commercial Accommodation*. It is something that is a recurring theme with the committee: that there is not enough office accommodation and commercial accommodation in outer growth areas. The second-last dot point of your principal recommendations says:

Councils must maximise options for use of high-quality land, help the developers reduce the risk and allow these uses wherever possible. Councils must be able to go to the developers with half the work done and be responsive to market forces.

The last dot point says:

Councils intent on strengthening the supply of quality office and commercial accommodation within their municipalities must remove barriers at every opportunity.

What are you actually asking councils to do with those two dot points?

Mr BUTERA — I am sure Craig could more than help me with an answer to that from his past job. Basically it means that when a group has an investment proposition or an investment thought, making them comfortable that a council is going to support them with all of the preliminary things such as permits and information requirements, making them feel welcome in the region and assisting the group to fulfil the investment that they are maybe waverering on and thinking about.

Ms GRALEY — So ‘half the work done’ means?

Mr BUTERA — I think ‘half the work done’ might be taking a little bit of literary licence, but it is about doing as much as is reasonable to assist to bed down an investment. That can be many and varied, based on the individual investor and the individual situation. That is something that Craig in a previous life would be well used to, with some of the things that he has had to do to help investors come to a particular location.

Mr ONdARCHIE — That was a nice ad for me. I would love to ask a question. You can speak freely here, given that you sit across all of the seven councils. Sister city relationships — do they work?

Mr BUTERA — I can speak freely here, can I?

The CHAIR — Yes, you can.

Mr BUTERA — To be honest, I only have a superficial knowledge of them. I have been barely involved. I had some involvement in taking some sister city visitors with the City of Darebin once. It would be unfair to comment because I really have only had a superficial involvement with them. I do not know. I am certainly sure of one thing: that sister city relationships well applied and worked at would yield good dividends.

Mr ONdARCHIE — I thought we were the politicians here!

Mr BUTERA — That is all I can say. I cannot point to one and say, ‘That works, and that does not’. I have learnt well from you anyway, Craig.

Ms McLeISH — With the submission from Hume City Council we heard and saw some figures about their population being quite youthful, with 31 per cent being aged 19 years and under — basically a third of the population. I am not sure how that is for the other northern region councils, but given that it is quite a large young population, what do you think are some of the key things that need to be considered in terms of job opportunities for them?

Mr BUTERA — I think mentoring and industry engagement. Industry in Melbourne’s north is really good. By and large they are more than happy to play a role with mentoring, engaging with schools and engaging with young people. But they have a business to run, so they cannot just drop everything and do all of the administrative organisational requirements in order to share their knowledge and share their insights with young people. If well-spent resources are used to engage those young people with industry and with mentors, then that is one of the things that I would recommend would yield great benefits. Firms are generous with their time, but they are under competitive pressures. If they are generous with their time, they need assistance. They cannot be running around organising and chasing people up. That has to be done by somebody else. It has to be done by the school and others that assist those young people.
Ms HUTCHINS — In speaking of their planning in the coming years the council alluded to a business incubator at the Craigieburn end of Hume. Will NORTH Link be involved in promoting that? Can you see that as something really working for jobs?

Mr BUTERA — I have not examined that particular location because a number of locations have been mooted. We would certainly do that, and more than that. We would lend expertise to it, because as I said, I have been on the board of the Darebin incubator for 14 years. We would be able to bring that intellectual knowledge to it. Paul Smarrelli, who works for me on the Enterprise Connect contract advising businesses, is the foundation chair of the Brunswick business incubator, which converted the buildings of a large secondary school into something quite incredible. It has 60-plus businesses, and it is, again, paying its way. Promotion is good, but we would be able to provide information that would hopefully prevent mistakes and ensure success.

The CHAIR — In terms of converting erstwhile research and development in a business incubator environment, what mechanisms are in place for the people who have developed the intellectual property and have the drive to create a new product or a new sector of the industry? Can you expand on how they access venture capital? How is that dialogue established? Is the business incubator facilitating that dialogue? How do they actually arrive at the dialogue with potential investors or venture capitalists?

Mr BUTERA — The role of the business incubator is to make sure that their business is well placed for the networking with suppliers and customers necessary for success, that their business systems are in place and that their access to people who know about finance, such as bankers, is facilitated. As to how easily they access venture capital, I could not comment on that.

The CHAIR — Do you think it is an area for exploration?

Mr BUTERA — Venture capital as opposed to just banking capital or venture capital from banks?

The CHAIR — If we are talking about a new industrial base where we want to protect intellectual property, if we are talking about technological advances and if we are talking about an opportunity to expand beyond the domestic market — beyond a dialogue with a banker.

Mr BUTERA — What happens with a lot of our companies on the Enterprise Connect program, as is typical of Melbourne’s north, many companies in the $2 million to $10 million turnover bracket are still very family-run companies. Part of the advice they require from a business adviser is advice on a succession plan and advice on how to package that business for a sale or for expansion into something bigger than what it is at the moment. How easy it is for them to achieve that is ultimately going to depend on their prospects and their profitability. I cannot really comment on how successful they are. I do know that many of them are expanding, though.

Mr ONDARCHIE — The Darebin incubator, for example, whilst there is not a lot of VC money around at the moment, gets them investment ready, I think, don’t they?

Mr BUTERA — Yes, simply by making them well-run businesses. That is how you become investment-ready: you are well run, you have a turnover, you have a profit, you have a business plan and you have stability. That positions them to be ready to attract investment, whatever its source.

The CHAIR — Are there any other questions pressing from the committee?

Ms HUTCHINS — Yes, just one more. I am very tempted to ask a question about generation Y, but I will not go there, in terms of employment opportunities and lack of commitment, but that is for another time. I really did want to touch on another issue that the Hume council raised this morning, and that is that the building that has been set aside on this site for white-collar jobs to be moved into with some government commitment that is still outstanding; are you on top of that issue and do you want to comment?

Mr BUTERA — Which building is that?

Ms HUTCHINS — A building here in the precinct. I assume it is that large building as you drive in.

Mr BUTERA — You are not talking about the old Ericsson building?
Ms HUTCHINS — No, the one that is just here. It was a new building that was alluded to that has been built for white-collar jobs that is awaiting some government support.

Mr BUTERA — I cannot comment on that one.

Ms HUTCHINS — You are not aware of it.

The CHAIR — Mr Butera, the time for our interface with you is now complete, and on behalf of the committee I want to thank you very much for coming along today and for your input. It has been very good to hear from you today. We value it.

Mr BUTERA — Thank you for inviting me along.

Witness withdrew.