

SUBMISSION TO
HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON PRIMARY INDUSTRIES AND
REGIONAL SERVICES
INQUIRY INTO INFRASTRUCTURE AND THE
DEVELOPMENT OF AUSTRALIA'S REGIONAL AREAS

Introduction

The Victorian Farmers Federation (VFF) is the largest single farm organisation in Australia.

This submission is made on behalf of the VFF's 17,500 members.

The submission does not discuss all areas of concern as the National Farmers Federation (NFF) is providing a more detailed submission.

Infrastructure and Government Plans for Rural Growth.

The Victorian Government has a target of \$12 billion of food and fibre exports from Victoria by the year 2010.

This represents a tripling of the current figure of \$4 billion. Food exports have already jumped 79% in the last five years.

Rural Victoria is also a crucial part of the Federal Government's 'Supermarket to Asia' program, which seeks to make Australia the foodbowl of Asia.

In line with this Government-backed push, processed produce from dairying is now the single largest item exported from the Port of Melbourne (the largest container port in Australia).¹

Australian wine exports (originating mainly from the southern States of Victoria, South Australia and New South Wales) are tipped to reach \$1 billion per annum by the end of 1999.²

Reliable, competitively priced infrastructure is vital if the \$12 billion target is to be reached.

However, poor infrastructure is holding back the growth of agriculture and is hampering the achievement of the Government's targets.

The standard of infrastructure provision, most notably rural roads, bridges and electricity is often lower than that in urban areas.

Infrastructure Provision - Who provides, Who Pays?

Historically, much of Australia's economic development has been underwritten by Government investment in infrastructure.

Public works were seen as the key to employment, growth and prosperity.³

The philosophy of public works as the key to national development continued after World War II, the prime example being the Snowy Mountains Scheme.⁴

However, since the 1980s, there has been increasing pressure on government budgets as well as philosophical imperatives on the role of Government.⁵

The role of Government in the provision of infrastructure has been rolled back - for example the Commonwealth Government privatisations of Qantas and Telstra and the State Government privatisation of its electricity generation and distribution assets, as well as the privately-contracted building of Melbourne's City Link.

The VFF does support situations of genuine competition in infrastructure provision as competitive pressure usually places downward pressure on prices as well as an incentive to improve product and service. However, many areas of infrastructure provision in Australia eg. roads, gas and electricity distribution (as opposed to retail product), ports and railways have monopoly or oligopoly characteristics without the attendant pressures on price and product/service quality (and with the potential for providers to charge monopoly rents).

Even National Competition Policy (NCP) recognises that some infrastructure facilities are essentially natural monopolies and that owners left uncontrolled might well be tempted to use their infrastructure as licences to tax the using producers and consumers.⁶

Accordingly, NCP allows for declarations to be made that certain infrastructure represents essential facilities, which should be available to all at a reasonable price.⁷

A good historical example of how infrastructure can dictate the life of communities is the American railroads. First financed by land grants, they were subsidised by the gift of public assets in order to promote continental development. As communities grew, the railroads prospered from the immigrants that settled on the prairie. At the turn of the century, railroad stocks and bonds were seen as gilt-edged investments for American and British investors.⁸

However, by the 1960s the land grants had been all-but dissipated, the tracks were in need of renewal, railroads went bankrupt and services were being cut.⁹

Communities that were served by railroads went into decline.¹⁰

In other words, some infrastructure might not be provided if it is all left to the market and some form of government assistance may be necessary.¹¹

At the end of the day, infrastructure represents strategic national assets - without it, much rural and regional industry will become non-viable.

The Government has a responsibility to its people to provide a reasonable standard of infrastructure and community services to its entire population regardless of their geographical spread.

Rigorous cost-benefit analysis should be a prerequisite to any Government investment in new infrastructure. A decision to proceed with a major infrastructure investment should take into account both the results of the cost-benefit analysis but also the broader vision for national development.

National Competition Policy

The focus on infrastructure issues has been heightened by the advent of National Competition Policy.

Possible full deregulation and competition in the areas of telecommunications, postal services, electricity and local government services are of particular concern.

In the new environment the focus has shifted toward the cost of these investments and the returns that can be generated for the owners of the infrastructure. Competition has ensured that the infrastructure owners focus on the financial returns, resulting in much of rural Australia experiencing a decline in the provision of these services.

The longer-term issue for rural Australia is whether appropriate levels of investment in infrastructure will continue in this new environment.

The longer-term issue for governments is whether a rundown in infrastructure will reduce economic efficiency and outputs.

States are largely driving National Competition Policy. Financial benefits accrue to States who implement National Competition Policy. The VFF believes that if State Governments benefit from efficiency reforms, particularly those that heavily affect certain sectors of the economy and society, there is at least some moral imperative on State Governments to compensate that sector from the benefits received.

Benefits from NCP have not always flowed to rural people. It has been acknowledged, for example, that energy reform has delivered cuts in power bills of

25-30% for some businesses covered by the National Electricity Reforms. However, large industrial consumers (some of whom are in rural areas) have reaped the bulk of these benefits.

Furthermore, competition seems to apply to some but not others.

For example, there is a massive concentration of market power in the retail grocery market - Coles, Safeway/Woolworths and Franklins control 80% of the market in Australia, up from 40% in 1975.¹²

This has had a negative effect on prices paid to farmers.

National Competition Policy should not be a one-way street and can only be taken seriously by rural Australians when it is applied equally to everyone.

Cost recovery and Infrastructure Pricing

Under the old environment of State-run telecommunications and power, generation/distribution costs were partially hidden when met out of the internally generated funds of these monopolies.

However, in the new environment, the focus has shifted toward the cost of these investments and the returns that can be generated by the owners of the infrastructure. Competition has ensured that the infrastructure owners focus on the financial returns.

The spatial distribution of Australia's population means that it is apparent that many rural and regional areas may not be able to generate enough revenue in the form of user charges to justify the provision of economic infrastructure in cost recovery terms.

However, with Australian agriculture competing for market share with large trading nations such as the USA (which has the advantage of a higher population of greater density), it is vital that Australian infrastructure is safe, reliable and competitively priced.¹³

Fairness

Governments must clearly acknowledge that sustainable rural communities are vital to society as a whole and hence implement policies that support the viability of rural communities. Government support for rural and regional communities should be realised in terms of ensuring that they can access the same range and level of services that are currently available to metropolitan counterparts.

All policy deliberations and resulting legislative reform undertaken by Government, and intended for implementation across the broad community, should undergo a rural equity test prior to the reform and ensure that the reform includes provision for adjustments and/or subsidies to cater for rural communities' special circumstances.

The continued development of rural and regional communities, as they face the challenges posed by inevitable technology changes and global marketing, will be underpinned by the provision of appropriate infrastructure.

Roads and Bridges

Many roads and bridges in rural Victoria are in a poor state.

From the VFF's point of view, this affects our members as it adds to the costs borne by the agricultural sector in many ways. Farm vehicles sustain extra wear and tear and damage because of potholes, as do transports (eg. milk tankers).

To give one specific example, the Dairy Industry Working Party in the Moyne Shire made a submission to Hon Geoff Craige MLC, Minister for Roads and Ports, in May 1997.

It stated that the dairy industry has grown substantially in recent years. Milk production in the area has grown from approximately 400 million litres in 1986 to 760 million litres in 1996.¹⁴

Milk production in the area is expected to rise to over 1 billion litres by 2001 - this will be stimulated by recent investment in the milk processing sector of the local industry of \$140m over the last 4 years.¹⁵

About 8% of the nation's total volume of milk is produced or processed in the Moyne Shire.¹⁶

Milk processing, and significant exporting activities, are conducted by four companies with manufacturing plants in and around the Moyne Shire - Murray Goulburn, Bonlac, Nestle and Warrnambool Cheese and Butter.¹⁷

The area has been identified by the Victorian Government as a key dairy industry export development area.

However, it is the view of the Moyne Shire, as well as dairy companies and farmers in the area, that the future capacity of the dairy industry to reach optimal levels of production is seriously constrained by the inadequacy and deterioration of the road network in the area.¹⁸

In the report, there were nine sections of road that were identified as being in such a poor condition as to be causing excessive operating costs through vehicle damage and inefficient haulage because of slower than normal travel speeds necessary to maintain safety - the estimated cost of works on these roads was \$9.5 million.¹⁹

With the Victorian Government introducing higher mass (weight) limits on trucks and buses later this year, it will be necessary for Councils to upgrade bridges.²⁰

In its submission to this Inquiry, the Moyne Shire contended that it will cost \$9.4m to upgrade bridges and culverts to take the heavier mass limits. Moyne Shire's entire roads budget for 1998-99 is \$10m or 50% of its total budget.²¹

Councils in northern Victoria also point to the inadequacy of Murray River bridge crossings.

It is becoming increasingly recognised that local government does not have the capacity to fund the road and bridge building necessary for continued economic development. The ability of local government to fund infrastructure development is highly constrained by limited rate revenue and reduced availability of State and Federal funding.

The poor state of rural roads also affects other rural industries such as timber and tourism - there have been cases where tourist operators (including those involved in agritourism) have missed out on potential revenue because tour buses and cars could not or would not negotiate dirt tracks or pothole-filled roads.

A growing timber industry puts even more pressure on roads and bridges. Moyne Shire estimates that, within ten years, 600,000 tonnes of woodchips will be harvested annually. This will equate to 21,000 semi-trailer trips (or 14,000 B double trips) during each harvest season.²²

Transport is of fundamental importance to timber production because of its impact on international product competitiveness. Transport costs from forest to mill constitute about 50% of costs from forests to mill to cities to ports. Minimisation of these costs will significantly enhance the industry's competitiveness.²³

In its submission to this Inquiry, the Moyne Shire indicated that \$80m needed to be spent on local roads in the region as well as \$34 million to upgrade Portland's Port to cope with increased timber production.²⁴

The poor state of Victoria's roads can be ultimately traced back to the Federal Government.

Victorians contribute about 27% of Commonwealth fuel excise and roughly 27% of commercial road movements are on Victorian roads yet Victoria receives about 16% of Commonwealth road funding.²⁵ This situation has worsened in recent years - five years ago, Victoria received about 21%.

The situation was underlined when the Prime Minister announced \$195m of extra funding for roads in the Federal election campaign. Of this, only \$30m was for Victoria (for the Pakenham by-pass, which is welcome), whereas \$134m was for New South Wales.²⁶

Some of Victoria's major roads such as the Princes Highway are not currently seen as National Highways and the State Government has lobbied to include roads such as the Princes Hwy in either the National Highway or Roads of National Importance categories.

However, it seems a small back road near Canberra qualifies as a more important road than the Princes Highway between Melbourne and Geelong.

Main Route 92 is a mostly unsealed road between Braidwood and Tomerong near Canberra. It carries 150 cars a day whereas the Princes Highway between Melbourne and Geelong carries over 100,000. As a Road of National Importance, Route 92 received \$34m - the Princes Highway between Melbourne and Geelong has received nothing.²⁷

The VFF requests the Federal Government to review its road funding policy with a view to a better deal for Victoria.

The Commonwealth also funds local roads through the State Grants Commission and this funding can vary according to certain criteria, including population. The State Grants Commission is conducting a review of its funding criteria. There is some suggestion that the draft discussion paper prepared to facilitate progress on this issue contains options which would deprive rural Councils of funding for roads which carry less than 100 vehicles per day. This could cause many commercially important smaller roads to fall into a state of disrepair and will be completely unacceptable to country people.²⁸

Cattle Underpasses

With increases in herd sizes (often 500 plus), particularly in the dairy industry, and the trend towards farmers running larger farms with multiple holdings, farmers are now more often involved with moving large herds on busy roads.

Stock crossings often occur at dawn and dusk when light conditions are poor, on country roads where the speed limit is invariably 100km/h. The danger is heightened in areas that are hilly, damp and subject to fog, as dairy country often is.

The construction of cattle underpasses makes the moving of this stock easier and safer for the farmer and motorists. The orderly movement of cattle can also heighten on-farm productivity.

Victoria is Australia's premier dairy state with over 60% of Australia's dairy production occurring here. The VFF estimates there is a need for a further 500 underpasses throughout Victoria.

Under current tax rules, a farmer building an underpass/overpass can only depreciate it over at 2.5% a year, which provides little incentive for farmers to construct underpasses. Underpasses cost around \$60,000 to build, representing a drain on capital with very little financial return on investment.

Colac Otway Shire Council arrived at an innovative proposal whereby it would build an underpass and impose a special charge on the farmer who could write off the cost immediately or, say, over a period of time.

The Australian Taxation Office, despite initial advice to the contrary, ruled against this kind of expenditure being tax deductible as it was seen to be capital in nature

and not deductible outright under taxation legislation. Furthermore, special rates and charges were also ruled non-tax deductible while normal municipal rates and charges generally are.

The Colac Otway Shire Council has written to both the Federal Treasurer, Mr Peter Costello, and the State Minister for Roads and Ports, Mr Geoff Craige, requesting assistance in revising the Tax Act to enable

- Full deductibility of the cost of building the underpass, or
- An accelerated depreciation allowance or
- An investment allowance

The State Member for Rodney, Mr Noel Maughan, has asked the Minister for Roads and Ports, Mr Geoff Craige, to consider making a capital contribution of \$10,000 towards the cost of underpasses (provided that the traffic flow exceeds 1,000 vehicles per day and that a herd of 200 cows or more crosses the road on an average of at least 150 days per annum) and secondly to make representations to the Commonwealth to consider an accelerated depreciation allowance of 20% per annum for cattle underpasses.

Mr Maughan has also written to the Treasurer, to press the case for an accelerated depreciation allowance.

Water

The VFF believes that it is vital for business planning purposes for farmers to have secure rights to water. Victoria has largely achieved this with the Bulk Entitlement process and Streamflow Management Plans, where entitlements are based on existing use, allocations are not made above the catchment's yield and environmental needs are factored in. The Murray Darling Basin Cap is important here too.

- The principle of cost recovery is generally accepted as good for the economy and environment as it prevents waste and directs water to its highest-value use.
- However, despite the reasonably sound resource management regime currently operating in Victoria, it is estimated that water losses through evaporation, river losses and other water delivery system efficiencies in northern Victoria run into the millions of megalitres per year.
- The Government's 'Water for Agriculture' initiative provides funding of \$6m over 3 years to improve water markets and identify private investment opportunities to improve irrigation efficiency.

The VFF believes governments should:

- recognise the vital importance of water as a productive input to agricultural output, economic growth and job creation.

- recognise the importance of secure rights to water to farmers and the economy in general.
- ensure that the Murray Darling Basin Cap remains in place and is enforced uniformly across the basin.
- assist in identifying and funding water delivery system efficiency savings.

The Victorian State Government has already made a \$450m investment in rural town water and sewerage infrastructure.

If a township cannot provide quality water and wastewater discharge standards which meet EPA requirements then it does not attract new industries.

For example, because of the opening of the Bundalong sewerage plant, a new hotel/motel complex will be able to be built.

Clarke's Pies at Mortlake was threatened with closure by the EPA if they did not meet environmental discharge of factory waste standards - under the Government's package, the plant was sewered and the company's continued operations secured. Clarke's Pies employs 150 people and is looking at expansion options which could double its workforce.

Gas

Gas is vital to food processors, particularly dairy processors.

The ready supply of gas (among other infrastructure such as road links) was vital to the building of the National Foods plant in the Latrobe Valley and the Bonlac plant at Darnum Park. By the same token, the lack of gas supply has constrained the development of many areas of rural Victoria.

The 1998 gas crisis affected the livelihoods of many Victorians and farmers were no exception.

The interruption to gas supplies coincided with the peak of the milk production season.

Most major dairy factories in Victoria normally operate on gas. Initially when gas supplies were unavailable processors could not accept farmers' milk and as a result 25 million of litres ran to waste.

For the duration of the crisis, many dairy companies converted their plants from gas, which is not taxed, to diesel, which is highly taxed.

As a result, the Commonwealth reaped a financial benefit from the crisis but this tax added millions of dollars to the cost of the crisis for Victorian industry. It also wiped millions of dollars from farmers' returns, while the Commonwealth collected an estimated \$8m in extra diesel excise.

The Commonwealth assistance package is limited to individual workers stood down by their employer and small business defined as manufacturing businesses employing less than 100 people and other businesses employing less than 10 people.

Large cooperative companies dominate the Victorian dairy manufacturing industry and under the Commonwealth's guidelines they are ineligible to claim assistance.

However, because of the cooperative structure of the industry all dairy farmers will eventually carry the cost of the crisis.

In effect this means some small businesses will benefit from the Commonwealth package but farmers, who will suffer similar losses, will be excluded.

It is unlikely that the \$100 million assistance package will be fully spent.

Moves to increase Victoria's supply options will assist in preventing a situation like Longford affecting rural industries similarly again.

Electricity

Electricity pricing and quality of supply is vital for farmers, especially those involved in dairy, pig and chicken farming and horticulture, as well as irrigation activities in general.

A wrong decision in terms of electricity pricing could endanger farm viability and the State of Victoria's \$12 billion food export target by compromising service standards and jeopardising economic development.

Fairness

It has been acknowledged that energy reform has delivered cuts in power bills of 25-30% for some businesses covered by the National Electricity Reforms. However, large industrial consumers have reaped the bulk of these benefits.

When the Victorian electricity market becomes fully contestable in 2001, retail electricity prices are likely to fall. However, network charges could rise significantly for rural consumers as they bear the cost of distribution, causing the overall cost of electricity to increase. The VFF believes that electricity costs should be equalised across the whole community.

The VFF is concerned about a situation whereby its members would gain a small retail price decrease but face higher network charges and be worse off overall.

In its submission to the ORG Pricing Review, the Victorian Government's Energy Projects Division has emphasised that there is an expectation that the benefits of reform in the electricity industry will be distributed equally among Victorians.²⁹

However, there are serious doubts that the benefits to rural Victoria will equal those in the city.

Service Standards

The electricity reform process may also increasingly compromise service standards.

A minimum level of service standards should be established for the distribution system throughout Victoria and there should not be two standards - one for urban Victoria and the other for rural Victoria.

VFF members should not be penalised by having to pay for necessary improvements.

However, Powercor in its October 1998 submission to the ORG Pricing Review stated that improved quality and reliability depended on willingness to pay and businesses should be free to negotiate with larger customers on an individual basis for superior service.³⁰

In its submission of 30 September 1998, Texas Utilities argued that:

“TUA believes that whereas it may be appropriate for the Office to be involved in setting minimum standards, it is up to the businesses to set targets which may exceed the minima. This might involve businesses offering different price/quality packages. Service quality standards should have regard to customers’ preferences and willingness to pay for different aspects of service quality.... The cost of providing a given level of service quality differs greatly between rural and urban customers and it is unlikely that rural customers are willing to pay for the quality of service enjoyed by urban customers. In addition, progressive service improvements become more expensive.”³¹

Electricity infrastructure in rural Victoria already underperforms electricity infrastructure in urban areas. Outages are more frequent and take longer to fix than in urban areas.

The VFF receives many complaints from its members about the frequency and length of power cuts.

Because of poor service in rural areas (and following the logic of the two abovementioned distributors’ arguments), network charges for rural users should be lower than those paid by urban customers.

Restrictions on Economic Development

Poor service not only affects the bottom line of VFF farmer members but also impedes economic development. The provision of electricity to dairy farms in Western Victoria is an example of this.

- Western Victoria is a fast growing, export-focussed dairying region. Milk production has doubled between 1986-87 and 1996-97 - from 0.9 billion litres to 1.6 billion litres.³²
- Growth has occurred at 6.5% p.a. over past ten years, with growth of 8.29% p.a. over past five years.³³

The following problems have been identified with the provision of electricity to the region:

- Many of the regions SWER systems (Single Wire Earth Return) were built 30-40 years ago - adequate for traditional wool/beef growing activities but no longer capable of meeting the dairy industry's needs for power supply.³⁴
- At best, a single SWER system can run only one 300+ cow rotary dairy and associated equipment and even then loads need to be carefully managed.³⁵
- Overall growth of dairy farms and increased herd sizes and productivity levels is causing a significant overload.
- Currently there are 160 SWER systems within Western District dairying region.
 - 34 systems are already overloaded and causing difficulties - need immediate upgrading to accommodate future growth.
 - A further 76 systems are located in areas where high medium-term growth is expected and are likely to need upgrades over the next five years.
 - The remaining 50 systems are currently coping but are unlikely to meet future needs and will need to be replaced over next ten years.³⁶
- Powercor has made an analysis of seven overloaded SWER systems and has estimated that a SWER upgrade would cost, on average, \$250,000.³⁷
- With average network revenue of \$9,000 from a typical SWER line (or \$1300 per dairyfarm) Powercor has an obvious reluctance to make the investment itself.³⁸
- Farmers have obvious concerns about paying such prohibitive costs up front as well.
- Poor infrastructure is holding back the growth of the dairy industry and is hampering the achievement of the Government's targets. It is estimated that growth in the dairy industry in Western Victoria can only be realised with a \$16-20 million investment in upgrades to the SWER systems in the region.³⁹

There is thus an infrastructure gap raising the questions "who provides the infrastructure" and "who pays for it"?

It also highlights a danger that distributors may maintain infrastructure to minimum standards but not make improvements.

In rural areas where there is potential for massive economic growth, this could be disastrous.

Furthermore, distribution pricing policy should also recognise the fact that rural-based distribution companies were aware of the conditions of the distribution structure and the consumer density when they purchased the businesses.

Hypothecation (the earmarking of taxation revenue for certain purposes) could also be considered as a funding mechanism for infrastructure improvement.

In terms of rate of return allowable to distributors on their asset base, the VFF is concerned that ordinary maintenance expenditure may be included as capital expenditure or deferred (at the expense of rural service provision) until capital expenditure is needed.

Information Asymmetry

The issue of information asymmetry is an important one and needs to be addressed. This is because the distributors have vast human and financial resources at their disposal in order to make their case. They can also include the cost of consultants etc. in their regulated cost base. The issues are also central to these enterprises' core business.

Business and consumer groups do not have this advantage.

The VFF calls for Government funding for business and consumer groups so that they can conduct research of the same quality as the distributors.

Many of the above points on electricity infrastructure could also apply to gas.

Legal and Government Infrastructure

Right to Farm/Planning Issues

In many ways legal infrastructure can be as important to farmers' livelihoods as built infrastructure.

'Right to Farm' issues are very cogent here.

As urban areas continue to encroach on primarily agricultural land, increasing numbers of farmers are the object of complaints from neighbours who oppose day to day farming practices that may give rise to odour, dust, noise or even a change to the landscape.

In addition, many people who move into rural areas in search of an idyllic country lifestyle do so without realising that intensive and/or extensive farming activity will be undertaken in the area.

Active farm production that may lead to complaints could include:

- ploughing a paddock that may give rise to dust;
- operating a broiler farm that could create odour;
- harvesting a crop or running an irrigation pump through the night.

The potential for conflict between farmers and rural or semi-rural dwellers not involved in agricultural production is great, and will continue to increase. In many cases farmers are forced to justify their need to make a living in agriculture.

It is for this reason that the Victorian Farmers Federation fully endorses the development and implementation of what is commonly known as “right to farm” legislation. Originating in the United States, the term “right to farm” aims to protect primary producers from complaints about accepted agricultural practices, and reduce the number of constraints on farmers from all levels of government.

However, this legislation would in no way be an excuse for bad farming practices. On the contrary, it would encourage best practice on farms due to a better understanding of agriculture throughout the community.

A number of recommendations have been made for the introduction of right to farm legislation, and the continued viability of Victorian agriculture in the future is deeply dependent on their adoption. The following four issues must be addressed as soon as possible for farmers to maintain their immense contribution to boosting the Victorian economy, and to reach the Victorian Government target of \$12 billion in agricultural exports by 2010.

1. Amendment to the Nuisance Provisions of the Health Act

It is proposed to introduce an amendment to the Nuisance Provisions of the Health Act to protect conventional farm practices that pre-date the arrival of the complainant. The farmer would be required to show that the activity undertaken falls within acceptable industry performance standards. It is important that farmers can assert as a defence to a nuisance action the fact that the farm was in operation and the conditions complained of were in existence prior to the plaintiffs coming to the area. This *will not protect* new agricultural or horticultural activity that may have been regarded as a nuisance from the moment it is introduced.

2. Disclosure notices

It is proposed to require Local Government to issue a disclosure notice to all ratepayers in a rural zone, developers of land within a rural zone, and buyers of land within a rural zone. This proposal is modelled on legislation successfully operating in parts of the United States. The disclosure notice would advise purchasers of land in a rural zone that agricultural activities are likely to generate

noise dust, odours, fumes, etc. As long as the farming practices are conducted in the appropriate manners, they cannot constitute a nuisance to neighbours.

3. Dispute resolution

It is proposed that a dispute resolution mechanism similar to the Agricultural Practices Board operating in Western Australia would be established. Complaints about farming practices could be referred to the Board by Local Government or the EPA. There is possible scope for this Board to also handle complaints by farmers against each other, farmers against non-farmers, non-farmers against farmers and by farmers against government agencies.

4. Education and awareness

In addition to amendments to the nuisance provisions of the Health Act, disclosure and dispute resolution, there is also a need to educate the public about agriculture and its importance. An understanding of the importance of agriculture to the local and State economy is likely to reduce the number of disputes. New residents to rural areas are often unaware of the activities that take place in their new environment and conflicts arise when they seek to change these practices. In addition, many Victorians do not understand the importance of agriculture to the State and the processes involved in producing food.

Similar versions of right to farm legislation have already been introduced in Western Australia and Tasmania, however their success is questionable. In Tasmania the Primary Industry Activities Protection Act (PIAP Act) has been compromised by the fact it does not override Tasmanian Environmental Legislation, and many actions against farmers are taken under specific legislation. The PIAP Act therefore offers little protection.

It is important that this does not occur in Victoria. If, as hoped, the Government looks seriously at the proposal over the next 12 months, it is important that amendments to the nuisance provisions, the issuing of disclosure notices, a mechanism for dispute resolutions and education and awareness are addressed as outlined above.

Such a decision could have an enormous impact on the businesses of thousands of farmers nationwide.

There must be a recognition at official levels that urban people who choose to live in the country should be aware of and accept farm practices which have been accepted in rural communities for many years.

If farmers, for instance, cannot walk stock on roads, they cannot effectively farm.

Furthermore, land use and planning decisions are important for the future of agriculture in the sense that unrestricted residential development can diminish the stock of prime agricultural land and thus affect the agricultural sector and the economy as a whole.

Taxation

For the agricultural sector to prosper, a fair and efficient taxation system is necessary.

The VFF supports a broad-based consumption tax with exports zero-rated and food included in the base - funding the abolition of hidden sales taxes, stamp duties and banking taxes. The Government's tax package would save exporters \$4.5 billion in these hidden taxes and charges - farmers export 70% of their produce.

The elimination of petrol and diesel excise and its replacement with a modest road user charge is also important. Such excises are a tax on distance, Australia's biggest competitive disadvantage.

The Australian Democrats' opposition to removing diesel excise puts a vast majority of country businesses at a massive disadvantage.

Accelerated depreciation is also important to agriculture. Any diminution in accelerated depreciation, as countenanced in the Ralph Review of Business Taxation, would undermine farmers' ability to re-invest and adopt new technologies needed to maintain a competitive advantage in international markets.

Low commodity prices and a high level of international competitiveness are forcing farm operations to become larger and more productive.

Much of the recent productivity improvement on Australian farms can be attributed to farmers investing in new plant and equipment that includes the latest world class technologies. Tractors, combine harvesters, sprayers and seeding and tillage equipment all include sophisticated computer-based programs which allow access to global positioning systems and other precision technology.

This allows farmers to adopt the Precision Agricultural (PA) practices which result in the productivity improvements they require to stay competitive in the global market.

Ports

Many containers originate from rural areas accessible to rural ports. These ports, such as Portland, may have bulk handling facilities but not container handling facilities.

If ports were to become containerised, it would increase waterfront competitiveness, cut transport costs and give regional port towns a boost.

The VFF supported the privatisation of the ports of Portland and Geelong and supports the entrance of a new stevedoring operation at the Port of Melbourne.

As mentioned earlier in this submission, the Moyne Shire Council believes that \$34m is needed to upgrade Portland's Port to cope with increased timber production.

The City of Greater Geelong has called for Geelong's Port to be capable of handling all kinds of cargo, to be linked to the national standard gauge network and have improved links to the national highway system⁴⁰ and the South Gippsland Shire Council has called for the development of the Port at Welshpool in order to service Gippsland-based businesses.

Railways

The State of Victoria has a split gauge system - standardising rail links ought to be a priority.

It would cost around \$100m to convert all broad gauge lines to standard gauge but this would bring enormous economic benefits.

Grain comprises 50% of V-Line Freight's cargo.

NSW and South Australian producers are keen to link up with Victorian ports, including Portland and Geelong.

Also, currently 1.8 million tonnes of produce is transported to Portland by road each year - 1/3 of that is grain.

Increased usage of rail freight would also produce enormous savings in terms of wear and tear on roads.

In this respect, the Federal Government should remove all excise on diesel fuels used in rail transport (especially as there is no road user charge justification).

Telecommunications and Information Technology

Australian primary and secondary food and fibre exports provide Australia with a third of the national foreign exchange earnings. Rural businesses are a predominant part of this sector and operate in a highly competitive environment. Access to fast, affordable, broadband services is an essential business resource that is currently available to only urban businesses - disadvantaging country enterprises.

Rural businesses should be able to operate at parity with the telecommunications services available to urban businesses.

Rural communities have suffered severe cuts in both government and private service delivery in the past - with education, health, employment and welfare services being affected as well as banking and postal services. A high quality IT infrastructure will also go some way to redressing these inequities.

- The VFF supports a study by government of the status of current work being done by government, community and commercial groups to address rural access to telecommunications. A survey of the quality and capacity of existing Victorian

rural telecommunications infrastructure, new and emerging technology options and projections of demand is also required.

- The Rural Telecommunications Fund (RTIF) is a major source of funding for rural infrastructure development. Uncoordinated IT project development under this scheme in Victoria is hampering the most efficient use of RTIF funds. An overview of Victorian RTIF projects is urgently required.
- IT must be both accessible and affordable to all farming businesses and rural communities, through infrastructure development and through subsidisation of equipment and call charges if necessary.
- The Government should implement its commitment to amend the Universal Service Obligation (USO) to provide a digital data service of at least 64 kilobits per second for all Australians on an equitable basis.
- Local call access to the Internet throughout the State should be greatly improved, initially by increasing the number of Internet Points of Presence (POPs) in the Far East and North West of the State.
- Review of Telstra's existing local call boundaries.
There are over 2500 local call zones in Australia, and complex charging regimes operate between them. Call zone boundaries have not been comprehensively reviewed since the late 1970s and it is time that the multitude of small rural zones be amalgamated into broader regional zones. This will reduce STD charges on rural businesses and communities, and increase user traffic across the state, both on voice and data telephony.

Health

Living in the country is a health hazard. The health of rural Victorians is worse than that of city dwellers and age standardised death rates and hospital admission rates are higher for heart disease, many types of cancer, accident related injury, diabetes, asthma and pneumonia.

People in rural communities suffer reduced access to adequate and appropriate health care. These factors are compounded by poverty, geographic and social isolation, high unemployment levels and ageing communities. In the country there is an ongoing shortage of health care professionals at all levels, fewer and less comprehensive hospital and community health care infrastructure, and often poor co-ordination between the various agencies.

Population drift towards large regional centres is increasing, partially as a result of service withdrawal and rationalisation by both government and commercial organisations. People will not live in rural Victoria unless they have access to essential services such as health, nor will new businesses invest in depopulated areas.

The massive rationalisation of health infrastructure in Victoria under the present Government has largely ended, and the VFF does not expect that more hospitals will close in the country. Reductions in the availability of acute beds, in the manning and operating of rural ambulance services, and the increase of demands on volunteer drivers and carers are ongoing issues, but difficulties with the way health education and screening services are delivered in the country are now the focus of concern in rural communities.

- The Government must develop non-population based funding models for health education and service delivery, which include correct weighting factors to compensate for the extra travel and transport costs borne by rural clients of the health system.
- Health education and screening programs should be funded through community initiated and operated events, in partnership with local organisations. The adoption of personal health awareness and prevention strategies can best be fostered in local and peer group situations. The VFF Men's Health Night program has operated thirty events of this type over the last 18 months with attendances ranging from fifty to 400 men.
- Improved rural aged care based on community programs that allow independent living is required. Compared with metropolitan areas, many rural areas have high proportions of people aged 65 and over. Farmers often retire much later in life than city people.
- Improved mental health and anti-suicide programs are required in rural areas. The implementation of the anti-suicide Program resulting from the State enquiry does not appear to be effective in the more remote areas of the State, especially in drought and frost affected regions.
- Better funding for public dental programs in the country is essential, as most country people have no option other than to use public dental services. Waiting lists for fillings and prosthetics have escalated markedly over the last eighteen months, with no increase in public services being offered.
- The VFF continues to work with CURHEV and other health education bodies to redress the lack of health professionals practising in the country. The current WA scheme allowing Commonwealth trained GPs to practice in the country without sitting the AMA Clinical exam is valuable and should be adopted nationally. State Governments should also be required to include measures for developing and maintaining a pool of skilled health professionals in any assessment of tenders for the provision of services in the country.
- A policy that recognises the economic significance of the work of voluntary carers in rural communities should be developed, and must provide for some form of compensation for their outgoings.

Recommendations for immediate action

In terms of concrete actions, the VFF proposes the following:

Identifying standards

- Research be commissioned to establish the essential socio-economic benchmarks for viable rural communities with under 5000 people.

Addressing infrastructure shortfalls

- The establishment of State and Federal Rural Infrastructure Development Funds in order to “fill the gaps” where infrastructure funding by the private sector (users and providers) is inadequate. Key areas of infrastructure which should be addressed are electricity distribution and roads. A funding source for a State Rural Infrastructure Development Fund could be the payments made to States by the Commonwealth for implementing National Competition Policy.

Roads

- A fair share of Commonwealth road funding for Victoria including an acknowledgment that funding must be directed to areas of economic need (possibly by the means of the abovementioned Rural Infrastructure Development Fund).

Electricity

- The establishment of a minimum level of service standards for electricity distribution throughout Victoria applying to both urban and rural areas.
- Electricity network charges should be equalised across Victoria.
- The State Government should assist in plugging infrastructure shortfalls which restrict economic growth eg. in Western Victoria (again, possibly by the means of the abovementioned Rural Infrastructure Development Fund).
- The State Government should provide assistance to address information asymmetry problem between electricity distributors and business and consumer groups.

Water

- The continued establishment of clear rights to water; the retention of the Murray Darling Basin Cap and its uniform enforcement across the Basin; identification and funding of water delivery system efficiency savings.

Taxation

- An efficient, user-friendly tax system, with a rebatable broad-based consumption tax and the abolition of hidden taxes such as Wholesale Sales Tax, stamp duties and banking taxes.
- Substantial cuts to diesel excise for heavy road transport (excise to be replaced with a modest road user charge).
- Complete removal of diesel excise for rail transport.
- Retention of accelerated depreciation for primary producers including an extension of accelerated depreciation for cattle underpasses.

Ports and Railways

- A high priority must be given to standardising rail links and improving co-ordination between rail, roads and ports.
- Competition of provision of port services should be encouraged with the further development of regional ports and the encouragement of a new stevedore at the Port of Melbourne.

Gas

- Provision of a reliable gas supply should be extended further throughout regional Victoria.
- Competition in retail provision should be encouraged to ensure lower prices and reduce over-reliance on one supplier.
- Compensation should be immediately offered to those agricultural producers affected by high diesel excise outlays during the gas crisis.

Telecommunications

- A study by government of the status of current work being done by government, community and commercial groups to address rural access to telecommunications.
- A survey of the quality and capacity of existing Victorian rural telecommunications infrastructure, new and emerging technology options and projections of demand is also required. An overview of Victorian RTIF projects is also urgently required.

- The Government should implement its commitment to amend the Universal Service Obligation (USO) to provide a digital data service of at least 64 kilobits per second for all Australians on an equitable basis.
- Local call access to the Internet throughout the State should be greatly improved, initially by increasing the number of Internet Points of Presence (POPs) in the Far East and North West of the State.
- There should be a review of Telstra's existing local call boundaries.

Health

- The development by Government of non-population based funding models for health education and service delivery, which include correct weighting factors to compensate for the extra travel and transport costs borne by rural clients of the health system.
- The provision of improved rural aged care based on community programs that allow independent living.
- Improved mental health and anti suicide programs in rural areas.
- Better funding for public dental programs in the country.
- Adoption nationally of the current WA scheme allowing Commonwealth trained GPs to practice in the country without sitting the AMA Clinical exam.
- The State Government should include measures for developing and maintaining a pool of skilled health professionals in any assessment of tenders for the provision of services in the country.
- A policy that recognises the economic significance of the work of voluntary carers in rural communities should be developed, and must provide for some form of compensation for their outgoings.

Right to Farm

- The development of effective right to farm legislation in order to give farmers the certainty to be able to continue normal day-to-day farming practices.

General

- A `rural equity test' for all policy deliberations and resulting legislative reform should be undertaken by Government and ultimately implemented across the broad community. This would ensure that the reform caters for rural communities' special circumstances.

ENDNOTES

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