



Municipal Association of Victoria

SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON PRIMARY INDUSTRIES AND REGIONAL SERVICES

INQUIRY INTO INFRASTRUCTURE AND THE DEVELOPMENT OF AUSTRALIA'S REGIONAL AREAS

1. EXECUTIVE SUMMARY

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 areas where infrastructure is deficient are power, transport infrastructure, telecommunications water supply, gas, waste, tourism facilities, education, health and banking.

Rural councils across Victoria consider that there exists tremendous opportunity for development in regional areas across a wide range of industry sectors. Many of these industry sectors are focussed on export/import replacement. Attraction of investment will generate employment in regional areas.

The ability of local government to fund infrastructure development is highly constrained by limited rate revenue and reduced availability of State and Federal funding. Current and potential industry efficiency and regional development continues to suffer.

Support for further analysis of rural and regional infrastructure requirements should be provided so that local government can develop a detailed costing and plan for infrastructure development.

Infrastructure planning should consider the potential for development by assessing the area's strengths and identifying required infrastructure development needs.

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.

2. TERMS OF REFERENCE

The House of Representatives Standing Committee on Primary Industries and Regional Services is inquiring into the role of infrastructure in assisting the economically sustainable development of Australia's regional areas.

The committee has requested interested parties to provide comment on the following criteria -

- deficiencies in infrastructure which currently impede development in Australia's regional areas
- factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies and facilities that deliver educational health and financial services
- the potential for development in regional areas
- the extent to which infrastructure development would generate employment in regional Australia
- the role of the different levels of government and the private sector in providing infrastructure in regional areas
- planning, coordination and cooperation in the provision of infrastructure in regional areas
- the benefit to the national economy of developing regional infrastructure

3. THE MUNICIPAL ASSOCIATION OF VICTORIA

The Municipal Association of Victoria (MAV) is the peak body representing Victorian local government. It was established in 1879 and incorporated by an Act of Parliament in 1907. This legislation stipulates that all councils in the State are members of the Association.

The Association represents its membership in a variety of community, political and media forums. Its role is to support and promote the interests and objectives of municipal governments throughout Victoria. It works with both metropolitan and rural councils, State Government departments and others, to develop and implement broad-based local initiatives. These initiatives range from social and cultural programs through to infrastructure and the environment.

4. GOVERNMENT COMMITMENT TO THE MAINTENANCE OF RURAL COMMUNITIES

The MAV convened a Rural Forum of member councils to identify the key issues of concern to them and the communities they represent. A report from each of the 6 local government regions was presented to the forum outlining infrastructure areas which are currently in need of improvement.

This submission is based upon the outcomes of the MAV Rural Forum, comment specifically sought from members for the preparation of this submission and anecdotal evidence gathered as a result of various MAV/council discussions.

A major finding of the MAV Rural Forum was that due to the economic, environmental and social benefits rural communities provide to the entire Australian community, (ie both metropolitan and rural) Governments must clearly acknowledge that sustainable rural communities are vital to society as a whole and implement policies that support the viability of rural communities.

Given that the intent of this inquiry is to assess how infrastructure can assist in the development of 'regional areas' it is presumed that the Commonwealth Government is committed to supporting the maintenance of rural communities now and into the future.

The MAV Rural Forum strongly advocated that 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.

Many of the outcomes of State and Commonwealth policy deliberations and reform have had deleterious effects on rural and regional communities due to the fact that the broad nature of the reforms have not adequately catered for the special needs of rural communities. National Competition Policy, for instance, has required widespread changes to many government instrumentalities providing basic infrastructure services to rural and regional areas. The reform however appears to have been undertaken without preparedness for the fact that lower population and greater distance, inherent in rural and regional areas, are having a marked negative effect on the reported benefits of competition.

All policy deliberations and resulting legislative reform undertaken by Government and intended for implementation across the broad community should therefore, as a matter of course -

1. undergo an initial assessment of how the outcomes of the policy deliberations and reform will potentially impact on rural communities due to relevant special considerations eg lower population and distance factors, ie a rural equity test prior to the reform.
2. ensure that the decision making process includes this assessment to ascertain whether a particular reform should be undertaken or what adjustments and/or subsidies are required to cater for rural communities special circumstances.

5 RESPONSE TO TERMS OF REFERENCE

This response is essentially generic and detailed responses to the terms of reference are provided in individual council submissions. The attachment provides a summary of deficiencies in infrastructure that currently impede social and economic development, as reported individually by councils

- **Deficiencies in Infrastructure which currently impede development**

The areas where infrastructure is deficient are numerous and affect the development of a wide range of industry sectors and the development of rural and regional communities.

Power

The lack of reliable, suitable cost effective power supplies in key regions is particularly impeding development of processing industries such as dairying. Given privatisation of electricity supply, councils are concerned that private power suppliers will not undertake the capital investment required to provide suitable infrastructure, or if the investment is undertaken, the cost of utilisation on a user pays basis will be prohibitive.

Transport Infrastructure

Of primary concern is the lack of adequate transport infrastructure for freight movement to processing and domestic and export markets, including poor standard local roads and bridges (ie general bridges and Murray River crossings), inadequately sized arterial roads and highways in some areas, underdeveloped regional airports, non standardised rail lines, underdeveloped ports and lack of port services in key regions. Containerised freight centres are also insufficient in a number of areas.

Inadequate public transport services and timetabling to enable movement within rural and regional areas is debilitating. Residents of smaller towns are precluded from retaining residence while working in larger regional centres.

Telecommunications

The lack of quality and cost competitive telecommunications is also identified as a key factor impeding development. Insufficient mobile phone coverage is also a significant problem in many areas. (The RTIF fund needs to be assessed to determine if these issues are being addressed across all areas.)

Water supply

Inadequate water availability, quality and security of supply is a critical issue for development of the agricultural sector and maintenance of residential living standards.

Gas

Lack of reticulated gas supplies to a number of regions is crucial for economic development and also maintenance of rural residential living standards.

Waste

Industrial sewerage, liquid and solid waste treatment service are inadequate in some areas. The cost to upgrade residential sewerage is also prohibitive.

Tourism facilities

Critical tourism requirements such as high standard accommodation and convention centres, regional planning and specific facilities need to be provided.

Education, Health and Banking

It is well documented that the health status of people living in rural areas is significantly poorer than metropolitan communities. This disturbing phenomenon is underpinned by a range of causes including the shortage of doctors and other health providers, limited health resources, distance, isolation and transport deficiencies and socio economic capacity of families. Councils as providers of home and community care also face significant funding challenges as demand for services increase and funding assistance decreases.

The shortage of bank services has also been well documented and continues to remain a concern. The increased existence of new banking user technology (ie phone banking, eftpos etc) needs to be supported by appropriate education to assist people with change.

Educational facilities, particularly the availability of TAFE and university level has been identified by councils as critical factors in regards to retaining youth in communities and providing the existing and potential workforce with opportunities to increase skill levels without having to travel to centralised locations.

Local Government financial capacity

Local government's financial capacity to maintain and renew basic infrastructure such as roads, drainage and community facilities is severely curtailed. The State Government rate cap limits councils ability to raise the required revenue from the rate base and funding from other levels of government has declined.

A recent draft study* commissioned by the Victorian State Government has found expenditure on infrastructure equates to only 68% of expenditure required to sustain Victorian local governments existing asset portfolio.

This is an annual shortfall on required spending of \$225 million and does not account for spending requirements for new infrastructure.

(*Source "Facing the Renewal Challenge", Draft Victorian local government Infrastructure Study, Office of Local Government July 1988)

- **The potential for development in regional areas and**
- **The extent to which infrastructure development would generate employment in regional Australia**

Rural councils across Victoria consider that there exists tremendous opportunity for development in regional areas across a wide range of industry sectors. Dairy, timber, horticulture, intensive agriculture, cropping, viticulture, telecommunications and tourism are some of the sectors which are currently experiencing exciting growth and hold the promise of further development, particularly in terms of value adding to primary resources.

Many of these industry sectors are focussed on export/import replacement. The Commonwealth has recognised this potential for development in a number of strategies such as the Supermarket for Asia program and the 2020 Vision to treble plantations and the Regional Forest Agreements.

Individual councils submissions have more explicitly outlined the specific development potential for particular Shires and the positive impact of infrastructure investment.

A key factor in achieving this development potential is the further development of cost effective infrastructure in order for industry development to access competitive price inputs.

Attraction of investment will generate employment in regional areas.

- **the role of the different levels of government and the private sector in providing infrastructure in regional areas**

Government has traditionally been responsible for the provision of infrastructure and in many cases has not kept pace with the infrastructure demands. The advent of National Competition Policy and the pursuit of competitive neutrality in order to operate efficiently in the global economy appears to have crystallised the problem of inadequate infrastructure provision as previously government owned instrumentalities are privatised.

Apart from Community Service Obligations, (adherence to which is yet to evidenced), the extent to which now privatised instrumentalities will subsidise infrastructure provision to provide an initial basis for development of the community must be urgently addressed.

Providers are questioning the true cost of the CSOs (Telstra, Powercorp) and the likelihood of new investment in infrastructure without internationally competitive returns for shareholders is highly questionable.

Government must continue to take responsibility for infrastructure provision. The high cost of this is recognised, however, the future economic development of rural and regional areas is in many cases contingent upon the infrastructure development.

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The ability of local government to fund infrastructure development is highly constrained by limited rate revenue and the availability of State and Federal funding. Victoria's partnership funding is successful in many situations. However often the inability of communities to meet the necessary criteria (ie \$ for \$ funding) has often precluded participation.

The Federal and State Government need to adopt a partnership approach to infrastructure development and examine whether current funding and agreements are sufficient.

The current arrangements for road funding, as set out in the COAG agreement, relinquish the Federal Government of any local road responsibility other than provided for in the Better Roads Fund and Local Road Component of the Financial Assistance Grants. Requests for increased funding are constantly met with the Federal response that States distribute the allocated funds and the State responds that the total allocated amount is insufficient. While the debate is 'handballed', Councils are unable to cope with the financial demand and industry efficiency and regional development continues to suffer.

The impact of the Commonwealth tax reforms on local government revenue will also impact on local governments ability to fund general infrastructure and services. These reforms change the funding relationship that local government now has with the Commonwealth, transferring responsibility for Financial Assistance Grants and Local Road Funding to the States via an Intergovernmental Agreement. In addition, the reforms add a cost burden on local government due to the cost of collecting and administering the GST.

- **planning, coordination and cooperation in the provision of infrastructure in regional areas**

Local government is well placed to identify the infrastructure requirements and councils submissions to this inquiry provide a detailed and comprehensive listing of the infrastructure requirements for their respective communities.

Support for further analysis of rural and regional infrastructure requirements should be provided so that local government can develop a detailed costing and plan for infrastructure development.

Local government should be further supported to conduct this analysis on a regional basis.

An evaluation of the local road transport requirements for forest industry development is currently being undertaken by councils, in conjunction with industry, from Victoria's four forestry regions. This report, the *Timber Industry Road Evaluation Study* will identify the regional development benefits resulting from investment in local road infrastructure. It will be available in early June and is an example of local government working with industry to identify infrastructure requirements on a regional basis.

Planning for the provision of infrastructure should not be primarily based on the status quo population trends. Decisions that use declining population to justify the reduction or removal a particular service or infrastructure required in a community are clearly pre-empting that community's demise.

Planning should consider the potential for development by assessing the area's strengths and identifying required infrastructure development needs.

For instance, the prediction that a particular rural area will not need improved regional public transport is justified by the current lack of demand. This justification belies the fact that the lack of demand is related to the poor standard of service. Scenario planning, ie assessing how demand could alter given varying supply conditions should be more widely used in infrastructure planning.

State and Commonwealth industry development strategies should include an analysis of infrastructure requirements, and commitment to the provision of funds for the infrastructure development.

- **the benefit to the national economy of developing regional infrastructure**

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.

Development of regional infrastructure will provide a competitive foundation for efficient industry operation and further industry development, resulting in national economic benefits such as export and import replacement with obvious beneficial impact on the balance of trade and GDP.

Vibrant, sustainable rural and regional communities, providing adequate employment and standards of living, are immeasurable in that the entire Australian community derives benefit from the economic inputs and the existence of resources to manage natural assets. Furthermore, conservation of the rural way of life provides the community at large with the knowledge that the rural way of life is available to those who wish to experience it.

ATTACHMENT 1

SUMMARY OF INFRASTRUCTURE DEFICIENCIES OUTLINED IN
COUNCIL SUBMISSIONS TO INQUIRY PROVIDED TO MAV

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|---------------------------|---|
| Ballarat
(HO Ballarat) | <ul style="list-style-type: none">• Council's limited capacity to fund capital works• Road works to implement CBD strategy• Car parking• Fast Passenger train to Melbourne• Standardisation of rail network• Poor standard of road link to Geelong• Container Park• Ballarat Airport• Serviced industrial land• Sewerage treatment - cost of treatment of trade wastes• Agribusiness precinct• High telecommunications costs• Lack of 4 -5 star hotel and convention centre |
| Baw Baw
(HO Warragul) | <ul style="list-style-type: none">• Road infrastructure for freight• Upgrade of rail commuter transport• Better support for regional hospital and health services and TAFE and university campuses• Lack of cohesion with 3 levels of government to provide regional infrastructure |
| Cardinia
(HO Pakenham) | <ul style="list-style-type: none">• Inadequate transport and hydraulic infrastructure• Poor definition of roles and responsibilities for infrastructure development between Federal, State and Local Government• Existing and future inadequacies of education and medical infrastructure• Loss of banking services• Lack of sewage• Lack of coordination in the provision of infrastructure |
| Gannawarra
(HO Cohuna) | <ul style="list-style-type: none">• New infrastructure to enable high value irrigated culture• Road infrastructure into major developments• Telecommunications• Regional tourism approach• Further expansion of reticulated water supply to dairy farms• Electricity to dairy farms• Inadequate Murray River crossings• Industrial estates |

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| Glenelg
(HO Portland) | <ul style="list-style-type: none">• Road infrastructure• Regular container service for Port of Portland• Upgrade of gas pipeline to cope with new development• Extra transmission costs render power supply un-competitive• Power to dairy farms |
| Hepburn
(HO Daylesford) | <ul style="list-style-type: none">• Inadequate road systems• Lack of natural gas• Lack of mobile phone coverage and inadequate telecommunications• Sewerage services in key towns• Reliability of electricity supplies and service interruptions• Water quality in some areas |
| Hindmarsh
(HO Nhill) | <ul style="list-style-type: none">• Water availability and security constraints on agricultural development• Sustainability of agricultural practices• High cost of telecommunications• Poor mobile phone coverage• Poor water quality and pressure• Possible limitations of sewerage treatment facilities• Variable reliability of power supply• Lack of reticulated gas• Very limited public transport including inadequate time-tabling |
| Indigo
(HO Beechworth) | <ul style="list-style-type: none">• Electricity supply• Security of water supply |
| Melton
(HO Melton) | <ul style="list-style-type: none">• Inadequate water supply for residential and industrial use paired with large population growth |
| Mount Alexander
(HO Castlemaine) | <ul style="list-style-type: none">• Road infrastructure• Local government un-funded superannuation liability• Disadvantage smaller schools in regional areas• Loss of banking services• Loss of service centres and centralisation of electricity, gas, phone etc)• Rail service between Bendigo and Castlemaine• Cost of telecommunications |

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| Moyne
(HO Port Fairy) | <ul style="list-style-type: none">• Bridges and major culverts on local road collector network to cope with mass limits• Access to export distribution centres• Inadequacy of Princes Hwy West• Inadequate power supply infrastructure |
| South Gippsland
(HO Leongatha) | <ul style="list-style-type: none">• Inadequate capacity of South Gippsland Hwy• Lack of capacity to handle liquid industrial waste and solid waste• Poor quality of drinking water• Inadequate funding for industrial estate• Re opening of rail line to Leongatha• Investment on air field for direct export of produce to Asian markets• Development of Port at Welshpool• Inadequate telecommunications• High costs and unreliability of power supply• Inadequate infrastructure to support food and wine industry development |
| Swan Hill
(HO Swan Hill) | <ul style="list-style-type: none">• No natural gas<ul style="list-style-type: none">• Electricity capacity shortages• Lack of containerised freight centre• Murray River crossings• Standardised rail links• Poor mobile phone coverage• Poor internet capacity• Outdate irrigation supply infrastructure |
| Warrnambool
(HO Warrnambool) | <ul style="list-style-type: none">• Tourism development to upgrade facilities• Redevelopment of TAFE• Infrastructure to utilise alternative and cost effective energy sources• Lack of power supply to support dairy expansion• Road infrastructure to support industry growth• Lack of standardised rail infrastructure• Water supply security |
| West Wimmera
(HO Edenhope) | <ul style="list-style-type: none">• Three phase power• Price of fuel• Limited digital communication coverage• Rail link not connected to main standard gauge network• Inability of small communities to meet imposition of water supply standards• Inadequate domestic air services• Poor coordination of Telstra technicians to meet large distance demands• Poor standard of roads into new forestry developments |

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End.