HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Economic and Social Impacts of the Privatisation of Regional Infrastructure and Government Business Enterprises in Regional and Rural Australia

Submission prepared by

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INTRODUCTION

The Central Murray Area Consultative Committee Inc. (CMACC) is a cross border region. It comprises the LGA's of Campaspe, Gannawarra and Swan Hill in Victoria and Murray, Conargo, Deniliquin, Berrigan, Jerilderie, Balranald and Wakool in New South Wales.

The region has a gross production output value of $5.43 billion with manufacturing $1.55 billion (28.52%) and agriculture $1.34 billion (24.63%).

The region has also adjusted to the demand of trading within a global environment and as such has adopted many technology advances to improve efficiencies and increase output on a per hectare basis and a per mega litre of irrigation water basis. These advances have been made across a number of industry sectors, including value adding manufacturing, and are continuing to be implemented even though our region has experienced the worst drought in recorded history. No industry sector within the region has been spared the impacts of this drought. The region has also had to deal with the Living Murray issue which has created confusion and uncertainty within the region on a scale not previously experienced. A surprising factor during this period is that there has been continual enquiries for new large scale agriculture developments and expansion of existing operations. A significant percentage of this expansion is being driven by the urban sprawl factor, both locally and in outer metropolitan Melbourne. Traditional industries closer to urban centres are unable to expand due to competition for available land, high land prices and environmental pressures. This expansion is required to supply expanding export and domestic markets.

The availability of large tracts of land, cheap land in comparison to metropolitan fringes, access to water and available labour force are all part of an attractive package that our region has to offer. These developments are creating an aura of confidence within the communities and the LGA's are providing significant local assistance to ensure that they happen in a complimentary manner to the needs of the region, in an environmentally acceptable manner and that they are completed within the desired timeframe of the developers. The opportunity for these developments to provide further value adding to their produce is a significant aspect of this rising confidence. People are seeing job creation not only on farm but potentially in-town. These opportunities will further provide career path opportunities for younger members of the community or for those wishing to migrate to regional Australia.

The greatest demand being placed on the region by these developments is the availability of energy (power and gas) and telecommunications. This increased demand on supply and capacity is also being fuelled by the growth within the residential and industrial sectors of towns within the region.

Economic Impacts on Rural and Regional Australia (rail, road, aviation, ports, power, and industrial manufacturing sectors)

Benefits may include greater efficiencies and cost savings, however it is the rural and regional areas that are disadvantaged by less or poorer service and loss of jobs in rural communities.

Once privatised the emphasis switches from service to profits, usually to the disadvantage of rural and regional Australia, where it is not always profitable or as profitable to provide the service as it is in metropolitan areas.

If more rail services are privatised, and stations are closed, it may mean more demand on local roads because of increased traffic by truck. This puts a heavy burden on local governments to upgrade and maintain roads and bridges.

Social Impact on Rural and Regional Australia (rail, road, aviation, ports, power, and industrial manufacturing sectors)

Loss of jobs has significant detrimental flow on consequences to the health of smaller communities and regions, which may rely heavily on one or two industries. Major loss in jobs can cause families to leave the communities and threaten the stability of the local businesses and the communities as a whole. There is a large decrease in the social capital of the region.

Poorer services reduce the chances of attracting outside investors in Rural and Regional Australia ventures that need proper infrastructure to operate.

REGIONAL ISSUES ASSOCIATED WITH ENERGY AND TELECOMMUNICATION NEEDS

The following are a list of issues within the region that local government representatives have had to deal with when trying to facilitate development and expansions. These impacts have had varying levels of impact on new developments/investment opportunities. They are listed for your information as a means of "painting the picture" on issues within the region.

ELECTRICITY

1. **The inability to access upgrades in a timely manner to align with new agriculture developments.**

   The timeframe for new agriculture developments are planned around seasonal requirements for plantings etc. There have been a number of occasions when windows of opportunity have been lost because energy companies have not been able to provide the necessary infrastructure within the required timeframe. A delay of one month in providing power can mean a 12 month delay in obtaining a return on investment due to plantings having to wait to the following year. These delays cause loss of job opportunities, financial losses for the companies and loss of trade and regional income.

2. Irrigation efficiencies being hampered by limited supply

Efficiency in irrigation management (re-use dams, turkey nest storages, drip systems) systems has increased the demand for 3 phase power requirements. The Victorian Government through the Regional Infrastructure Development Fund in an alliance with the Victorian Farmers Federation has assisted dairy farmers and their communities in a number of locations throughout Victoria. An extension or variation on this scheme for other industry sectors may provide a more timely and cost effective upgrade of the SWER system to 3 phase power.

3. Lack of understanding of regional needs by power companies

On various occasions a power supply company has been requested to provide an estimated quote on cost of delivering power to a new agriculture enterprise they have requested the relevant local council to consider moving the development to power already exists. The explanation that the major requirements for the developments are suitable land types, availability of irrigation water and proximity to required labour force they are not understanding the linkages between all components. The council tries to match their developments with existing infrastructure but this is not always possible or practical.

It would appear that these sentiments are based on “bottom line” issues for the power company and not understanding all the issues associated with economic development in regional Australia. There may be a need for an education process on the needs of communities and the interrelationships between all infrastructure requirements when government services and business enterprises are privatised.

4. Future needs

The increased demands on power supply will come from all sections of our community. The population of Australia is expected to surpass the next million mark in December 2003. The ability of the nation to provide for itself and increase export market share is dependent on availability of water for production and energy for value adding. This aspect is a significant aspect for the future health of regional Australia. As mentioned earlier urban sprawl is forcing agriculture based industries further away from higher rain fall districts into irrigation based regions. This movement is requiring new infrastructure, maintenance of existing infrastructure, and need for research into new means of supply and delivery.

The National Water Reform Initiative should supply the necessary framework to ensure guarantee of supply of irrigation water for our future needs. The need to have water to supply the Snowy Hydro Scheme future needs must also be promoted to the general community as being an important component of this debate.

The AusLink proposal and the subsequent submissions received as a result of the Green Paper will hopefully provide the necessary process to ensure our future transport needs are addressed.

5. Project delays

The delay in having power connected to industrial and residential developments is also a factor in hindering economic expansion in the region. There are a numerous examples across the region where delays to industrial site and residential estate developments have been due to the lack of service available from the power supply company. In southern NSW an industrial site development was delayed for 6 months while the design phase was completed. The power company only has two small works depots in the region and the design works are situated in a large regional centre 2 hours away. The company has had to contract design work out to ex-employees who had been retrenched due to "surplus to requirements". A residential development in the town was delayed for 4 months while the design phase, which the developer had engaged an external contractor to complete, was processed. Businesses cannot afford delays of this nature. It is imperative that businesses are able to expand and upgrade in a timely manner. The major concern for businesses when supplying products to overseas markets is the ability to guarantee quantity, quality and delivery of product.

GAS

The privatisation of gas has had a negative impact on economic development within the region. Prior to privatisation a number of towns in the Southern Riverina were connected to natural gas through the Murray River Towns project. Once privatisation was implemented the extension of the gas line was ceased. This has led to an inability of these towns to attract businesses to the region. For a number of businesses who have wanted to locate to the region this has been the one limiting energy requirement and it has meant that they have had to look elsewhere even though the other sites are not as advantageous for their other needs (i.e. raw product, labour availability, access to end markets).

The difficulty in trying to extend the gas pipeline is a guarantee of 1000 tonnes per annum usage and who is responsible for the payment of the extension. If the first business to an industrial site pays for the connection then there is no system in place that allows a recovery of the costs for reimbursement to the original payee. This is seen as a financial impost that businesses are not prepared to cover.

Murray Shire in NSW has a gas pipeline to their industrial estate located within the town. This industrial estate is full and due to its proximity to the residential sector there is a limitation on The Shire has since developed a business park (BP) 3 kms north of town and an environmental industrial estate (EIE) some 8 1/2 kilometres north of town. The approximate cost to extend the gas to these two sites was BP - $350,000 and EIE - $800,000. All other services were connected to the estates but the cost of connecting gas was too prohibitive for the Shire to fund. There was no commonwealth or state funding assistance available to assist the shire. A number of development opportunities have been lost during the last three years because of the lack of gas and the prohibitive connection costs. A business that set up on the smaller site in town had to be closed down due to environmental issues and residential concerns. This was the only operation of its kind in Australia and had the potential to develop into a significant operation providing increased employment opportunities in Moama. This business has had to be sold and will be relocated to South Australia.

Murray Shire has now funded the installation of the gas pipeline to the industrial at its own expense. If it had have had the capacity to finance the installation when the BP was being developed the shire would not have missed out on potential developments and the business that has had to be sold would be still operating and growing as expected.

In Victoria a system has been put in place for extension to town water supplies that may be used as a model for other infrastructure. A farmer has just extended a town water pipeline to two houses on his property and paid the total cost ($22,000). Over the next 5 years if anyone else along that line wishes to connect town water they have to pay a percentage of the original capital cost and this is reimbursed to the original payee. He is happy with this system as it provides the opportunity to potential reduce his commitment over a contracted period of time.

Another problem with the privatisation of gas is the long term contract that the region is locked into. An example is the township of Finley in the Southern Riverina. The natural gas line runs past most businesses in town. If they connect to natural gas the cost per litre is more expensive than LPG and they cannot justify the connection expense and ongoing higher usage charges. There are also no increased service levels for the premium charged. A mechanism needs to be implemented that allows for a renegotiation of the long term premium price contract if a significant number of new users are prepared to connect to the system.

TELECOMMUNICATIONS

The expanding trend within all sectors, especially government departments, to utilise online access for trade and information delivery is creating issues for regional businesses and residents. Access to the latest technology is limited in many rural communities due to limitations within telephone exchanges. The cost to individuals to upgrade to technology that will provide them with access to improved communication speeds is often prohibitive and measures need to be taken to ensure that payment schedules are implemented that will alleviate short term burdens.

The inability to upgrade these exchanges to the required standard is due to funding limitations. Recommendations on funding infrastructure upgrades in regional areas that were identified by the Regional Business Development Analysis panel in their report *Regional Business – A Plan for Action, June 2003 ,Chapter 5,* should be investigated for opportunities in telecommunication infrastructure upgrade.

There is also a growing concern in the region on the lack of support available for telecommunications for Telstra related technology. As businesses adopt new software and upgrade their technology to allow utilisation of the software they are discovering that the implementation process is often not as simple as the Telstra sales people proffer it to be. Access to technicians for hardware servicing and installing appears to be satisfactory but when software/computer specialists are required there is a lack of available knowledge within regional communities. It is an impost on SME's to have to wait a number of weeks for a specialist to travel 2-3 hours from a regional centre and then pay for this service, including travelling time.

AIRPORTS

The transfer of responsibility for regional airports under the Aerodrome Local Ownership Plan has produced a number of issues for local governments in outer regional areas. The responsibility to maintain the existing infrastructure, develop the aerodrome to service potential local business needs and provide support to the management committees is providing a financial drain on local government resources.

POLICIES, MEASURES AND OTHER FACTORS THAT WOULD ASSIST DEVELOPING WORLD-CLASS INFRASTRUCTURE.

Roads to Recovery has proven that the Government dollar is utilised most effectively when by-passing State Governments. Local Government understands the requirements of the local area and makes better use of the funding than having middle party involvement. There are a number of recommendations in the *Regional Business – A Plan for Action* report, which has been developed following extensive community consultation, that could provide the framework to ensure that not only is infrastructure developed in regional Australia but would assist in ensuring that the existing infrastructure is maintained at an optimal level.

THE ROLE OF THE THREE LEVELS OF GOVERNMENT AND THE PRIVATE SECTOR IN PROVIDING REGIONAL INFRASTRUCTURE.

Local government should be the planning operative of regional infrastructure in consultation with the private sector with funding assistance being provided by State and/or Federal Government. There are very few private sector operators who would be willing to provide required infrastructure funds in remote areas. All levels of government should work collaboratively to promote and encourage private investment in regional infrastructure.