

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

Introduction

The Victorian Government welcomes the opportunity to contribute to the House of Representatives Standing Committee on Primary Industries *Inquiry Into Infrastructure and the Development of Australia's Regional Areas*.

A prosperous and healthy rural and regional Victoria is essential for the functioning of the rest of the state. Infrastructure is a crucial component of any holistic strategy for the long term sustainable development of regional areas. The provision and maintenance of efficient and effective infrastructure, combined with other factors (eg. educational, health and financial facilities) help provide the confidence necessary for regional communities and industry to develop in a sustainable manner. Infrastructure that links rural primary producers to local markets and facilities in regional centres, metropolitan areas and domestic, national and overseas markets is vital to long term national economic development.

This submission outlines the framework in which decisions on infrastructure provision in Victoria are made, as well as the strategic decision making process that underpins the process.

Some of the infrastructure issues facing rural and regional areas are also discussed. A case study is included that highlights the framework and strategies that form the basis of rural and regional road provision. Several examples of proposed and implemented infrastructure projects that contribute to the social and economic development of rural and regional Victoria are also attached.

The conclusion highlights the need for the Commonwealth to become more involved in the strategic approach to infrastructure provision and management.

The Victorian Government approach to rural and regional infrastructure provision

Victoria has a solid infrastructure foundation. The Victorian approach to infrastructure provision and management is to make best use of existing infrastructure, while recognising new and changing local needs (such as the need for better information and communications technology).

The Victorian Government recognises providing efficient infrastructure services is not just about building infrastructure in an ad-hoc way. It is about responding to the needs of rural and regional communities in a practical and focussed way. Infrastructure provision is no longer the sole responsibility of the State, with the private sector playing a much greater role in its supply and management.

Financial responsibility and improved service delivery are key aims of the Victorian Government, therefore decisions must be made giving highest priority to those projects which will provide most benefit to the community.

Given that upgrading or the provision of new infrastructure by itself cannot ensure long term sustainable development for rural and regional communities, decisions comparing a range of proposals are often difficult to make. This makes listening and responding to the needs of the community, and developing a sound strategic basis for decision making all

the more important. The Victorian framework for the provision and management of infrastructure is outlined below.

Rural and regional infrastructure provision and management — making sound decisions

In terms of responding to the needs of Victoria's rural and regional communities, a basic framework for decision making includes the following principles:

- ❖ Most importantly, the need to listen to rural and regional communities, and work with them to understand how to best meet their infrastructure needs and better use existing infrastructure assets. It is also important to recognise the role of community leadership in decision-making and driving regional initiatives.
- ❖ A strategic approach is needed for the provision and management of infrastructure, and this must be underpinned by a clear set of procedures for making decisions. This approach must represent the views of all sectors of the community, be thoroughly evaluated, and should be complementary across governments and consistent with overall government and community objectives.
- ❖ Where possible, projects with the highest return should be funded, while at the same time alternative means of provision should be considered given the changing role for government.
- ❖ The private sector has an important role to play in the provision of rural and regional infrastructure. The Government's role in these cases is to set and monitor performance standards.
- ❖ Infrastructure provision should help build on the competitive or comparative advantage and strengths of a region, as well as take into consideration the social development needs of the community.
- ❖ Infrastructure provision is only one factor in improving the functioning of rural and regional areas. With any given set of infrastructure, improvements in rural and regional areas can be made by doing the 'smart' things well — such as significant improvements in rural and regional logistics.

The Victorian Government has been working with regional communities to focus on key themes where government and community working together can make a difference in the coming decade.

This strategic, bottom-up process has highlighted the need to strengthen integration of actions across communities to ensure that together they contribute to meeting regional objectives. This reinforces the need for collaborative efforts between governments and private sector infrastructure providers.

Issues relating to infrastructure and regional development that have been identified so far by the process include:

- *Economic growth* — cities or towns that can offer good physical and social infrastructure and a high quality of life are more likely to attract new growth.
- *Sustainable communities* — the current move of resources to the larger regional centres has impacted significantly on a number of smaller towns and communities. Provision of infrastructure and services must recognise these changes and different levels of sustainability in both smaller and larger centres.
- *Regionalisation* — specialist services, hospitals, wider educational opportunities and major retailing centres are essential for the functioning of regional centres. These centres need good transport and telecommunications links to connect smaller rural communities or towns that are unable to support such services.

- *Rail access* — the efficiency gains likely to be achieved through the standardisation of the Adelaide to Melbourne rail link (and associated intrastate feeder lines) and the privatisation of the operation of the rail network will improve freight movements to key domestic and overseas markets.
- *Tourism* — efficient transport links are important for regional tourism development, with flow-on benefits for regional economies
- *International transport* — competing in a global economy means greater emphasis on reliability, quality and speed of freight delivery. Reliable access to international gateways is becoming more important.

Some infrastructure issues facing rural and regional Victoria

When discussing infrastructure issues, an holistic approach to infrastructure policy requires assessment of levels of service provision a Government or private sector provider aims to achieve. Only once the level of service is specified, infrastructure to meet that standard can be properly planned. However, like all expenditure decisions, thresholds in relation to investment, return and maintenance, amongst other factors, can present barriers.

Low demand

The lack or low standard of infrastructure has the potential to slow down or limit rural and regional growth. This can depress demand and perhaps the potential for further development in regional areas. This is an issue both where government provides the infrastructure and, as with electricity, where the private sector provides it.

For example, the further development of the dairy industry in parts of rural Victoria may be limited through lack of access to reliable three phase power. The Victorian Government is interested in ways the Commonwealth can help overcome this problem.

Governments have a role to play in improving market information through the development of regional plans, strategies and the provision of information that alert investors to regional trends and opportunities. This can help reduce the risks associated with uncertainties over development trends relevant to particular projects.

Possible solutions could include innovative schemes for encouraging private sector investment, or the identification of potential growth areas as a means of encouraging further investment and better informing potential investors. Another possible solution could involve government identifying areas of monopoly infrastructure provision and investigating whether the introduction of more competition would result in better service provision.

Road infrastructure for areas experiencing high growth potential

In some rural and regional areas local roads are being placed under growing pressure from the increased pace of economic development — for example the expansion of the dairy industry and the demands this places on local roads. If levels of demand in some areas continue to rise, local governments will find it difficult to cope with the increased financial responsibility associated with maintenance and upgrading of local roads.

As funding for local roads is the responsibility of the Commonwealth, the Victorian Government is interested in solutions it may have to this growing problem.

Maintaining assets

Ordinary assets wear out and are completely replaced with new. Infrastructure assets are complex systems, whether networks or facilities, that are not replaced as a whole but rather continuously renewed by piecemeal replacements of component parts. This enables the asset system to continue almost indefinitely.

It is critical that infrastructure is maintained to ensure its ongoing provision to the community. This maintenance must be strategically targeted to meet agreed performance standards at the lowest cost. However well maintained infrastructure renewal will place increasing loads on local and State Governments. For example, renewal of road assets in Victoria is expected to increase from \$865 million between 2002 and 2007 to \$1,188 million between 2007 and 2012.

Improving rural and regional logistics

Increasingly, industry is seeking infrastructure that can provide a quality transport service through greater accessibility, availability and reliability, and control over the distribution system. Access to customers and suppliers is of paramount importance.

Transport is an integral cog in the production process, hence good roads, rail and intermodal linkages can result in reduced transport costs.

These benefits can then flow on to achieve reduced manufacturing and business costs, more efficient use of resources, increased production capacity, opportunities for investment in plant and equipment, and importantly, the creation of jobs and increased competitiveness.

Government can facilitate improved rural and regional infrastructure, but it is up to local industries and users to make the best use of it. This can be achieved by improving the logistical capabilities of regional businesses. Much of this potential improvement is in the hands of local businesses themselves.

Information and communications technology (ICT)

ICT infrastructure is essential to the development of all Victoria. However, many rural and regional areas do not have access to the same quality and cost structures of ICTs that most metropolitan areas enjoy. This means that the full range of associated services, as well as the flow on effects, are not available in many rural and regional areas. Without access to modern ICTs infrastructures, the increase in demand metropolitan areas are experiencing will not occur in rural and regional areas to the same extent.

While the Victorian Government is committed to encouraging the growth in demand for and providing educational services in relation to ICTs, this will only be effective once the Commonwealth has met its commitments to ICT development in rural, regional and remote Australia. The Victorian Government, through Multimedia Victoria will continue to provide assistance, through programs such as Victoria 21. However, the Commonwealth has primary responsibility to ensure the ICT needs of all rural and regional Australians are met in a strategic and coordinated way.

Rural and regional roads in Victoria — A strategic framework for infrastructure provision and management

Road network strategy is one example of the Victorian approach to setting priorities. It demonstrates an example of how a strategic framework can be applied to the provision of infrastructure.

The road network will continue as the primary means of transporting people and goods, integrated with rail, sea and communications infrastructure to provide a responsive, efficient and sustainable transport system that underpins rural and regional communities in Victoria.

Victoria's integrated transport strategies

Management of Victoria's road transport system is one element of an integrated, whole-of-government approach to support sustained regional, state and national development. Regional and local government strategies translate the statewide strategies to the local level. The Government's transport strategy framework for all of Victoria includes:

- *Transporting Victoria* — an integrated transport strategy for regional Victoria
- *Living Suburbs* — a policy for metropolitan Melbourne into the 21st century
- *Freightway Melbourne* — the Melbourne Transport Hub strategy
- *Transporting Melbourne* — an integrated transport vision.

The road strategies outlined below underpin the overarching transport strategies:

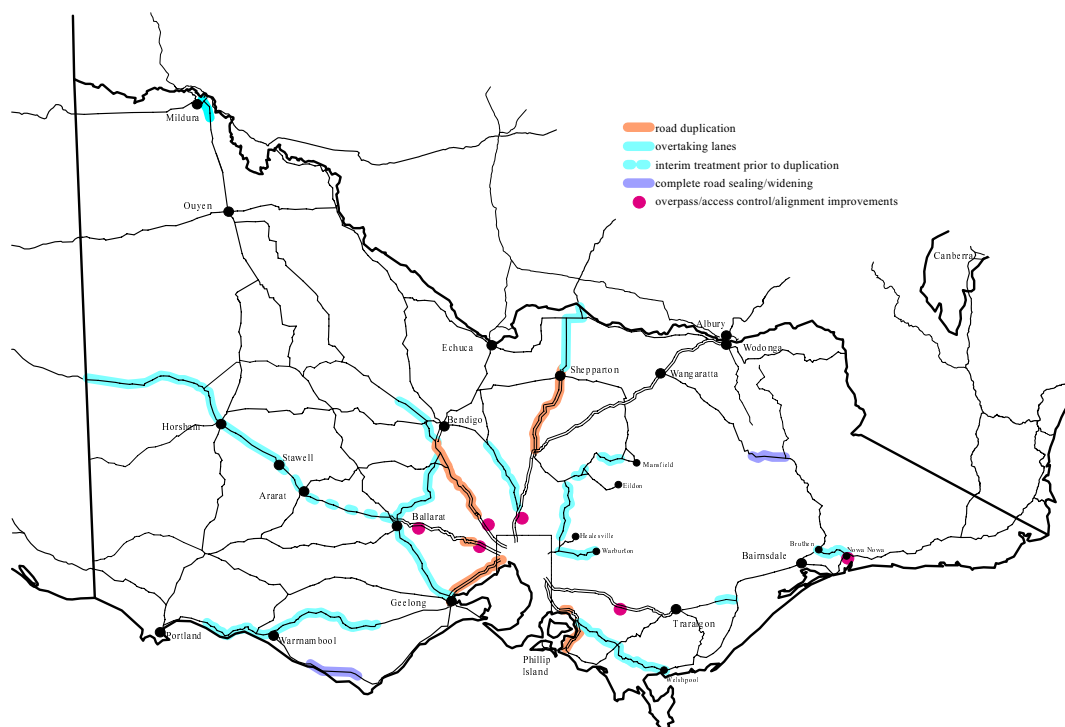
- *Linking Victoria* — the rural arterial road network strategy
- *Linking Melbourne* — the urban arterial road network strategy
- *Stitch in Time* — road maintenance strategy
- *Victoria's Bridges* — a framework for targeted investment on arterial road bridges
- *Environmental Strategy* — to ensure road transport system management and development is sensitive to the natural and built environment.

These strategies identify the priority needs and management strategies for specific regions and routes. Priorities and construction standards are matched to strategic objectives and the role of each road within the state and national system. Planning studies are undertaken to fully assess the economic, environmental and social impacts of all major projects.

Victoria's National Roads strategy evolves through this rigorous planning framework and proposes works on the national highways and additional projects providing high returns to the national economy.

The priority actions for road improvements across rural and regional Victoria are shown in Figure 1.

Figure 1 – Priority actions for non-metropolitan road improvements



Some examples of rural and regional infrastructure provision

Below are a range of examples of infrastructure projects that will promote regional development. They are just some of the proposed and implemented projects that have become priorities for improvement. Identification of these and similar projects has involved consideration of the full range of strategies and planning underpinning infrastructure provision in rural and regional Victoria. It has also involved discussing these priorities with local communities to ensure that the projects match their needs.

The projects will contribute to the social and economic development of rural and regional Victoria. They provide examples of State and local Governments working with local communities and businesses to achieve positive results. The level of private involvement and type of funding varies between projects illustrating that different approaches can be taken.

Geelong Road

The Victorian Government has been seeking Commonwealth commitment to help fund an upgrade of Geelong Road. This project is a good example of the consultative process used in the framework for decisions on infrastructure provision, and the role for community leadership in driving local initiatives. The project, which has wide community and industry support, will cost \$237 million, half of which is being sought from Commonwealth funds.

The Geelong Road (Princes Freeway West) is one of the most economically significant road links in Australia. It links the State's two major cities (Australia's second and eighth largest cities), the ports of Melbourne and Geelong (together these handle almost 40% of Australia's exports), rail terminals and airports, as well as acting as a vital conduit for exports, especially for the primary and manufacturing industries.

Although some of the upgrade is part of the Metropolitan Melbourne region, it will contribute greatly to the South West region of Victoria — providing rural and regional businesses with far greater access to the Melbourne metropolitan area, major ports and arterial roads, Avalon Airport and Geelong itself. The road will also provide a more efficient and safer gateway to Werribee, Geelong and the Great Ocean Road.

Victoria is seeking Commonwealth support to recognise the Geelong Road as a road of national importance. As outlined above, this vital transportation corridor provides economic benefits that extend well beyond the State's borders and is crucial to the continued development of regional Victoria.

The fact that the Geelong Road is not yet a road of national importance highlights the lack of integration and strategic planning in the Commonwealth's decision making process. It flies in the face of the Victorian approach of listening to local communities, funding projects of high benefit and building on the competitive advantage of regional areas.

The benefits of upgrading Geelong Road

Overall benefits

The project would generate high economic benefits — the project is estimated to have a benefit cost ratio of 4. That is, over the life of the project, the returns to the community will be 4 times the cost.

The upgrade will deliver reduced traffic congestion, more reliable travel times, lower vehicle operating costs, reduced air pollution and improved safety.

The improvements will significantly improve tourist access. Rural primary industries will also benefit.

Increased safety

The Princes Freeway has the highest accident rate for Victoria's freeways. The proposed project is expected to considerably improve this record.

Economic benefits

A 1995 study by the National Institute of Economic and Industry Research indicated that the direct project benefits will be about 4 times the construction cost, about \$800 million over a 30 year period — the Commonwealth is expected to accrue about 30% of these gains.

Employment impacts associated with the project were estimated to peak at an increase of about 4,500 nationally and 2,240 in Victoria by the year 2025, mainly from the economic stimulus which flows from the reduction in business costs associated with transport cost savings.

Community support

As outlined earlier, listening to regional communities is an essential part of planning infrastructure projects. There is very strong community support for the project with lobbying for the project by the Princes Freeway Action Committee comprising representatives from the Wyndham City Council, Hobsons Bay City Council, Greater Geelong City Council, The Victorian Road Transport Association, the Royal Automobile Club of Victoria (RACV), representatives of local industry including Ford Australia, Transwest Haulage and the Transport Workers Union.

Proposed Wodonga Rail By-pass

The proposal to construct a rail bypass of central Wodonga has been proposed as a joint State-Commonwealth funding initiative. The rail by-pass, when complete, will provide a higher level of service for rail traffic through Wodonga, eliminate a number of level crossings in the city, and free up strategic land in central Wodonga for commercial development. Perhaps most importantly, the project represents an urban planning initiative which will provide improved certainty and confidence in central Wodonga— the

project is as much about the rail by-pass as about improving the quality of life and business opportunities in Wodonga.

The project has been costed at \$57 million, involving: \$34 million for construction of a dual gauge track from west of Wodonga to Albury; \$18 million for a freight facility and crossing loop at West Wodonga; and \$5 million for land remediation works. The Victorian Government has offered funding of \$18.5 million to the project based on the Commonwealth and other parties funding the balance.

This project presents a genuine opportunity for Commonwealth and private sector involvement in a regional infrastructure project which incorporates commercial efficiencies and community benefits.

The objectives of the rail by-pass are:

- to facilitate commercial development in Wodonga, stimulating growth in this important inland centre — providing better development opportunities for Central Wodonga and improved quality of life for residents;
- to remove a rail 'slow point' in the key Melbourne-Sydney rail corridor and develop a major rail/road freight transport hub in West Wodonga. Facilitation of a road/rail freight transport hub will improve safety by reducing the number of trucks on the road network; and
- support for economic development in the north-east of Victoria, as well as investment and employment in Wodonga.

Gippsland Intermodal Freight Terminal (GIFT), Morwell

Gippsland has experienced under-utilised rail services partly as a result of poor integration with other forms of transport. The development by National Logistics Co-ordinators, in cooperation with V/Line, of the GIFT will provide an integrated road/rail interchange, accommodating general freight, parcel services, and bulk and containerised freight. The GIFT, which will be supported by state-of-the-art materials handling and consignment management services, is expected to add significantly to Gippsland's economic development.

The State Government is assisting LaTrobe Shire in project-related infrastructure works, including a \$200,000 grant for headworks, rail sidings and road connections. The grant directly supports a \$3 million private sector investment, recognising quality infrastructure as a key determinant of efficiency and an important factor for investment.

Wastewater Treatment Plant, Tatura

A grant was provided to Goulburn Valley Region Water Authority at Shepparton to accelerate the \$6.9 million upgrade of the Tatura wastewater treatment plant, which was overloaded and unable to cope with increasing industrial effluents. As a major centre of food production and processing, this region is highly dependent upon water related infrastructure.

The State Government grant accelerated the overall project, thereby providing immediate benefit to Tatura's food processing industries. It has resulted in significant benefits for Tatura and for the vitally important local food processing industry. Significantly, it has provided certainty for investment, enabling companies to progress investments with confidence (eg. Tatura Milk Industries' \$20 million expansion project).

Wendouree Industrial Estate, Ballarat

The availability of industrial land is viewed as a key driver in economic development for the City of Ballarat. Following strong demand from business and industry wishing to locate to the Wendouree Industrial Estate, the Ballarat City Council recognised the need to extend the estate, which is strategically located on the intersection of the Western and Sunraysia Highways.

The project involved the provision of water, sewerage, drainage, gas and power. A State grant contributed to half the cost of the project, providing an additional nine lots of industrial land. This coordinated approach has already allowed one Ballarat business to progress a \$2 million expansion, boosting local investment and employment.

Conclusion — the need for better coordinated Commonwealth involvement in infrastructure provision

The Victorian Government's approach to infrastructure provision in rural and regional areas requires State and local governments to work together with the private sector and local communities to ensure an integrated approach to decisions on infrastructure provision.

This approach is underpinned by a series of whole-of-government strategies and a clear decision making process aimed at allocating funding to those areas with the greatest returns to the community, while at the same time recognising the increasing role for private infrastructure provision.

Integration of the Commonwealth into these processes is essential to ensure regions gain the maximum benefit from infrastructure delivery and management. The Geelong Road presents an opportunity for Commonwealth involvement in an infrastructure project which provides substantial economic benefits as well as providing a link between regional and metropolitan areas. The Wodonga Rail By-pass project could potentially link all three levels of Government and the private sector in a development which delivers positive economic and community outcomes.

The role of the Commonwealth should be to concentrate its investment and policy decisions on strategic infrastructure at the national level. This will involve:

- taking into consideration regional and statewide strategies for infrastructure provision and community development; and
- aligning national initiatives with these.

At the same time, State and local governments need to understand the framework in which the Commonwealth makes decisions on the prioritisation of infrastructure projects. Such a framework should be transparent with a clear decision making process. Prioritising those projects which ensure the greatest returns to regional communities is in the interest of all governments, and more importantly, rural and regional Australians.

A significant step forward would be the establishment of a framework whereby the three levels of Government have an avenue to access and provide input to regional communities in assessing infrastructure requirements. From there strategies for provision and management of infrastructure items may be developed in an integrated and informed manner. Victoria is a long way down this path. Securing the involvement of the Commonwealth in this process will further add value to planning decisions, aid investment attraction and enhance the development of regional Australia.