

15th April, 1999

Committee Secretary
Standing Committee on Primary Industries and Regional Services

INFRASTRUCTURE AND THE DEVELOPMENT OF AUSTRALIA'S REGIONAL AREAS

INTRODUCTION:

The following submission from the South Australian Regional Development Association Inc (SARDA) aims to outline key impediments to regional development as they relate to infrastructure development.

SARDA is the peak coordinating and support body for the 14 Regional Development Boards which exist within the South Australian Regional Development System. The Boards are funded in partnership between the State Government Department of Industry and Trade and Local Government.

A primary function of the Boards is to facilitate economic development, employment growth, strategic planning and business advisory services. This role is carried out in collaboration and with assistance from a range of Government agencies and specific funded programs. Membership of the Boards comprises representatives of the various regional communities, industry and local government, this cross section of volunteer Board Members enables Boards to have a first hand working knowledge of development opportunities and issues.

As a consequence of the Statewide role played by SARDA representing the Regional Development Boards, it is well placed to address your Terms of Reference in the broadest sense and by providing specific examples.

Infrastructure is widely regarded as fundamental to regional development. The importance of infrastructure for Australia's future growth was made explicit in the Kelty Report (1993), which linked national development and regional development.

Additionally, recent work of the South Australian Regional Development Taskforce, which consulted with regional communities in a number of forums in South Australia during November and December 1998, reinforces the views expressed by Development Boards in relation to the role of infrastructure development in Economic growth in Regional Australia.

TERMS OF REFERENCE:

1. *Deficiencies in infrastructure which currently impede development in Australia's regional areas*

As a general rule, the provision of a range of key infrastructure has not kept pace with development in regional South Australia. This lack of expenditure on infrastructure is impeding some development opportunities and is also adding to cost of operations, in particular, with the take up of information technology and communications development, large areas of regional South Australia are disadvantaged due to high cost and/or lack of access.

Information Technology and Communications

Access to internet services and mobile phone coverage are the two (2) single most issues of concern.

Many peripheral regional areas have only limited access to telecommunications services. In many cases these services are of poor quality compared to those enjoyed by Metropolitan consumers.

The Federal Government's recent inquiry into the Universal Service Obligation (USO) concluded that it was unreasonable to expect Telstra to upgrade its regional telecommunications infrastructure to a level commensurate with Metropolitan areas.

This lack of quality telecommunications infrastructure impedes region's ability to offer high quality services required by existing businesses and potential new firms.

As well as poor quality telecommunications infrastructure in regional areas, people also pay a premium for access to high bandwidth services.

Exorbitant distance based prices for high bandwidth telecommunications services severely impedes the development of Information Technology related businesses and industries. In addition as more businesses are required to go on-line as part of normal business practice the high cost of high bandwidth into regional areas translates as poor quality internet access and severely reduced take up rates for advanced applications such as video-conferencing.

Power

The supply of electricity, especially 3-phase power and the cost of extension of service is a problem. In recent times, a full up front cost recovery policy by the utilities, is a constraint. Competition Policy has become a source of concern throughout regional South Australia. With the implementation of other National Competition Policy principles, cost of accessing some networks for new developments particularly in rural and remote areas appears to have substantially increased. Appropriate extension of natural gas pipelines to aid industry can also have the effect of cost efficiencies.

Roads

Rural roads and highways require constant maintenance and upgrading, especially with the advent of multiple configuration road transports.

Water

Access to reliable supply of filtered water for domestic and commercial purposes, is a detraction from some rural towns by comparison with Metropolitan services.

Accommodation

In some areas of high growth and low unemployment, access to suitable rental housing is a constraint. This is especially the case within the mid to upper South East Region of South Australia which is undergoing significant viticultural and horticultural growth.

Education and Health

The social support infrastructure associated with adequate regional health and education services, acts as a barrier to growth in the population and skills base in regions.

2. ***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 Regional Telecommunications Infrastructure Fund is an example of a Government initiative aimed at improving access to infrastructure. Under Terms of Reference 6, Planning, Coordination and Cooperation, we will consider how the RTIF and possibly other initiatives can be better utilised.

However, a combination of subsidised grant programs, tax based incentives and other financial strategies, could be the key to unlocking public and private sector funding for infrastructure development. The key is to recognise that purely commercial decisions of infrastructure providers often overlook wider socio-economic benefits that can flow from infrastructure expansion.

3. ***The potential for development in regional areas.***

The productive capacity of Regional South Australia in the agriculture and mining sectors, is a major part of the growth potential of this State. A short list of examples and the infrastructure impediment is provided.

- a) Aquaculture development: Access to 3-phase power on sections of the Eyre and Yorke Peninsulas and the upper South East region is slowing the development of this new industry.
Oyster and abalone farming, barramundi and atlantic salmon developments are typical of emerging industries which are constrained by access to adequate and cost effective power.

- b) Viticulture and winemaking: Depending on the areas of the State, infrastructure deficiencies are impeding investment and development.
 - 3 phase power to Cape Jaffa and Mount Benson in the South East.
 - Upgrading of roads in the Barossa Valley to support increased heavy duty traffic flows, in line with any expanding industry.
 - Rental housing shortage throughout the mid-upper South East region (Coonawarra, Padthaway, Wrattenbully, Bordertown).
- c) Tourism:
 - Roadways in the Barossa, Yorke Peninsula and other tourist regions.
 - Mobile telephone coverage.
- d) Mining and support services:
 - Telecommunications isolation.
 - Transport Services.
- e) Dairying
 - Access to 3-phase power is now critical to support highly mechanised, large scale and efficient dairying operations.

Developed largely by Primary Industries and Resources SA, sophisticated Geographic Information Systems now support land capability planning which acts as an aid to investment and development planning. Increased use of this technology will be of benefit when planning infrastructure support for growth.

4. *The extent to which infrastructure development would generate employment in regional Australia.*

There are any amount of examples which will illustrate the link between infrastructure support and jobs growth.

- a) The farmed tuna industry off Port Lincoln has undergone rapid growth to meet market demand. A key infrastructure development to support that growth, has been the upgrading of airport facilities. The significant multiplier effect results in a much wider scope for employment and consumer spending.
- b) Power and natural gas reticulation to potato processing facilities in the South East region has directly resulted in 90 jobs in a processing plant which has also underpinned an expansion of the production base, resulting in many other jobs and the obvious flow on effects.
- c) Recent construction of the Berri Bridge has enabled substantially increased business efficiencies in the Riverland District of South Australia, making the citrus and viticulture industry more competitive.

Clearly from the number of development applications brought before our Development Boards, particularly for value added developments that are dependent on infrastructure support, we are convinced that the economic and employment benefits are substantial.

5. *The role of the different levels of Government and the private sector in providing infrastructure in regional areas.*

- a) Infrastructure required for private benefit should in most cases be funded and developed by that private sector developer. However, where that private sector investment will lead to employment creation with flow on benefits to the wider community, then a case for the appropriate level of Government support or partnership in funding, should be developed.
- b) General infrastructure for public and private benefit in the form of telecommunications services, power supply, roads, airports, health services etc require a high degree of Government support. This is especially important in remote and rural areas where the community service obligation would ensure that country residents are not disadvantaged in comparison with their Metropolitan counterparts.

Increasingly the opportunity for private sector development of infrastructure under a lease back or other financial arrangement, is something that provides for a partnership between Government and the private sector.

Further examples of funding infrastructure development can be drawn from the current experience of the Regional Telecommunications Infrastructure Fund and although not necessarily related to infrastructure, the concept behind the Natural Heritage Trust funding program, is relevant.

6. *Planning, coordination and cooperation in the provision of infrastructure in regional areas.*

Strategic planning at the regional level for infrastructure development is an important subject. The Economic Development System in South Australia which comprises the 14 Regional Development Boards, is an ideal mechanism for assisting the strategic planning and coordination of infrastructure provision. Recent examples where access to the Commonwealth Regional Telecommunications Infrastructure Fund have been coordinated with the 'big picture' in mind, has seen the potential for a number of unrelated projects be developed at the expense of projects which would see a more coordinated and efficient use of funds outcome. An agreed regional process for identifying infrastructure requirements and a means of prioritising those requirements would be a positive step to aid the planning process. In addition and to avoid previous frustrations from communities who have not seen infrastructure projects advanced, a scheduling of projects for commencement would allow communities to follow the status of their project as it moves from concept to fruition.

Essentially the suggestion is an infrastructure audit in regions with agreed priorities and a mechanism for advancing those projects to the commencement stage would be a positive outcome.

In addition to agreed sub regional infrastructure projects, it may be possible to aggregate some projects that have broad cross regional application, such as telecommunications projects, whereby a better use of funds could be achieved by this process.

7. *The benefit to the National economy of developing regional infrastructure.*

As reported earlier in this submission the 1993 Kelty Report clearly articulates the value of infrastructure development in the economic development of Australia's regions.

We would be more than happy to address the Committee or provide further evidence of specific economic development and employment creation as a result of investment in regional infrastructure.