

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

**House of Representatives Standing Committee on
Primary Industries and Regional Services**

Local Government Association of Tasmania

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INTRODUCTION

There is presently a clear lack of vision and leadership in relation to regional development in Australia. The stop-start nature of regional development policy and programs in the past decade has seen intermittent benefit mottled with good starts but an inability to complete the good work commenced.

There is no clear ownership or responsibility for the regional development task. Past funding programs have spawned the establishment of a series of structures and entities which continue to strive for recognition and funding in the regional development task.

Rather than lacking effort in regional development, the sheer effort being put into such activity across the country is creating difficulties of an even greater dimension. Industry groups, chambers of commerce, regional development organisations, area consultative committees, business enterprise centres, Council economic development officers, State development agencies and the various related officers and programs available from the Commonwealth are all involved in the malaise that is regional development in Australia.

Communities are consulted, industries are “SWOT-ed”, businesses are surveyed and actions are taken but often in isolation and quite independent from others involved in the process of regional development. This results in overlap, duplication, unnecessary expense and often significant gaps in the pursuit of improvement in regional economies.

Clearly leadership is necessary in this process and Governments across the country have a role to play in understanding the requirements and opportunities for their jurisdictions, encouraging their communities and facilitating businesses and industries to respond to those challenges.

Not all regions require the same solution but it is important that all levels of government work together to achieve common outcomes – providing a framework, setting targets, assessing and supporting the adjustments required and removing any impediments to growth. Without such cooperation and commonality of purpose, the risk will be that underperforming regions will slip further behind and will be less able to meet the standards of their metropolitan counterparts and will require significant ongoing compensation into the future.

There is significant opportunity for development in regional areas but a long term vision and commitment needs to be given to the processes underpinning that development if it is to be sustainable and reach its full potential. Differing approaches by differing governments to the development issue and the problems associated with the lives of projects often needing to coincide with the life of the term

of office of the government of the day leads to short sighted, segmented and partial solutions to problems of significant complexity.

As well as a shared vision and commonality of purpose for regional economies, Governments have the responsibility for providing the infrastructure necessary to sustain and promote development. Infrastructure should not become a monument. It should exist to support other economic and social activities and not be an end of itself. While governments would like to be able to nominate which areas or towns should be developed, such an outcome is not possible unless it also undertakes the development. What is possible is the encouragement of development through the provision of infrastructure, both hard and soft, to facilitate better opportunities for development in particular locations.

If regional Australia is to progress at a rate satisfactory to sustain itself, it requires a significant injection of capital to meet the infrastructure required to support economic development in those regions.

LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT

During the last five years Local Government in Tasmania has experienced a period of change unequalled in its history. This has included a greater emphasis on efficient and effective planning, a significant increase in accountability to ratepayers and a more commercial approach to the utilisation of significant resources over the five year period.

Key to this changing landscape has been the requirement to do more with less and the realisation of the need to work more closely with others in the process of regional development. This has involved Local Government partnerships with industry and the community to identify shortcomings and opportunities and to work together in the development of strategies to achieve solutions to real problems.

Beyond the traditional tasks of rates, roads and rubbish, Local Government's role is becoming more significant and diverse. Reviews of roles and functions between tiers of government have led to the realisation that it is Local Government which is often best placed to deliver services to the community and is the focus for much of the activities and spirit of local communities. Developers have recognised the significance of acceptance by local communities and are increasingly entering into partnership arrangements with Councils to facilitate better relations within the community and to provide a central focus for discussions and clarity in respect of new developments.

The better understanding by governments of the importance of community ownership of projects and developments has led to improved consultation and identification of priorities in regional areas.

However, the problem which has been invariably encountered is who is the leader in the regional development process and in which direction that should it be pushed. The different levels of Government often have differing perspectives on the effort or direction which should be taken and are often limited by the funding and policy programs being operated within their jurisdiction. Inflexibility and process often stifle the creativity necessary to catapult a region forward.

A formal arrangement to enter into partnerships between the Tasmanian Government and individual Councils has recently commenced. While still being developed, the partnerships will seek to achieve detailed plans of action to be implemented by both tiers of government in each local government area from job creation strategies to the provision of community services and sharing of environmental responsibilities. The process will also involve the clear definition of the roles and responsibilities of State and Local Government to improve the efficiency and effectiveness of government services.

Concurrently, the Tasmanian Government is developing an economic and social blueprint for the State and is in the process of completing audits of those industries which are considered to have strategic advantages for Tasmania. These processes, when linked to Councils' community consultation in developing the partnership

agreements are providing an agreed basis for development effort and represent a significant step forward in trust, cooperation and a commitment to working together.

It is important that the Commonwealth Government is also included into this process to further strengthen the resolve to work together to achieve mutually beneficial, and agreed, outcomes.

If differing Governments can agree a similar vision and strategy for a particular region and work constructively toward achieving it rather than being territorial or parochial, then real regional benefits are likely to result. The significance of Local Government cannot be underestimated in this process. Tasmanian Councils are required to formulate strategic and operating plans in consultation with their communities and, therefore, have solid information regarding requirements and desires. Local government is also charged with the approval processes for land use decisions and is key in the development process. For these reasons, Governments should cooperate in the formulation and delivery of plans and strategies for infrastructure provision of real benefits are to accrue to regions.

A true regional partnership approach is necessary with all levels of Government contributing to common goals and objectives with input from the community and industry. Only in this way can sustainable growth occur in regional Australia.

INFRASTRUCTURE PROVISION

There is an increasing demand for infrastructure at a time when governments at all levels are facing budgetary constraints. Infrastructure is expensive to build, finance, operate and maintain and investment in infrastructure means other uses of resources are foregone. This has heralded a significant opportunity for the private sector to become involved in the provision of infrastructure. The issue has become one not so much of who should but who can provide the infrastructure.

Governments are faced with increased growth in demand but with little ability to respond to the needs. Alternatives are constantly being considered. A recent shift by governments in light of the difficulties associated with infrastructure renewal has been to improve the utilisation of existing infrastructure to provide increased services without increased outlays. This has involved the increase of services being delivered utilising public infrastructure. Examples include use of private providers of hospital facilities, the sharing of landfill facilities with related business ventures and the provision of excess accommodation to community organisations on the basis that they meet the cost of outgoings.

Another impact on the provision of infrastructure has been the corporatisation of government trading activities. This reform has moved quickly both within the State and local government areas and is requiring these corporatised entities to consider infrastructure provision from a purely commercial perspective. In those cases where infrastructure provision is uneconomic, the options available are to force users to meet the full cost or seek to provide the service as a community service obligation. The tests associated with the latter and the desire on the part of decision makers to be transparent in the treatment of costings and to avoid cross subsidisation makes this course of action a rare rather than frequent treatment.

Decisions on infrastructure provision in the past were largely made on the basis of demand without significant weight given to the lifecycle costs of the assets and the levels of charges necessary to meet ongoing maintenance and replacement. In more recent times, a better understanding at all levels of government has been achieved in relation to the cost of its assets through better asset management techniques including priorities, demand and replacement decisions. Governments now measure the performance of their assets, benchmark them against similar facilities and have an improved knowledge of the age, condition and stock of their infrastructure and its asset maintenance requirements.

In Tasmania, Local Government has adopted accrual accounting standards (AAS27) which better supports the management of assets allowing future benefits/disbenefits to be taken into account.

Local Government has traditionally been responsible for roads, water and sewerage infrastructure. The shift to accrual accounting, improved asset management regimes and lifecycle costing of assets has highlighted the inadequacies of past practices associated with maintenance funding and provisions for infrastructure renewal.

Faced with pressures of providing infrastructure to support or encourage new investment, Councils find themselves having to come to terms with the challenges of past infrastructure decisions and a relative inability to deal with existing, let alone new, infrastructure requirements.

The relative benefits of understanding the full costs of providing the infrastructure are often outweighed by the realisation that Councils will have difficulty in providing similar services at similar costs in the future. In this regard, there is a substantial argument for support for a central infrastructure fund to allow for the provision of built infrastructure to a standard and at a cost which is reasonable for regional Australians.

LIMITATIONS OF FUNDING

The ability of local government to assist major developments and investment in respect of infrastructure is limited by the resources available to councils. Significant infrastructure investment by Councils is generally only possible on a user pay basis for the resource/advantage being provided to the end beneficiary (usually the project proponent) or through the recoupment of the investment through the general rate. The former can be acceptable to Councils but largely depends on the extent of outlays required and the rate of return over a reasonable period together with the broader community benefit. The general rate methodology is usually only available where the infrastructure provision has broad community acceptance.

Projects of a significant size which require discreet infrastructure tend to be handled by State Government with local government taking a minor role in the broad assistance package rather than leading the process. Most developers and investors are aware of the limitations on Councils to provide the often significant levels of financial resources necessary to achieve the infrastructure levels required to support their proposed development and will generally commence with the relevant State Government agency.

Another limitation on Councils is their reliance upon the Commonwealth for a revenue stream to support the services they provide and the uncertainties associated with that arrangement given the constant review and alteration to existing processes.

This is exacerbated by the proposal to eliminate the financial relationship between the Commonwealth and Local Government with the introduction of the GST and the establishment of a system which will require the States to provide a revenue stream to Local Government from GST collections.

Financial Assistance Grants (FAGS) have been and will continue to be an important and significant revenue stream to local Government. The principle of an allocation of Commonwealth revenues to the Local Government sector is well founded and entrenched in the management of public funds for the Australian community. It ensures a distribution of funds to provide services and infrastructure for the benefit of all Australians.

It is a well established principle that fiscal equalisation is the most appropriate means to distribute funds to state/territory governments. The principle reflects the relative needs of the states/territory.

Approximately 95% of state revenues are distributed in this manner with the remainder, which is that part allocated to Local Government, being distributed to the states/territory on a per capita basis. In Tasmania's case this equates to a disadvantage to the State of approximately \$10-20 million per annum. Interestingly, the Commonwealth distributes Local Government funds to the states/territory on a per capita formula, it requires that allocations to councils in those jurisdictions be on a fiscal equalisation basis.

The proposed introduction of the Goods and Services Tax (GST) and new financial relationships between the Commonwealth and States and Territory Governments is an ideal opportunity to redress this inequity.

The Local Government Association of Tasmania (LGAT) supports the case for the adoption by the Commonwealth and states of the principle of fiscal equalisation as the basis for allocation of Local Government funding to the states/territory.

The present process of allocation of funds provides a degree of certainty to Local Government now that the level of funding is increased each year in line with the Consumer Price Index (CPI). This enables Tasmanian Councils to plan for the longer term and assists in the planning for the provision of roads, sporting and cultural facilities, environmental health and social and community services.

The prospect of the introduction of a GST casts doubt on the recently won security. The Premiers' Conference of November 1998 supported the principle of Local Government financial assistance being a decision of States and Territory Governments to be taken from GST revenues with the Local Government (Financial Assistance) Act 1995 to be repealed. Although the Commonwealth has previously guaranteed maintenance of real terms financial assistance to Local Government, there is presently no evidence to demonstrate how that will be achieved.

LGAT believes that Local Government should be provided with a set percentage of GST revenues to provide a built-in growth factor beyond the maintenance of financial assistance value in real terms. The present amount in respect of the increasing services being delivered by Local Government to meet community needs is inadequate. The level of financial assistance provided to Local Government in the early 1980's was approximately equivalent to 1% of Commonwealth taxation revenues. This equates to approximately 6% of expected GST revenues and it is the view of Local Government that the national quantum of funds for Local Government should be set at that level. In the event that a fixed percentage of GST revenue is allocated it would be further expected that this would continue to be on a fiscal equalisation basis.

Industry, governments and the community all have views on what is required to progress particular regions and the infrastructure and resources necessary to achieve their outcomes. But the task of regional development and its broader encouragement is a difficult one. Much has been written and said about the deficiencies within regional Australia by successive governments but the ability to provide ongoing and significant benefit has been a challenge. Much effort has been put into developing regional strategies and projects as well as identifying particular needs in an area in respect of infrastructure. The process has been assisted by the provision of leadership structures, including leaders and boards, and funding to facilitate improved regional outcomes.

Unfortunately, the funding has been reliant on the leverage of funds from other sources which, when not forthcoming, or inadequate, has resulted in a loss of

identity and strategic focus for the established regional structures and the development of the particular region.

With the limited funding available, regional Australia must pursue investment in infrastructure which is going to achieve maximum return to the regional economy. It must be strategic in its approach and must resist the urge to accede to “offerings” which will be constituency friendly” but not provide the optimum outcomes for the economy.

There is a clear need for the establishment of a broad ranging, flexible and central infrastructure fund which is capable of delivering infrastructure which does actually promote and enhance development in regional areas.

Infrastructure decisions need to be based on clear evidence of need and demonstration of the development and employment benefits that would result from such investment. In the Tasmanian and Local Government context, it is important that these decisions be looked at beyond the municipal boundaries and considered on a broader regional basis. This requires cooperation at the Local and State and Commonwealth Government levels and it is this factor that is fundamental to the achievement of true regional outcomes.

There is a place for the private sector in this process but the opportunity is generally fairly narrow. A significant advantage of the involvement of the private sector in infrastructure provision is that it has the capacity to free up public funds for other uses. Another benefit of private sector involvement include opportunities for innovation. Private sector providers bring a different perspective to considering problems/opportunities and the mechanisms to remove them. This is particularly so when opportunities exist to integrate the infrastructure with broader services already being provided on a commercial basis to other users. Private sector involvement also brings improved incentives for efficiency and often allows projects to proceed at a much faster rate than if they had to be processed through the traditional funding sources and mechanisms.

INFRASTRUCTURE IN TASMANIA

Tasmania's economic profile is based on a reliance on traditional industries such as heavy manufacturing, mining and primary industries with the existing infrastructure matched to the requirements of those industries. While this has served the State well for many years, new demands from emerging industries and the finite life of other infrastructure is placing new pressures on infrastructure provision. While not the sole domain or responsibility of Local Government in Tasmania, the following observations are made in respect of existing infrastructure in the state and its impact on future regional development.

Telecommunications

Tasmania is well served by telecommunications infrastructure. It has broad physical coverage, all its exchanges are digital and mobile phone services exist in the majority of the state. A fibre optic cable between Tasmania and mainland Australia provides state-of-the-art high speed voice and data links with the rest of the world. Tasmania is the first State to have a fully digitised communications system.

While the base infrastructure is of a good standard, the services provided to government, business and the community have been lacking until recent times. Services offered as standard in other areas of the country, particularly in major population centres, have been available to Tasmania but at costs well in excess of those available in other centres.

In recognition of these deficiencies, the Tasmanian Government developed a comprehensive submission for funding under the Regional Telecommunications Infrastructure Fund with which it was successful. With the omission of Tasmania from the roll-out of high level telecommunications infrastructure being undertaken elsewhere in the country and recognising the inability for the Tasmanian private sector to stimulate telecommunications providers to supply advanced telecommunications services, the State Government acknowledged the need for it to take a leading role in driving that demand.

Among its strategies included the development of strategic partnerships with providers such as Nortel and Telstra, the use of its purchasing power to bring new services and infrastructure to Tasmania, being an anchor client for new services thereby providing affordable access to business and community users. Among the initiatives pursued under the RTIF funding were the Tasmanian Electronic Commerce Centre, the development of Service Tasmania, providing an over the counter and electronic transaction capability for Government services, and the establishment of a series of Community Access Centres around the State.

These initiatives have been the catalyst for Tasmanian businesses and communities to reassess the way they do their business and go about their daily lives. In addition, the commissioning by the State Government of a single outsourced wide area data network (the Networking Tasmania Project) has provided maximum reach and range of services in the State and technology which can deliver those services at a much

higher speed than previously. By purchasing services in a coordinated way rather than owning and operating physical networks, there is a greater ability to attract the investment and technical skills that are required for these services to be available to business and the general community. Business, local government and the community now have access to wide range of powerful data communications and value added services.

Associated with these infrastructure initiatives has been a successful investment attraction strategy which has involved the establishment of various call centres in the State. Involving the creation of approximately new 3000 jobs and several hundred more in the construction of purpose built facilities, the strategy has provided a major boost to the economy. The strategy was built on some fundamental competitive advantages in the State including, the quality of life, infrastructure level and coverage, availability of a stable and trained workforce and the cost of establishing and conducting business in the state.

This type of infrastructure investment is providing regional communities in Tasmania with significant access to services and information which was not previously available. The means of access has provided communities with an introduction and interface to new technology and has provided them with new skills and renewed confidence.

Energy

Tasmania has the advantage of a supply of power which is totally renewable. The problem in recent years is that while renewable, the infrastructure providing the energy has a finite production capacity. Hydro electricity was provided relatively cheaply for several decades and was the catalyst for heavy industry development in the State in the areas of smelting, large scale manufacturing and processing in paint and wood products.

In recent times, there have been concerns expressed about the State's ability to meet increasing domestic demand in the medium term future as well as an inability to meet the demands of potential development projects which require access to significant blocks of energy. While this has not resulted in developments not proceeding in the State, the longer the position remains, the more difficult it becomes to provide assurances to potential proponents that capability does exist.

To address this circumstance, two processes are currently in progress. The Tasmanian Government has committed to encouraging private investors to connect the Tasmanian and Victorian electricity grids with an undersea DC cable. A 300 megawatt cable would enable electricity to be traded between the States to take advantage of peaks and troughs in demand. The process is on target at present with the Board charged to oversee the project presently assessing proponents' bids for construction which is due to be completed by 2002

The other source being pursued by the Tasmanian Government is natural gas. Natural gas deposits exist within Tasmanian coastal waters and several companies

and consortia have conducted exploration to assess reserves, particularly in the Yolla basin in Bass Strait. The commercial availability of natural gas supplies will be determined by the market demand but there has been significant interest on the Tasmanian mainland.

A commitment has also been given to looking at other sources of renewable energy. A successful wind farm trial on Flinders Island has the potential to be the catalyst for other farms in the State, providing both efficient and non-polluting energy.

The availability of a reliable and economic energy source is critical for development in regional areas. The competitive nature of the energy market in the rest of Australia requires that Tasmania is able to offer energy at a price which does not represent a hurdle to investment.

Water

Tasmania's water and sewerage facilities are generally of a good standard. Responsibility for water infrastructure is spread across Local and State Government. Bulk water authorities exist in two of the State's three regions with an authority soon to be established in the third. Water reticulation, sewerage and drainage are carried out by individual councils.

Three large irrigation schemes are operated by the State Government in the south-east, north-east and northern midlands of the State. There is significant potential for additional investment and employment in high value agriculture in the State but the ability for individual farmers to meet the capital cost of schemes is prohibitive. A number of programs have existed at the State and Commonwealth levels to encourage improved on-farm storage and while this is beneficial in areas where there is high rainfall or waterways, there are other areas in the State which could benefit dramatically from larger investments in irrigation infrastructure.

The Northern Midlands Council considers that a sight in its municipality, in the region of Tooms Lake and the Macquarie River, has significant potential for the midlands area. Work on a structure for irrigation purposes dates back to the 1840's when initial work was undertaken by convict labour. The opportunities for improvements to cropping and livestock yields are as prevalent today as they were last century and an investment in such a scheme would provide a boost for the midlands region and significant employment opportunities for local residents.

The opportunities associated with the effective and efficient availability of water are endless. When those opportunities are identified, it is imperative that the processes and resources necessary to effect the infrastructure provision can be quickly activated to ensure that investment opportunities are not lost.

Education

Society demands the best education possible for its children not only to provide them with knowledge and life skills but to equip them for future vocational streams.

Tasmanian communities are becoming increasingly concerned at lower retention rates in schools, the lack of employment opportunities in regional areas and the relevance of curriculum and structure of institutions in meeting the needs of the local community and economy.

School to work transition is being supported at various levels of government and industry but the ability of individual institutions to be flexible in service delivery is often hindered by the requirement to deliver particular products and outcomes developed in the central bureaucracy. Local Government in Tasmania, particularly in rural areas, is taking more of an interest in this area and sees it as integral to the retention of young people in its communities. Equipping them with the skills necessary to improve their vocational opportunities in the region is fundamental to that process. While vocational education opportunities have broadened in respect of more flexible service delivery through institutions and increased accreditation of on the job training, access and cost are still issues for rural and remote communities.

On the positive side for regional Australia is the recognition of the cost of providing institutions for service delivery. A trend across the country, and certainly in Tasmania, is to devote more funding to the delivery mechanisms than reinforcing the nature of the institutions. This is allowing greater user choice and improved access through accredited service providers and the provision of public facilities in regional communities. Many of the state Government's libraries and schools have annexes which allow access for the general public to on-line information and services. This is providing a new avenue for regional Tasmanians to obtain the training and knowledge they require without having to leave their local areas.

Transport

Road

There is in excess of 24000 kilometres of roads in Tasmania of which in excess of 14000 kilometres are owned and maintained by local government. Of these approximately 2700 are in urban areas with the remainder in rural areas. The majority of urban roads are sealed with at least half of the total local government network unsealed.

The State's network overall is generally sound and capably handles the transport task required of it. Demand pressures are not having a significant impact on the network but difficulties are beginning to be experienced with the maintenance task of the asset as a result of inadequate funding levels in recent years. This situation exists at both State and local government levels.

Challenges facing the network owners at both the State and local government level is how to optimise the usage of the network by encouraging heavy users onto routes which are better able to cope with heavy loads and what sorts of incentives can be provided rather than the standard disincentives such as restricting load limits on particular roads.

Rail

The Tasmanian rail network is dominated by the former Commonwealth owned TasRail operation which is now in private ownership. Following many years of declining freight levels, the new operation has embarked on an extensive marketing campaign and coupled with a flexible pricing policy and incentives for freight forwarders has increased its freight task and has recorded the first profit ever for the rail operation. Recent investment in locomotives and rolling stock aimed at improving the service is likely to result in further increases in the rail freight task shifting loads from the present road network.

Air Services

With air and sea being the only means by which access to Tasmania can be achieved, the air services existing in the State are well developed. Serviced by four major airports at Hobart, Launceston, Burnie and Devonport regular passenger services are provided from each location, the first two being serviced by narrow bodied jet aircraft and the latter two serviced by turbo prop aircraft. Hobart and Launceston airports have recently been sold to private interests with the remaining two being owned by the local marine boards.

The infrastructure existing at these airports is of a good standard. Overnight freight services operate from both Hobart and Launceston. A major driver for increased regularity and capacity of freight services has been the growth of the seafood industry in Tasmania. The recent introduction of a wide bodied freight service from Hobart has provided exporters with a significant boost and reduced the double handling which was once necessary for overseas transit.

The State is also served by a series of smaller airports at Smithton, Queenstown, Strahan, George Town and each of the Bass Strait Islands, Flinders and King Islands. In the majority of cases these facilities are owned or controlled by the local Councils. Predominantly utilised for passenger and emergency services, these facilities range in condition and are used mostly by charter and small passenger services within the State. The exceptions are Flinders and King Islands which have regular passenger services as a consequence of their particular circumstances.

The major issue for the latter category of facilities, particularly the Bass strait Islands, is safety and all weather capability. Flinders Island Council took control of its facility in 1992 under the local ownership plan. Much work has been done in respect of facilities improvement and runway upgrading but limitations still exist due to the runway being unsealed. This provides significant challenges to the aircraft operators, local residents and businesses when closures occur. Despite the considerable ratepayer contribution to the airport's operation, the ability to contribute further is limited. The threat to the island is with increased runway closures, threats to the viability of services to the island become greater which could lead to a contraction, or even withdrawal, of services.

Bass Strait

The significant disadvantage faced by Tasmania as an island State is the lack of choice in respect of either passenger or freight movements to and from the island. Whereas other States enjoy the least expensive movements by road and rail, Bass Strait limits Tasmania to air and sea, both of which come at additional cost.

Tasmania's disadvantage in this regard has been recognised for some time. The Tasmanian Freight Equalisation Scheme introduced in the 1970's, sought to resolve the inequities faced by freight forwarders utilising Bass Strait Services. Recognising the high cost of coastal shipping in Australia and the fact that in using sea freight, goods must be transferred to another mode of transport at each end, the payment to Tasmanian companies goes some way toward offsetting the costs associated with Bass Strait shipping. A recent review of the scheme retained the underlying associated equalisation principles but recognised anomalies in the existing costing and measurement regimes which, when rectified, should provide the State with an added \$15 million benefit per annum. The level of assistance provided by the Commonwealth in recent years has been of the order of \$42 million per annum.

In addition to the recognition of the State's disadvantage in terms of freight movement, the Commonwealth introduced the Bass Strait Passenger Vehicle Equalisation Scheme in 1996-97. Aimed at reducing the cost of driver's/passengers accompanying their vehicle when travelling across Bass Strait, a rebate of approximately \$300 is provided for a round trip. However, no such benefit is afforded passengers travelling without vehicles.

The scheme has resulted in a marked increase in accompanied vehicle travel on Bass Strait and is assisting to meet the broad objective of increasing the demand for travel to provide direct benefits to the tourist industry through growth in jobs and investment in Tasmania. Demand has been such that the past two summers have seen the leasing by TT-Line of a fast ferry to meet the additional travel requirements.

INFRASTRUCTURE GAPS IN TASMANIA

A particular shortcoming in Tasmania at both the State and Local Government levels is the relative scale of infrastructure projects. While beneficial projects do exist they are small by comparison to larger mainland projects and don't generally fit the requirements of financing institutions in respect of either the risk profile or rates of return.

There is also the matter of the State's declining population. Population growth generally requires a variety of infrastructure provision but when the population level is declining decisions regarding shifts of priority and even non-renewal of infrastructure must be seriously considered.

A limitation associated with infrastructure necessary for the operation of an existing or proposed industry in regional areas is the fact that the user often cannot afford to pay the full cost of the service on a user pay basis.

There is a clear problem of what comes first – infrastructure or development. While all the infrastructure in the world may not necessarily sway a developer to invest in a particular region, the fact is that the availability of a total greenfields opportunity without any infrastructure is probably going to be even less encouraging.

Potential investors generally prefer that infrastructure is in place prior to embarking on expansion or relocation to a particular area. Experience has shown that when transport links, power and labour supplies, health and education facilities and communications networks are in place, the decision of the developer can be quite swift. If these things need to be negotiated and the user is to be charged a premium based on the initial cost of provision, there is likely to be less interest.

Alternatively, speculative infrastructure investment can be expensive and unrewarding unless there are adequate levels of demand. Risk factors must be minimised with supply and demand principles being adhered to and the market place being strictly evaluated.

A number of specific opportunities exist in the State to enhance regional development outcomes. The recent agreement by the Commonwealth to recognise the Crest magnesium project of one of significance is an important action in facilitating the project coming to fruition. The State Government is presently working with the company to assess the infrastructure requirements of the project. In addition to a power source, there are factors such as transport infrastructure and a water supply which will be necessary for the processing facility. The potential benefit of the project to the State and the region in which the facility is built is enormous. It is likely also that the cost of supporting infrastructure will be substantial. The export income which can be generated from such a facility and the contribution to the national economy provide a strong argument for financial assistance from the Commonwealth in the provision of the base infrastructure.

While the magnesite project is well defined, there are other potential opportunities for infrastructure support in the state. Tasmania's proximity to the Southern Ocean, its links with the Antarctic continent and its maritime heritage and expertise, lend themselves to a number of possibilities for large scale developments. These range from the development of infrastructure to cater for provisioning of supplies, including fuel, for vessels operating in the Southern Ocean to the establishment of facilities to allow for repairs to major vessels to be undertaken. The State's reputation as a maritime leader is unquestioned, from the craft of wooden boat building to the internationally acclaimed high speed catamarans that are exported around the world. There is the opportunity to build on this reputation and provide real benefits to Tasmania's regional economy.

Another area which could provide significant employment opportunities is in the area of business clustering. The growth and success of International Catamarans Pty Ltd (InCat) has had the effect of also growing the businesses supplying the components for the finished catamaran product. Rather than simply being suppliers to InCat, many of the companies have developed strategic alliances which reduce costs and spread expertise well beyond the normal capabilities of a stand alone business. Much of this has been fostered through the guidance of InCat with the result that rather than simply now being providers to InCat the individual companies have grown and become exporters themselves.

There is no doubt that such success can be achieved across a large number of sectors but many companies do not have the resource or capability to look beyond their own businesses and consider the "bigger picture" opportunities. The outcomes possible are well recognised by industry and governments alike but there is seldom the resource allocated to foster and grow these clusters. This type of infrastructure investment can provide significant efficiencies for companies, new growth opportunities for industries and increased employment in the community.

CONCLUSION

The issue for regional Australia is that it only wants what the rest of the country already takes for granted. The future of regional Australia is presently in the balance. Increasing unemployment levels, closures of major companies, low school retention rates and population decline are symptomatic of the country's regional areas. A dedicated and substantial effort needs to be put into effect to address the current problems.

Without a significant investment in infrastructure regional Australia will not survive. Regional communities are at their limits with regard to capacity to pay or provide and need substantial assistance. In many cases the infrastructure necessary to enhance the development of regions is not readily apparent. In other cases it is quite clear what is necessary but funding its realisation is beyond the means of the regions.

Regional Australia needs access to a broad ranging infrastructure fund that is capable of promoting and facilitating development in regional areas. Access to funding must be flexible with attention given to what the funding can achieve rather than how much each party is prepared or capable of contributing. A central infrastructure fund provided through the Commonwealth to meet this requirement is a valid scenario.

But regions also need to be clear about their futures and the opportunities available. For too long the various levels of Government have been tackling the regional development task within the confines of their own jurisdictions. If regional development is to be successful, all parties must be willing to work together, develop common goals and deliver outcomes which meet the requirements of the region. This will necessitate a new level of cooperation in the integration of service delivery, program development and delivery and the development and facilitation of infrastructure.

Already in Tasmania the notion of partnership agreements between State Government and individual Councils is beginning to bridge the gap on a number of issues which will ultimately benefit the local regions. The units subject to the agreement are relatively small in size but it is clear at this early stage that with regard to infrastructure issues, broader regional matters will be considered and tackled. This level of cooperation must be broadened to the Commonwealth if sustainable benefits are going to be derived for regional Australia. The process will be resource intensive and time consuming but it will deliver results if all parties can focus on the real needs of regional communities and the combined resources necessary to meet them.