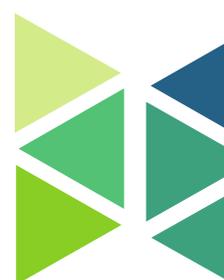


REGIONAL CITIES VICTORIA

**Pre-Budget submission 2017/18 to the Victorian State Government:
*Growing Our Regions***

13 February 2017



RCV
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VICTORIA



ABOUT RCV

Regional Cities Victoria (RCV) is a regional leadership group dedicated to building a sustainable Victoria by providing strategic advice, coordination and advocacy to State and Federal Governments. RCV supports policies which enable Victoria's regional centres to grow and develop by attracting further investment and encouraging the presence of a skilled workforce.

Comprising the Mayors and CEOs of the 10 largest cities in regional Victoria – Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool and Wodonga - RCV is focused on achieving real change in regional Victoria through policy development and implementation.

RCV is now widely recognised as a pre-eminent advocacy body for regional Victoria. It works closely with both the Minister and Shadow Minister for Regional Development, with various arms of government including Regional Development Victoria and other bodies such as Rural Councils Victoria, the Municipal Association of Victoria, RACV, VECCI and the Victorian Farmers Federation.

As regional hubs, RCV cities support surrounding districts through the provision of education, health, financial, transport and social services, as well as retail, sport and recreation, cultural and tourism amenities and activities.

INTRODUCTION

Recent data shows that Victoria's regional economy contracted by 1 per cent in 2015-16 – the only regional economy in Australia to go backwards. It is the fourth consecutive year that the economy of regional Victoria has shown a decline, and is in direct contrast to Melbourne which grew by 4.4 percent over the same period.¹

Conversely, the latest jobs statistics show that regional unemployment dropped to 5 per cent in the December quarter, the lowest level since November 2014.²

These figures highlight the fact that regional Victoria is experiencing a period of significant economic transition. Investment from the State Government is a key to ensuring regional Victoria can facilitate growth, adapt to current and future economic challenges, and bridge the divide that currently exists between Melbourne and the rest of the state.

As the ten largest cities in regional Victoria, RCV is uniquely positioned to lead economic growth and the ongoing recovery. In the lead up to the 2017/18 State Budget, RCV has developed five proposals that relate specifically to these goals.

¹ SGS Economics & Planning. 2016. *Australian Cities Accounts 2015-16*. Available at: https://www.sgsep.com.au/application/files/9914/8106/1313/GDP_by_major_capital_city_201516_-_high_res.pdf. [Accessed 3 February 2017].

² ABS. 2016. *Labour Force, Australia, Dec 2016*. Available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6202.0>. [Accessed 3 February 2017].



2017-18 BUDGET PROPOSALS

Proposal 1: Incentivising business. Creating jobs. Increasing liveability.

Calling on the Government to renew its efforts to attract people to regional Victoria by investing an extra \$100 million in jobs and liveability in our regions.

Proposal 2: Placing cities at the heart of the Visitor Economy.

Calling for further investment in the Government's successful \$103 million Regional Tourism Infrastructure Fund – supporting local jobs and driving economic activity in our regions in line with the Government's focus on the visitor economy.

Proposal 3: Driving regional access to the Port of Melbourne.

Calling for the \$970 million from the Port of Melbourne lease to be rolled out to regional Victoria as a priority.

Proposal 4: Unlocking regional investment.

Seeking \$75,000 in funding for the development of a business case for an RCV Treasury Shared Service.

Proposal 5: Building connections with international markets.

Seeking an in-principle commitment to support inbound trade missions into regional Victoria – enabling regional markets to reap the benefits of international investment.



PROPOSAL 1: Incentivising business. Creating jobs. Increasing liveability.

Calling on the Government to renew its efforts to attract people to regional Victoria by investing an extra \$100 million in jobs and liveability in our regions.

Besides personal connections, the primary reasons for people to move to regional cities is for work and for liveability.

RCV recognises the efforts of the Government to create and build on business opportunities in our regions, particularly through the *Regional Jobs and Infrastructure Fund (RJIF)*. This is reflected in the most recent jobs data.

RCV also recognises the Government's focus on population attraction and liveability in our regional cities through funding streams such as the *Stronger Regional Communities Plan*.

Just last year many challenges arose in our regional economies, including businesses such as Hazelwood in the Latrobe Valley, Alcoa just outside Warrnambool, the impacts of the Murray Darling Basin Plan in northern Victoria, and SPC in Shepparton. RCV understands the needs of regional Victoria, has access to vital research and local case studies, and can provide immediate, on-the-ground feedback on the effectiveness of programs. RCV is determined to work closely with the Government to develop policy which prevents future crises in regional economies.

RCV is currently in the process of undertaking work that collects and analyses relevant data across our cities, and establishes a common set of key liveability indicators.

This work will deliver a liveability index which will highlight where regional cities are performing strongly, and where they are falling behind. It will offer a considered snapshot of liveability indicators ranging from health and education services, to the availability of digital technology, providing a valuable evidence-base for policy development.

RJIF is currently funded through to 2018-19. RCV calls on Government to invest an extra \$100 million into the fund and refocus the program with increased funding caps, aimed at attracting people and enabling new business in our cities.

RCV also calls on the Government to ensure a fair share of the Premier's \$508 million *Jobs and Investment Panel* funding is spent in regional Victoria.



PROPOSAL 2: Placing cities at the heart of the Visitor Economy.

Calling for further investment in the Government's successful \$103 million Regional Tourism Infrastructure Fund – supporting local jobs and driving economic activity in our regions in line with the Government's focus on the visitor economy.

RCV commends the Government on its commitment to the regional visitor economy via the \$103 million *Regional Tourism Infrastructure Fund (RTIF)*, announced as part of the 2016/17 State Budget.

The tourism sector currently contributes over \$11.5 billion to the regional economy and generates over 114,000 jobs annually – a significant contributor to the growth of regional Victoria.³ With a decline in traditional employment sectors such as manufacturing, regional Victoria is looking to growing sectors such as the visitor economy to deliver jobs, revenue and growth.

RCV understands that a pipeline of more than 300 prospective projects have been identified as suitable for support through RTIF. These projects upgrade tourist landmarks, create jobs, and encourage tourism across the whole state.

Given the large number of prospective projects and opportunities, RCV calls on the Victorian Government to continue its support for growing the regional visitor economy by delivering an additional round of RTIF in the 2017/18 State Budget.

The visitor economy is vital to the economic prosperity of regional Victoria, and RCV stands ready to work with the Government to identify and facilitate meritorious tourism projects.

³ Minister for Regional Development. 2016. *Backing Regional Victoria's Tourism Potential*. Available at: <http://www.premier.vic.gov.au/backing-regional-victorias-tourism-potential/>. [Accessed 3 February 2017].



PROPOSAL 3: Driving regional access to the Port of Melbourne.

Calling for the \$970 million from the Port of Melbourne lease to be rolled out to regional Victoria as a priority.

Regional Victoria produces almost one-third of the state's trade revenue.⁴ It is therefore critical that Government facilitates the development of infrastructure projects dedicated to the movement of cargo from regional Victoria to world markets.

RCV commends the Government for committing to invest at least \$970 million of the proceeds of the Port of Melbourne lease into infrastructure projects and programs in our regions.⁵ We now call on the Government to roll out these funds as a priority.

By prioritising logistics and transport considerations, the Government has the opportunity to reduce traffic congestion and support the development of the Port into a productive asset that facilitates strong growth in the state's economy.

The Government must also increase the scope and frequency of passenger rail services to regional cities to alleviate the traffic and safety issues on our roads, and open the regions up to new visitors.

These steps are paramount to maximising the job creating potential of our regional industries, and ensuring products can be transported both safely and on time.

There are many vital projects which can begin now that will enable regional Victoria to fulfill its potential, including but not limited to:

- Goulburn Valley Highway Shepparton Bypass
- Western Highway Duplication, from Ararat to Stawell
- Ballarat Western Link Road – Stage 2
- Mildura Truck Bypass – Benetook Ave
- Completion of the North-West freight route that links the Yarrawonga Road with Wangaratta's industrial areas
- Princes Highway West - 2+1 configuration, overtaking lanes and bridge strengthening - Colac to S.A, Border
- Rail duplication – Kyneton to Bendigo

By investing in these projects, many of which were supported by Infrastructure Victoria⁶ in its 30-year infrastructure strategy, the Government will facilitate increased productivity and place regional Victoria in a strong position to continue the positive trend in jobs growth.

⁴ DEDTR. 2017. *Regional Development Focus*. Available at: <http://economicdevelopment.vic.gov.au/victorian-economy-in-focus/regional-development-focus>. [Accessed 3 February 2017]

⁵ *Port Lease Delivers \$970 Million For Regional Victoria*, Premier's Media Centre, 19 September 2016

⁶ Infrastructure Victoria. 2017. *Infrastructure Victoria 30-year strategy*. Available at <http://yoursay.infrastructurevictoria.com.au/30-year-strategy/>. [Accessed 3 February 2017].



PROPOSAL 4: Unlocking regional investment.

Seeking \$75,000 in funding for the development of a business case for an RCV Treasury Shared Service.

Regional Victoria continues to face a strong need for greater infrastructure investment. Targeted investment in key infrastructure will support economic activity and enhanced productivity, improve liveability and social equity, and attract investment and population growth.

The capacity of municipalities to fund infrastructure projects is challenging in the current political climate. Rate capping has redirected funds from developing assets and addressing infrastructure backlogs, to the provision of ongoing vital community services.

Since 2012, RCV has been working to develop methods of finance for much needed regional infrastructure. In the course of this work two papers have been commissioned: *Financing for Growth* in 2012 (by SED) and *Local Government Financing and Treasury Shared Service* (by EXEM Australia) in 2014 (with an update in 2015). Detailed consultation has taken place with the Treasurer's Office, the Department of Treasury and Finance (DTF), Regional Development Victoria (RDV), the Office of Local Government and Treasury Corporation Victoria (TCV).

The analysis by Exem shows that an appropriately structured model would reduce interest costs on debt by approximately 2.5 per cent each year before administration and issuing costs. At current RCV debt levels this is equivalent to an annual saving of \$5.2 million. This reduction would allow Councils to obtain finance with a smaller interest cost burden, improving council services to Victorian communities.

RCV is now seeking a grant of \$75,000 to develop a Business Case that addresses the key finding of these reports: the creation of a treasury shared service for use by RCV's ten municipalities, with the possibility of extending the facility to rural councils within RCV catchments.

Work done to date indicates that substantial savings can be made on aggregated borrowings, and better returns gained on deposits. Funds so realised, which are likely to be substantial, will then be available to member cities for other uses, including infrastructure and sustainability purposes.

The Business Case will be prepared on behalf of RCV by EXEM, engaging extensively with the ten regional cities and DTF, RDV and TCV. The work will be coordinated by the RCV Secretariat.



PROPOSAL 5: Building connections with international markets.

Seeking an in-principle commitment to support inbound trade missions into regional Victoria – enabling regional markets to reap the benefits of international investment.

To further strengthen the already strong relationships between RCV member cities and China, RCV is seeking an in-principle commitment to support inbound trade missions into regional Victoria, and to play a key role in the coordination of such missions.

Two-way trade between Victoria and China is currently valued at over \$20.5 billion. China is also Victoria's number one source of international students, with almost 50,000 international student enrolments per year. China's visiting economy also contributes over 430,000 tourists to the state every year.⁷

Inbound trade missions will allow Victoria's regional cities to showcase their respective comparative advantages in industries such as food and agriculture, technology, advanced manufacturing and environmental protection.

Many RCV member cities have existing Sister-City relationships in China, which have developed from friendship and mutual respect to more enduring, productive relationships.

By becoming strategically involved in in-bound trade missions, RCV can:

- Encourage local stakeholders, businesses and community leaders to showcase the best of what the regions have to offer;
- Determine possible supply and demand business opportunities by matching visitor interest with appropriate regional cities;
- Strengthen relationships amongst government and business to underpin longer-term financial dealings; and
- Leverage opportunities through regional cities' sister-city and school partnership programs.

⁷ Victoria-Jiangsu Sister-City Regional City Alliance Action Plan, 2016



CONCLUSION

RCV continues to provide strategic guidance to government when making policy and investment decisions that impact regional Victoria.

At a time when the regions are facing tough economic challenges, RCV is seeking support from the Victorian Government in the following areas:

- Attracting people to regional Victoria by investing an extra \$100 million in jobs and liveability in our regions.
- Providing further investment in the successful Regional Tourism Infrastructure Fund
- Rolling out the \$970 million from the Port of Melbourne lease.
- Providing \$75,000 for the development of Business Case for an RCV Treasury Shared Service.
- An in-principle commitment to supporting in bound trade missions into regional Victoria.

RCV welcomes a chance to discuss further the proposals in this pre-budget submission and looks forward to working closely with the Government to grow our regions.

