

# REGIONAL CITIES VICTORIA

**Pre-Budget submission 2018/19 to the Victorian State Government:  
*Unlocking the Potential of Regional Victoria***

**February 2018**



RCV  
REGIONAL  
CITIES  
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 organisation for regional Victoria. It is a trusted policy partner for government, working closely with both the Minister and Shadow Minister for Regional Development, as well as various arms of government including Local Government Victoria (LGV) and Regional Development Victoria (RDV), and other bodies such as Rural Councils Victoria, the Municipal Association of Victoria, RACV, the Victorian Chamber of Commerce and Industry, and the Victorian Farmers Federation.

As regional hubs, RCV cities support surrounding towns and 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.

In 2018 RCV has identified the following themes and strategic objectives to guide its policy and advocacy activities:

- **Jobs & Business Growth**  
Objective: Incentivise business growth and employment opportunities in regional cities
- **Population Growth & Liveability**  
Objective: Facilitate population growth and enhance liveability across regional Victoria
- **Transport & Connectivity**  
Objective: Improve road and rail infrastructure to enable better connectivity throughout regional Victoria
- **Future Industries**  
Objective: Prepare regional cities for the challenges and opportunities presented by changes to industry and workforce capacities

## INTRODUCTION

The annual Australian Bureau of Statistics state domestic product data, released in November 2017, showed Victoria's economy had grown at a rate of 3.3 per cent throughout 2016-17; ahead of NSW (2.9 per cent), South Australia (2.2 per cent), Queensland (1.8 per cent) and Tasmania (1.1 per cent). Victoria's unemployment rate of 5.5 per cent in November 2017 was marginally higher than the national unemployment rate (5.4 per cent). However, over the same period,



Victoria's gross state product per capita grew just 0.9 per cent<sup>1</sup>, underpinned by strong population growth.

The results of the 2016 Census showed that Victoria, along with the Australian Capital Territory and Western Australia, had grown 11 per cent in the period 2011-2016.<sup>2</sup> Population growth presents both challenge and opportunity for Victoria overall; and the same is true for Victoria's regional cities. Regional cities provide compelling alternatives to metropolitan living, and are often viewed as the answer to population growth in greater Melbourne. However smart planning and strategic investment are essential to ensuring that regional cities do not suffer from the same 'growing pains' experienced in expanding areas of metropolitan Melbourne.

The Regional Cities Victoria Liveability Index has shown that one area in which regional Victoria holds a significant advantage over metropolitan Melbourne is housing affordability. The average median house price across RCV cities is \$253,488; compared with the greater Melbourne average median house price of \$779,018.<sup>3</sup> Research by the Regional Australia Institute also identifies housing affordability as a key consideration for those wanting to move to a regional location<sup>4</sup>.

Housing affordability initiatives in the 2017-18 State Budget, such as the doubling of the First Home Owners' Grant in regional Victoria<sup>5</sup>, and discounted stamp duty up to \$750,000, has certainly helped encourage population movement towards regional Victoria. The 2017-18 State Budget also provided some significant incentives to drive regional job creation and employment, such as the 25 per cent cut in payroll tax for regional businesses and the relocation of government jobs to Ballarat and the Latrobe Valley. And we note the commitment of successive governments to infrastructure funding quarantined for the regions, starting with the Regional Growth Fund that RCV was integral to establishing.

To build on these initiatives and help realise the potential of regional Victoria, RCV is calling for investment and innovation in business growth, transport connectivity, and local government financing that will facilitate job creation and improve liveability in regional cities.

RCV submits the following proposals for the 2018-19 State Budget, which can achieve multiple objectives by investing in local businesses (supporting business growth and jobs creation); and creating visitor infrastructure that both encourages tourism-driven economic activity and enhances local amenity and liveability.

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<sup>1</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5220.0>

<sup>2</sup> <http://www.abs.gov.au/ausstats/abs@.nsf/mf/2024.0>

<sup>3</sup> Regional Cities Victoria Liveability Index, Deloitte Access Economics, December 2017

<sup>4</sup> [http://www.regionalaustralia.org.au/home/wp-content/uploads/2016/07/Population-dynamics\\_fact-sheet.pdf](http://www.regionalaustralia.org.au/home/wp-content/uploads/2016/07/Population-dynamics_fact-sheet.pdf)

<sup>5</sup> <https://www.premier.vic.gov.au/providing-choice-and-affordability-for-first-home-buyers/>



## 2018-19 BUDGET PROPOSALS

### **Proposal 1: Encouraging business growth and creating employment opportunities in regional cities**

Calling on the Government to build on the momentum generated through the first iteration of the Regional Jobs and Infrastructure Fund (RJIF) by investing \$600 million over four years in this fund.

### **Proposal 2: Creating memorable visitor experiences and improving regional liveability**

Calling for additional investment of \$100 million in the Government's successful Regional Tourism Infrastructure Fund – supporting local jobs and enhancing amenity and liveability by growing the visitor economy.

### **Proposal 3: Improving connectivity throughout regional Victoria**

Calling on the Government to ensure the recently announced Melbourne Airport rail link has practical connections to the V/Line Network, to improve travel times and frequency and between Melbourne and regional cities; and to improve inter-regional connectivity.

### **Proposal 4: Creating opportunities through innovative financial management**

Calling on the Government to support the pilot of a Local Government Financing and Treasury Shared Service model, based on the business case developed by Regional Cities Victoria and funded by the Victorian Government in 2017-18.



**PROPOSAL 1: Encouraging business growth and creating employment opportunities in regional cities**

Calling on the Government to build on the momentum generated through the first iteration of the Regional Jobs and Infrastructure Fund (RJIF) by investing \$600 million over four years in this fund.

While affordable housing is a significant driver of regional migration attraction, the availability of suitable employment opportunities in regional areas is also a key factor and RCV's top priority.

Victoria has demonstrated the strongest employment growth of any state, up 9.6 per cent in the five year period to November 2016<sup>6</sup>. However, this employment is concentrated in Melbourne (76 per cent). The remaining employment is spread across regional Victoria, concentrated in the cities that make up Regional Cities Victoria.

Importantly, there is also great variation in employment levels across regional Victoria. For example, in the same five-year period to November 2016, the Latrobe-Gippsland region experienced an 11.6 per cent decline in employment, with the closure of the Hazelwood Mine; meanwhile, Shepparton showed an 11.1 per cent increase, and Geelong a 10.6 per cent increase<sup>7</sup>. Moreover, each region has different economic strengths and attracting people with the skill sets appropriate for the local industries remains an ongoing challenge.

Regional cities are well-placed to build on their local expertise in primary industries to grow new businesses in the areas of agribusiness, renewable energy and advanced manufacturing. However, the development of these sectors will be hampered by both labour and skills shortages in regional areas, unless sustainable, tailored solutions for these challenges can be identified and implemented. An ongoing RCV-commissioned study by SGS Economics & Planning is exploring policy-led solutions that will drive job creation in regional Victoria.

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)*. Further investment and support for upskilling and training will assist new industry growth and boost regional employment.

RCV acknowledges the work of the Regional Partnerships in working closely with regional communities to identify the issues most important to them, and to find innovative and practical solutions to address these. It is clear from the Regional Assemblies that economic growth and diversification, and employment, especially for the younger generation, are primary concerns across regional Victorian communities.

**RCV calls on the Government to invest \$600 million over four years in the Regional Jobs and Infrastructure Fund, aimed at growing established regional businesses and attracting new businesses to our cities.**

<sup>6</sup> <https://docs.jobs.gov.au/system/files/doc/other/australianjobs2017.pdf>, p. 7 [accessed 7/2/2018]

<sup>7</sup> Loc. cit.



## **PROPOSAL 2: Creating memorable visitor experiences and improving regional liveability**

Calling for an investment of \$100 million in the Government's successful Regional Tourism Infrastructure Fund – supporting local jobs and enhancing amenity and liveability by growing the visitor economy.

The latest Tourism Research Australia data (for the year ending September 2017) shows strong growth in international spend, visitors and nights for regional Victoria, including an 18.6 per cent year-on-year increase in international overnight expenditure to reach \$557 million. However, this still only accounts for *seven per cent of total international expenditure* in Victoria.

Likewise, for domestic visitation, regional Victoria attracts almost two-thirds of visitors but generates less than half of the expenditure. Further investment in attractions, accommodation and visitor experiences in regional Victoria is critical to converting the strong visitor numbers (both international and domestic) into much stronger economic returns.

RCV recognises the significant projects supported by the \$103 million *Regional Tourism Infrastructure Fund (RTIF)*, announced as part of the 2016/17 State Budget and notes that this initial round of funding was tightly contested. With a pipeline of more than 300 prospective projects identified as suitable for support through RTIF, RCV calls on the Government to invest further in this fund, to realise the potential of the regional visitor economy.

The visitor economy is vital to the economic prosperity of regional Victoria. It also contributes to the liveability of a destination, with many visitor amenities and facilities also benefitting local communities. Nature-based attractions are one of regional Victoria's strongest tourism assets, and was identified in the RCV Liveability Index as a key advantage of regional Victoria over greater Melbourne.

**With the current Regional Tourism Infrastructure Fund fully allocated, RCV calls on the Government to invest an additional \$100 million to realise more of the projects already identified in the investment pipeline, and capitalise on the strong visitation to regional Victoria.**



### **PROPOSAL 3: Improving connectivity throughout regional Victoria**

Calling on the Government to ensure the recently announced Melbourne Airport rail link has practical connections to the V/Line Network, to improve travel times and frequency and between Melbourne and regional cities; and to improve inter-regional connectivity.

RCV's Liveability Index and anecdotal feedback from RCV member councils highlight the shortcomings of passenger rail services to regional cities, in relation to both frequency and reliability. Resolving these regional public transport issues would go a long way to improving the liveability of regional cities, thus also enhancing their attractiveness as destinations to live, work, visit and conduct business.

Improving the reliability and frequency of regional rail services would also help alleviate traffic congestion and reduce reliance on cars, an important consideration in light of the alarming statistics regarding regional road trauma rates.<sup>8</sup>

RCV welcomed the announcement in late 2017 regarding the commencement of planning for the Melbourne Airport Rail Link, supported by funding of \$10 million from the State Government and \$20 million from the Federal Government. RCV was further encouraged by the Premier's view that the airport rail link could transform the way people live, work and travel across Victoria, with the potential to unlock western and northern Victoria.

In the light of the recent announcement of the internationalisation of Avalon Airport, RCV would like to see Avalon Airport also incorporated into transport network planning for south-west Victoria, with a commitment for a pipeline of funds to progress the overall planning project quickly.

**RCV calls on the Government to ensure the recently announced Melbourne Airport rail link has practical connections to the V/Line Network, to improve travel times and frequency and between Melbourne and regional cities; and to improve inter-regional connectivity.**

<sup>8</sup> <https://www.premier.vic.gov.au/run-off-road-crashes-the-biggest-killer-on-country-roads/>



#### **PROPOSAL 4: Creating opportunities through innovative financial management**

Calling on the Government to support the pilot of a Local Government Financing and Treasury Shared Service model, based on the business case developed and funded by the Victorian Government in 2017-18.

Since 2012, Regional Cities Victoria has been working to develop funding models that would allow member cities to obtain finance with the lowest possible interest cost burden.

RCV commissioned the following research papers on the topic: Financing for Growth in 2012 (by SED); 2013 Regional Cities Growth Framework (by MacroPlan Dimasi); and Local Government Financing and Treasury Shared Service (by EXEM Australia) in 2014, with an update in 2015.

This work has outlined a robust case for the creation of a Treasury Shared Service. This shared service model involves RCV aggregating funds in order to provide access to wholesale investment markets, dramatically reducing interest costs for all ten councils.

Analysis by EXEM Australia shows the model would deliver a 2% reduction in interest – an annual saving of \$5 million on current RCV debt levels. These savings would allow RCV cities to make further investments in their communities, addressing infrastructure backlogs and developing assets and creating opportunities for economic growth and improved liveability in their local government area. Moreover, lower interest rates on debt would allow RCV cities to improve the sustainability of their financial operations.

Under RCV's proposal, the shared service structure would initially comprise RCV's ten member cities, with the possibility of extending the service to rural councils within RCV catchments at a later point in time.

RCV acknowledges the \$100,000 grant from the Living Regions Living Suburbs fund, approved by the Minister for Regional Development in late 2017, to develop a formal business case underpinning the proposal for the implementation of the Treasury Shared Service. As well as working closely with Regional Development Victoria (RDV) on the business case, RCV also obtained support for this initiative from the Treasurer's Office, the Department of Treasury and Finance (DTF), the Office of Local Government, and Treasury Corporation Victoria (TCV).

**RCV calls on the Government to continue supporting this initiative with a commitment to establishing the Local Government Financing and Treasury Shared Service model, pending a satisfactory outcome with the business case, which is due in March.**



## CONCLUSION

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

The Government should be encouraged by the progress to date with its initiatives to grow and support regional Victoria. To ensure a lasting legacy RCV urges the Government to continue to invest in regional Victoria, with funding commitments that will

- Encourage business growth and creating employment opportunities in regional cities;
- Create memorable visitor experiences and improving regional liveability;
- Improve connectivity throughout regional Victoria; and
- Create opportunities through innovative financial management

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.

