

REGIONAL CITIES VICTORIA

Budget submission 2020/21 to the Victorian State Government:
Investing for Growth in Regional Victoria

November 2019



RCV
REGIONAL
CITIES
VICTORIA



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 widely recognised as a pre-eminent advocacy organisation for regional Victoria. It is a trusted policy partner for government, working with key ministers and various arms of government including Local Government Victoria (LGV); Regional Development Victoria (RDV) and the Victorian Planning Authority; as well as other bodies such as Rural Councils Victoria, the Municipal Association of Victoria, RACV, the Victorian Chamber of Commerce and Industry.

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.

BACKGROUND

RCV's vision is for regional prosperity and enhanced liveability through sustainable growth. To realise this, we need to develop and advocate for policies that invest equitably and sustainably in regional cities to support a growing Victoria.

The state's population is forecast to reach approximately 10 million by 2051; of this, 8 million are expected to be located in the Greater Melbourne area. With smart planning and investment now, regional cities can take a leading role in enticing some of the population beyond Greater Melbourne.

In August 2019 RCV launched its advocacy priorities for 2019-2022, Investing for Growth in Regional Victoria. This advocacy platform identifies seven priority areas - Infrastructure, Skills and Labour, Business and Investment Attraction, Waste Management, Transport, Digital Connectivity, and Local Government Financing – and makes recommendations for each. RCV's 2020-21 Budget Submission builds on these priority areas.



**10 MILLION PEOPLE IN
VICTORIA BY 2051**



**8 MILLION PEOPLE
ARE EXPECTED TO BE
LOCATED IN THE GREATER
MELBOURNE AREA**

For further information or queries about this submission please contact the RCV Secretariat on (03) 9654 4799 or via email: rcv@cprcomm.com.au

OVERVIEW - 2020/21 BUDGET PRIORITIES

INFRASTRUCTURE

- Increased funding for additional rail services, maintenance, upgrades, and replacement coaches across the regional rail network.
- As part of the Melbourne Airport Rail Link, a commitment from the state government to the construction of infrastructure that will facilitate fast rail to the regions in the future.
- Further studies investigating the feasibility of fast rail to other regional centres.
- \$7.5 million to implement the Small Business Better Approvals program across planning and building approvals.
- \$2 million per annum for the expansion and continuation of the Streamlining for Growth Program and implementation of PSP 2.0.
- A low-cost loan scheme, similar to the successful Community Sports Infrastructure Loans Scheme, to finance enabling infrastructure for regional housing developments.

BUSINESS INVESTMENT AND ATTRACTION

Long-term investment of \$400 million over four years in the Regional Jobs and Infrastructure Fund, and a continued focus on the whole-of-government approach to regional development and delivery.

SKILLS AND LABOUR

- Funding to showcase the jobs, business and investment opportunities available across the state, through a public campaign.
- Additional funding for the Victorian Skills Commissioner's Regional Skills Taskforces, to support completion of Regional Skills Demand profiles across all regions.

DIGITAL CONNECTIVITY

Further investment of \$100 million in digital and tele-communications infrastructure through the Connecting Regional Communities Program, including:

- Free Wi-Fi in all regional cities
- Free Wi-Fi on all regional trains.
- Continued roll-out of the Mobile Blackspot Program

TRANSPORT

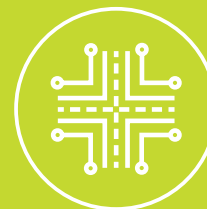
- Integration of local government transport plans with the Regional Network Development Plan
- Dedicated funding to implement the integrated regional transport plans across both passenger and freight networks (including inland ports).
- Development of a regional aviation strategy.

WASTE MANAGEMENT

- A state-wide policy for waste management and resource recovery, as well as region-specific approaches for the implementation of the Victorian circular economy policy.
- A review the Municipal and Industrial Landfill Levy.
- The release of unspent funds in the Sustainability Fund to support councils managing the current recycling crisis.
- Consultation with local governments in relation to any changes to the Municipal and Industrial Landfill Levy, ensuring that changes are phased in, with sufficient notice to councils to allow for appropriate budgeting.

LOCAL GOVERNMENT FINANCING

Support the RCV business case with a \$2 million commitment to establish the proposed Treasury Shared Service model.



INFRASTRUCTURE

Victoria's population is growing rapidly. Investment in infrastructure is required to support this growth, and to maintain and improve liveability across the state. In its report Growing Victoria's Potential (2019), Infrastructure Victoria states that regional infrastructure priorities must be targeted to reduce disadvantage and build on local economic strengths.

REGIONAL RAIL

The shortcomings (and in some cases, lack) of regional passenger rail services are well known. Resolving the issues of frequency and reliability of regional public transport would go a long way to enhancing the liveability of regional cities, thus also enhancing their attractiveness as destinations to live, work, visit, and conduct business.

As patronage on regional train lines continues to grow, more funding is needed for additional rail services, maintenance, upgrades, and replacement coaches to provide services during maintenance and upgrade periods. RCV also calls for dedicated funding to implement integrated regional transport plans across both passenger and freight networks.

We acknowledge the Andrews government's commitment of \$5 billion for the Melbourne Airport Rail Link (MARL), with the Sunshine corridor announced as the preferred route. RCV also acknowledges the funding state government has committed to investigating regional fast rail to Geelong and Ballarat and look forward to the outcomes of the feasibility studies.

RCV CALLS FOR:

- Increased funding for additional rail services, maintenance, upgrades, and replacement coaches across the regional rail network.
- A commitment from the state government to the construction of infrastructure, as part of the MARL, that will facilitate fast rail to the regions in the future.
- Further studies investigating the feasibility of fast rail to other regional centres.

PLANNING

Improvements in planning processes can have a substantial and positive impact on the delivery of infrastructure projects and lead to better infrastructure outcomes.

The review of building permits and approvals undertaken by the Commissioner for Better Regulation has revealed several opportunities to streamline these processes, saving time, money and resources. RCV supports the proposal in the Building Approvals Process Review to apply the approach taken for the Small Business Better Approvals program, across planning and building approvals.

The Victorian Planning Authority's Streamlining for Growth is another successful program that is well regarded among RCV member councils. The expertise and knowledge-sharing the VPA bring to local government through this program, and the subsequent planning outcomes and efficiencies, provide significant value to infrastructure and development projects across regional Victoria. In addition, RCV supports the proposal in the Building Approvals Process Review for the VPA to work with referral authorities on enhanced and streamlined processes for Precinct Structure Plans in the regions (PSP 2.0).

RCV CALLS FOR:

- \$7.5 million to implement the Small Business Better Approvals program across planning and building approvals.
- \$2 million per annum for expansion of Streamlining for Growth and implementation of PSP 2.0.

HOUSING

Regional Victoria is experiencing a shortage of new and rental housing stock. The lack of accommodation exacerbates labour shortages, and is a strong disincentive to relocating to regional Victoria, whether for education, employment or business reasons.

A significant barrier to new housing developments is the cost of connecting utilities and essential services to greenfield sites.

RCV proposes a low-cost loan scheme, similar to the successful Community Sports Infrastructure Loans Scheme, to finance enabling infrastructure for regional housing developments.



BUSINESS AND INVESTMENT ATTRACTION

Each regional city has its own economic strengths and specialised local industries and businesses, many of which have been supported by various projects funded through the Regional Jobs and Infrastructure Fund.

RCV welcomed the October 2019 announcement of a further \$30 million in funding over 12 months for the Regional Jobs and Infrastructure Fund. Since its inception, RJIF has played a significant role in realising important infrastructure projects which improve regional liveability and amenity; support local businesses; and create local jobs.

There is potential to further develop regional businesses and industries through a coordinated investment program. Regional Development Victoria has an important role to play in facilitating opportunities and bringing together regional local governments and state government agencies such as Invest Victoria and Global Victoria, to ensure strong economic outcomes for the regions.

RCV calls for long-term investment of \$400 million over four years in the Regional Jobs and Infrastructure Fund, and a continued focus on the whole-of-government approach to regional development and delivery.



SKILLS AND LABOUR

While regional unemployment may be at an all-time low, regional cities continue to suffer from chronic skills and labour shortages across a range of trades and sectors, including agriculture and horticulture. Unfilled vacancies are a risk to the sustainability of any business or industry, and business closures would have far-reaching impacts in a regional community.

Migration programs are an important tool in addressing skills and labour shortages. The Designated Area Migration Agreement (DAMA) announced for the South-West Barwon region in December 2018 covers 27 occupations, and is intended to help fill hundreds of vacancies in a range of sectors across the region. However, sourcing workers in this manner can be a slow and resource-intensive process, and it is significant undertaking for both industry and regional councils.

In order to encourage uptake of regional jobs, policies that assist regional businesses (such as regional payroll tax reductions) also need to be supported by publicity that highlights the employment opportunities in regional Victoria. RCV calls on the state government to showcase the jobs, business and investment opportunities available across the state through a public campaign.

RCV also applauds the regional workforce planning undertaken by the Victorian Skills Commissioner's Regional Skills Taskforces. This research is essential for identifying and understanding skills gaps, and opportunities for new employment.

RCV calls for additional funding for the Victorian Skills Commissioner's Regional Skills Taskforces, to support completion of Regional Skills Demand profiles across all regions.



DIGITAL CONNECTIVITY

Digital and mobile connectivity is essential to economic growth, improved education outcomes, and enhanced liveability in regional Victoria. Improving digital and mobile connectivity across regional Victoria will help address social and economic disadvantage by supporting business and investment attraction, training and education, and tourism. It will also boost local commerce and support greater e-commerce uptake.

Infrastructure Victoria's work on Addressing Regional Disadvantage highlights the lack of digital connectivity as a key factor in socio-economic disadvantage in regional areas. Improving digital connectivity means improving access to information, social networks, government services, and education and employment resources and opportunities.

RCV calls for a further investment of \$100 million in digital and telecommunications infrastructure through the Connecting Regional Communities Program, to ensure reliable mobile coverage and business grade digital connectivity throughout regional Victoria, including:

- **Free Wi-Fi in all regional cities.** This initiative builds on the roll-out of public Wi-Fi in Ballarat and Bendigo, Shepparton, Geelong, and Latrobe Valley.
- **Free Wi-Fi on all regional trains.**
- **Continued roll-out of the Mobile Blackspot Program,** ensuring Victoria receives an equitable share of the national fund and regional Victoria is not left behind.



TRANSPORT

While there are significant projects underway to improve rail connectivity between Melbourne and regional cities, work is also needed to improve transport connectivity between regional cities. This can be facilitated through the integration of local government transport plans with the Regional Network Development Plan (and other state transport plans) to identify service and infrastructure gaps, improve inter-city transport connectivity, and prioritise regional solutions

Resolving regional public transport issues would boost the liveability of regional cities, and enhance their attractiveness as destinations to live, work, visit and conduct business. In some areas there is also interest in expanding the capacity of regional airports, which would support both leisure and commercial activities.

Regional rail freight and commercial road transport are critical to supporting regional and state economies. Investment in freight and logistics hubs, upgrades of regional road and rail networks, and improving inter-modal access to ports is critical to achieving optimal performance in the logistics sector, which supports a wide range of regional industries.

RCV CALLS FOR:

- Integration of local government transport plans with the Regional Network Development Plan.
- Dedicated funding to implement the integrated regional transport plans across both passenger and freight networks (including inland ports).
- Development of a regional aviation strategy.



WASTE MANAGEMENT

POLICY DEVELOPMENT

Local government is at the frontline of the so-called “war on waste”. Local government’s ability to effectively combat and sustainably manage the increasing volumes of waste and recyclable material depends on robust and informed policy and regulation at state and federal levels; with greater transparency in a sector with limited competition; and which facilitates the transition to a circular economy, where the reduction and avoidance of waste generation is prioritised.

While the short- to medium-term solutions should necessarily focus on safely dealing with the existing stockpiles of waste and recyclable materials, long-term solutions must focus on the development of a circular economy and the minimisation of waste production. It is clear that exporting waste and recyclable materials is no longer an option. A different approach is needed.

Local councils make significant financial contributions to state government via the Municipal and Industrial Landfill Levy, as well as bearing the operational costs of transporting and managing recyclable and non-recyclable waste. RCV member councils contributed a combined total of almost \$18 million in landfill levies in the 2017-18 financial year.

RCV CALLS FOR:

- A state-wide policy for waste management and resource recovery, as well as region-specific approaches for the implementation of the Victorian circular economy policy.
- A review the Municipal and Industrial Landfill Levy;
- The release of unspent funds in the Sustainability Fund to support councils managing the current recycling crisis; and
- Consultation with local governments in relation to any changes to the Municipal and Industrial Landfill Levy, ensuring that changes are phased in, with sufficient notice to councils to allow for appropriate budgeting.



LOCAL GOVERNMENT FINANCING

RCV welcomed the announcement of the Community Infrastructure Loans Scheme in September 2019, which provides up to \$100 million funding for low cost loans for local governments. This is a great opportunity for regional communities and makes use of the state’s AAA credit rating and the prevailing low interest rates.

However, RCV believes there a further step to be taken in the area of local government financing, based on the business case for a treasury shared service model, which was submitted to the state government in June 2018, and which was developed over several years.

BACKGROUND

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, in which RCV member councils would aggregate funds in order to access to wholesale investment markets, dramatically reducing interest costs for all ten councils.

RCV acknowledges the \$100,000 grant from the Living Regions Living Suburbs Fund, approved by the former Minister for Regional Development in late 2017, to develop the 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). The business case was submitted to state government in June 2018.

What is the benefit of RCV’s Treasury Shared Service Model?

While the new Community Infrastructure Loan Scheme is a welcome initiative for funding future community projects, the RCV treasury model would allow local governments to aggregate their existing debt and take advantage of the current low interest rate environment.

Victorian Local Government Authorities (LGAs) have a fragmented approach to debt financing and typically lack sophisticated treasury risk management resources. LGAs pay on average a 2.5 per cent premium for debt, compared to Treasury Corporation Victoria (TCV) and other municipal financing vehicles.

This is because they access debt ‘indirectly’ through banks rather than ‘directly’ from the wholesale investment markets.

It is estimated that this, together with the lack of risk management resources, has cost the sector in excess of \$500 million over the last 10 years.

This ‘slippage’ has had a hidden but significant impact on asset provision, community services and the financial sustainability of the sector. LGA debt grew from \$700 million in 2008 to \$1.2 billion in 2017. The 2.5 per cent premium equates to payment of \$240 million in margins to banks for service over this period.

Debt is forecast to increase to \$2.4 billion by 2031. Equipment lease costs (road making and quarry plant, cars, office, etc.) are not independently reported in the financials, but are estimated to be equivalent to at least 50 per cent of on-balance sheet debt. Therefore, slippage over this timeframe from this type of financing is an additional \$120 million.

Councils have a propensity to fix debt for extended terms while investing ‘cash’ in the short term (typically less than 180 days). Overall the sector’s investments are three times greater than its debt levels. This had a significant impact when the Global Financial Crisis hit and official interest rates sharply fell from 7.25 per cent in 2008 to 3.0 per cent in 2009. The average term on debt portfolios for councils sampled was 5 years. As a result, for 5 years, local government paid the higher ‘fixed rates’ on debt, while income from investments fell by 4.25 per cent. On an average of \$800 million of debt over the period 2008 to 2013, this implies a reduction of \$170 million due to the mismatch between fixed expenses and floating income from interest rates.

These figures indicate that slippage from increased bank margins and the opportunity cost from interest rate risk has pulled an estimated \$530 million out of the LGA sector overall since 2008.

Analysis by EXEM Australia shows the model would deliver a 2 per cent reduction in interest – an annual saving of \$5 million on RCV member council debt levels in 2018. 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.

Under RCV’s proposal, the shared service structure would initially comprise RCV’s ten member cities, with the possibly of extending the service to rural councils within RCV catchments at a later date.

RCV calls on the state government to support the RCV business case with a \$2 million commitment to establish the proposed Treasury Shared Service model.



RCV
REGIONAL
CITIES
VICTORIA

CONCLUSION

RCV continues to provide strategic guidance to government on policy and investment decisions that impact regional Victoria and applauds the Andrews Government for its initiatives to grow and support regional Victoria. RCV urges the Government to continue to invest in regional Victoria, with funding commitments that will:

- 1. Attract a diverse workforce, including skilled and semi-skilled workers to fill a wide range of long term vacancies; and unskilled labour to meet seasonal demand.**
- 2. Attract new businesses as local economies diversify and transition to new industries; and work to sustain existing economies.**
- 3. Support skills development and training in regional cities to grow the local workforce and retain young workers.**
- 4. Secure equitable investment in infrastructure and services to support population growth strengthen regional industry, and improve liveability in regional cities.**
- 5. Improve transport connectivity between regional cities.**
- 6. Improve transport connectivity to and from Melbourne.**
- 7. Strengthen financial performance of regional local governments and identify new financing opportunities.**

RCV would welcome the opportunity to discuss the proposals in this budget submission and looks forward to working closely with the state government to grow regional Victoria.





RCV
REGIONAL
CITIES
VICTORIA

RCV Secretariat
Harley House, Level 5, 71 Collins St, Melbourne VIC 3000
P: 03 9654 4799 | E: rcv@cprcomm.com.au | regionalcitiesvictoria.com.au | t: [@regionalcities](https://www.instagram.com/regionalcities)