

CHAPTER 8: REGIONAL VICTORIA INITIATIVES AND RELATED ISSUES

Key findings of the Committee:

- 8.1 Victoria has experienced strong population growth over the past eight years with the number of people residing in provincial Victoria increasing by 92,400.
- 8.2 Between 30 June 2005 and 30 June 2006, regional Victoria had the four fastest growing inland cities of regional Australia, namely Mildura (2.2 per cent), Bendigo (2.0 per cent), Ballarat (1.9 per cent) and Shepparton (1.9 per cent).
- 8.3 In terms of population growth outside of metropolitan Melbourne in 2006-07 compared to 2005-06, the largest growth in numbers occurred in the local government areas of Greater Geelong (2,466), Greater Bendigo (1,582), the City of Ballarat (1,228), the City of Latrobe (830) and the Rural City of Mildura (752).
- 8.4 The fastest rate of population growth in regional Victoria between 30 June 2006 and 30 June 2007 occurred in the following local government areas: the shires of Surf Coast (3.2 per cent), Mitchell (2.2 per cent) and Bass Coast (2.0 per cent); the City of Warrnambool (1.7 per cent); and the Baw Baw Shire (1.5 per cent).
- 8.5 The rural sector makes a major contribution to economic growth and employment in Victoria whereby the value of products from Victoria's agriculture, forestry and fishing sector in 2005-06 was estimated to be more than \$9.3 billion. Over 67,000 people are employed directly in agricultural industries, while a further 84,000 people are employed in related processing and service industries.
- 8.6 Victoria's farmers are facing unprecedented pressures due to a strong dollar, international competition, water scarcity or labour skills shortages.
- 8.7 Regional funding initiatives are disclosed in a variety of ways throughout the budget papers (some are specific to regional locations whereas others are included in 'across Victoria' designations). The larger funding initiatives contained in the 2008-09 Budget includes:
- \$278 million to maintain and improve regional passenger rail infrastructure;
 - \$224 million to upgrade regional roads;
 - \$205 million for the *Future Farming* strategy; and
 - \$137 million to improve regional health services.
- 8.8 The Committee remains of the view that the budget papers should show a more comprehensive picture of funding to regional and rural Victoria including, where possible, by region. While reiterating the general tenor of the recommendations in last year's report, the Committee believes that it is now timely for the preparation of a specific budget paper on regional and rural Victoria as from 2009-10.

- 8.9** The Regional Development Output Group estimate for 2008-09 compared to the prior year's budget decreased by 40.1 per cent from \$150.2 million to \$90.0 million. The government indicated that the main reasons for the variance were due to annual variations for the Regional Development Fund in 2008-09 consistent with its budget funding profile, and cessation of funding for drought initiatives.
- 8.10** In terms of economic conditions and outlook, the May 2008 budget reveals that the latest Australian Bureau of Agricultural and Resource Economics (ABARE) forecast for Victorian winter crop production is 3.8 million tonnes in 2007-08, up 112 per cent on drought-affected 2006-07, but still well below the five-year average.
- 8.11** The Committee notes that the government, in acknowledging that long-term rainfall deficiencies persist across much of Victoria, recognises that the rural sector has only partially recovered from drought conditions. The government also conveys through the budget an important warning that, although the economic projections assume a return to normal seasonal conditions in 2008-09 based on the most recent information from ABARE, if poor conditions continue in the rural sector, this will place downward pressure on economic growth.
- 8.12** The government has approved \$585 million in funding to the Regional Infrastructure Development Fund (RIDF) from 2000-01 to 2009-10. At 20 May 2008, the government had announced \$399.9 million for 172 major projects. In terms of actual expenditure, the RIDF had contributed \$272 million towards 105 infrastructure projects across provincial Victoria with a total investment value of more than \$754 million when additional leveraged funding from applicants is included. To ensure that the total of the approved funding for the RIDF is to be utilised in the required timeframe, the Committee believes that the government will need to accelerate the number of infrastructure projects planned and commenced for provincial Victoria over the next two years to 2009-10.
- 8.13** The Committee notes that the RIDF program has been successful in attracting investment. According to information supplied to the Committee by the Minister for Regional and Rural Development on 30 September 2008, the overall commitment of \$411.3 million for 194 projects has been matched with commitments of approximately \$837.7 million from other sources. This equates to a direct leverage ratio (from other sources) of \$2.04 for every dollar committed by the RIDF.
- 8.14** The Committee obtained details relating to actual expenditure for the 194 RIDF projects that had been announced as at 11 July 2008. The five largest projects in terms of expenditure incurred to 31 March 2008 were:
- Natural Gas Extension Program (13 projects for 34 towns: announced between 2003-04 and 2005-06): \$41,363,043
 - Small Towns Development Fund announced in 2003-04: \$14,847,963
 - Geelong Central Revitalisation Program announced in 2000-01: \$12,000,000
 - Rural Community Infrastructure Allocation announced in 2001-02: \$10,000,000
 - Victorian Dairy Electricity Infrastructure announced in 2000-01: \$8,000,000

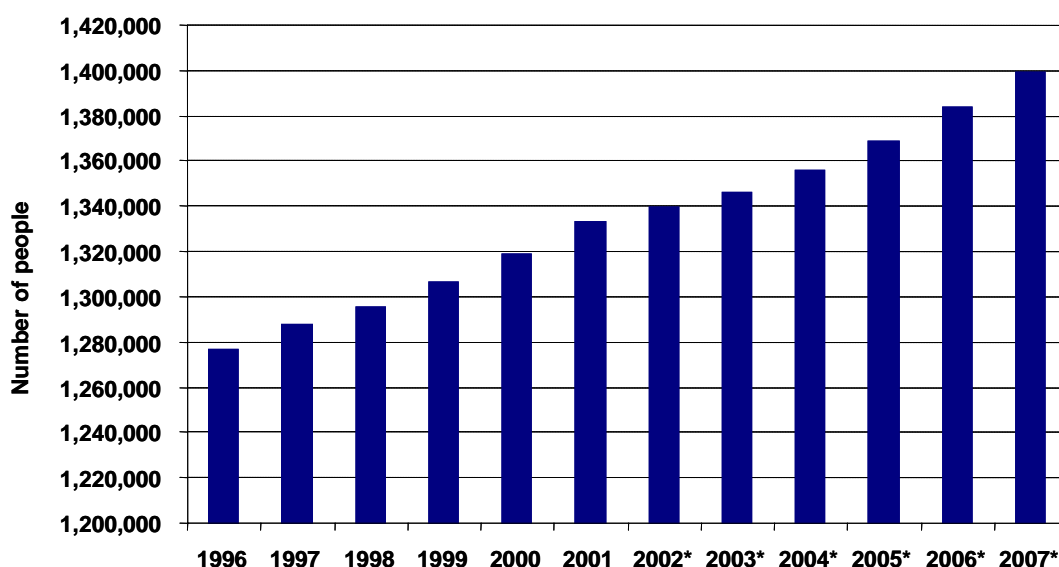
- 8.15** Various large RIDF projects announced between 2002-03 and 2005-06 had not yet been completed in terms of achieving key payment milestones as at 31 March 2008. These projects included the Hepburn Springs Bathhouse Refurbishment and Redevelopment announced in 2002-03, the Small Towns Development Fund announced in 2003-04, the Natural Gas Extension Program, announced between 2003-04 and 2005-06, which involved 13 projects for 34 towns, and the Small towns Development Fund (Moving Forward) announced in 2005-06.
- 8.16** The initiatives that attracted the largest allocations from the Provincial Victoria Growth Fund, which is designed to deliver \$100 million to assist regional councils, businesses and communities, were ‘meeting new challenges in key regional industries’ (\$24.2 million or 24.2 per cent) and ‘building a skilled provincial workforce’ (\$22.0 million or 22.0 per cent).

8.1 Introduction

In inquiring into the budget estimates for any given year, the Committee is interested in the allocation of the state’s resources to the regional and rural sector. The Committee’s lines of inquiry were strategic in nature in that areas pursued related to the government’s key policy announcements, namely the goals set out under *Growing Victoria Together*, the *Moving Forward* statement, *Securing a prosperous future for Provincial Victoria* as outlined in the budget and the *Future Farming: Productive, Competitive and Sustainable* strategy (refer to 8.4.1 of this report for further details).

At the budget estimates hearing, the Minister for Regional and Rural Development informed the Committee that Victoria has experienced strong population growth over the past eight years with the number of people residing in provincial Victoria increasing by 92,400 over that period (see figure 8.1).¹³⁵

Figure 8.1: Population growth in provincial Victoria 1996 to 2007



Note: * Preliminary

Source: Hon. J Allan, MLA, Minister for Regional and Rural Development, 2008-09 Budget Estimates hearing, 30 May 2008, slide presentation (slide no.2); (Data source: Australian Bureau of Statistics)

The Committee was interested to learn from the Minister that over the past statistical period from 30 June 2005 to 30 June 2006, regional Victoria has had the four fastest growing inland cities of regional Australia, namely Mildura, Bendigo, Ballarat and Shepparton.¹³⁶ Table 8.2 shows details relating to the population growth of these statistical districts compared to that of Victoria.

¹³⁵ Hon. J Allan MP, Minister for Regional and Rural Development, 2008-09 Budget Estimates hearing, transcript of evidence, 30 May 2008, p.2

¹³⁶ ibid.

**Table 8.2: Population growth for the fastest growing inland cities of regional Australia compared to Victoria
30 June 2005 compared to 30 June 2006**

Statistical district	Resident population 30 June 2005 Number	Resident population 30 June 2006 Number	Increase in resident population Number	Population growth Per Cent
Mildura	47,783	48,836	1,053	2.2
Bendigo	84,256	85,978	1,722	2.0
Ballarat	88,618	90,303	1,685	1.9
Shepparton	47,170	48,063	893	1.9
Victoria	5,023,164	5,091,666	68,502	1.4

Source: Australian Bureau of Statistics, *Regional Population Growth, Australia, 2005-06*

In terms of population growth outside of metropolitan Melbourne in 2006-07, the largest growth occurred in the local government areas of Greater Geelong, Greater Bendigo the City of Ballarat, the City of Latrobe and the Rural City of Mildura. The rate of growth, however, was fastest in the following local government areas in Regional Victoria: the shires of Surf Coast, Mitchell and Bass Coast; the City of Warrnambool; and the Baw Baw Shire.¹³⁷ Table 8.3 shows relevant details of these areas that experienced the largest increase in population and the greatest population growth in 2006-07 together with population growth figures for Victoria.

Table 8.3: Local government areas in regional Victoria that experienced the largest increase and fastest rate of growth in population 30 June 2007 compared to the previous year

Local Government Area	Estimated resident population 30 June 2007 Number	Change in resident population over the previous year Number	Population growth Per Cent
Largest increase in population			
Greater Geelong	208,395	2,466	1.2
Greater Bendigo	98,323	1,582	1.6
City of Ballarat	89,665	1,228	1.4
City of Latrobe	72,905	830	1.2
Rural City of Mildura	52,576	752	1.5
Fastest rate of growth			
Surf Coast Shire	23,521	719	3.2
Shire of Mitchell	32,760	720	2.2
Bass Coast Shire	28,081	557	2.0
City of Warrnambool	32,042	541	1.7
Baw Baw Shire	39,078	594	1.5
Victoria	5,205,216	76,906	1.5

Source: Australian Bureau of Statistics, *Regional Population Growth, Australia, 2006-07*

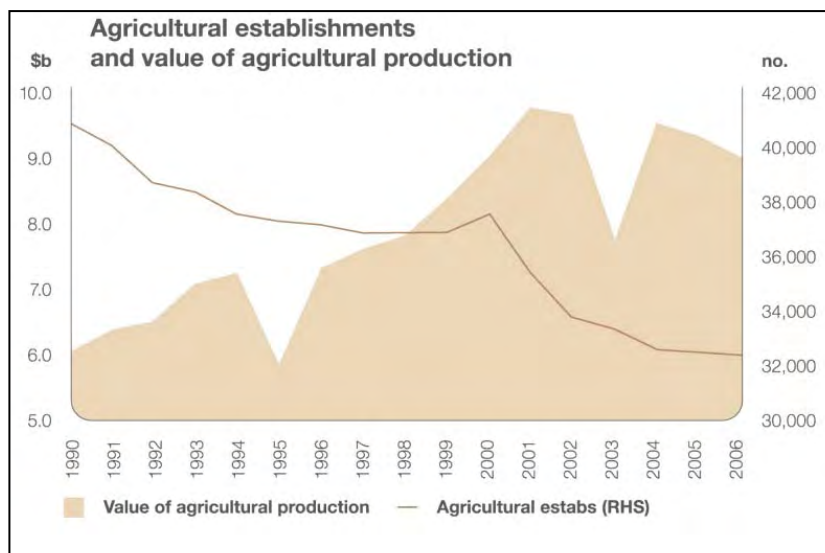
¹³⁷ April 2008 – ABS Update

In terms of the rural sector and the business of farming, the Committee notes the view expressed by the government that, while the nature of farming has changed dramatically in recent decades, the sector continues to make a major contribution to economic growth and employment in Victoria. This can be seen from the following:¹³⁸

- the value of products from Victoria’s agriculture, forestry and fishing sector in 2005-06 was estimated to be more than \$9.3 billion;
- farm businesses in Victoria produce around 26 per cent of the nation’s food and fibre exports from only three per cent of Australia’s arable land;
- between 1999-2000 and 2004-05, the dairy industry was Victoria’s most significant industry producing 64 per cent of Australia’s milk production and accounting for 85 per cent of Australia’s dairy exports;
- Victoria has the largest area of plantation forestry in Australia (in 2006, there were 396,000 hectares of plantation forests in Victoria or 21.7 per cent of the 1.8 million hectares in Australia); and
- over 67,000 people are employed directly in agricultural industries, while a further 84,000 people are employed in related processing and service industries.

The rural sector faces various challenges in the foreseeable future. The Minister for Agriculture advised the Committee at the budget estimates hearing that Victoria’s farmers are facing unprecedented pressures due to a strong dollar, international competition, water scarcity or labour skills shortages. The Committee heard that there has been strong growth in agricultural production and a long-term reduction in the number of individual farms through the consolidation of the farms.¹³⁹ As can be seen in figure 8.4, while the number of agricultural establishments has been reducing, the value of agricultural production overall has been increasing.

Figure 8.4: Agricultural establishments and value of agricultural production 1990 to 2006



Source: Mr J Helper MP, Minister for Agriculture, 2008-09 Budget Estimates hearing, 16 May 2008, slide presentation (no.9)

¹³⁸ Victorian Government, *Future Farming (Productive, Competitive and Sustainable) strategy*, April 2008, p.5
¹³⁹ Mr J Helper, MP, Minister for Agriculture, 2008-09 Budget Estimates hearing, transcript of evidence, 16 May 2008, p.3

Acknowledging the prevailing climatic and economic challenges facing the sector, the vast majority of which are beyond the control of the state, it is essential that the Parliament exercises careful oversight of the way in which regional and rural communities are assisted to cope with these challenges through initiatives funded by the public purse. The Committee's inquiry into the budget estimates facilitated this process, whereby the Committee raised around 70 questions (some 14 per cent of all questions) directly relating to regional and rural Victoria at the budget estimates hearings. The portfolios attracting the highest percentage of questions were Regional and Rural Development, Agriculture and Water.

Accordingly, in examining the budget from a regional and rural perspective, the Committee was interested in gaining an appreciation of:

- how the government has responded to past recommendations made by the Committee in this area, primarily in relation to ways in which disclosure could be enhanced in the budget papers;
- the challenges facing regional and rural Victoria;
- the assumptions upon which the budget is based in order to drive growth and opportunities throughout regional and rural communities;
- the apportionment of the budget among the six geographical segments of Victoria and departments compared to the Melbourne metropolitan region and prior years;
- the specific new responses contained in the budget and associated funding (in the form of government-wide as well as individual and output and asset initiatives) that are targeted at regional and rural Victoria; and
- the rationale supporting policy decisions connected with key budget initiatives.

8.2 How did the government respond to the recommendations made by the Committee in its report on the Budget Estimates for 2007-08 Part Three?

In the 2007-08 Budget estimates report part three, the Committee recommended that:¹⁴⁰

- funding for new initiatives targeted at regional and rural development for each department be dissected among each of the state's designated regions and be disclosed in a widened presentation in the budget papers;
- the government explore the merits of an associated budget document on funding allocated to programs for regional and rural Victoria; and
- the coordination of funding for regional investment initiatives to be conferred on a central entity to facilitate dedicated streamlined reporting within the budget papers.

While supporting the presentation of budget information for regional and rural Victoria and reporting significant targeted initiatives by the six geographical segments of Victoria and by *Provincial Victoria* key themes, the government indicated that state-wide initiatives are currently not reported by region as these are funded across Victoria and not specifically to a region. The Department of Treasury and Finance considers the dissection of state-wide initiatives budget funding by regions is only feasible where the information clearly represents the underlying purpose of the initiative.

¹⁴⁰ Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates Part Three*, pp.126-128

The Department of Treasury and Finance also indicated that it does not consider there is a need to consolidate the funding coordination and reporting role to one single agency as the department is responsible for budget coordination and the form and content of the budget papers, including whole-of-government reporting on budget initiatives for regional Victoria.¹⁴¹

8.3 How are regional funding initiatives disclosed in the 2008-09 Budget?

Regional funding initiatives are disclosed in a variety of ways throughout the budget papers (some are specific to regional locations whereas others are included in 'across Victoria' designations), which include disclosure in the following areas:

Victorian Budget Overview, *Taking action for our suburbs and our regions*, 2008-09:

- the budget highlights section under various priority areas or elements considered most critical in Victoria's future success (funding disclosed);¹⁴²
- under 11 areas earmarked for taking action, which includes one area for taking action titled 'Securing a prosperous future for Provincial Victoria' (funding disclosed);¹⁴³ and
- a section titled 'A Budget for all Victorians' which includes a map of Victoria and lists individual initiatives according to each of the six geographical segments of Victoria (including an 'outer suburbs' category) as well as Melbourne – in this area of the budget documents, individual funding is not disclosed for each initiative.¹⁴⁴

Budget Paper No.3, *Service Delivery 2008-09*:

- the service and budget strategies section categorised under the various goals of the government's Growing Victoria Together initiative;¹⁴⁵ and
- output and asset initiatives (both government-wide and for individual departments) where funding is disclosed for the current year and over the forward estimates period.

Building on the \$502 million package of measures contained in the government's *Moving Forward* statement issued in November 2005, which included the provision of \$200 million to extend the Regional Infrastructure Development Fund to 2009-10 (see 8.4.3) and \$100 million to establish the Provisional Victoria Growth Fund (see 8.4.4),¹⁴⁶ the 2008-09 Budget provides a range of initiatives in a wide range of areas such as education, health transport, community safety, climate change and water that extend across the state.

¹⁴¹ Government Responses to the Recommendations of the Public Accounts and Estimates Committee's 73rd Report on the 2007-08 Budget Estimates, pp.22-23

¹⁴² Victorian Budget Overview, *Taking action for our suburbs and our regions*, 2008-09, pp.5-7

¹⁴³ *ibid.*, pp.10-32

¹⁴⁴ *ibid.*, pp.16-17

¹⁴⁵ Budget Paper No.3, *Service Delivery 2008-09*, pp.5-41

¹⁴⁶ Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates Part Three*, pp.121-122

Initiatives specifically earmarked in the Treasurer’s Speech as being given a high priority for Regional Victoria are set out in table 8.5.¹⁴⁷

Table 8.5: High priority initiatives for regional Victoria

2008-09 Budget initiative	Funding (\$ million)	Proportion of total Per Cent
Maintain and improve regional passenger rail infrastructure	278	30.6
Upgrade regional roads	224	24.7
<i>Future Farming</i> strategy (a)	205	22.6
Improve regional health services	137	15.1
Improve regional freight connections	47	5.2
Large upgrades at eight small rural schools	16	1.8
Total (b)	907	100.0

Note: (a) *the strategy is designed to deliver better services to farmers, increase Victoria’s agricultural research effort and drive greater productivity, innovation and competitiveness in the farming sector*

(b) *the budget also introduces a Regional First Home Bonus of \$3000 for first homebuyers purchasing newly built homes in regional Victoria. Along with existing first home grants, this gives homebuyers up to \$15,000 towards a new home*

Source: Treasurer’s Speech, Budget Paper No.1, 2008-09, pp.10-11

In appreciating the difficulties posed in categorising all funding in the budget between the Melbourne metropolitan region and the various geographic segments of the state, the Committee believes there is scope for a more expansive presentation of some of this information in the budget papers. For example, information shown in the map of Victoria in the Victorian Budget Overview, which is useful in associating various budget initiatives according to related geographical segments of Victoria, could be expanded to include quantification of those specific initiatives that can be identified specifically to regions.¹⁴⁸

The Committee remains of the view that the budget papers should show a more comprehensive picture of funding to regional and rural Victoria including, where possible, by region. While reiterating the general tenor of the recommendations in last year’s report, the Committee believes it is time that a specific budget paper on regional and rural Victoria be produced in future.

Recommendation 13: **From 2009-10, a new budget paper providing a comprehensive overview of the state government programs and initiatives, for regional and rural Victoria, be provided.**

¹⁴⁷ Budget Paper No.1, Treasurer’s Speech 2008-09, pp.11-12

¹⁴⁸ Victorian Budget Overview, *Taking action for our suburbs and our regions*, 2008-09, pp.16-17

8.4 Issues relating to regional and rural Victoria canvassed at the budget estimates hearings

8.4.1 Summary of issues covered from a strategic perspective

There were 18 budget estimates hearings where certain questions posed to Ministers had a regional and rural perspective. The portfolios that attracted the largest concentration of questioning along these lines are shown in table 8.6 together with the linkage to the government's major policy pronouncements.

Table 8.6: Specific regional and rural related questions strategically aligned to the government's policy agenda (Portfolios with the highest concentration of questions)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Public Transport	
Additional train sets for the forthcoming grain harvest season and related subsidies (domestic grain rebate) (p.9 of transcript)	<i>Growing Victoria Together (GVT) - Growing and linking all of Victoria</i> <i>Moving Forward statement</i> <i>Future Farming strategy</i>
The country passenger rail network renewal and maintenance program (p.5)	<i>GVT - Growing and linking all of Victoria</i> <i>Moving Forward statement</i> <i>Securing a prosperous future for Provincial Victoria</i>
South Morang rail extension and relationship to the Epping and Hurstbridge lines (p.7)	See above
The public transport service package for South Gippsland and the Bass Coast (p.28)	<i>GVT - Growing and linking all of Victoria</i> <i>Moving Forward statement</i>
The upgrade of the Mildura freight train line (pp.7-8)	<i>GVT - Growing and linking all of Victoria</i> <i>Moving Forward statement</i> <i>Future Farming strategy</i>

Table 8.6: Specific regional and rural related questions strategically aligned to the government’s policy agenda (Portfolios with the highest concentration of questions) (*continued*)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Regional and Rural Development	
The Regional Infrastructure Development Fund pp.3-8 (refer section 8.4.3 of this chapter)	<i>GVT - More quality jobs and thriving, innovative industries across Victoria</i> <i>Moving Forward statement</i> <i>Securing a prosperous future for Provincial Victoria</i>
Output structure for the department p.6	<i>GVT - Greater public participation and more accountable government</i>
The Moving Forward statement pp.8-9	<i>GVT - More quality jobs and thriving, innovative industries across Victoria</i> <i>Moving Forward statement</i>
The Provincial Victoria Growth Fund pp.9-10 (refer 8.4.4 of this chapter)	See above
Support for growth in Victoria’s food industry pp.10-11	See above
Regional Economic Development, Investment and Promotion output – quantity performance measures pp.12-13	<i>GVT - Greater public participation and more accountable government</i>
New exports facilitated in regional Victoria pp.13-14	<i>GVT - More quality jobs and thriving, innovative industries across Victoria</i> <i>Moving Forward statement</i>
Drought assistance measures pp.14-16	<i>GVT - Protecting the environment for future generations</i> <i>Future Farming strategy</i>

Table 8.6: Specific regional and rural related questions strategically aligned to the government’s policy agenda (Portfolios with the highest concentration of questions) (*continued*)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Premier’s	
Assumptions regarding the duration and impact of the drought in formulating the budget pp.9-10 (refer 8.4.2 of this report)	<i>GVT - Protecting the environment for future generations</i>
Matching announcements concerning drought assistance with actual expenditure p.20	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i> <i>Future Farming strategy</i>
Securing Victoria’s water supplies – the food bowl modernisation project pp.20-22	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i>
Improving services to farmers – additional funding pp.19-20	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i> <i>Securing a prosperous future for Provincial Victoria</i> <i>Future Farming strategy</i>
Department’s role in assisting in improving urban development and planning pp.12-13	<i>GVT - More quality jobs and thriving, innovative industries across Victoria</i> <i>Moving Forward statement</i>

Table 8.6: Specific regional and rural related questions strategically aligned to the government’s policy agenda (Portfolios with the highest concentration of questions) (*continued*)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Agriculture	
Subsidies, concessions and revenue foregone pp.4-5	<i>GVT - Greater public participation and more accountable government</i>
Future Farming Strategy pp.8-9 and 15	<i>GVT - Protecting the environment for future generations Future Farming strategy</i>
Precision agriculture p.16	See above
On-farm productivity grants and funding of drought coordinators pp.9-10	<i>GVT - Protecting the environment for future generations Moving Forward statement Future Farming strategy</i>
Drought proofing works, farm productivity, mental health services and sporting grounds p.13	See above
Weeds and pests p.10-12	<i>GVT - Protecting the environment for future generations Securing a prosperous future for Provincial Victoria Future Farming strategy</i>
Victoria’s grape vine industries pp.17-18	<i>GVT - Protecting the environment for future generations</i>
Fox and wild dog control – reactivation of bounties p.18	<i>GVT - Protecting the environment for future generations</i>
Applying lessons learnt from the equine flu campaign to combating the abalone virus pp.20-21	<i>GVT - Protecting the environment for future generations</i>
Food bowl modernisation project – strategies and funding pp.16-17 and 22-23	<i>GVT - Protecting the environment for future generations Moving Forward statement</i>
Budget assumptions and economic projections p.23	<i>GVT - Sound financial management</i>

Table 8.6: Specific regional and rural related questions strategically aligned to the government’s policy agenda (Portfolios with the highest concentration of questions) (*continued*)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Agriculture (<i>continued</i>)	
Reduction in ‘general government expenses by purpose’ for agriculture, forestry and fishing including drought response pp.5-8	<i>GVT - Greater public participation and more accountable government</i>
Machinery of government changes p.6	See above
Communicating the budget to farming communities p.19	See above
Industry standards for animal welfare – inspections and prosecutions p.14	<i>GVT - Building friendly, confident and safe communities</i>
Community information regarding genetically modified technology pp.19-20	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i> <i>Future Farming strategy</i>

Table 8.6: Specific regional and rural related questions strategically aligned to the government’s policy agenda (Portfolios with the highest concentration of questions) (*continued*)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Water	
Reconnection of Tarago Reservoir p.3	<i>GVT - Efficient use of natural resources</i> <i>Moving Forward statement</i>
Food Bowl Modernisation project and North-South pipeline pp.3-11	See above
Goldfields Superpipe project p.5	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i>
Water savings under Top 1,500 industry program pp.7-8	<i>GVT – Efficient use of natural resources</i>
Viability of construction of a pipeline from Tasmania to Victoria pp.9-10	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i>
Dams as an alternative water augmentation strategy pp.11-12	<i>GVT - Efficient use of natural resources</i> <i>Moving Forward statement</i>
Environmental contribution levy p.15	<i>GVT - Protecting the environment for future generations</i>
Small Towns Water Quality Fund and Victoria's overall performance in water management compared to other Australian jurisdictions pp.15-16	<i>GVT - Efficient use of natural resources</i> <i>Moving Forward statement</i>
Geelong-Melbourne pipeline p.17	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i>
Victorian Water Trust pp.17-18	<i>GVT - Efficient use of natural resources</i> <i>Moving Forward statement</i>
Sustainable Water Management and Supply output pp.18-19	<i>GVT - Protecting the environment for future generations</i>

Table 8.6: Specific regional and rural related questions strategically aligned to the government's policy agenda (Portfolios with the highest concentration of questions) (continued)

Questions by the Committee aligned to government policy	
Area of interest	Government policy
Treasury	
Concessions to assist country Victorians cope with the rising cost of living pp.11-13	<i>GVT - A fairer society that reduces disadvantage and respects diversity</i>
Investment in major water projects, especially the desalination plant and the food bowl irrigation infrastructure projects pp.16-17 and 23-24	<i>GVT - Protecting the environment for future generations</i> <i>Moving Forward statement</i>
Phasing of expenditure under the Regional Infrastructure Investment Fund p.33-34	<i>GVT – Sound financial management</i> <i>Moving Forward statement</i>
Global and domestic economic challenges pp.10-11	See above
Victoria's comparative performance against other Australian states in addressing economic challenges pp.13-14	<i>GVT –More accountable government</i>
Treasurer's direction on commercial issues to VicForests p.35	<i>GVT - Efficient use of natural resources</i> <i>Moving Forward statement</i>

Sources: Various transcripts relating to the 2008-09 Budget Estimates hearings

8.4.2 Assumptions regarding the duration and impact of the drought

(a) Basis for assuming a return to average seasonal conditions

In noting that the budget for the Regional Development Output Group for 2008-09 compared to the prior year's budget decreased by 40.1 per cent from \$150.2 million to \$90.0 million,¹⁴⁹ the Committee was interested in gaining an understanding of the assumptions made in relation to the duration and impact of the drought in formulating the budget. The budget papers revealed that the major reasons for the variance in Regional Development were due to annual variations for the Regional Development Fund in 2008-09 consistent with its budget funding profile, and cessation of funding for drought initiatives.¹⁵⁰

The Committee noted that the government has drawn on recent information released by the Australian Bureau of Agricultural and Resource Economics (ABARE) in making budgetary decisions connected with infrastructure development in regional Victoria. In terms of economic conditions and outlook, the May 2008 budget reveals that the latest ABARE forecast for Victorian winter crop production is 3.8 million tonnes in 2007-08, up 112 per cent on drought-affected 2006-07, but still well below the five-year average. This partial recovery in the rural sector is expected to contribute around 0.3 percentage points to GSP growth in 2007-08 (around half the contribution expected from a full recovery). The government expects that a return to more normal climatic conditions will contribute to a further recovery in the agricultural sector in 2008-09. According to the Bureau of Meteorology, Victoria experienced around average rainfall over summer, and rainfall levels are expected to be around average over the following months.¹⁵¹

Referring to matters outlined in the budget that have on-going relevance to regional and rural Victoria, the Committee wishes to emphasise for future budget deliberations, the following serious challenges acknowledged by the government:

“Farm incomes have been supported by rising prices for a number of agricultural commodities, particularly grains and dairy, but conditions remain challenging due to the rising input costs such as fuel, financing chemicals and fertilisers, in addition to low water allocations. Long-term rainfall deficiencies persist across much of Victoria.”¹⁵²

The rural sector has only partially recovered from drought conditions. The economic projections assume a return to normal seasonal conditions in 2008-09, but should poor conditions continue in the rural sector, this will place downward pressure on economic growth.”¹⁵³

¹⁴⁹ Budget Paper No.3, *Service Delivery 2008-09*, p.145

¹⁵⁰ *ibid.*

¹⁵¹ Budget Paper No.2, *Strategy and Outlook*, 2008-09, p.34

¹⁵² *ibid.*

¹⁵³ *ibid.* p.35

The Committee appreciates that in framing budget projections, it is imperative that the government has access to the most relevant, authoritative and up to date advice. In exploring this matter while inquiring into the budget estimates for 2008-09, the Committee learned from the Premier that:¹⁵⁴

“All we can do obviously in putting the budget together is use the best advice which is available at the time. At the time of putting the budget together, most of the medium-term forecasters were predicting good autumn and winter rainfall...”

My understanding of the present situation is that the bulk of forecasters are still predicting average or near average rains through winter. But as with all of these things, we just have to wait and see...

... In terms of how governments respond to those things, if you think back over the last two years it has generally been in around September or October of each year that we make a judgement about whether any further ongoing assistance is necessary because it is usually not until that time that you have got a clear and decisive picture of what is happening across the state. At the moment we have a significant number of drought programs in place. As I have said, the economic forecasts which are in the budget are based on the latest advice from the Australian Bureau of Agricultural and Resource Economics (ABARE) and the bureau.”

In terms of environmental indicators, the seasonal outlook released by the Department of Primary Industries on 3 July 2008 revealed that the national outlook for total rainfall over the mid-winter to early spring period (July to September) shows a shift in the odds favouring drier than average conditions over a broad band from northwest Western Australia to south east Australia. The pattern of seasonal rainfall odds across Australia is a result of higher than average temperatures in the Indian Ocean surrounding the west coast of Western Australia, and a warming trend in recent months over the equatorial Pacific.¹⁵⁵

The Committee, in noting information contained in regional reports prepared by the Department of Primary Industries in early June and July 2008 that related to seasonal conditions in May and June 2008 (refer to extracts shown in table 8.7), will be interested in comparing the seasonal conditions later in the year and any policy shifts in funding directed at regional and rural Victoria to address further drought-related impacts.

¹⁵⁴ Hon J. Brumby MP, Premier, 2008-09 Budget Estimates hearing, transcript of evidence, 12 May 2008, p.10
¹⁵⁵ Department of Primary Industries, *Dry Seasonal Conditions in Rural Victoria, Report: 79*, July 2008, p.2

**Table 8.7: Victoria’s regional areas
Seasonal Conditions in Rural Victoria June 2008**

Region	Regional report as outlined by the Department of Primary Industries on 3 July 2008
Mallee	Below average rainfall and relatively warm conditions is putting pressure on crop and pasture growth. Dryland farmers are nervous and horticulturalists are concerned about the season.
Wimmera	Conditions are dry but there is still hope for a reasonable year. Without average rain, crops could easily fail.
North Central	All areas need good rainfall soon. The farming community is concerned about continuation of dry conditions over the next four months.
Northern Irrigation	The poor weather outlook is negatively impacting many dairy farmers.
North East	Conditions are drying and good rain is needed now with crops looking OK although they are surviving from shower to shower. The mood in the region is shifting from concerned to frightened regarding the prospects for the coming season.
East Gippsland	Conditions are extremely dry which may impact on spring growth. The Macalister Irrigation District has a high volume of irrigation water which should result in a good season.
West and South Gippsland	Soil moisture is ideal for pasture growth. Cereal crops are growing well as are crops of annual ryegrass. In relation to snow pea growers, soil moisture is sufficient for land preparation but unless it rains more, may not have sufficient to sow.
Port Phillip	Overall, orchard yields were reduced because of the lack of irrigation water. Farms with catchment dams on the Mornington Peninsula are worried about lack of inflows to replenish supplies and are relying on good rains to have water available for spring crops.
South West	The season is still fairly dry and there is a clear need for follow up rain to boost crop growth and replenish subsoil moisture. Pasture growth rates are less than ideal but not critical at this stage.

Source: Department of Primary Industries, *Dry Seasonal Conditions in Rural Victoria, Report 79: 3 July 2008, pp.4-5*

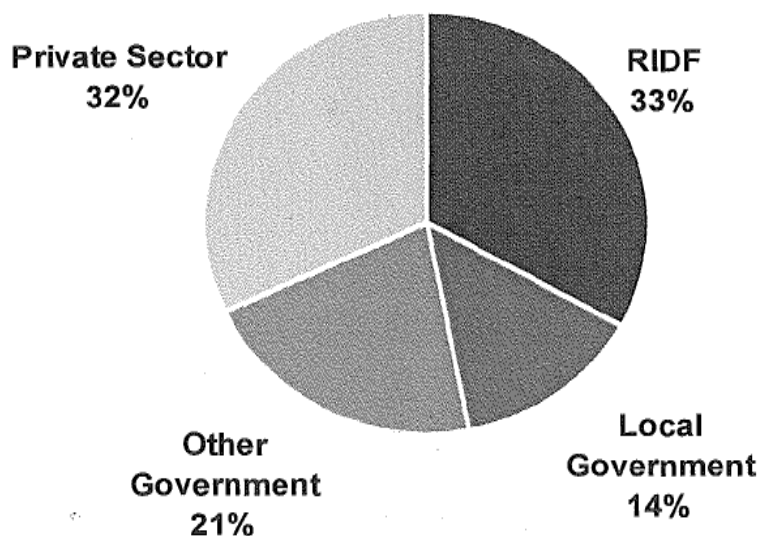
(b) Assessment of the impact of the drought on economic growth and future budgetary measures

According to the economic projections for Victoria outlined in the budget, the Victorian economy is expected to grow by 3.25 per cent in 2007-08 and then 3.0 per cent over each of the years from 2008-09 to 2011-12. Export growth is expected to be moderate, with solid services exports growth offsetting weaker merchandise export growth. The government foresees that, since the rural sector has partly recovered from the drought conditions experienced in 2006-07, agricultural production will make a moderate contribution to economic growth. Although the government is predicting a continued recovery in the farm sector on the assumption of a return to average seasonal conditions, the government also acknowledges in the budget that the Victorian economic projections are sensitive to a number of risks including prospects for the rural sector.¹⁵⁶

¹⁵⁶ Budget Paper No.2, *Strategy and Outlook, 2008-09, pp.22-23*

On 30 September 2008, the Minister for Regional and Rural Development advised the Committee that the RIDF aims to maximise funding from other sources and in this regard has been highly successful. The overall commitment of \$411.3 million for 194 projects (announced as of 11 July 2008) has been matched with commitments of approximately \$837.7 million from other sources. This equates to a direct leverage ratio (from other sources) of \$2.04 for every dollar committed by the RIDF. In regard to other funding partners, the largest proportion (approximately 32 per cent) of project costs has been committed from the private sector (see figure 8.8).¹⁶⁴

**Figure 8.8: Regional Infrastructure Development Fund
Direct leverage from funding sources**



Source: Hon. J Allan, MP, Minister for Regional and Rural Development, response to request for further information, received 30 September 2008 (Appendix 4)

¹⁶⁴ Hon. J Allan MP, Minister for Regional and Rural Development, response to request for further information, received 30 September 2008 (Appendix 4)

(b) Disclosure of expenditure on projects and outcome-related information

The Auditor-General recommended in 2005 on the need for Regional Development Victoria (RDV) to provide more information on the operations and outcomes achieved by the RIDF in its annual report to the Parliament.¹⁶⁵ The Auditor-General concluded that:¹⁶⁶

“While RDV’s annual report and other publications currently provide information on the overall activities and expenditures of the fund, accountability for the RIDF’s management would be improved by providing more public information on the allocation of funds against the principal project categories specified in the Act, the geographic distribution of funds and more detail about the status of approved projects.

There is also insufficient public information available on the overall performance of the RIDF, particularly in relation to any impact it may be having on the economic and social development of rural and regional Victoria. RDV’s annual report to Parliament provides information on the outputs of regional infrastructure development, but does not address outcomes in terms of whether the policy objectives of the RIDF are being achieved.”

Given that Regional Development Victoria (RDV) has only reported on commitments made against the RIDF in terms of approved grants for particular projects in its annual report,¹⁶⁷ the Committee sought from the Minister information disclosing:

- actual expenditure against each of the funded projects to 31 March 2008; and
- a status report in relation to adopting the recommendations of the Auditor-General made in October 2005 regarding reporting on the outcomes delivered by the RIDF projects.

The Minister advised that for the 194 projects that had been approved for funding under the RIDF since 2000, a listing of all approved projects and approved amounts is available in the RDV Annual Report and on the RDV website.¹⁶⁸

RIDF payments as at 31 March 2008 that were in excess of \$3,000,000 for RIDF announced projects as of 11 July 2008 are set out in table 8.8. As identified in the table, the five largest projects in terms of expenditure incurred to 31 March 2008 are shown below:

- \$41,363,043 for the *Natural Gas Extension Program* (13 projects for 34 towns: announced between 2003-04 and 2005-06);
- \$14,847,963 for the *Small Towns Development Fund* announced in 2003-04;
- \$12,000,000 for the *Geelong Central Revitalisation Program* announced in 2000-01;
- \$10,000,000 for *Rural Community Infrastructure Allocation* announced in 2001-02; and
- \$8,000,000 for *Victorian Dairy Electricity Infrastructure* announced in 2000-01.

¹⁶⁵ Victorian Auditor-General, *Results of special reviews and other investigations*, October 2005, p.28

¹⁶⁶ *ibid.*, pp.19-20

¹⁶⁷ Regional Development Victoria, *2006-07 Annual Report*, pp.71-72

¹⁶⁸ Hon. J Allan MP, Minister for Regional and Rural Development, response to request for further information, received 30 September 2008

The Committee also noted that actual expenditure from the fund reflects applicants' achievement of key payment milestones set out in the specific project legal agreements.¹⁶⁹ Various large projects announced between 2002-03 and 2005-06 (see table 8.9) had not yet been completed in terms of achieving key payment milestones as at 31 March 2008. These projects included the Hepburn Springs Bathhouse Refurbishment and Redevelopment announced in 2002-03, the Small Towns Development Fund announced in 2003-04, the Natural Gas Extension Program, announced between 2003-04 and 2005-06, which involved 13 projects for 34 towns and the Small Towns Development Fund (Moving Forward) announced in 2005-06.

**Table 8.9: Regional Infrastructure Development Fund
Payments greater than \$3,000,000 as at 31 March 2008**

Project name	Applicant	RIDF Approved \$	RIDF Paid as at 31 March 2008 (a), (b) \$
Announced 2000-01			
Cattle Under/Over passes	Victorian Farmers Federation	4,000,000	Project complete
Flagstaff Hill Maritime Village Redevelopment	Warrnambool City Council	3,300,000	Project complete
Geelong Central Revitalisation Program	Greater Geelong City Council	12,000,000	Project complete
Loddon Murray Region Sustainable Development	Loddon Shire Council	3,274,000	Project complete
RMIT Flexible Learning Centre and RMIT Centre for Regional & Rural Development	RMIT/Southern Grampians Shire Council	3,135,000	Project complete
Victorian Dairy Electricity Infrastructure	Powercor Australia	8,000,000	Project complete
Announced 2001-02			
Bendigo ICT Centre	LaTrobe University	3,200,000	Project complete
Customer Access Network Demonstrations Program	Multimedia Victoria	5,000,000	Project complete
Mt Baw Baw Resort All Year Visitor Activities, Facilities, Services and Infrastructure	Mt Baw Baw Alpine Resort Management Board	3,556,000	Project complete
Rural Community Infrastructure Allocation	Department of State and Regional Development	10,000,000	Project complete

¹⁶⁹ Hon. J Allan MP, Minister for Regional and Rural Development, response to request for further information, received 30 September 2008, (Appendix 4)

**Table 8.9: Regional Infrastructure Development Fund
Payments greater than \$3,000,000 as at 31 March 2008 (continued)**

Project name	Applicant	RIDF Approved \$	RIDF Paid as at 31 March 2008 (a), (b) \$
Announced 2002-03			
Central Victorian Innovation Park	Greater Bendigo City Council	3,317,000	Project complete
La Trobe University Visual Arts Centre View Street, Bendigo	La Trobe University	3,120,000	Project complete
Shepparton Showgrounds Redevelopment	Greater Shepparton City Council	3,000,000	Project complete
Hepburn Springs Bathhouse Refurbishment and Redevelopment	Major Projects Victoria	8,180,515	6,650,000
Announced 2003-04			
Lake Eildon Dam Improvement Program	Department of Sustainability and Environment	4,000,000	Project complete
Skilled Stadium Redevelopment	Department for Victorian Communities, Sport & Recreation	6,750,000	Project complete
Natural Gas Extension Program (13 projects for 34 towns: announced between 2003-04 and 2005-06)	Envestra Ltd (Vic Gas Distribution Ltd), Multinet Gas and TXU (SPI) Networks	71,522,080	41,363,043
Small Towns Development Fund	Regional Development Victoria	20,000,000	14,847,963
Announced 2004-05			
Nil			
Announced 2005-06			
Gippsland Water Factory	Central Gippsland Region Water Authority	25,000,000	Project complete
Small Towns Development Fund – Moving Forward	Regional Development Victoria	25,000,000	4,968,374

**Table 8.9: Regional Infrastructure Development Fund
Payments greater than \$3,000,000 as at 31 March 2008(continued)**

Project name	Applicant	RIDF Approved \$	RIDF Paid as at 31 March 2008 (a), (b) \$
Announced 2006-07			
Nil			
Announced 2007-08			
Nil			

- Note: (a) Project complete means that apart from some minor variations, the project grant has been fully applied.
- (b) In relation to the complete listing, there are minor variations between announced funds and final projects costs as some projects were delivered under budget and the final RIDF payment was adjusted accordingly

Source: Hon. J Allan, MP, Minister for Regional and Rural Development, response to request for further information, received 30 September 2008 (Appendix 4)

In terms of reporting on outcomes achieved from projects funded from the RIDF, the Minister advised the Committee that:¹⁷⁰

- the 2006-07 Regional Development Victoria Annual Report provided greater information on the allocation of funds against the principal project categories (such as Dairy Roads, Local Ports, Arts Infrastructure and Provincial Pathways) and included numerous examples of RIDF projects and outcomes (a similar presentation is envisaged for the 2007-08 annual report); and
- Regional Development Victoria provides more regular information on the operation and outcomes of RIDF projects through its newsletter *Moving Forward* and via its website (e.g. the website provides case study information on successful RIDF projects and reports on completed independent evaluations of the fund).

8.4.4 The Provincial Victoria Growth Fund

The Provincial Victoria Growth Fund, which commenced in April 2006, is designed to deliver \$100 million to assist regional councils, businesses and communities:

- market and promote provincial Victoria;
- identify and capture new business, industry and investment opportunities;
- tackle skills shortages; and
- manage and plan for growth and change.

¹⁷⁰ Hon. J Allan MP, Minister for Regional and Rural Development, response to request for further information, received 30 September 2008 (Appendix 4)