# Champions Of The Bush Inc

**Submission to:**

**Regional Development Victoria Review Panel**

**Prepared by:**

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## Opening Remarks

Champions of the Bush Inc (COTB) is a group of businesses and not-for-profit organizations that operate proudly in regional Victoria. Established in 2002 by leading regional business people including John Brown of Brown Brothers at Milawa, and Richard Rijs of Patties Foods in Bairnsdale, its members are both “champions” in their own right, and committed to championing the cause of regional and rural Australia. Members have made personal and financial commitments to sustainable regional development and to continuously promoting and championing the efforts of regional Australians.

This submission reflects some of the priorities of participants in Champions of the Bush.

Champions of the Bush values Regional Development Victoria (RDV) as an effective, well-led and competent government agency which has beneficially influenced the shape of rural and regional Victoria over recent years. The purpose of this submission is not to offer a critique of RDV but to highlight some key challenges in regional development which COTB sees as particularly important at present. COTB asks the Review Panel to consider and take into account these challenges when reviewing RDV. In highlighting these particular challenges, COTB is not suggesting that these are the only challenges to be addressed in developing Victoria’s regions. COTB also acknowledges the importance of improving inter-regional transport, including passenger and freight haulage, accessing information technology, advancing product innovation through research and development, simplifying regulatory arrangements, upgrading workforce skills, countering social problems such as Ice addiction in regional towns and other issues.

## Four Key Challenges in Regional Development.

### Responding to Changes in Energy Supply and Pricing

Recent and new developments in energy supply and pricing will impact on regional manufacturers and the job opportunities they provide in regional Victoria. In some cases these impacts will be seriously damaging to regional industry. In other cases there is cause for optimism. Whatever the outcome, there is good reason to review the regional impact of energy policy and for the Victorian Government to become a more proactive player in two areas in particular: firstly, gas supply and pricing and secondly, the provision of renewable energy, including bioenergy.

**Gas Supply and Pricing.** Queensland and the Federal Government have approved the construction of 3 new LNG export facilities quadrupling the historical demand for gas on Australia’s East Coast. Commitments to supply the export gas market through these LNG plants combined with a lack of supply to meet this new demand is resulting in gas availability shortages for industry in Australia and a substantial increase in gas prices. A number of manufacturers in regional Victoria are affected. These include large employers such as Australian Paper (AP). AP’s manufacturing facility is located at Maryvale in Gippsland. It is the only manufacturer of fine papers in Australia, such as the well-known Reflex photocopy paper. The company is heavily trade exposed in competing with aggressively priced imports from low-wage countries in South East Asia. AP’s current gas contract expires in December 2016. The company’s negotiations with all potential suppliers confirm that it is facing a significant increase in its gas prices. In the view of AP’s senior management, these prices will put AP out of business in 2017. The demise of AP will have a serious impact on the Gippsland and Victorian regional economy. AP employs 1200 people directly. There are a further 4,750 FTE jobs dependent on AP in flow on activities. In total there are 22,000 jobs in the Victorian forest industries underpinned by AP’s operations. The majority of these jobs, and the families they support, are in Gippsland. Meeting this challenge should become an urgent priority for RDV and the Victorian Government, although the challenge is not limited to regional Victoria. It is estimated that the projected rises in gas prices will put 200,000 manufacturing jobs at risk on the East Coast of Australia.

**Renewable Energy Development, including Bioenergy**. Thirteen windfarm development projects involving investment in the order of $4.8b currently await the renegotiation of the Federal Government’s new Renewable Energy Target. Many of these are located in Western Victoria. They include wind farms near Ballarat, Ararat, Warrnambool, Mortlake, Port Fairy, Ballan, Colac and St Arnaud. The Victorian Government has been proactive in encouraging these and future developments. It has recently reduced the exclusion zone from 2km to 1km. However, there is scope for more to be done in Victoria to facilitate investment in another area of renewable energy: bioenergy (energy from biomass). Bioenergy is the only one of the five mainstream renewable energy forms (including wind, hydro, solar and geothermal) that produces electricity, heat/cooling and transport fuels. It is also associated with the positive sequestration of atmospheric carbon via managed forestry, including plantations and farm forestry. Bioenergy experts estimate that in Victoria the development of bioenergy including energy from bio-wastes using proven and mature technologies common elsewhere in the world, could provide over 20% of the state’s overall energy needs by 2035. The number of direct permanent jobs that could be created is estimated to range from 5,000 in the short term to 20,000 in the longer term, and most would be in rural and regional Victoria. These jobs would be in the processing and transport of biomass, in managing biomass-to-energy plants of various types and scale, and in the removal of furnace ash or the operation of anaerobic digester residues. Related jobs would be created in the biomass source areas of agriculture, farm and plantation forestry, intensive animal production and food processing. While the significance of bioenergy for job creation and regional development is well understood in Europe, many parts of Asia and in New Zealand, the industry is underdeveloped in Victoria.

###  Facilitating Local and Regional Initiatives in Export Development

There are significant opportunities to expand the exporting capacity of rural and regional industry in the following sectors: food and beverage; minerals and mining products; advanced manufacturing materials, bio-technology products and services, machinery, vehicle components, and professional services in education and health. Enhancing the exporting capability of regional industry will improve the competitiveness of regional businesses, add significant value to production, assist in attracting overseas investment into rural and regional areas and increase job opportunities in those areas. While the primary responsibility for taking local export development initiatives should sit with the local and regional enterprises involved, local authorities and regional development boards can play an important role in facilitating the gathering of information about export market opportunities relevant to local producers and in building relationships between local producers and prospective national and international buyers and investors. Indeed where export development relates to markets in economies which are highly regulated by government such as China or parts of the Middle East, local government is often better placed than many regional businesses to “open doors” and navigate complex diplomatic and regulatory arrangements associated with the early stages of exporting to such economies.

An example of how local government can effectively facilitate local export development is the ning “Chanchung Project” initiated by the Warrnambool City Council with the support of RDV. This project builds on Warrnambool’s “Sister City” relationship program for the purposes of building mutually beneficial relationships between businesses, industry and local government in the Chanchung region of Northeast China and South West Victoria. The initiative includes information exchange visits between producers, traders and investors in both regions for the purpose of enhancing bilateral trading relationships between the two regions.

COTB supports the continuation of this pilot project and its strategic application to other regions in Victoria.

### Building and Maintaining Small Scale Regional infrastructure

Deficiencies in regional infrastructure including transport, housing, communications, power transmission, land and water supply constrain the competitiveness of regional industry and impede employment growth. But as the responsibility for the provision and upgrading of much of this infrastructure rests not with the Victorian Government but with the private sector, local government or corporatized public entities, the role the RDV can play in getting these deficiencies addressed is limited. However, as a government agency with expertise in regional development, the RDV is in a position to offer valuable strategic leadership and advice to infrastructure providers especially where there is both commercial and public good benefit to be gained. For example, the maintenance of many roads and bridges in regional and rural areas is unduly adversely impacted by transport inefficiencies which are perpetuated by certain long standing and outdated industry practices. The ongoing costly impact on local roads caused by the persistence of highly inefficient milk haulage arrangements, particularly in South West Victoria, is a case in point. The milk haulage arrangements practiced by dairy companies in the South West are notoriously duplicative, damaging to local roads and costly to farmers and government. In this circumstance the RDV is well placed to facilitate a discussion between the dairy companies, Vic Roads, local government authorities and farmers about ways of rationalizing these arrangements for the purposes of reducing costs both to the dairy industry and to road pavement providers.

There are other ways in which the private sector can be involved in the building and maintenance of small-scale regional infrastructure. In previous submissions to the Victorian Government, such as to the Victorian Parliament’s “Inquiry into Regional Centres of the Future” in 2009, COTB advanced the view that the building and maintenance of certain small scale regional infrastructure such as a water pipeline or treatment plant, the roofing of a saleyard, or the upgrading of public housing stock or an industrial estate in a town, could be financed by local private investors buying a state or local bond issued by the state (or a local government authority on behalf the state) for a specific infrastructure improvement purpose. Regional Victorians have a long and proud tradition of investing in their local community assets. The long established history of producer cooperatives in Victoria and the more recent success of community banking is testimony to this. COTB invites RDV to investigate this model of building and maintaining local infrastructure as a means of improving infrastructure without drawing down on the public purse.

### Strengthening the Relationship between Regional Business and Government

Five years ago, Champions of the Bush established, with the assistance of the Brumby Government and RDV, an Australian first regional business networking program called the Regional Executive Forum. The Regional Executive Forum (REF) brings together over 50 CEOs, Business Owners or Senior Managers on a monthly basis in four chapters; Traralgon, Wangaratta, Ballarat, and Warrnambool. The industries involved include: manufacturing; transport; food processing; retailing; professional services; construction; agribusiness; health; education and tourism. The REF delivers to business leaders in these industries the medium to generate, analyze, and apply proven ideas, experiences and strategies.

Once a year for the past two years REF participants have met with the Victorian Minister for Regional Development and the Director of RDV for a round table discussion of the current issues impacting on regional business and the regional economy. These meetings have proved to be beneficial to business and government. They have strengthened the relationship between business and government. The COTB requests the Minister for Regional Development and the RDV to maintain this arrangement.