

## CHAPTER 8: REGIONAL AND RURAL VICTORIA

### Key findings of the Committee:

- 8.1 The number of people residing in provincial Victoria has increased up to 143,400 over the last 12 years.
- 8.2 In terms of population growth in regional Victoria, between 2006-07 and 2007-08, the largest growth occurred in the Local Government Areas of Greater Geelong (3000), the City of Ballarat (1,800), and Greater Bendigo (1,600).
- 8.4 The fastest rate of population growth in regional Victoria during 2007-08 occurred along the coast: the shires of the Surf Coast (3.6 per cent), the Bass Coast (2.3 per cent); and Queenscliff (2.2 per cent).
- 8.5 In the year to June 2008, a number of Victorian regional Local Government Areas experienced a decline in population. The largest decline (0.7 per cent) occurred in Yarriambick and Hindmarsh shires and the population of Buloke shire and the rural city of Benalla declined by 0.5 per cent.
- 8.6 Regional Victoria makes a major contribution to economic growth and employment in Victoria through the value of products from agriculture, forestry and fishing sectors. It was estimated in 2007-08 that the value of these sectors was more than \$11.8 billion.
- 8.7 Regional Victoria overwhelmingly contributes to the value of food exports from Victoria. In 2008 food exports from the State totalled \$ 6.08 billion.
- 8.8 The 2009-10 Budget provides for the following major regional initiatives:
- \$932.8 million over four to six years for linking Rural, Regional and Metro Victoria projects;
  - \$171 million over four years to upgrade health services in regional Victoria;
  - \$145 million to support farmers and farming communities; and
  - \$48.5 million to support regional industries and communities.
- 8.11 The Committee acknowledges that prolonged drought caused economic hardships in regional Victoria including increased socio economic problems among regional communities.

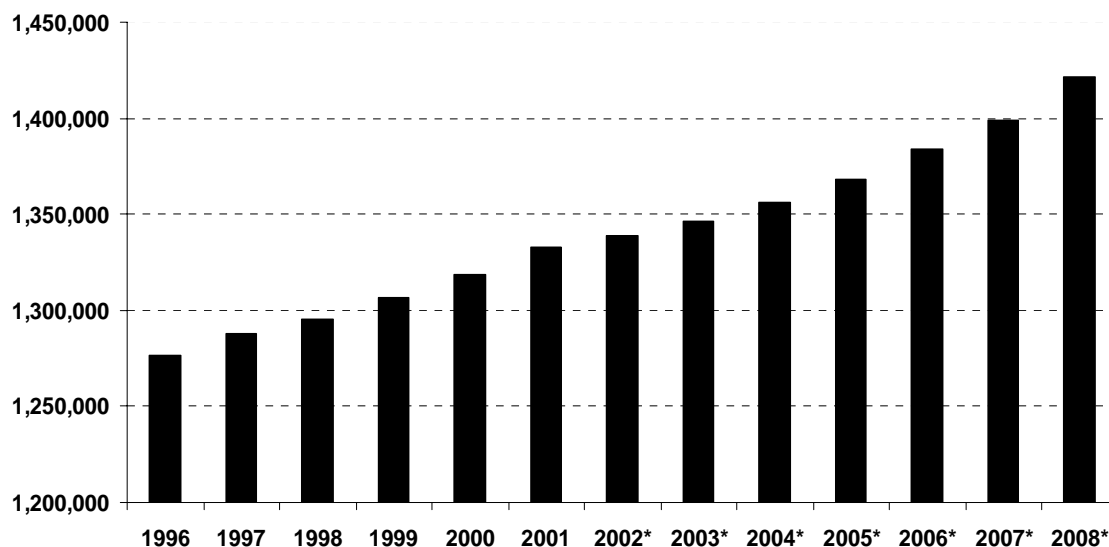
### 8.1 Introduction

In inquiring into the budget estimates for the year 2009-2010, the Committee remains interested in the allocation of the state's budget to the regional and rural sector. In line with previous years, the Committee's lines of inquiry have been strategic in nature in the areas 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*.

The Committee recognises that some key factors impacting regional Victoria during the year were the global financial crisis, prolonged drought conditions and the impact of the bushfires.

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 12 years with the number of people residing in provincial Victoria increasing to 143,000 over that period. In the year to June 2008, the population of Regional Victoria increased by 17,900 (1.3 per cent). It is projected that Regional Victoria will grow by around 477,000 people in the next 30 years.

**Figure 8.1: Population growth in Regional Victoria 1996 to 2008**



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)

According to the Australian Bureau of Statistics<sup>219</sup>, all Victorian Statistical Divisions (SDs) experienced population growth during this period. The fastest growth occurred in the SDs of Barwon (1.6 per cent), Central Highlands and Gippsland (both 1.5 per cent). The populations in both Loddon SD and East Gippsland SD increased by 1.3 per cent.

As indicated in Table 8.1, the Local Government Areas (LGA) of Greater Geelong (c), located south-west of Melbourne, experienced the largest increase in population (3,000 people) for the year to June 2008. This was followed by Ballarat (c) (1,800 people), which is west of Melbourne, and Greater Bendigo (c) (1,600 people) in central Victoria.

Table 8.1 also indicates that the fastest population growth in Regional Victoria during 2007-08 continued to occur along the coast. The LGA of Surf Coast (s), covering areas such as Torquay along the Great Ocean Road, experienced the fastest growth in regional Victoria, with an increase of 3.6 per cent. The Bass Coast (s), incorporating areas such as Phillip Island, was the second-fastest, increasing by 2.3 per cent, followed by Queenscliff (b) (2.2 per cent), a small LGA on the coast to the east of Geelong<sup>220</sup>.

<sup>219</sup> Australian Bureau of Statistics, *Regional Population Growth, Australia, 2007–08*, April 2009, [www.abs.gov.au/ausstats/](http://www.abs.gov.au/ausstats/), accessed 13 October 2009

<sup>220</sup> *ibid.*

**Table 8.1: Local government areas in Regional Victoria that experienced the largest increase and fastest rate of growth in population to 30 June 2008 compared to the previous year**

Local Government Area	Estimated resident population 30 June 2008	Change in resident population over the previous year	Population growth
	(Number)	(Number)	(Per cent)
<b>Largest increase in population</b>			
Greater Geelong (c)	211,841	2,980	1.4
Ballarat (c)	91,787	1,800	2.0
Greater Bendigo(c)	100,054	1,598	1.6
City of Latrobe	73,982	899	1.2
Greater Shepparton (c)	61,014	852	1.4
<b>Fastest rate of growth</b>			
Surf Coast Shire	24,442	843	3.6
Bass Coast Shire	28,802	648	2.3
Queenscliffe (b)	3256	70	2.2
Baw Baw Shire	40,114	784	2.0
Mansfield (s)	7,691	133	1.8
<b>Victoria</b>	<b>5,313,823</b>	<b>92,513</b>	<b>1.8</b>

Source: Australian Bureau of Statistics, *Regional Population Growth, Australia, 2007-08*

In the year ended 30 June 2008, a number of Victorian LGAs experienced a decline in population, and all of them were in regional Victoria. The largest population declines (0.7 per cent) occurred in Yarriambiack (s) and Hindmarsh (s), which are predominately agricultural areas in north-west Victoria. The populations of Buloke (s), also in north-west Victoria in the Mallee area, and Benalla (rc), in north-east Victoria, declined by 0.5 per cent.<sup>221</sup>

<sup>221</sup> *ibid.*

**Table 8.2: Local government areas in Regional Victoria with largest and fastest population decline**

Local Government Area	Estimated resident population 30 June 2008	Change in resident population over the previous year	Population growth
	(Number)	(Number)	(Per cent)
<b>Largest decline</b>			
Benalla (rc)	14,000	-70	-0.5
Yarriambiack (s)	7,700	-50	-0.7
Hindmarsh (s)	6,200	-40	-0.7
Northern Grampians (s)	12,300	-40	-0.3
Buloke (s)	7,100	-30	-0.5
<b>Fastest decline</b>			
Hindmarsh	6,200	-40	-0.7
Yarriambiack (s)	7,700	-50	-0.7
Buloke (s)	7,100	-30	-0.5
Benalla (rc)	14,000	-70	-0.5
West Wimmera (s)	4,600	-20	-0.3

Source: Australian Bureau of Statistics, *Regional Population Growth, Australia, 2007-08*

The Committee heard from the Minister for Agriculture, Mr J Helper that Victorian agriculture is in a strong position with the estimated value of agriculture production in 2007-08 at \$ 11.8 billion. This is a \$3.1 billion or about 35 per cent increase over 2006-07 production. Notably<sup>222</sup>

- the value of products from Victoria's agriculture, forestry and fishing sector in 2007-08 was estimated to be more than \$11.8 billion;
- in 2008 Victoria accounted for 25 per cent of Australia's total food and fibre exports and was Australia's largest state exporter. The value of food exports from Victoria in 2008 was \$6.08 billion which is an increase of \$800 million, or 15 per cent over the previous year;
- due to the impact of the global financial crisis the demand for dairy products dropped and international market prices deteriorated rapidly. World dairy prices have fallen by more than 60 per cent for milk powders and 50 per cent for cheese and butter. Despite this adverse situation Victorian dairy exports were valued at \$2.4 billion in 2008;
- Victoria's timber and forest product exports are valued at around \$700 million and accounts for 29 per cent of the national export total; and
- these outcomes were achieved in spite of continuing drought and on only 3 per cent of Australia's total arable land.

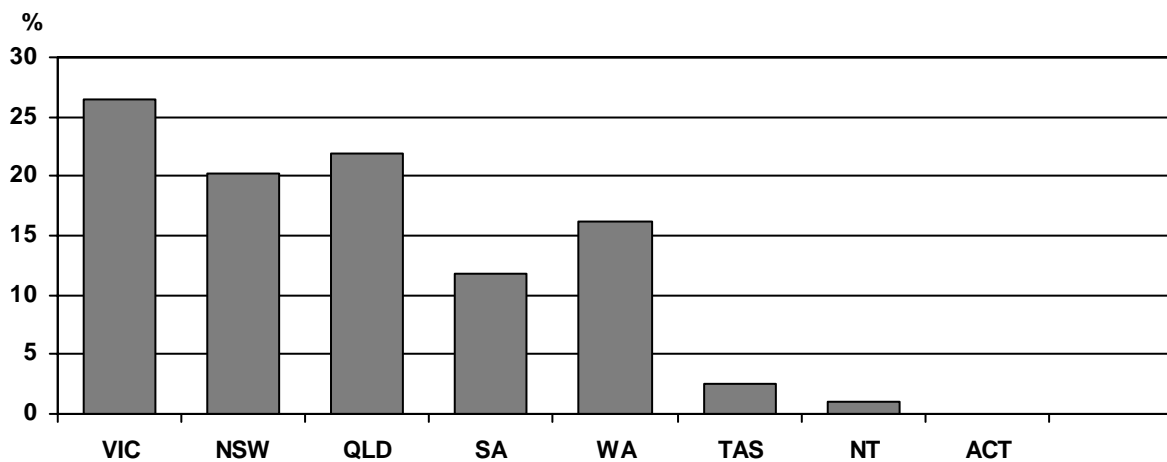
<sup>222</sup> Hon. J Helper MP, Minister for Agriculture, 2009-10 Budget Estimates hearing, transcript of evidence, 14 May 2009, p.4

At the Budget Estimates hearings, the Minister for Agriculture stated that the 2009 State Budget contained more than \$68.2 million in initiatives to support farmers and drive new growth in the agricultural sector.<sup>223</sup>

Through the \$205 million *Future Farming Strategy* the government has set out new investment to boost farming services and productivity, help the farming sector respond to change, drive innovation, and capture new market opportunities. It is aimed at assisting Victorian farmers to meet the challenges of the prolonged drought, water shortages, the strengthening of overseas market competition and changing climate conditions<sup>224</sup>.

Figure 8.2 presents the percentage of Victoria’s agriculture production in comparison with the other Australian States.

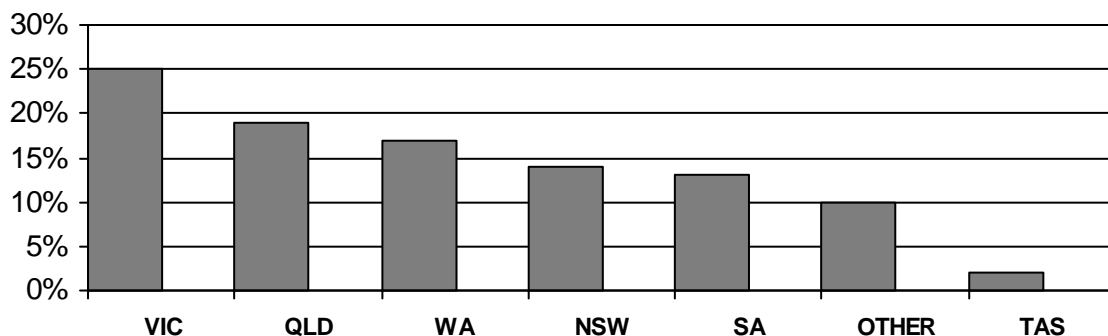
**Figure 8.2: Agricultural production of Victoria compared to other States**



Source: Hon. J Helper, MLA, Minister for Agriculture, 2009-10 Budget Estimates hearing, 14 May 2009, slide presentation.

Similar to the higher agricultural production, food and fibre exports from Victoria led Australian States and Territories and were worth \$7.02 billion in 2008 and accounted for 25 per cent of the total Australian exports in this sector.

**Figure 8.3: Food and fibre exports from Victoria compared to other States**



Source: Hon. J Helper, MLA, Minister for Agriculture, 2009-10 Budget Estimates hearing, 14 May 2009, slide presentation

<sup>223</sup> ibid., pp.2-3  
<sup>224</sup> ibid.

In line with previous years, examining the budget from a regional and rural perspective, the Committee was interested in gaining an appreciation of:

- 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 output and asset initiatives) that are targeted at regional and rural Victoria; and
- 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.

## 8.2 Follow-up of last year’s matters

In the *Report on the 2007-08 Budget Estimates – Part Three*, the Committee made three recommendations and these recommendations together with the Government response to each of them is presented in the following table:

Government’s Response to the PAEC Report no. 80, 2008-09 Budget Estimates				
Chapter 8: Regional Victoria initiatives and related issues				
PAEC Recommendation	Response	Action taken	Further Action Planned	Committee’s Comments
<b>Recommendation 13 (Page 110)</b>				
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.	Under review	Through various Budget Papers, including the <i>Budget Overview</i> and <i>Budget Information paper No. 1</i> , the Government currently reports on the initiatives that are specifically targeted to each of the six regional geographic segments in Victoria. Further, the Government publishes progress reports on the implementation of regional-specific programs, such as <i>Provincial Victoria</i> . State-wide initiatives are not currently included in these regional reports as the impacts of such initiatives cannot be reliably dissected between the regions and metropolitan areas. For the 2008-09 Budget, the Department of Treasury and Finance conducted a review of the Budget Papers. The purpose of the review was to improve the effectiveness and readability of the papers. The key changes arising from this review is that Budget Paper No. 2 was restructured to provide greater information on the PNFC section and the impact of risks on estimates.	The Department of Treasury and Finance will continue to review the structure and contents of the Budget Papers. As part of this review, consideration will be given to the manner in which regional initiatives are reported.	The Committee would appreciate being kept informed of developments in this area and considers that a separate and new budget paper focussed on regional and rural Victoria would represent a significant and progressive initiative. Further, such reporting would signal the Government’s commitment to enhancing and consolidating budget information pertinent to regional and rural communities.

PAEC Recommendation	Response	Action taken	Further Action Planned	Committee's Comments
<b>Recommendation 14 (Page 121)</b>				
The Department of Treasury and Finance monitor weather patterns and ground conditions and determine any required additional budgetary measures for drought relief. Commitments should be detailed in the Budget Update.	Accepted in principle	The Department of Treasury and Finance monitors primary industry conditions as part of its activities in monitoring and forecasting trends in the Victorian economy. The Department of Treasury and Finance is also a member of the Drought Interdepartmental Coordination Group (DICG) which advises the ministerial drought coordination and appropriate drought assistance. As with all post-budget funding decisions, new commitments will be published in the <i>2008-09 Budget Update</i> or 2009-10 Budget, where appropriate.	No further action is planned at this time.	No formal comment.
<b>Recommendation 15 (Page 122)</b>				
To ensure that the approved allocation of funding to the Regional Infrastructure Development Fund is fully committed and spent in a timely manner, the Government will need to accelerate the number of announced projects over the next two years.	Reject	Regional Development Victoria (RDV) has historically committed Regional Infrastructure Development Fund (RIDF) allocation in accordance with annual budget phasing. The number of RIDF funded projects approved in 2006-07 and 2007-08 have increased significantly compared to previous years. Actual expenditure of funding typically lags behind these approvals. This is reflective of the long lead time required for infrastructure projects and the milestone and performance based funding agreements that are a feature of the RIDF.	Through the RIDF, RDV continue to support projects that deliver economic benefits to regional Victoria. RDV will continue to work to ensure that the RIDF allocation is committed to approved projects in accordance with the agreed budget phasing. Expenditure will continue to follow approvals based on agreed project milestones.	The Committee maintains that the Government's remaining approved allocations from the RIDF up to 2009-10 be committed and spent in a timely manner.

Source: Government response to the PAEC Report No 80, 2008-09 Budget Estimates

The Committee reiterates its view that there should be a separate budget paper on State government programs and initiatives for regional and rural Victoria.

**Recommendation 17:**

**From 2010-11, a new budget paper, providing a comprehensive overview of State Government programs and initiatives for regional and rural Victoria, be provided.**

### 8.3 Regional funding initiatives in the 2009-10 Budget

The Victorian Budget 2009-10 *Overview Building Jobs, Building Victoria* chapter includes a section dedicated to *Regional Victoria*. This section of the Victorian Budget states that;

*Regional Victoria continues to receive strong support from the Government and in order to ensure that regional industries, businesses and communities are well placed to cope with – and emerge from the Global Financial Crises, the 2009 State Budget invests in projects and initiatives that will drive further jobs and economic growth across Victoria’s regions.*

The Government has continued funding a number of previous initiatives and also commenced new initiatives aimed at development in regional Victoria. In addition to the Bushfire rebuilding and recovery related investment the budget allocated funding for support for small regional towns, farmers and farming communities affected by drought.

Regional funding initiatives are detailed in a variety of ways throughout the Budget Papers. Some are specific to regional locations whereas others are included in ‘across Victoria’ designations. Funding is specifically detailed in the following areas:<sup>225</sup>

- *Linking rural, regional and metro Victoria;* The 2009 State Budget continues the Government’s investment in the transport links needed to underpin regional economic growth, support key regional industries, and connect communities with each other and with Melbourne;
- *Improving health services in regional Victoria.* The Government continues to improve and expand health services and facilities across regional Victoria;
- *Standing by Victoria’s farmers.* The Government continues to stand by Victorian farmers as they cope with the longest drought on record and a tough global trading environment. Building on the significant investment provided in the 2008 budget for primary industries, the 2009 State Budget delivers a further \$145 million to support farmers and farming communities; and
- *Support for regional industries and communities.* The budget continues the Government’s commitment to supporting regional economic growth and development.

The Budget announced funding of \$6.5 billion over five years for service delivery objectives as set out under *Growing Victoria Together*. Additional state-wide funding supports Victorian Government schools, sustains the capacity of health and hospital services and assists disadvantaged Victorians including the regional and rural communities in Victoria.

In response to the February 2009 Victorian bushfires, the Government has taken swift action to assist people to get their lives back on track and for communities to begin the important rebuilding process. The budget includes funding of \$908 million over five years and \$78 million TEI for bushfire response and recovery. The bulk of this funding is directed to regional and rural Victoria.

The *2009-10 Budget* provides \$1.1 billion over five years and \$177 million TEI for health and hospital services including funding provided by the Commonwealth under National Partnership agreements. This includes funding to expand hospital and health workforce reforms, and increase rural and regional dental services.

The Budget allocates \$7.5 million for the *Local Roads to Markets* program and will upgrade roads to support Victoria’s agricultural, horticultural and timber industries and \$10 million for the Small

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<sup>225</sup> Department of Treasury and Finance, *Budget 2009-10 Overview Building jobs. Building Victoria* p.23.



*Towns Development Fund* to invest in infrastructure and boost jobs in small regional towns affected by drought.

The *Report on the 2009-10 Budget Estimates, Volume One, Part One* of the Public Accounts and Estimates Committee<sup>226</sup> provides details of responses from all the key departments to the Committee's two regional and rural consideration questions:

- What are the critical issues facing regional and rural communities in 2009-10 that depend on services provided by the Department?
- How does the Department's 2009-10 budget address these issues?

High priority initiatives identified by those Departments and allocated funding in 2009-10 budget are summarised and presented in the Table 8.3.

**Table 8.3: High priority initiatives for regional Victoria in 2009-10 Budget.**

2009-10 Budget initiative	Department	Funding 2009-10 (\$ million)
Securing and Developing Services to Farmers	Primary Industries	18.5
Weeds and pests management initiative in public and private lands	Primary Industries	7.6
Food bowl Modernisation Project (Stage One)	Sustainability and Environment	153.7
Fire suppression and response activities	Sustainability and Environment	344
Regional Infrastructure Development Fund (RIDF)	Innovation, Industry and Regional Development	80.2
Provincial Victoria Growth Fund	Innovation, Industry and Regional Development	39.28
Regeneration - to improve education outcomes	Education and Early Childhood Development	32.8
Securing the Future of small Rural Schools	Education and Early Childhood Development	16.0
Modernisation of nine regional or rural schools	Education and Early Childhood Development	20.7
Warrnambool Hospital Redevelopment – Stage 1B	Human Services	24.5
Nathalia District Hospital and Aged Care Redevelopment	Human Services	8.6
Latrobe Community Health Service-Morwell Redevelopment	Human Services	9.0
Bendigo Residential Aged Care Facility Replacement	Human Services	9.5

Source: Departmental responses to the Committee's 2009-10 Budget Estimate questionnaire.

<sup>226</sup> Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part One – Volume One*, June 2009, Appendix 1

### 8.3.1 Social impact of the drought

The Budget Papers noted that the economy of regional Victoria is dealing with the challenges posed by the global financial crisis, prolonged drought and the most devastating bushfires on record in February 2009. These incidences, largely beyond the control of government, have caused severe disruptions to economic and social activity in regional Victoria, particularly agricultural production, forestry and tourism. At the budget hearing the Minister for Agriculture stated that:<sup>227</sup>

*We have had well below average rainfall for eight consecutive years, and this is the longest drought in Victoria on record. It paints a bleak picture and unfortunately this pattern does not appear to be improving.*

Drought has had significant economic and social impacts on communities in many parts of regional Victoria. The drought has reduced the income both from farming and off-farm activities. The 2006 Census report of the ABS found that the median household income for farming families in Australia was \$1,122 per week. Negative or nil income was reported by 3 per cent of farming families as compared with 1 per cent of all households Australia-wide. When adjusted for differences in household sizes, the median household income for farming families was lower than that for all Australian households (\$605 per week as compared with \$649 per week).<sup>228</sup>

In 2008, the Commonwealth Minister for Agriculture, Fisheries and Forestry appointed a seven member Expert Social Panel (the Panel) to assess the social impact of drought on farm families and rural communities and to identify areas for improvement in Australian, state and territory government social support services, designed to mitigate the impact of drought on farm families and rural communities. The Panel heard consistent evidence that some marriages were breaking down in rural communities under the combined strain of physical separation enforced by the need to earn off-farm income and the debt-burden on the farm due to drought.<sup>229</sup>

The Panel's study found that, compared against the Australian population, people working in agriculture in drought affected areas were:<sup>230</sup>

- approximately 40 per cent more likely to report feeling less satisfied with their future;
- approximately 12-16 per cent less likely to be satisfied with their life as a whole and their standard of living;
- approximately 14 per cent less likely to feel satisfied with their future security;
- approximately 8 per cent less satisfied with their religion or spirituality;
- the same research presented evidence on the day-to-day impacts of drought on the health and wellbeing of rural Australians. Most of the evidence relates to stress related health impacts including;
- increased anxiety about finances, family and the future;
- increased feelings of sadness at experiencing stock losses, failed harvests and dying orchards;

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<sup>227</sup> Mr J Helper, MP, Minister for Agriculture, 2009-10 Budget Estimates hearings, transcripts of evidence, 14 May 2009 p.2

<sup>228</sup> Australian Bureau of Statistics, *A Picture of the nation*, 2006, p.164

<sup>229</sup> Department of Agriculture, Fisheries and Forestry, Drought Policy Review Expert Social Panel, *It's About People: Changing Perspective. A Report to Government by an Expert Social Panel on Dryness*, September 2008, p.32

<sup>230</sup> *ibid.*

- children experiencing increased anxieties as they witness their parent's growing levels of stress and depression;
- increased feelings of isolation as financial constraints and depression result in them withdrawing from community activities and emotionally from family relationships;
- poor sleeping patterns;
- increased suicidal thoughts and actions;
- high blood pressure; and
- increased consumption of alcohol.

Based on such findings, the Committee accepts that many of the above findings are likely to be common to drought affected communities in regional Victoria. The Committee considers that drought-specific, or focused, human support services are a key resource which could be better harnessed for the ongoing long-term benefit of farm families, rural businesses and communities in Rural and Regional Victoria.

**Recommendation 18:**

**The Government investigate the social and economic impact of drought on families in regional Victoria and develop specific response strategies aimed at mitigating the severity of these impacts.**