

LATROBE CITY COUNCIL SUBMISSION

Productivity Commission Inquiry into Transitioning Regional Economies

Introduction

Latrobe City Council thanks the Productivity Commission for the opportunity to make this submission.

Latrobe City

Latrobe City is one of Victoria's four major regional cities, less than two hours from Melbourne. It is home to approximately 74,000 people; the Gippsland regional population exceeds 250,000 people. Latrobe City is resource rich with abundant forests, rich agricultural land, water resources and large deposits of brown coal.

Latrobe City is home to 5,000 businesses and around 26,000 jobs. Its Gross Regional Product is over \$4.1 billion per annum.

Latrobe City:

- generates 85% of Victoria's electricity;
- has Australia's largest integrated pulp and paper mill;
- is home to Australia's largest yoghurt manufacturing facility;
- has Australia's only manufacturer of commercial aircraft; and
- is a centre of public administration, including Latrobe City Council - 754 Full-Time Equivalent (FTE) staff, the Australian Securities & Investments Commission's (ASIC's) Registry - 346 people on site - and numerous Commonwealth and State Government Departments and agencies.

Latrobe City is known for its excellence in engineering capability, public administration, education and health care - and as a cultural and commercial centre for Gippsland. It is home to a highly skilled and diverse workforce.

A region in transition

The privatisation of the electricity industry in the 1990's led to a significant reduction in workforce with little or no structural adjustment assistance provided by either the State or Commonwealth Governments. This has led to inter-generational issues and entrenched disadvantage.

The recent announcement regarding the imminent closure of the Hazelwood Power Station confirms that the economy of the Latrobe Valley is changing. As with any significant structural change, there is considerable debate about the best ways for this transition to occur. In July 2016 Latrobe City Council held a Community Conversation entitled "*Securing our Economic Future*". Council is working with the community to deliver on the vision and initiatives for transition which emerged from that conversation.

It is clear that this transition must be vastly different to that executed at the time of privatisation. Our view is that the key to success is a community led response which empowers, builds capacity, resilience and optimism within the community. This can only be done through an earnest desire to partner with the community in a process of co-design and collective engagement. Our document, *a Strength-Led Transition*, is a co-designed roadmap produced

with our community; rich with many community led ideas and initiatives. It reflects our community's proud industrial heritage, engineering expertise and innovative thinking. A copy of "Latrobe City: a Strength-Led Transition" is attached to this submission.

Responses

In October 2016 the Victorian Government established a task force, chaired by Premier Daniel Andrews, to plan for the Latrobe Valley's future. In early November 2016 the Prime Minister created a Ministerial Committee to co-ordinate and oversee the Commonwealth Government's response. A joint Commonwealth and State task force was also established to ensure both governments work together in a collaborative way, according to the Prime Minister.

Council has acknowledged the responses of the Commonwealth and Victorian Governments following the announcement of the closure of the Hazelwood Power Station.

In November 2016 the Premier announced a \$266 million package to create the Latrobe Valley Economic Growth Zone, the Latrobe Valley Authority and other support measures.

Also in November 2016 the Commonwealth Government announced a \$43 million assistance package for the Latrobe Valley, which includes \$20 million for new infrastructure projects, \$20 million for the Latrobe Valley under the regional jobs and investment package; and \$3 million for job assistance, retraining and financial services support for affected workers.

As noted by Council at the time, we trust that this will be an initial investment into the future of our community and that future Federal and State budgets will contain clear evidence of both Governments' long term commitment to the transition task.

To date, the Latrobe Valley Authority has been established with an interim CEO and senior management and the roll out of the announced programs has commenced. There is less clarity about the roll out of the Commonwealth Government programs.

There are many structures and processes in place, all of which have a role to play in responding to the transition challenge. These include the Victorian Government Task Force chaired by the Premier; the Commonwealth Ministerial Committee established by the Prime Minister; the joint Commonwealth and State Task Force; the Hazelwood Taskforce, which comprises representatives of Latrobe City Council, Baw Baw Shire Council and Wellington Shire Council; Regional Development Australia – Gippsland; the Gippsland Regional Partnership; and the Committee for Gippsland. All this is in addition to the Latrobe Valley Authority, the state agency charged with implementing the assistance package announced by the Premier in November 2016.

The challenge is to develop and implement a timely, strategic and coordinated response.

Latrobe City Council argues that local government should be included in the decision making processes, and for ongoing discussions to be occurring together between all three levels of government to help ensure complimentary rather than competing policy development.

Barriers to Growth

The following information has been based on the "Intensive Agriculture Opportunities Scoping Study, Latrobe City Council 2016". This issue is discussed in more detail in the attached document – "Barriers to Growth in Latrobe City, March 2017".

Latrobe City has more complex planning requirements compared to most other Victorian councils by virtue of the overlay controls relating to the coal and energy resource assets. That is:

- Special Use Zones (SUZ);
- State Resource Overlays (SRO); and
- Environmental Significance Overlay – Land Use Buffer (ESO1).

These overlays restrict land use and the land tenure arrangements. At present, the land impacted by these overlays is being used primarily for grazing, annual cropping and forestry. There is some ambiguity over the interpretation of these overlays, with it being difficult to get definitive decisions, in large part because the State Government policy review on coal resources is currently not complete.

A significant barrier to economic development is that, at present, it is not possible to be assured of any long-term tenure and there are strict conditions on surrounding land use. This situation is a major disincentive to potential investors. It is particularly off-putting for investors looking to build large, permanent structures such as high-technology protected cropping structures, which involve multi-million dollar investments that have an economic life of 25 to 30 years. Even low-technology protected cropping and structures for intensive livestock, such as piggeries, require the assurance of at least 15-year tenures.

The current review of these planning overlays is not providing a clear indication of when and if these uncertainties will be clarified to the degree that would provide confidence to investors.

Resolution of these long-standing constraints would remove significant barriers to growth and would greatly assist our endeavours to diversify our regional economy.

Conclusions

Our view is that the key to a successful transition is a community led response which empowers, builds capacity, resilience and optimism within the community. This can only be done through an earnest desire to partner with the community in a process of co-design and collective engagement.

The contributions from the State and Commonwealth Governments to date are acknowledged. We see these as an initial investment into the future of our community and that, in the future, the State and Commonwealth Governments will provide clear evidence of both Governments' long term commitment to the transition task.

There are many structures and processes in place; all aimed at responding to the transition challenge. We contend that local government must be included in the decision making processes, and ongoing discussions must happen together between all three levels of government to help ensure complimentary rather than competing policy development.

Latrobe City is encumbered with a complex set of planning controls - the overlays relating to the coal and energy resource assets - which are a significant barrier to economic development. Accordingly, it is not possible to be assured of any long-term land tenure and there are strict conditions on surrounding land use on the affected land. Resolution of these constraints would remove barriers to growth and would greatly assist endeavours to diversify the Latrobe Valley economy.

Latrobe City Council
March 2017