

SB/Imm

29 February 2008

Mr Paul Slape  
Chairman  
Victoria Grants Commission  
GPO Box 2392  
MELBOURNE 3001

Dear Mr Slape,

**Re: 2008/2009 Submission to Victoria Grants Commission**

The Glenelg Shire takes this opportunity to lodge a submission for your consideration. This submission presents information regarding some key characteristics of the Shire that should assist the Commission to gain a more thorough understanding and appreciation of the unique challenges; special circumstances; influences; needs and issues that apply to the Municipality.

The Submission includes information considered relevant to the Grants Commission, in respect of the following:

- Shire Profile
- Demographics
- Health Status
- Socio-economic Influences
- Service Provision
- Major Industries
- Rates

Shire Profile:

Population	19,758
Area	6,212 square kilometres
Rateable Properties	13,354 (30/6/07)
Rate Revenue	\$15.3 M (2007/08)
Total Operating Revenue	\$30.2 M (2007/08)
Length of Sealed Roads	1,145 kilometres
Length of Unsealed Roads	1,529 kilometres
Bridges and Major Culverts	205
Township Population – Portland	9,400
Township Population – Casterton	3,200
Township Population – Heywood	3,300
Rural Population	3,800

Demographics:

- The Glenelg Shire has a population of around 19,758 people with approximately half of the population residing in Portland.
- Portland is located on the southern coast line with approximately 50% of the shire being bounded by the coast. State forest and tree plantations also cover almost 20% of the Glenelg Shire.
- The balance of the Population resides in the two major Townships of Casterton and Heywood and the rural area.
- The Glenelg Shire is a geographically large municipality with one of the lowest population densities in Victoria with just 3.3 persons per square kilometre.
- The 2006 Census data also indicates that 21.3% of Shire residents are aged 60 years and over <sup>1</sup>. This proportion of older people is expected to rise to 30% by 2021 and 46% by 2031 – a higher prediction than that predicted for regional Victoria (35.8% in 2031) and Victoria as a whole (28% in 2031) <sup>2</sup>.
- Unemployment in the Glenelg Shire is 9.3% (2005), which is higher than other similar sized councils.
- According to the Australian Bureau of Statistics (2003), the Glenelg Shire has double the average proportion of indigenous residents in comparison to the Victorian average. In fact, the Glenelg Shire has the greatest proportion of Indigenous people in Victoria. In addition, 59% of the local population are aged 25 or under, and there is a higher proportion of indigenous single parent families in this area compared to other indigenous communities in Victoria.

### Health Status:

- The life expectancy at birth for both males and females in the Glenelg Shire is lower than the State average. The rate for males has been consistently lower than for males in Victoria as a whole over the past 10 years. That gap has steadily increased over the past 4 years<sup>3</sup>.
- The Glenelg Shire Council Wellbeing Report found that Glenelg Shire Residents have higher than state average rates for the following health determinants:
  - Obesity in females
  - Incidence of mental illness
  - Diabetes
  - Cardiovascular disease in males.

### Socio – Economic Influences:

- The Socio –Economic Indexes for Areas (SEIFA), compiled by the Australian Bureau of Statistics measure disadvantage in Australian communities. The 2006 SEIFA data is not available yet, however the 2001 SEIFA score of 981.2 indicates that the Glenelg Shire is among the most disadvantaged 15% of municipalities in Victoria.
- The Ignatius Centre for Social Policy and Research in Melbourne also measures socio-economic disadvantage in Australia. Basing its index on a series of social indicators such as health, psychiatric admissions, income, sickness and disability support, etc., the Ignatius Centre allots a quintile ranking of between 20 to 1 to each Victorian postcode. The lower the ranking, the higher the level of disadvantage.
- In the Ignatius Centre's 2004 study *Community Adversity and Resilience* Portland and its surrounding communities scored a quintile ranking of 7 out of 20, indicating a level of disadvantage equivalent to that found in the Melbourne suburbs of West Heidelberg and Glenroy.
- There are significant differences in the indigenous profile for the Glenelg Shire. Indigenous persons experience lower than average weekly incomes for individuals in comparison to the Shire and State, with individual income some 19% lower than the state average and household income 17% lower than the state average.
- Indigenous persons in Glenelg also experience an unemployment rate that is considerably higher than all the averages for all persons in the Shire and the state, with 18% of the Glenelg Shire's indigenous labour force unemployed. Furthermore, more than half of the working age population (55%) are not in the workforce. The data also indicates that 84% of Indigenous residents do not have a non school qualification.
- The Glenelg Indigenous community has a lower age profile, higher number of single parent families and a lower rate of dwelling ownership than other indigenous communities in Victoria.

### Socio – Economic Influences ( Continued)

- Villages and townships in other parts of the Glenelg Shire, such as Merino, Paschendale, Dartmoor, Drik Drik, Heywood, Casterton, Nelson, Kentbruck and Branxholme scored between 2 and 4, indicating a level of disadvantage equivalent with that of Broadmeadows and Braybrook in western Melbourne <sup>4</sup>.
- The Glenelg Shire is not an affluent community. According to the 2006 Census, when compared with other rural municipalities it has a lower proportion of households earning over \$1,500 per week and a higher proportion of households earning less than \$299 per week <sup>5</sup>.
- According to Centrelink, approximately 34% of residents in the Glenelg Shire received income support payments in 2004. This proportion is higher than the averages for rural Victoria and Victoria as a whole. There also appears to be an upward trend in the number of persons receiving payments since 2002, which indicates an increasing level of financial disadvantage experienced by members of this community.
- Portland is possibly unique in an Australian context, whereby there are three larger cities (Mount Gambier, Warrnambool and Hamilton) located within 150 kilometres in three directions. These cities make it very difficult for Portland to achieve economies of scale or to achieve the exponential population growth that is experienced in other areas of Australia, where there is only one centre servicing large geographic areas.
- Surrounding centres (e.g. Mount Gambier, Warrnambool and Hamilton) have a larger regional attraction, and as a result their shopping centres are larger with greater variety, thus causing economic 'leakage' from the Shire.
- No major highway passes through Portland; the Princes Highway passes 5km to the north of Portland. One of the effects of the highway bypass is that Portland loses the economic multipliers from visitors and tourists who do not 'stop over' in Portland.
- The Glenelg Shire is a 4-½ hour drive from Melbourne.
- Employment opportunities for young professionals are limited in the Shire. It is also difficult to attract appropriately qualified and experienced professionals and trades people to the Shire, primarily due to the Shire's distance from Melbourne and partly due to the skills shortage in Australia. There is little opportunity for employment or advancement in the larger firms.
- Many local children are educated in neighbouring Shires (including tertiary level), which moves the family focus to other communities.
- Younger people tend not to return to the shire after tertiary studies have been completed.

### Service Provision Issues:

The community expectation is that Council will provide a comprehensive range of diverse and equitable physical and social services across the whole Shire, including sparsely populated and isolated communities. The cost of providing these services is undoubtedly higher than similar services provided by Councils' in more densely populated and less isolated areas.

- As indicated in the demographic profile, the Glenelg Shire is ageing faster than the rest of Victoria. This will impose additional service expectations and associated costs, which will be quantified in the Positive Ageing Strategy that Council will be developing.
- Council has completed several Asset Management Plans, including those relating to Buildings and Transport. The Transport Asset Management Plan has revealed that approximately \$95M over the next 20 years is required to bring these Assets to service and community standards. This equates to \$4.75M per annum, which is far in excess of funds available from current sources.
- Council is yet to undertake the Drainage and the Parks & Reserves Asset Management Plans. However current knowledge and research indicates that there is likely to be a significant funding 'gap' in meeting service and community standards in these Asset categories.
- Council's adopted Buildings Asset Management Plan revealed substantial maintenance and renewal works were required on key Buildings to ensure that they continued to provide services at an acceptable community standard. Costs of these works are estimated at \$13M over a 20 year period.
- The terrain of the Glenelg Shire requires an extensive network of bridges and major culverts. Due to the age structure of these assets, Council has been forced to replace many bridges and major culverts in the last 5 years at a cost of \$4.3M. As a consequence, Council was forced to redirect its limited capital funds to these projects which resulted in diminished resources for other asset renewals.
- Council provides subsidised airport services to its Community and Visitors due to the distance between Portland and Melbourne (approx 380km) and the requirements of major industries (including the Portland Aluminium Smelter and the Portland Port). Costs of this facility are continually under pressure due to increasing security measures, additional costs for infrastructure renewal and general maintenance resulting in Council making a sizeable annual subsidy of around \$50,000 towards Airport operations. This excludes expenditure on continuing Capital Infrastructure requirements. Council recently contributed \$180,000 towards upgrading Airport Infrastructure. A new Airport Plan is currently being prepared to determine future needs.
- The provision of Child Care services is essential to ensure that families are kept in the community. Council has an obligation to provide such services, due to the lack of private sector involvement in the Shire, at an annual cost of \$208,000. (equates to 1.4% of rate revenue)
- Despite Council's commitment to the provision of Child Care Services it is unable to resource, both financially or physically, Child Care services at Casterton and Heywood without Federal and State Government funding. Such funding is required, not only for Capital Infrastructure, but for training, development and recruitment and retention of child care providers.

### Service Provision Issues: (continued)

- Council is committed to Customer Service and the provision of services to its residents, consequently it is necessary to resource three customer service centres and three depots across the Shire. Excluding the Portland Customer Service Centre and the major Depot at Heywood, the estimated additional annual cost of servicing these Centres is approximately \$320,000 (equates to 2.1% of rate revenue). The extensive distance between each of these centres has a direct impact on the unavoidable costs of linking networks and systems. In 2006/2007, \$300,000 (equates to 2% of rate revenue) was spent on upgrading links and networks to retain service levels. Higher network operational costs are on-going. Due to the lack of business demand, Council is forced to pay additional costs to telecommunication providers for the provision of high speed cable facilities to service these remote Centres, at an annual cost of \$30,000.
- Council is under considerable community pressure to ensure that the Casterton Saleyards remain open at an estimated initial capital cost of up to \$250,000, with an annual cost of about \$100,000. This equates to a 2.3% increase in rates.
- Due to a lack of specialist skills in areas such as building surveyors, engineers, environmental health officers and planners to meet resourcing requirements, Council is forced to pay staff well above market rates resulting in additional cost pressures.

### Major Industries:

Council has three significant industries that uniquely affect the cost and provision of services: the Portland Aluminium Smelter; the Port of Portland; and the Timber Industry.

#### Portland Aluminium Smelter:

- Portland Aluminium is Victoria's single largest industrial facility and is located in Portland. Due to the size of Portland Aluminium and also the service needs of the Port of Portland, Portland provides the services of a regional centre but without the population size and resources of larger centres.
- Due to previous State Government decisions and influences, Glenelg Shire has been left with facilities that were constructed to attract Smelter workers to the shire (e.g. Indoor Aquatic Centre and Airport). As a result of ongoing service and maintenance costs of these facilities, Council's other infrastructure needs have suffered financially. This is supported by the recent Asset Management Plans for Transport and Buildings.
- The smelter employs shift workers, who work 7 shifts a fortnight (12 hour shifts). This results in increased leisure time, with expectations that Council will provide enhanced leisure facilities.
- Some smelter staff travel outside the shire for leisure, which results in reduced retail activity (leakage) in the Glenelg Shire, thus reducing economic advantages of the Smelter.
- Not all the workers from the smelter reside in the Glenelg Shire, with a number of workers commuting to and from other adjoining municipalities.

### Timber Industry:

The continued increase in the infrastructure required to support the ongoing expansion of the timber plantation industry is diverting considerable Council resources from urban and rural infrastructure functions. Glenelg Shire is also hamstrung in obtaining a fair contribution from the timber plantation industry for this increased infrastructure requirement. A significant loss of population has occurred in many of our rural areas due to the expansion of the timber industry, consequently the impact on our communities must be considered in the financial and social context.

- Within the Glenelg Shire Council, 95,000 hectares is currently timber plantations. A further 15% of the shire is national or state park forests.<sup>3</sup>
- By 2009 it is forecast that there will 1500,000 hectares of blue gum Timber Plantation.
- Approximately 1.4 million tonnes of wood is transported by road to the Port of Portland per annum, causing unquantifiable damage to some rural roads. Such damage far exceeds road damage experienced by most other rural Shires with other types of primary industry.
- The timber industry also requires a greater standard of road and bridge construction, with increased maintenance demands on our road network
- The Glenelg Shire has a more extensive road network than most Councils in other parts of Victoria that have that have sizeable timber plantations due to the geographic dispersal of timber plantations in the Shire, which have taken over previous farming land. In large tracts of the Shire there are no residents, the only property owner is the timber industry.
- As a result of many farms being converted into timber plantations, a negative impact on communities has occurred, by taking families out of the shire. This also impacts on the level of volunteers available and the community effort is greatly reduced, putting greater pressure on Council resources.
- With fewer families in each community, this reduces the viability for providing Council services to rural areas, especially HACC and Children's Services.
- A large part of the Glenelg Shire is covered by plantations, state forests and national parks. Glenelg Shire has also received drought declared status due to the current drought conditions. These factors have consequentially increased the demand on Council resources (and associated costs) significantly.
- The only viable funding arrangement is via the recognition of timber industry impacts (and other relevant impacts) on each municipality and then building this impact into the Grants Commission funding formula. This will ensure that grants will be directed to where they are needed.

Port of Portland:

- The Port of Portland also contributes to the infrastructure demands on Council. The Port is the largest deep water port between Melbourne and Adelaide, therefore contributing significant economic benefit to Victoria.
- The rapid growth of the Port and timber industry continues to provide opportunity, as well as placing pressure on the Shire to manage the impacts of this growth. The Port of Portland has recently announced a \$45M expansion program to cater for the hard wood timber exports that will commence in full capacity from 2009.
- The timber export volumes from the Port are projected to treble to 4.5M tonnes . This will result in an additional 120,000 transport movements on Shire roads each year. This equates to around 25 semi trailers and B Doubles entering the roads in Portland, leading to the Port every hour, seven days per week, twenty four hours per day. This will place enormous pressure on the local road networks and create a series of environment, amenity, safety and congestion issues. Council will need to work through such issues and manage them together with the Port, timber companies and VicRoads. Council is currently working with the Port of Portland to complete noise, air quality and traffic management assessments of the impact of this increased activity from the timber harvest.
- The Blue gum timber harvest is also anticipated to provide around 1000 direct and indirect jobs in the Green Triangle region. Demographic profiling is required to consider social impacts such as such as housing; education; recreation and leisure and other service requirements. Council is working with the timber companies to try to plan for this, but resources are scarce.
- A report commissioned by the South Australian Government in 2006 - "*A Plan for Freight Transport for South East/Limestone Coast Shire of South Australia*" has emphasized that Glenelg Shire's regional and local roads network will be put under greater pressure in future years as regional industries escalate heavy transport loads from the south east of South Australia to Portland (and the Port of Portland) for export.
- The Port of Portland currently imports or exports 400,000 tonnes of fertilizer per year, which are all are transported by road.
- Approximately 350,000 sheep per annum are exported out of the Port of Portland, which are all transported to the Port via road.
- It is estimated that 45,000 cattle are exported out of the Port of Portland per annum, which are all transported to the Port via road.
- Substantial supplies such as construction materials, consumables, and fuel are being transported by road from the Port of Portland to the gas projects in the Otway Basin.
- The Port of Portland receives 40,000 tonne of pulp per year which is imported from Brazil and transported to Millicent in South Australia.
- It is estimated per year that 300,000 tonnes of mineral sand will be exported from Port of Portland, which will be transported by road from the Iluka Resources Mineral Separation plant at Hamilton. This plant has the capacity for further expansion, and it is expected that trade volumes will increase over time.

### Port of Portland: (continued)

- Approximately 10% to 15% of grain delivered to the Port of Portland is transported by road, which is equivalent to 40,000 to 180,000 tonnes per annum, depending upon the size of the Australian grain harvest.

It is difficult to quantify the freight tonnage into vehicles per day, as the size and configuration of the vehicles used in each industry varies, however the following can be used as a guide:

- B-Double truck carrying 42 tonne each with normal semi-trailer's carrying 27 tonne each.
- 1,000,000 tonnes = 23,809 B-Doubles or 37,037 Semi-Trailers.
- Wood chips are currently carried in Semi-Trailers; Logs are carried on B-Doubles; Aluminium Ingots are carried on Semi-Trailers; Mineral Sands are carried in special trucks carrying 47.5 tonne.
- Grain, cattle and sheep are freighted in all types of vehicles.

These statistics are staggering and the impact on Council's Roads, including Portland City, cannot be over-stated. The environmental impact is also significant.

Glenelg Shire is again constrained in seeking reimbursement from those industries that contribute to increased traffic volumes on the Shire's infrastructure.

### Rate Agreements:

- Glenelg Shire is compelled to offer rate agreements to attract significant industry to the Shire and should not be penalised in any of the formulas used to calculate the grants. The introduction of large industries to a rural community greatly impacts on the expenditure profile of Council, particularly in relation to the provision of additional facilities and services that are expected by new industries, their employees and their families.
- Pacific Hydro is currently constructing a large wind farm in the Glenelg Shire. Together with a number of other Victorian municipalities, the Glenelg Shire is now obliged (by the State) to offer rate agreements to wind farms. This will result in a large loss of rate income when compared to the full rates that would have been charged if not for the legislation. It is vital that the Glenelg Shire not be penalised in any of the formulas used to calculate Grants Commission allocations from the policy decisions of the State Government. It is estimated that Council will forgo approximately \$500,000 per annum in rate revenue. It is a State government initiative to have a designated number of wind farms in Victoria. There are only a small number of permanent jobs created from the ongoing operation of a wind farms.
- The wind farm rating agreements will have a major impact on future rating agreements with Portland Aluminium Smelter and Port of Portland. The wind farm agreement undermines future renegotiation of the Portland Aluminium and Port of Portland rate agreements. These organisations may use the substantial discounts legislated for the electricity industry by the State Government as a precedent during future negotiations.

Conclusion:

Council requires the financial resources to design, implement and deliver sustainable strategies and actions to address all the above issues and to enhance the health and wellbeing of Glenelg Shire residents.

The Commission's Road Funding Formula must address the unique situation regarding the impact that the three major Industries have on the Council's Road and associated Infrastructure.

Council should not be penalised for its obligation to provide Rate Agreements with specific Industries.

If you require further information please contact Trevor Hornby, Group Manager Corporate Services by telephoning (03) 5522 2219 or Linda MacRae, Acting Finance Manager by telephoning (03) 5522 2221.

Yours faithfully

**STUART BURDACK**

Chief Executive Officer

1. ABS Census 2006 [www.abs.gov.au](http://www.abs.gov.au)
2. Victoria in Future: Population projections [www.dse.vic.gov.au](http://www.dse.vic.gov.au)
3. Victoria, Department of Human Services  
[www.health.vic.gov.au/healthstatus/le-01-05htm](http://www.health.vic.gov.au/healthstatus/le-01-05htm)
4. *Community Adversity and Resilience: The Distribution of Social Disadvantage in Victoria and New South Wales and the Mediating Role of Social Cohesion*, Tony Vinson for the Ignatius Centre for Social Policy and Research, Jesuit Social Services, March 2004
5. ABS Census 2006 [www.abs.gov.au](http://www.abs.gov.au)