



Introduction

The Mildura Chamber of Commerce is an independent member based organisation that represents the interests of all businesses across the Mildura region.

The economy and water are two of the strategic policy themes that have been recently adopted as part of the Mildura Chamber of Commerce's Strategic Public Policy.

The aim of this paper is to stimulate debate and influence public policy about the need for greater drought assistance measures being made available for the wider business community.

As a result of prolonged dry flows along the river Murray, The Mildura Chamber of Commerce is actively advocating for greater drought assistance measures be made to the wider business community.

The agriculture, forestry and fishing sector in Mildura accounts for some 39% of businesses in the Mildura region and provides 18.6% of the region's employmentⁱ. As a consequence of being declared a drought exceptional circumstances area, the agricultural sector is able to access a wide range of drought assistance measures.

However the construction, retail and tourism sectors in Mildura account for 25.7% of businesses but have a greater number of employees, at 25.5% of the regions employment.ⁱⁱ To date, the only businesses able to claim drought assistance measures are those that can establish that 70% of their income is agricultural based.

With the most recent forecasts predicting that there will be insufficient water to keep permanent plantings alive, coupled with the increased number of growers who are choosing to permanently trade their water out of the district, the shape of the region's economic base is going to change considerably over the next few years.

The Mildura Rural City Council has recently completed its Drought Social Recovery Plan, which provides the MRCC response to the social impacts of the drought. The MRCC plan very strategically looks at the social response to the drought, and addresses the community wellbeing issues of disaster recovery. The MRCC plan does



not address the financial recovery of the region, nor does it address any proactive measures to help preserve the regional economy.

This paper provides a preliminary outline of measures that the Mildura Chamber of Commerce believes will begin to assist Mildura's business economy from total devastation.

1. Economic Impact on Region's Horticulture

There are a number of different methods that could be used to estimate the economic impact of the drought on the region's economy. One is to extrapolate the potential crop losses and the GRP impact using estimated crop losses such as those predicted by Horticulture Australia Limited, and another is to calculate the value GRP per mega litre of water for the region.

As an example, Horticulture Australia Council has reported that irrigators require 48% of their allocations in order to keep permanent planting alive. The estimated losses as a result of the death of permanent plantings are:-

"in a worst case scenario... in terms of productivity, we're talking about 60% of the wine industry, 98% of dried grapes, 80% of citrus, 70% of table grapes. The loss of one hectare can be as high as \$80,000 per hectare when you're looking at having to replant permanent crops."ⁱⁱⁱ

The estimated farm gate value of produce in the Mildura Region is reported to be in excess of \$600million^{iv} and with the exception of vegetable production, the vast majority of crops are permanent plantings, meaning that the farm gate value from these sectors will be lost for 3-4 years. There is no guarantee that these permanent crops will be re-planted, particularly given that the region is experiencing record permanent and temporary water trade activity. Lower Murray Water report that the net effect is water being traded out of the Mildura area, not into the area.

Estimating the value of GRP per mega litre of water and then estimating the economic impact of the loss of that water would also provide the region with data on the permanent loss of crops as a result of water being traded out of the district on a permanent basis.

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Either way, there can be no doubt that the prospect of no water, coupled with successive years of low returns and increased debt levels will force many traditional horticulturalists off the land. Rising input costs and falling returns has been eroding the profitability of the smaller operators, which inevitably will lead to structural adjustments being required.

In the 2006/07 year a total of 1985 mega litres of water was transferred from the Merbein, Redcliffs and Robinvale pumping districts. Already this year there has been a sharp increase in the amount of water being traded out of the area.

There continues to be much negative sentiment about the permanent trade of water, however the Mildura Chamber of Commerce believes that water trade provides those operators with unproductive/unprofitable use of water the opportunity to retire their blocks from production and receive an injection of funds.

The free trade of water relies on their being willing sellers and willing buyers, and the increased volume of water being traded out of the district demonstrates that there are many operators who are seeking to make the most of the increased sales price of water. The disappointing aspect of this however is that for some growers the selling of their water is a desperate last resort measure that they would prefer not to be doing.

The continued permanent trade of water, coupled with the death of permanent plantings as a result of insufficient water to keep them alive, will mean that as a community, structural adjustments will need to be made, as the region adjusts to a re-distribution of its Gross Regional Product (GRP).



2. A Whole of Community Issue

As the fallout from the drought continues, the problems become a whole of community issue, not just an issue confined to horticulture.

There is no doubt the exceptional circumstances declaration provides welcome assistance measures to the farmers and those businesses that can demonstrate a direct reliance on income from agriculture.

However, for the wider business community, there are no measures in place.

The agriculture, forestry and fishing sector accounts for some 39% of businesses in the Mildura region and provides 18.6% of the region's employment. However the construction, retail and tourism sectors account for 25.7% of businesses and 25.5% of the regions employment.^v

The Mildura Chamber of Commerce believes that pro-active measures are needed to support the wider business community through this upcoming period of economic uncertainty.

As the horticultural sector continues to decline there will be an adjustment period as the makeup of the GRP is redefined. The Mildura Chamber of Commerce believes that as a community we must look to the opportunities that are available to us to proactively redefine our economic base, particularly in the short term, in order to sustain our region's economy.

The regions skills base, tourism, infrastructure, health and education facilities all combine to provide the basis for community survival.



2.1. Tourism Opportunities

The tourism industry (accommodation, cafes and restaurants) reportedly accounts for only 1% of business operations in Mildura^{vi}, and yet provides \$256million into the regional economy^{vii}.

Tourism provides new money into the region, and Mildura is well placed to have continuity of income from this key economic driver of our region.

In recent years, Mildura has invested heavily into developing a strong events calendar. As a region, Mildura attracts large numbers of regional, state and national sporting events, which also should not be under-estimated in terms of revenue to the region. Conferences and business events provide further opportunities to attract a new market to the Mildura region.

The Murray River has provided the backdrop for the tourism industry to develop, and will continue to do so, with water still flowing through Mildura on its way to Adelaide. As Mildura potentially becomes an Oasis in the middle of a desert, the Mildura tourism industry must look at innovative ways to market itself both domestically and internationally.

Assistance measures must be put in place for the tourism industry to provide both capital investment and marketing resources to promote and develop tourism in the Mildura region. By supporting the development of the tourism industry, employment in accommodation, cafes and restaurants will continue, and the local economy will continue to receive tourist revenue.

2.2. Infrastructure

2.2.1. Tri-State Transport Hub

Mildura is well placed to become a tri-state hub for transport logistics. The Mildura Chamber of Commerce supports the Sunraysia Mallee Economic Development Board in its submissions for AusLink funding for further develop rail infrastructure within the region.

2.2.2. Regional Airport

The Mildura Airport is one of the region's greatest assets, and affords Mildura the opportunity to capitalise on the Tourism sector and attract greater numbers of professionals to the region. In recent times Virgin Blue have been conducting



feasibility studies into the Mildura market, and the Chamber believes that everything should be done to secure this carrier into our region.

2.3. Education Facilities

Mildura is well serviced through all levels of education. This is a major attraction for professionals looking to move into the region, and all must be done to support and promote and market our educational facilities.

Our education facilities will also play a pivotal role in re-training displaced horticulturists, many of who will have valuable practical skills such as welding, concreting, mechanics, but who are without formal qualifications. These people can be re-trained to overcome skills shortage areas for the future.

2.4. Health Facilities

Mildura has both public and private hospital facilities, and has numerous local and visiting medical specialists. Once again, these facilities are vital to our region's future prosperity, and all must be done to support, promote and market our excellence in this area.

3. Keeping our Businesses Alive

Currently, there are only a limited number of businesses that are able to receive drought support measures, with only those businesses that derive 75% of their income from agriculture being eligible for drought assistance measures.

The Mildura Chamber of Commerce believes that the wider business community requires support through the adjustment period, to allow them to continue providing employment and supplying the goods and services needed to sustain the economy of Mildura.

A range of assistance measures are required, such as rental subsidies, taxation and rate relief, as well as assistance to retrain staff, and to subsidise the employment of apprentices to prevent loss of the future skills base.



3.1. Rental Moratorium and Rental Subsidies

Rental income is important as it provides an income stream to the landlord, and the real estate industry. The appearance of a vibrant business hub is also an important aspect of ensuring the community remains in a positive frame of mind throughout the adjustment period.

Real Estate Agents and landlords should be encouraged not to seek any automatic rental increases during this period of time. Whilst market forces will dictate the amount of rent that will be paid by new entrants, existing tenants should not be penalised by automatic rental increases being applied through their rental agreements.

Landlords should be encouraged to accept reduced rental payments throughout this adjustment period, rather than having a tenant accumulating rental arrears to the point that they are forced out of business.

It is important to remember that many of the region's landlords are in-fact the same horticulturists who have invested in off farm assets.

Rental subsidies to business will provide the opportunity for the business owner to lower fixed overhead costs, and continues to provide, albeit, a reduced income flow to the landlord. A moratorium on any rental increases during this period will also ensure that rents are not increased to take advantage of any subsidy that the lessee might receive.

3.2. Income support

By allowing business owners to access income support opens up the ability to apply for many of the government concessions. For instance, motor vehicle registration and reduced energy costs with the winter concessions. Again these are only small measures, but will allow business owners to reduce their fixed overheads.

3.3. Rating relief

The Mildura Chamber of Commerce believes that it is important that business continue to contribute to the local economy by continuing to pay their council rates. This is likely to be difficult for some business operators, however the MRCC have



already demonstrated their willingness to show leniency to those who can show financial distress. It would be important however, that the MRCC supported the business community by not charging penalty interest on overdue rate payments.

3.4. Apprentice Subsidies

The Mildura Chamber of Commerce believes that it is vitally important to protect our future skills base by keeping apprentices employed. Apprentice wages should be fully subsidised during this period to ensure that the business owner continues with their employment.

3.5. Financial Advice

The Mildura Chamber of Commerce believes that all businesses should be able to access financial advice via their own accountants free of charge, to assist them in developing strategies moving forward.

Financial Counselling services are already operating at capacity, and with most business operators already having a relationship with their accountant, the Chamber believes that business owners would be best served by being able to access free business planning services via their own accountant or financial advisor.

3.6. Training and Support for Business

In addition to those measures outlined above, the Mildura Chamber of Commerce is seeking additional measures to provide training and change management support for business as it goes through this adjustment period. This economic re-adjustment is as much about business owners making the mental adjustment to change as the economic adjustment, and it is vital that we assist them through training and support in this area.

4. The need to monitor trends

The Mildura Chamber of Commerce has long advocated the need for local economic trends to be monitored. ABS data provides historical data, that is outdated before it is even published, and for the business community to be able to demonstrate the need for government support, it needs to have reliable data available to it.



4.1. Lead Indicators

There are a number of lead indicators that can be used to predict the future trading conditions. For instance, housing approvals, job advertisements, shop vacancies and vehicle registrations. In addition to these indicators, business surveys provide the opportunity to establish previous three month trade and business sentiment moving forward.

The Mildura Chamber of Commerce is seeking support to collect and monitor this information on a regular basis, in order to continually monitor the economic trends and impacts from the drought.

The collection of this data will also provide the Chamber, local government and support agencies with invaluable information about where to target future assistance measures, training and support for business.

5. Conclusion

There can be no doubt that the implications of the drought, and the potentially devastating water restrictions being faced by the region's horticulturists will have a profound effect on the regional economy of Mildura.

As a community it is important to evaluate our where our key regional strengths lie, in order to maximise our potential through difficult times.

It is also important from both an economic and social aspect to support the regions employers through the adjustment period in order to maintain the existing employment base, and preserve the employment of apprentices who provide the future skills base.

The Mildura Chamber of Commerce is of the opinion that pro-active measures are required to support the wider business community through this economic structural re-adjustment period. The proposed measures outlined in this paper are of both a financial and non financial nature, and require the support of local businesses, local government, and the state and federal governments.

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References

- ⁱ Mildura Social Indicators report, 2006, Vinson T., Tables 12 & 13
- ⁱⁱ Mildura Social Indicators report, 2006, Vinson T., Tables 12 & 13
- ⁱⁱⁱ Horticulture Council Chief executive Kris Newton, ABC radio interview, 22/08/07.
- ^{iv} Mildura Older Irrigation Area Review, RMCG, August 2007
- ^v Mildura Social Indicators report, 2006, Vinson T., Tables 12 & 13
- ^{vi} Mildura Social Indicators report, 2006, Vinson T., Table 12
- ^{vii} Mildura Tourism Strategic Plan, 2007.

Disclaimer

The Mildura Chamber of Commerce Inc. has collated this information from a variety of resources, which, at the time of writing, and to the best of its knowledge is accurate and correct. The Mildura Chamber of Commerce Inc. accepts no responsibility for the information contained in this report, and readers should make their own enquiries and formulate their own opinions about the information provided.