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24 March 2015

Leigh Kennedy

Regional Director Gippsland Regional Development Victoria

Department of Economic Development, Jobs, Transport & Resources. 33 Breed Street

# Traralgon VIC 3844.

Dear Ms Kennedy

# Re: Review Of The Department Of Economic Development, Jobs, Transport And Resources (DEDJTR) Regional Service Delivery Model And Strategic Directions for Regional Policy

Thank you for the invitation to contribute to the review of the Regional Service Delivery Model and strategic directions for regional policy.

Gippsland Ports has both a vital interest in contributing to regional investment, growth and jobs but also a considerable dependency upon the support of Regional Development Victoria for resources to support realisation of identified development opportunities.

Gippsland Ports as a public sector entity has been heavily reliant upon funding conduits through Regional Development Victoria to undertake port and marine infrastructure renewal and development projects to support the maintenance of existing economic activity and to facilitate growth in the regional tourism, commercial fishing, commercial shipping industries and to support the continued attraction of Gippsland’s coastal and lake areas as a place to reside.

Gippsland Ports’ brief submission does not address the Review Terms of Reference precisely however we trust that it provides some relevance to the review.

Gippsland Ports has been the recipient of successful funding grant applications through RDV.

This funding has been critical and includes contributions to a range of infrastructure projects as follows:

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| --- | --- | --- | --- | --- |
| **Year** | **Project** | **Grant value** | **Source** | **Benefit** |
| 2002/03 | Port Albert Fisherman’s Wharf Redevelopment | $825k | RIDF | Enhanced facilities for commercial and recreational fishing vessels and regional tourism |
| 2005/05 | Bullock Island Boat Yard Redevelopment | $1.25m | RIDF | Transfer of commercial vessel maintenance activities from inappropriate main street slipway location in Lakes Entrance to a more appropriate site. |
| 2005 | Lakes Entrance Sand Management Program | $31.5m | RIDF | Investigation of alternate dredging technologies and maintenance of ocean access for commercial fishing, recreational boating and tourism industries and to contribute to preservation of environmental values of Gippsland Lakes Ramsar site. (commercial fishing worth $65m p/a and rec boating $155m p/a to regional economy). |
| 2010 | Gippsland Lakes Ocean Access Project | $9.1m | RDV | Ongoing maintenance of ocean access to the Gippsland Lakes for commercial fishing, recreational boating and tourism industries and to contribute to the preservation of environmental values of Gippsland Lakes Ramsar site. |
| 2006/10 | Port upgrade projects | $12m approx. | Through Dept Transport Local Ports Program | Various projects to support commercial and recreational boating infrastructure renewal and throughout 5 local ports in Gippsland. |
| 2009/11 | Port Welshpool Long Jetty rehabilitation studies | $300k approx. | RDV | Study to access the condition of this high risk (public safety) facility to inform the business case for proposed rehabilitation for pedestrian use and for risk migration. |
| 2013 | Bullock Island On- water refueling facility | $500k | RDV | Provision of on-water vessel refueling facility to support recreational boating activity on the Gippsland Lakes (worth $155m p/a to regional economy). |

Gippsland Ports’ experience has been that RDV in managing these programs has been flexible, receptive and responsive, (and not overly bureaucratic), in its consideration of the many variables invariably encountered with program delivery.

Gippsland Ports, as an entity vested with responsibility, inter alia, to manage and maintain State owned assets, faces a number of challenges, including:

* Declining operational and asset maintenance funding (40% reduction since 2007/8)
* Increasing reliance on ad hoc grants to provide for asset maintenance (asset value $133m)
* Eligibility to apply for grant funding
* The need to compete for grant funding to fulfil statutory functions and responsibilities
* The requirement to make a co-contribution to grant funding as a condition of grant.

With regard to asset management, the RIDF/RDV port upgrade program has been crucial to the progressive upgrade of core port infrastructure with significant community, social and economic benefit now being realised. In the absence of these grant funds, significant elements of port infrastructure would have been closed to public access or have had reduced functionality forpublic safety reasons, thus impeding the maintenance of current economic activity and certainly inhibiting future growth.

The majority of Gippsland Ports’ infrastructure upgrades are through opportunistic and recurrent grants programs

A particular program that delivered excellent outcomes and benefits was the Port Upgrade program that ran from 2007 to 2011.

## Pre Port Upgrade Funding:

* Nominal funding only for capital and upgrade didn’t recognise the mass of ageing degraded assets for which GP is charged with managing
* Obvious poor and rapidly deteriorating condition of many assets (public safety risk)
* Some facilities closed i.e. (Port Welshpool Long Jetty)
* Community and user resentment
* Downgrading of facilities particularly in some cases wharf capacity
* Almost absolute reliance on ad hoc grant funding
* Inability to deliver basic asset management periodic maintenance and upgrade objectives
* Inability to render assets compliant with public safety, environmental, fire service and access standards
* Increasing risk to users
* Reputational damage

## Port Upgrade Funding Outcomes / Benefits:

* Has been saviour of numerous assets
* Improvement in condition and reduction in remedial maintenance costs evident
* Strong positive community and user feedback
* Opportunity to introduce compliance upgrades i.e. access, fire services, environmental and safety improvements (eg. vessel wash down waste treatment, etc.)
* Opportunity to forward plan, perform proactive instead of reactive maintenance
* Positive outcome for regional economy, not only through the actual performance of works but importantly, improving presentation and functionality and attractiveness of Gippsland local ports for tourism, commercial and recreational uses etc.

## Post Port Upgrade and /or Renewal Funding (i.e. subsequent to 2011):

* Gippsland Ports potentially breaching its statutory obligations through failure to maintain assets to acceptable condition
* Upgrade and periodic maintenance works being deferred
* Incurring increased maintenance costs
* Ultimate result will be asset failure
* Closure and withdrawal of non-core assets
* Non-compliant infrastructure
* Infrastructure planning and development not satisfying demand and customer expectations
* No capacity increase despite increase demand through success of regional tourism promotion, net migration inwards and increasing boating registrations within the region
* Escalating safety and environmental risks
* Community resentment and reputational loss

## Strengths of previous RIDF / RDV Grants processes / model:

* Grants contingent upon demonstrable business case including fostering job creation
* Regional office / officer involvement in assisting with grant application / grant assessment that provided regional knowledge / “intelligence” input.
* Regional office / officer “ownership” of projects and active interest in their region.
* Strong support of Regions from RDV in Melbourne.
* Provided a funding mechanism / opportunity to support regional / local economic, social and demographic changes (such as growth in relative economic contribution of regional tourism and recreational boating as other traditional economic drivers undergo transition)
* Provided an opportunity to attract funding to support strategic priorities and initiatives identified in Regional Growth Plans.
* Provided a funding mechanism to give effect to Government policy (eg: regional growth, regional investment, regional delivery)

## Weaknesses of previous RIDF / RDV Grants processes:

* Opportunity for current on-line application processes to be simpler
* Requirement for co-contribution (particularly from agencies that are cash poor but grant dependent) limited capacity to make application for grant funding.
* Limitations on maximum grant amount in some programs (eg; “Putting Locals First” max
* $500k) limited potential projects to smaller scale which limited potential regional development outcomes.
* Assessment criteria for grant applications being heavily weighted on direct business case (financial) criteria with insufficient consideration of other values (eg indirect benefits, social values, risk mitigation)

Gippsland Ports would be pleased to provide further input to the review if and as required.

Yours sincerely



# Nick Murray CEO