



**GLGN Submission to House of Representatives Standing Committee on Infrastructure, Transport, Regional Development and Local Government**

**Inquiry into a new Regional Development Funding Program**

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**For more information regarding this submission please contact**

Geoff Hill, Acting Executive Manager Economic Development,  
Latrobe City Council

**Phone** 5128 5446

**Email** [geoffhi@latrobe.vic.gov.au](mailto:geoffhi@latrobe.vic.gov.au)

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## **The Gippsland Local Government Network**

The Gippsland Local Government Network (GLGN) is comprised of the Mayors and Chief Executive Officers of the following Local Government Areas in Gippsland:

- Bass Coast Shire Council
- Baw Baw Shire Council
- East Gippsland Shire Council
- Latrobe City Council
- South Gippsland Shire Council
- Wellington Shire Council

Gippsland is a physically well defined region of just under 40,000 square kilometres with the Great Dividing Range to the north, Bass Strait to the south and metropolitan Melbourne to the west. Major urban centres include Moe-Newborough, Morwell, Wonthaggi, Traralgon, Sale, Drouin, Warragul, Leongatha and Bairnsdale.

Gippsland has a diverse range of landscapes with extensive forests and mountain areas, lush dairy farms and spectacular coastal areas. It is renowned for its Bass Strait oil and gas and for its vast reserves of brown coal that facilitate production of nearly all of Victoria's electricity. It is also one of the major dairy farming regions in Australia.

The Gippsland region experienced major structural dislocation with many problems stemming from the privatisation of the energy industry and National Competition Policy reforms during the 1990s. As a result Gross Regional Product was reduced by 1.1%, the only negative value experienced in Australia at that time.

Through the combined efforts of its people and with contributions from all levels of government, Gippsland is now recovering strongly from these setbacks.

GLGN views the development of a new regional development program as an important opportunity to ensure that this momentum is maintained.

However, it is unfortunate that a new program will not be introduced until the next budget. This hiatus can only result in delays of at least 12 months in addressing regional development opportunities. The Gippsland economy has, as do many other regions in Australia, a strong export focus. Delays in exploiting our development opportunities directly impacts on our international competitiveness.

## **Inquiry Terms of Reference**

The Inquiry's Terms of Reference seek comment on

- The development of a new program to invest in community infrastructure projects.
- Ways to contain program administration costs.
- The lessons to be learned from the operation of the Regional Partnerships Program before and after the Australian National Audit Office Audit (Audit Report No. 14 2007-2008).

This submission will focus on the higher level issue addressed in the introductory comments of the Terms of Reference and will make recommendations on “ ways to invest funding in genuine regional economic development and community infrastructure with the aim of enhancing the sustainability and liveability of Australia's regions”.

GLGN will leave comments on the technical aspects of the design and delivery of regional development programs to those with the expertise and a direct interest in these areas. GLGN works closely with the Gippsland Area Consultative Committee (GACC) and understands that they will be providing a range of comments in these areas.

GLGN's main area of concern is that any new program be capable of addressing the regional development needs specific to Gippsland.

## **Regional Development in Gippsland**

GLGN provides the means of facilitating cooperation in the development of Gippsland. Members are committed to the development of their municipalities and the region at large. All member councils fund dedicated economic development units and employ specialist staff for this function.

The role of these units is addressed by each council in their Council Plan and in their detailed Economic Development Strategies.

There have been a number of strategic visions and plans developed for Gippsland which, while well intentioned, have failed to deliver their promise due to a lack of long term continuity in their execution. The formation of GLGN provided an opportunity to address this failing by providing the vehicle that would have the necessary institutional longevity and commitment to regional development.

GLGN, with assistance from the Gippsland Area Consultative Committee and the Victorian Government through Regional Development Victoria developed the Gippsland Regional Development Strategy (GRDS) in September 2006. An

implementation strategy was developed for the GRDS and an Executive Officer has been employed to facilitate and coordinate its delivery.

The GRDS expressed the vision for Gippsland as being:

***A dynamic Region harnessing, the full capabilities of its community, abundant physical resources, and remarkable diversity, to offer a range of exciting opportunities and great lifestyle choices.***

The GRDS identified the following projects as best addressing this vision:

- Community Planning for Livability and a Fairer Gippsland
- Energy Supply Infrastructure
- Gippsland Water Strategy
- ICT Improvement Programs
- Import Replacement Program
- Information Management Process
- Marketing and Branding Strategy
- Public Transport Improvement Strategy
- Regional Land Use/Growth Strategy
- Regional Recreational Facilities Strategy
- Road/Freight Infrastructure Projects
- Skills Development Strategy

A key feature of the GRDS was the delegation of the projects identified in the strategy to those councils with a particular interest in their outcomes. The GRDS Executive Officer is actively working with member councils to assist their economic development units with the delivery of their projects.

## **A New Regional Development Program**

### ***Regional Development Strategies***

Regional development activities in Gippsland are now more coordinated and focussed than at any time in the past. This locally developed agenda has been the result of the vision, hard work and persistence of the various stakeholders.

GLGN is concerned that any new program should be capable of further contributing to the development agenda currently being implemented across the region. There are no single or simple solutions for regional development. Regional development can be considered as an investment strategy with governments and the community of a region investing in its future. A good investment strategy has balance and diversity as core principles.

GLGN therefore supports the development of a program that facilitates “genuine regional economic development” not just “community infrastructure”.

***The new program's application assessment criteria should include consideration of a project's contribution to the objectives of the GRDS and/or other relevant regionally generated, regional development strategies.***

### ***Regional Benefits***

GRDS projects involve at least two local government areas and a number impact on the whole region. Another recent regional project is the Victorian government supported "Creating Better Coastal Places and Spaces in Gippsland" project, involving the Shires of Bass Coast, South Gippsland, Wellington and East Gippsland, which will provide a clear planning framework for the entire coastal area of Gippsland.

***Projects that deliver regional benefits beyond a single local government area should be given priority in the assessment processes of a new program.***

### ***Commercial Projects***

The ANAO Audit noted that "in September 2007, the Minister announced that all applications from private businesses will be channeled into a specific funding stream and that applications for funding under this stream will be considered through two funding rounds a year. In announcing this change, the Minister said: "We are restricting the timing of these applications so we can consider them more thoroughly and undertake stronger financial viability assessments.'

GLGN supports the inclusion of commercial projects in regional development programs. This may be in a dedicated commercial program or as an element of a flexible broad based program. Commercial projects are essential for job creation. While significant improvements have been made in recent years parts of Gippsland still have some of the highest unemployment levels in Victoria.

The two funding rounds per year proposal fails to recognize the essential nature of private sector projects. A timely response to business opportunities is vital to their success. Delays in decision making can impact on the competitiveness of projects or cause them to be lost.

***Four funding rounds per year would better align the treatment of private sector projects with commercial reality.***

***Concerns regarding the ability to properly consider projects and to investigate their financial viability should be addressed through proper program and application process design and appropriate staffing.***

### ***Project Partnering***

GLGN member councils have noted the benefits that the partnering element of the Regional Partnerships Program brought to large complex projects. There

were instances where the Commonwealth contribution enabled the other two tiers of government to come on board thereby creating a genuine whole of government project. Partnerships can enable different funding agencies to contribute to relevant and distinct elements of a project. They can also facilitate the introduction and interaction of staff between agencies and levels of government.

This is to be contrasted with the recently popular concept of “leveraging”. While this may not have been the original intention, leveraging is now seen as a coercive technique used by agencies to maximise the participation of other levels of government in their programs. It is not conducive to goodwill between project participants.

***Project partnering should be encouraged to harmonise the participation of the various levels of government in large, complex projects.***

### ***Regional Program Delivery and Application Assessment.***

The GLGN experience is that regionally based program representation and delivery is essential for the success of a regional development program.

Regional knowledge enables the promotion of a program and the identification of prospective participants over the life of a program.

Regionally based program representatives can best provide essential information and advice to program participants during the development of their applications. This includes the interpretation of the program’s objectives, eligibility criteria and other participation requirements. This applicant level assistance provides an effective first level screening of projects and assists the development of quality applications.

It is unreasonable to expect that Canberra based public servants can understand the dynamics of each region across a country as large and diverse as Australia. In particular, many Canberra-based staff may only be employed in the assessment of regional development programs for a comparatively short period before transferring to other duties. Changing staff tenure can create a loss of corporate knowledge which is difficult to replace. It is therefore important that a regionally based commentary be a part of any assessment process.

Area Consultative Committees and the State offices of Commonwealth agencies have undertaken the roles of program representation and application assessment for a range of programs. GLGN has observed that program participants have greatly appreciated the contribution and assistance provided by this “local” service.

The common distrust of centralist governments can be overcome by providing program representation on the ground in the regions. This is important as much for the image of a program as it is for its effective administration.

A common feature of complex regional development projects is the need to coordinate the contributions of a variety of stakeholders. A current example in Gippsland is a project for the development of a new sporting complex in the city of Sale. The development of this complex is but one element of a larger project that will also enable the redevelopment of a number of other sporting venues, the relocation of the East Gippsland TAFE College, expansion of the Central Gippsland Health Services and expansion of aviation activities at the West Sale Airport. The development of projects of this type needs to take account of each participant's operational planning needs such as academic years and competition seasons.

The experience with various regional development programs is that the assessment process has in some instances taken more than 12 months. This is not acceptable or necessary.

***The delivery of regional development programs must be responsive and predictable.***

### ***Regional Program Administration***

The issues of maladministration of the Regional Partnerships Program identified in the ANAO Audit are disappointing. The area of greatest concern to GLGN was the politicisation of the assessment process. However, the audit comprehensively identified the areas of concern and proposed remedies that have generally been accepted by the responsible agency.

GLGN expects that a new regional development program will be designed and administered to the appropriate standards by the professional Commonwealth officers charged with this task.

***GLGN expects that the assessment processes of a new program will be transparent and merit based and that funding will be provided to those projects that best meet the policy objectives of the program consistent with the development priorities identified by the region.***