



20 March 2017

Senator Jenny McAllister
Chair
Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600
by email: fpa.sen@aph.gov.au

Dear Senator McAllister

Re: The operation, effectiveness, and consequences of the Public Governance, Performance and Accountability (Location of Corporate Commonwealth Entities) Order 2016

The Committee for Gippsland, in partnership with the Regional Development Australia Gippsland Committee, is pleased to provide the following submission to the inquiry with a particular focus on the decentralisation of Government agencies to regional areas such as Gippsland.

The Regional Development Australia Gippsland Committee

Regional Development Australia Gippsland (**RDA Gippsland**) is a regionally based, not for profit body which aims to facilitate regional thought leadership to ensure sustainable economic and social growth for Gippsland. RDA Gippsland is part of a nationwide network of 55 regional bodies that provide a conduit between governments and communities. The Committee is jointly funded by the Commonwealth and Victorian State Governments.

RDA Gippsland members are drawn from across Gippsland and the region is defined as Bass Coast, Baw Baw, East Gippsland, Latrobe City, South Gippsland and Wellington council areas. The Committee, comprising 10 members appointed by the Australian and Victorian Governments, is chaired by Richard Elkington and supported by an executive officer and a small team of staff.

RDA Gippsland works with all levels of government, industry groups, businesses, research development, education and training providers and community members.

The Committee for Gippsland

Established in 2011, the Committee for Gippsland is a not-for-profit, incorporated organisation that provides a positive and influential voice for Gippsland. It takes a whole of region approach to advocacy, on projects and priorities informed by around 90 business and community organisations, collectively employing nearly 10,000 people across the Gippsland region.

Sector neutral, the Committee for Gippsland represents higher education providers, transport operators, manufacturing businesses, agribusiness and food processors, professional services, tourism operators, energy and resources sectors, healthcare providers, timber mills, small businesses and community groups. Our members share in a common goal for Gippsland to develop as a prosperous, sustainable and connected region. Within the region, the Committee for Gippsland works collaboratively with other organisations, including the Gippsland Local Government Network, individual councils, the RDA Gippsland Committee, Regional Partnerships, and One Gippsland.

Since 2011, the Committee for Gippsland has auspiced the Gippsland Community Leadership Program, which has made a tremendous contribution to identifying and developing Gippsland's leaders through a transformational 12 month program. GCLP has empowered Gippslanders to make a positive contribution not only to their local communities but also the wider Gippsland region.

The Gippsland Region

Gippsland is a diverse and resource driven region. It is 4.2 million hectares in size, with a population of nearly 260,000 people. By 2026, this is forecast to grow to over 300,000 people. With an average travel time of around 90 minutes from Melbourne, Gippsland is serviced by the Princes Freeway and V/Line rail in the north and the South Gippsland Highway and V/Line coach services in the south. Gippsland is one of Victoria's eight key regional growth areas, producing 85 per cent of Victoria's electricity, 97 per cent of Victoria's gas, around 23 per cent of Australia's milk output, and 26 per cent of Victoria's beef production.

The Gippsland region aspires to develop beyond a national food bowl, and is exporting high value and quality food to international markets. This is aided by the region's natural advantages of access to water and high yield agricultural land, utilized across a range of sectors, from beef to dairying, and horticulture.

The region's top five industry sectors include manufacturing, construction, mining, agriculture, forestry and fishing, and electricity, gas and water supply. Combined, these sectors represent approximately \$16.67 billion, or 58.8 per cent of total regional output. They also generate approximately \$9.46 billion, or 88.3 per cent of total regional exports, which is estimated at \$10.71 billion. Milk production alone comprises about half the total value of Gippsland's agricultural commodities and earns an estimated farm gate value of \$624 million. The gross value of forestry and timber products in Gippsland is \$1.2 billion.

The region also possesses a vibrant tourism industry, from small bed and breakfasts and wineries, to the largest inland lakes system in the southern hemisphere. It also includes Phillip Island Nature Park, which is not only a national icon, but an international draw card attracting millions of international ticketed visitors to Victoria each year.



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While there have been several changes to the direction of government policies that seek to transition Australia to a low carbon future, the Latrobe Valley energy sector continues to make a major contribution to not only Victoria but Australia's ability to access relatively cheap and reliable energy. There are also a range of innovative coal products being commercially developed in the region that have strong export potential. This development presents a significant economic opportunity for the region. These include projects seeking to utilize Latrobe Valley coal for fertilizer, hydrogen and other opportunities that will present significant economic, employment and industry diversification dividends for both Victoria and Australia more broadly.

Our Region Our Future: Securing an Economic Future for Gippsland and Latrobe Valley

In 2016 the Committee for Gippsland initiated and launched the *Our Region Our Future: Securing an Economic Future for Gippsland and Latrobe Valley (Our Region Our Future)* report, which provided a blueprint strategy for transitioning within the Latrobe Valley stationary energy sector. There was a particular focus on jobs and training, and the economic link between small to medium businesses and community sectors in the region.

To date it is the only comprehensive, locally driven set of analysis and recommendations on the impact of the closure of Hazelwood power station.

With 2,000 direct jobs linked to the Latrobe Valley stationary energy sector, and innovation opportunities linked to the resource, Our Region Our Future has provided a fact-based body of evidence about the relationship between the stationary energy sector and small to medium businesses in the Latrobe Valley. Closure of the Hazelwood Power Station not only presents major challenges for the Latrobe Valley and broader Gippsland region, but also strengthens the case for the Commonwealth Government to invest in infrastructure projects but also the relocation of a Commonwealth agency to the Gippsland region.

The Our Region Our Future report helped identify innovative, low emission uses for coal that are commercially available now, as well as a recommended suite of key infrastructure projects that are shovel ready and able to generate jobs, and encourage further investment into the region.

While the transition in the Latrobe Valley takes place the relocation of a Commonwealth Government agency to the region will go some way to both ensuring professional skilled workforce are retained in the region but also ensure that local expenditure from employees of government agencies stays within the region.

The Latrobe Valley has 500 years of brown coal resource. For the coming decades that resource will provide affordable and reliable base load energy supply for both Victorian and Australian households and businesses. Beyond that period, its continuation will be dependent on technology like carbon capture and storage to remain cost and emissions effective. There is opportunity for Commonwealth agencies connected with research and development within the agriculture and resources sector to

relocate to the Latrobe Valley region and make a significant and positive contribution to the Gippsland economy through the ongoing development of Gippsland's resources.

Regionalisation and the relocation of Commonwealth agencies to the Gippsland region

Relocating a Commonwealth agency to the Gippsland region would have significant economic, environmental and capability opportunities for the Gippsland region. In a region that is resource rich, and a significant producer of Australia's agricultural output, the relocation of a commonwealth agency within the agricultural resource sector would be a natural fit in Gippsland. In the past, Gippsland has proven to be an ideal environment for relocation, with ASIC in Traralgon, proving a prime example. The flow on benefits to the broader community are extensive from the increase in skilled professionals, who in turn potentially bring partners and families, as well as children who attend local schools and sporting clubs, positively adding to the economic and social fibres of regional areas like Gippsland.

Regional areas, such as Gippsland, often have an abundance of lower rental options when compared to capital cities, contributing to a decentralisation policy that would save considerable money in rent, but also provide employees with greater housing affordability options and a better work life balance for families. There are significant savings and many benefits in moving to regional locations, including the Gippsland region.

Decentralisation also ensures that job opportunities are spread across regional Australia, providing regions with the flow on benefits experienced through government departments' localised expenditure and procurement.

Within the Commonwealth Government's consideration of a Commonwealth Regional Development policy, it is opportune to incorporate the relocation of government agencies into regional cities as well as encouraging Commonwealth agencies to enable staff to work remotely in regional cities.

As part of this Inquiry, it is appropriate that the Finance and Public Administration Committee hold hearings in regional Australia and visit regions such as Gippsland in order to experience first-hand the opportunities to relocate Commonwealth agencies.

While there has been periodic examples throughout history of government encouraging decentralisation, particularly by relocating government departments to regional cities and regions. Examples of Commonwealth agencies being deliberately housed in regional capitals include the location of the ASIC Registry to Traralgon, the ATO to Albury, recently the NDIS to Geelong, as well as locating the CSIRO to Hobart.

The ASIC Registry based in Traralgon has been highly successful since its relocation during a period of deregulation and privatisation of the power industry during the 1990s. There are now 346 people employed at the site, with 263 being full-time positions and it is estimated that these employees generate a direct economic output worth around \$67 million per annum. This direct economic

activity is estimated to generate demand for intermediate goods and services from within the immediate LGA of around \$26 million with the total output, including all direct, industrial and consumption effects estimated at up to \$126.4 million. Across Gippsland there are greenfield sites in appropriately zoned locations or commercial buildings available for either development or long-term tenants, and suitable for a Commonwealth agency.

Gippsland is made up out of a lot of small and micro businesses and a few large businesses across the region. There are not many medium sized businesses of around 100 employees and this can be due to a range of reasons. A greater focus on regionalisation and the relocation of Commonwealth agencies will help increase the skills available within a regional area, and make a greater contribution to the local economy. Providing greater incentives for regionalisation and the relocation of Commonwealth agencies will help stimulate the regional economy and diversity of employment opportunities with a readily available skilled workforce.

Often regional based business are seeking opportunities to expand and grow, however options within regional Victoria can be more difficult given the risk and limited industry in the area. A local Gippsland example, Safetech, employs around 100 employees and is currently looking to expand however will have to invest significant capital while building more infrastructure. An increase in similarly sized businesses and Commonwealth agencies within the area would provide a safer investing environment for property developers to develop commercial properties. This would enable businesses like Safetech to secure a long-term lease and then expand without the significant risk of being owner developers. Enhancing the opportunities for businesses and commonwealth agencies to 'cluster' will create a more appealing environment for investors, improving economic outcomes for regions like Gippsland.

Greater regionalisation and the decentralisation of Commonwealth agencies have the opportunity to create direct links with Gippsland's already existing strengths. With construction of the new hi-tech precinct in Latrobe Valley that is collaboration between industry, education and Fujitsu, as well as the new Victoria Police forensic hub, the decentralisation of a Commonwealth science and research agency has the potential to provide tremendous benefits for further developing science, agriculture and water based industries that have a strong connection across Gippsland.

While there is a clear opportunity for Commonwealth agencies to be relocated to Gippsland, Commonwealth and Victorian Government also need to ensure that the appropriate policies and incentives are in place to attract and retain commercial businesses. An example of the type of policy that may assist in successful regionalisation and complement a relocation of Commonwealth agencies has been identified in Sweden. Sweden currently implements a policy that provides a business that is more than 300km outside of Stockholm, with business tax breaks and its employees eligible for personal tax concessions.

Successful localised regionalisation has already occurred within the Latrobe Valley where local government highly incentivised, through rate assistance and breaks, and encouraged the relocation

of a significant food manufacturer to Gippsland. This approach to regionalisation coupled with the relocation of the ASIC Registry to Traralgon highlights the positive contribution that decentralisation and a regionalisation approach to business and government agencies can have on the regional economy.

Regional Australia, in particular Gippsland, can play a key role in enhancing balanced population and employment growth for the nation well into the future. Strategically targeting population and employment creation within regions, such as Gippsland, will ensure the use of infrastructure, both present and future is optimised. By enhancing the opportunities for regional Australia to act as a population growth zone, Australia's capital cities can continue to be well regarded as highly liveable cities on a global scale.

The relocation of a Commonwealth agency to Gippsland can be supported by the competitive advantages of the region. These advantages include climate, water, fertile soils, food and agriculture, fisheries, positive climate change projections compared to other regions, abundant natural resources, natural attractions and a strong visitor economy with opportunities for further development. Having these strengths places Gippsland as an ideal location for relocation of a Commonwealth agency.

Gippsland has also proven to be competitive within defence and engineering capabilities through the East Sale RAAF Base and the highly skilled and capable engineering and manufacturing industries of the Latrobe Valley. The engineering excellence within Gippsland industry includes works being undertaken within Hawkei and submarine component production, maintenance and repair, as well as aeronautics construction in the Latrobe Valley.

Gippsland is well equipped through breadth of industry, strength of the local communities and geographic strengths to be considered a location for a decentralised Commonwealth agency.

Recommendations:

Relocate Commonwealth agencies to the Gippsland region across a number of industries and organisations that will provide greater industry engagement and be geographically central to the south eastern Australian states of New South Wales, Canberra, Tasmania and Victoria.

As part of the Inquiry's hearings it would be beneficial to members of the Senate Committee to visit regional areas, such as Gippsland, conduct these hearings locally and experience first-hand the opportunities and benefits for relocating Commonwealth agencies to regional Australia, particularly Gippsland.

Relocation Opportunities for the Latrobe Valley

The Latrobe Valley is centrally located within the Gippsland region, and has a long history in manufacturing and generating Victoria's energy. There is significant opportunity to invest in relocating Commonwealth government agencies in the Latrobe Valley that not only support the direction of engineering and defence capabilities, but also promote research and development within the brown coal resource sector.

Latrobe City is the municipality based within the Latrobe Valley, stretching from Moe in the east through to Morwell and Traralgon in the west. Historically known for engineering and energy generation, the Latrobe Valley is the powerhouse of Victoria's energy, producing around 90% of Victoria's electricity and is home to around 500 years of brown coal resource at current usage rates.

In 2016 Latrobe City produced the document *A Strength Led Transition* providing a range of recommendations that included the decentralisation of government agencies, out-posting of Commonwealth public servants, as well as innovative and technology driven approaches to the Latrobe Valley's coal resources.

Known for its excellence in engineering capability, public administration, education and healthcare, Latrobe City is home to a highly skilled and diverse workforce. Latrobe City is the host of the ASIC Registry in Traralgon and has the capacity to act as a hub for out-posed Commonwealth employees to regions like Gippsland. This is an example of a successful relocation.

With the region undergoing a transition away from coal for energy generation there is opportunity to expand and maximise research and innovation within the coal resource sector. It is opportune that the Commonwealth Government partners the CSIRO with local Latrobe Valley industry and resources to establish a Centre of Excellence in Brown Coal Innovation. This centre could be established with the relocation of relevant skilled and highly trained professionals from the CSIRO and located within the centre of Victoria's brown coal deposits, with the Latrobe Valley.

This focus and identification of a Centre of Excellence will enhance local research and development within the local coal resource sector ensuring that brown coal continues to be innovative and add value to the region's economy and industries. This opportunity would support industry advancement and secure the long term future of this rich and abundant resource making a major contribution to both the Gippsland and Victorian economy.

With the success of previous decentralisation with the move of the ASIC Registry to Latrobe City, Latrobe City also sees opportunity for the creation of a centralised hub for out-posted Commonwealth departmental employees. Out-posting is an alternative to the relocation of agencies enabling commonwealth employees the opportunities to work from a location other than the office, using teleworking information and communications technology to stay connected to other employees and work systems.

Latrobe City proposes that out-posted employees could be co-located within a facility based in the Latrobe Valley, further reinforcing the Commonwealth Government's commitment to decentralisation of government agencies and their staff.

The concept of out-posting has the potential to reinvent the functionality of regional offices of Commonwealth departments and agencies across Australia. Through the collaboration across sectors including agriculture, minerals, science, technology, research and natural resource management there is potential to create a 'one stop shop' of out-posted commonwealth employees that enables a small number of new positions placed into regions with direct links back to the specific department or agency.

Recommendations:

Incorporate the relocation of government agencies and out-posting of Commonwealth employees to regional cities into Commonwealth Regional Development policy.

Establish a hub in Latrobe City for out-posted commonwealth employees.

Establish a Centre of Excellence in Brown Coal Innovation that is a partnership with the CSIRO.

Opportunities within East Gippsland

East Gippsland has enormous potential to be the base for Victorian and Commonwealth agencies, in particular, within the timber, fisheries or agriculture sectors. The eastern Gippsland region is the food bowl for the Eastern seaboard with some of Victoria's largest vegetable growers situated within the Lindenow and Macalister irrigation districts.

Renowned for its diversity in natural resources East Gippsland stretches from the coastal wilderness in the east, to the Gippsland Lakes, Australia's largest inland lake system and into the Alpine high country of Omeo. With the major towns of eastern Gippsland being Bairnsdale and Lakes Entrance, each has a strong connection and long history within the timber and fisheries industries and a geographic proximity that is central to Canberra, Sydney, Melbourne and Tasmania.

Lakes Entrance is home to one of Australia's largest fishing fleets supplying seafood direct to the Sydney and Melbourne fish markets daily. Lakes Entrance would be a sensible location for the installation of a fisheries agency.

At a Commonwealth level there is a key opportunity for the Australian Fisheries Management Authority (**AFMA**) to relocate the Southern and Eastern Shark and Scalefish Fisher's (**SESSF**) management team to Lakes Entrance. Lakes Entrance is the ideal location for the SESSF management team and can be strategically co-located at SEAMEC in Lakes Entrance which is a state-of-the-art marine research and education facility and its location to key stakeholders within the industry makes both commercial and industry sense.

Furthermore, given that Lakes Entrance and Eden are the two largest ports for the SESSF, it is appropriate that AFMA manage the south eastern Australian fisheries from this location.

East Gippsland has a rich and complex cultural history, and is home to the Gunai Kurnai community, particularly around the townships of Lake Tyers and Lakes Entrance. East Gippsland is also home to nine National Parks and two National Marine Reserves including the UNESCO World Biosphere Reserve of Croajingolong National Park, the iconic Alpine National Park, and the culturally significant areas such as Mitchell River National Park, the Snowy River and Errinundra National Parks as well as the Ramsar wetlands of the Gippsland Lakes catchment.

With its natural beauty, wide range of outdoor activities, and its strong and vibrant communities, East Gippsland is an ideal sub-region of Gippsland to relocate Commonwealth agencies and Commonwealth agency employees to Lakes Entrance.

Recommendation:

That the Australian Fisheries Management Authority (AFMA) relocates the Southern and Eastern Shark and Scalefish Fisher's (SESSF) management team to Lakes Entrance, Gippsland.

Benefits of Decentralisation to West Gippsland

The Baw Baw Shire Government is located in West Gippsland and is the largest peri-urban municipality in Australia experiencing significant growth given the proximity to Melbourne, access to services and greater housing affordability compared to metropolitan areas. A policy of decentralisation and the regionalisation for Commonwealth agencies can be seen as a key economic driver, boosting jobs and investment in regional communities, such as Baw Baw Shire.

The Baw Baw Shire is already home to many diverse and successful industries being located approximately 100 kilometres east of the Melbourne CBD.

Importantly the Baw Baw Shire is also the gateway to Gippsland from the west, abutting the Latrobe City municipal boundary in the east. The coal resources of the Latrobe Valley and the energy industry has provided Baw Baw Shire residents with long-term employment and the private sector, small businesses in particular, with opportunities to service the needs of this industry. With the recent announcement of the imminent closure of Hazelwood Power Station there is opportunity to create new employment opportunities and grow business across the region. The relocation of a Commonwealth agency with research and development excellence within the brown coal resource sector provides significant opportunity while complementing the other high performing industries such as agriculture and dairy.

The relocation of Commonwealth agencies and regionalisation of the private sector has the opportunity to diversify and strengthen the Gippsland economy while building resilience and expertise within our community and workforce.

Conclusion

The Committee for Gippsland and the Regional Development Australia Gippsland Committee welcomes the Commonwealth Government's interest in relocating Commonwealth agencies to regional Australia. The benefits are wide ranging. Regional Australia, in particular Gippsland, has a lot to offer in terms of lifestyle, industry connection and community. Shifting commonwealth agencies to areas such as Gippsland is mutually beneficial to both the region and to the work being undertaken by agency.

If you require any further information in relation to this submission, both the Committee for Gippsland and Regional Development Australia Gippsland Committee would welcome the opportunity to provide you with a further briefing and can be contacted on (03) 5623 3219.

Yours sincerely



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