



Hon Tim Pallas, MP
Treasurer of Victoria
Level 4, 1 Treasury Place
Melbourne VIC 3000

3 February, 2017

Dear Treasurer

Committee for Gippsland Submission to 2017-2018 Victorian Budget

The Committee for Gippsland is pleased to provide you with a submission of funding priorities and projects for the Gippsland region ahead of the 2017-2018 Victorian Budget.

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.

The Committee for Gippsland has appreciated the opportunity to discuss our Budget submissions with you on previous occasions and would be grateful for a similar opportunity prior to this year's Victorian Budget. Previous Committee for Gippsland budget submissions have focussed on a new hospital for West Gippsland, the Macalister Irrigation District 2030 modernisation project, Phillip Island Nature Park's Summerland Peninsula Infrastructure Master Plan and transport infrastructure.

We are grateful for the funding support of a number of these projects. We are a still highly supportive of a new hospital for West Gippsland and upgrading rail infrastructure in the region.

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 Committee for Gippsland sincerely appreciates the Victorian Government's ongoing support and commitment to providing funding for the Victorian Regional Community Leadership Programs, including the Gippsland Community Leadership Program.

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.¹

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.² 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.

¹ Gippsland Regional Plan 2015

² Gippsland Regional Plan, 2010: http://gign.com.au/index.php?option=com_content&view=article&id=4&Itemid=4

The Victorian Government's Visitor Economy Strategy is to be commended for recognizing the pivotal role Phillip Island Nature Park contributes to enticing international visitors to Victoria.

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 Victoria'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 Victoria.

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 business 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 Victorian Government to invest in infrastructure and projects that will generate jobs and fast-track growth in industry diversification.

The *Our Region Our Future* report helped identify innovative, low emissions 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. These recommendations are included within this submission.

Among a number of recommendations, support for small business and contractors in the region who are impacted by the closure of Hazelwood power station is a major priority. Investing in new infrastructure through the transition period will assist in serving two purposes.

One, in the construction phase providing new jobs, and two, to help fast track investment attraction activities by ensuring Gippsland has a capable and efficient infrastructure base.

The Committee for Gippsland understands the Victorian Government is currently finalizing its Coal Policy. The Latrobe Valley has 500 years of brown coal resource. For the coming decades that resource will provide affordable and reliable baseload energy supply for Victorian households and businesses. Beyond that period, its continuation will be dependent on technology like carbon capture and storage to remain cost and emissions effective.

Away from electricity generation, there are hundreds of jobs, and millions of dollars worth of export potential in coal projects including fertilizer, magnesium and hydrogen. The Committee for Gippsland is strongly supportive of a coal derivatives future for the region, and strongly advocates that these ambitions be reflected in the Victorian Government's Coal Policy.

Continued investment in research and development of technology that secures a low emissions energy future is critical. Carbon capture and storage has the capacity to help achieve the deep emissions cuts necessary in coal and gas fired power generation, and its development and deployment through improved technology should be a significant point of focus for the Victorian Government.

Priority Projects for Gippsland

1. A new hospital for West Gippsland

Since 2011, a number one strategic priority for the Committee for Gippsland has remained a new hospital for West Gippsland. With Baw Baw Shire among the fastest growing regional municipalities in Victoria, the existing infrastructure of the West Gippsland Hospital is struggling to keep pace with this demand and growth. A new greenfield site has been acquired by the West Gippsland Healthcare Group, which has also been earmarked in Baw Baw Shire Council's precinct structure plans. Since 2011, the Committee for Gippsland's Strategic Plan has included as a key priority the proposal for a new hospital for West Gippsland, to be developed on the already acquired greenfield site.

The current site is small and cannot keep pace with increasing demand with West Gippsland forecast to reach 100,000 people by 2030 and there is no way the current hospital will be able to service this number of people. A new hospital will include:

- direct access to ambulance bays and the emergency department;
- a multi-level designed facility that will be energy and material efficient;
- improved clinical facilities and patient amenities;
- easy pedestrian access, plus multi-level car park facilities;
- a new 60 bed high care residential aged care facility;

- provision of a dedicated EMS helipad, with direct access to the emergency department; and
- greater employment opportunities – a bigger hospital with more beds will need additional staff.

The Committee for Gippsland appreciates the investment already made by the Victorian Government in undertaking the services plan and in preparation of the business case. The obvious next step is to commit to funding the construction of a new hospital in West Gippsland as was identified in the *Our Region Our Future* report.

A new project can be delivered under one phase of work in under half the time that a rebuild on the current site would allow, presuming the current site would even cope with the size of the facility required to meet the population forecast. This is of particular significance given the growth predictions presented by Plan Melbourne for the Warragul and Drouin areas. Gippsland not only needs a new hospital in West Gippsland in terms of health outcomes but also for the construction and engineering jobs that will be generated by a project on this scale.

The Committee for Gippsland urges an immediate funding commitment in the 2017-2018 Victorian Budget for the construction of a new hospital for West Gippsland. This commitment would provide policy, planning and investment certainty for the West Gippsland region, including Baw Baw Shire Council, residents, community groups and businesses in the wider area. This continues to be a number one priority for the Committee for Gippsland.

Recommendation 1

That the Victorian Government commits funding towards the construction of a new West Gippsland Hospital.

2. Roads and Infrastructure for Gippsland

With a resource intensive local economy, naturally mountainous terrain and large geographic area, the Gippsland region relies heavily on a well-connected and regularly maintained network of local roads and highways. This includes tourists visiting Gippsland, and local commuters, particularly in a region where intra-region travel for offices based in Gippsland is common.

Safe and efficient roads also carry high importance for heavy vehicles transporting goods within and out of the region, from milk tankers on local roads to heavy haulage on the region's highways.

The Committee for Gippsland released the Gippsland Freight Infrastructure Master Plan in 2013, and included an intensive survey of local transport and transport related businesses in the region to assess their infrastructure priorities. The Committee for Gippsland appreciates your ongoing interest and support for a number of these priorities, which have been successfully funded. The seven overarching trends emerged from the 12 month project, which were:

- 1) Resilience for growth: Increasing demand on the limited main routes is exacerbating existing issues. Incidents on these main routes have increasingly wider impacts for industry because of the region's dependence on them.
- 2) Vehicle productivity: Industry seeks more widespread access for larger vehicles, particularly on the secondary road network but also on the rail system where train lengths are limited.
- 3) The role of rail: Industry sees the potential benefit in using rail, provided it is at the right price and has the right capability.
- 4) Townships: Freight issues are concentrated at townships, which are experiencing increasing amenity and congestion issues.
- 5) Maintaining the asset: The existing assets are declining in performance because of maintenance gaps. The quality and extent of road maintenance is not meeting industry's needs and imposes higher costs on business.
- 6) Exports: Emerging higher value export opportunities may need new freight infrastructure such as connections to the Port of Hastings.
- 7) Information: Increasing use of information technology could enable new strategies to optimise vehicles and demonstrate compliance with freight regulation.

Building on these identified priority areas, the Committee for Gippsland urges funding consideration for the following eight projects in the immediate term:

- **Increased funding support for local road investment:** This would include a more consistent and performance-based standard of maintenance to reliably improve access. There would be preventative and rapid response maintenance of roadside vegetation to avoid road closures and damage to vehicles and loads from overhanging branches. Increased funding across this area would also improve minor access blackspots and intersections. Key priority areas on local roads include Boolarra-Mirboo North Road, Budgeree Road, Bullumwaal Road, Ferguson Road/Willow Grove Road intersection, Grand Ridge Road, Grantville-Glen Alvie Road; Jeeralang West Road, Kongwak Road, Loch-Wonthaggi Road, and Morwell River Road. Warragul-Korumburra Road should also be considered in this context.
- **South Gippsland Highway Upgrade:** Freight and commuters along the South Gippsland Highway would benefit from additional overtaking lanes and the realignment of the heavily curved section at Coal Creek, Korumburra. Ultimately a

dual carriageway could be developed between Lang Lang and Leongatha to provide better access to the Ports of Melbourne and Hastings for food processing manufacturers in South Gippsland.

- **Traralgon Bypass:** Traralgon is the largest city in Gippsland without a highway bypass. As freight volumes grow, it is becoming an increasing point of delay and the amenity impacts on the township are worsening. A bypass route has been set aside but development of the full bypass is a long-term initiative. In the short term, small improvements to truck movements through Traralgon, such as altering to highway roundabouts and priorities of high-value freight movements, could be examined. There are an estimated 10,200 vehicles per day likely to use a Traralgon bypass, including dairy, logging, general freight, commuters, all of whom would benefit from cost savings.

The Traralgon Bypass will be critical to Gippsland freight companies and those businesses that rely on trucks to transport products and materials throughout Gippsland. For exporters based east of Traralgon, the current road through Traralgon is identified as the remaining Gippsland sticking point in getting trucks to the Port of Melbourne.

One Gippsland based timber company has confirmed that 4200 logs come in bound while 3800 logs are carried outbound. Up to 60 per cent of inbound logs travel through Traralgon while nearly all outbound logs travel through Traralgon on B-doubles. Another transport company travels through Traralgon over 50 times each day. There are around 8 – 10 traffic lights that would be avoided for these heavy trucks if a bypass was constructed.

Business operators and Gippsland residents are concerned that the current route through Traralgon is too narrow for trucks. Roadside parking, pedestrian crossings and traffic lights throughout the CBD section of the Princes Freeway make this stretch of road unsafe for large trucks. The Traralgon Bypass is critical both for road safety and economic progress of the Gippsland region. The Committee for Gippsland understands that public acquisition overlay is already in place, along with preliminary concept design and initial scoping that have been completed. A business case would be the next logical step, followed by construction.

- **Princes Highway Duplication:** The Committee for Gippsland also supports the full duplication of the Princes Highway from Traralgon to Sale, with the remaining distance of around 10 kilometres still requiring duplication work.

Broadly, businesses in Gippsland are experiencing a widening gap in pricing of deliveries to the eastern suburbs compared to the western suburbs and Geelong. The time taken to travel across Melbourne has increased dramatically, and transport companies need to be compensated for the additional time, which is often passed on through the supply chain or absorbed by the transport company.

Similarly, there are charges for freight that is cross docked through the depot at the Port of Melbourne and delivered on a tray truck. Congestion issues across Melbourne are significantly adding to cost pressures throughout the supply chain.

The Port of Hastings is considered a major export opportunity for Gippsland. While the Committee for Gippsland aspires for the Hastings port to be developed as a bulk and container port, the current bulk opportunities that it presents are significant. Larger volumes of livestock can be imported to be processed at local meat processing businesses, and there are opportunities for concrete to be imported, and resource products and wood chips to be exported.

In a 2016 Committee for Gippsland submission to Infrastructure Victoria regarding *Victoria's Future Port Capacity* there was overwhelming support for the view that a second container port for Victoria should be located at Port of Hastings. The rationale for that support included all of the efficiency, shorter time to port, cost effectiveness, liveability benefits for Melbourne, environmentally responsible shortening of freight miles and congestion miles, social licence for continued expansion of Port of Melbourne, population and employment growth scenarios for enhanced planning of Melbourne.

The Committee for Gippsland welcomes the Victorian Government's recent announcement of \$50 million towards the South Gippsland Highway realignment at Koonwarra, South Gippsland. This will not only improve safety along this section of the highway but will also ensure efficiencies in freight being transported in and out of South Gippsland are maximised.

Gippsland rail upgrades

While significant funding in other Victorian regions including Ballarat, Bendigo and Geelong has been invested in upgrading passenger rail, Gippsland continues to lag further behind. The region's infrastructure base urgently needs upgrading, with a focus on track duplication, service frequency and reliability. The Committee for Gippsland welcomed funding in last year's budget towards the Bunyip track duplication, and looks forward to further progress on this.

With Hazelwood power station closing, more Gippsland residents will need to look for employment opportunities beyond where they may live, particularly in the Latrobe Valley. Ensuring there are adequate public transport services will enable these residents to access employment opportunities beyond the Gippsland region, without forcing them to leave the region because of public transport inadequacies.

The Committee for Gippsland welcomed Infrastructure Victoria's acknowledgement in its recent 30 year vision that Vline service frequency needed to be increased to Bairnsdale. While this is welcome and urgently required, it must be increased with train services, not additional coach/ bus services.

Inadequate train services are a major impediment to productivity and employment growth in Gippsland, as well as a deterrent to enticing more tourists and visitors to the region. The Committee for Gippsland is also supportive of other work undertaken on upgrading rail services, and endorses the recent advocacy by the Gippsland Local Government Network.

Recommendation 2

That the Victorian Government commit to working with the Commonwealth Government on funding priorities that upgrade and improve the Gippsland rail corridor's infrastructure, reliability and frequency.

3. Digital Connectivity Infrastructure

Continuing with the implementation and advocacy of the *Gippsland Freight Infrastructure Master Plan* and *Our Region Our Future*, an opportunity exists to develop, prepare and implement a project focusing on digital connectivity in the region. In January 2017 the Committee for Gippsland prepared an initial scoping paper for a *Gippsland Connectivity Infrastructure Master Plan*.

The *Connectivity Master Plan* would be used as a representative and fact-based body of work to inform government priorities and encourage commercial investment in Gippsland. It could also be used as a pilot project for other regions to adopt in time.

For example, the project would be used to prioritise the fast tracking of mobile phone tower rollout in Gippsland, based on community input. As well as assisting government to identify emerging issues and trends in prioritising projects, the project will also provide the private sector with an up-to-date snapshot of the region's connectivity infrastructure base, and give investors certainty that connectivity innovation is a major priority for the Gippsland region.

The project will deliver to government and industry a clear set of challenges and opportunities. With identified problems, the project will provide a menu of options to help resolve the issue. The project will be able to be used as an investment attraction tool for the region by providing businesses and potential investors with a contemporary analysis of existing connectivity infrastructure and opportunities for job creation.

Recommendation 3

That the Victorian Government provides funding support to initiate a Gippsland Connectivity Infrastructure Master Plan.

4. Mount Baw Baw Alpine Resort

Increasing the accessibility to Gippsland for domestic and international visitors is paramount in expanding and enhancing the local visitor economy. Mount Baw Baw Alpine Resort comprises 335 hectares of land adjacent to the Baw Baw National Park. At an altitude of 1500m, and located 2.5 hours by car from Melbourne, Mount Baw Baw is the closest major snowfield to Melbourne, the Mornington Peninsula, Latrobe Valley and Gippsland.

South Face Road is currently unsealed, but is the most expedient and better driving road. However, because it is unsealed, many tourist coaches are not able to travel on it. A major part of increasing visitation to Mount Baw Baw centres on the sealing of South Face Road.

The sealing of the South Face Road leading up to Mount Baw Baw will enable tourist coaches to travel up and down the mountain via that route through Noojee, enhancing the local tourism options both through the winter and summer months. Since the opening of the South Face Road to Mount Baw Baw in 2007, green season visitation has almost trebled from 16,500 to 47,000 in 2009-10, for activities as diverse as mountain biking, hiking and weddings.

The Committee for Gippsland strongly urges funding for this significant Gippsland priority.

Recommendation 4

That the Victorian Government commits to fund the sealing of South Face Road to Mount Baw Baw Alpine Resort.

5. National Surf Life Saving Championships to Lakes Entrance

There is an opportunity for Lakes Entrance to host the 2022 National Surf Life Saving Championships, representing the first time the event would have been staged in Victoria. With a major focus on regional tourism and sporting events, there is an ideal opportunity to bring another major national sporting event to Victoria, and host the National Surf Life Saving Championships in Lakes Entrance.

The event brings over 10,000 competitors and spectators, has televised coverage, and brings in an economic return of up to \$23 million to the local economy. This would provide a major boon for the East Gippsland economy and broader community.

Lakes Entrance Surf Life Saving Club has proven its ability to successfully host state life-saving events, noting the local beach has ideal conditions. The investment in required

infrastructure would provide the permanent ability for Lakes Entrance to host similar other events at a national level, such as open water swimming and kayaking. This would complement the success of the region which already hosts a successful Australian Adventure Festival and similar events that have been embraced by the local community. It is recommended that funding be provided for required local infrastructure and funding for a bid to Life Saving Australia.

Recommendation 5

That the Victorian Government works in with the Lakes Entrance Surf Life Saving Club, East Gippsland Shire and East Gippsland Marketing to fund the construction of key infrastructure and develop a bid for a bid to Life Saving Australia to bring the National Surf Life Saving Championships to Lakes Entrance.

6. Sustaining Gippsland's resources

Gippsland is a resource rich region with a broad based economy. It has a long and proud history within the timber and resource industries making a vital contribution to the economic success of the region.

This contribution should be respected and valued. Around 40 per cent of Gippsland towns comprise a population less than 1000 people. Many of these are timber towns that rely heavily on the industry for jobs and associated revenue for a sustainable population that supports schools and small businesses. Gippsland has a vibrant industry, which includes Australia's largest hardwood sawmill and timber processor in Australian Sustainable Hardwoods at Heyfield, to Australian Paper's Maryvale mill, which is the largest private employer in the Latrobe Valley. In just these two businesses alone, there are over 1,200 local people employed in the region. Securing of supply, along with the ability of businesses to have the confidence to make long term planning and investment decisions is absolutely critical to Gippsland's economic future.

The Victorian Government is encouraged to support Gippsland's timber industry through a procurement process that favours Victorian made paper manufacturing.

Recommendation 6

That the Victorian Government commit to policies that facilitate long-term sustainable investment and maximise the export opportunities for Gippsland timber and resources driven industries.

7. Increasing Gippsland's Education Opportunities

International education is Victoria's largest export sector, and regional Victoria is particularly well placed to play a leading role in recruiting more international students. The Committee for Gippsland commends the work of Federation University in capitalising on sister city relationships in China, to bring students to Gippsland. Regional universities like Federation University not only offer international students a first-class education, but a welcoming and uniquely Australian lifestyle experience.

The Committee for Gippsland applauds the inclusion of international education as a priority industry sector of the Victorian Government, and encourages further efforts to market regional Victoria as a premier education destination for international students.

Federation University Australia Gippsland has been a positive and transformational influence on Gippsland. The 2011 Gippsland Tertiary Education Review reported on the established gap in higher education attainment levels between students in Melbourne, and students in regional Victoria. In addition, the student university deferral rate in Gippsland is recorded at 17.1 per cent, which is the second highest deferral rate of any region in Victoria, while the state average is recorded at 9.8 per cent.

The level of higher education participation in Gippsland is of significant concern, which is recorded at nearly double below the state average. There is a high deferral rate, and the number of young people enrolled in both university and TAFE in Gippsland is substantially lower than in metropolitan areas. The establishment of Federation University has presented a new opportunity for the Gippsland region to engage with Australia's only regionally based, multi-discipline university that is focussed on building enrolments and working closely with industry. Federation Training is also establishing itself in the region, and it is important that government policies are closely aligned with the regional and strategic objectives of both Federation University and Federation Training.

The Committee for Gippsland remains concerned by data in 2011 that revealed only 26.4 per cent of Gippsland students were opting for higher education, compared with a Victorian average of 41.3 per cent. The region also has high rates of early school leavers (people who did not complete year 12 or equivalent) of 61.4 per cent compared to a national average of 46.1 per cent. Since the establishment of Federation University in Churchill, the University has been able to nearly double its direct enrolment of local students from the Gippsland

region, at the same time as engaging with international students through sister city arrangements in China and Japan.

The Committee for Gippsland would welcome the opportunity for the Victorian Government to initiate a body of work that updates the data, findings and recommendations of the 2011 Gippsland Tertiary Education Review, with a particular focus on Latrobe Valley industry transitioning, as well as the needs of students from remote areas of South Gippsland and East Gippsland.

A fact-based body of work that updates the data collected through the Gippsland Tertiary Education Review would be of immense value to the region at this point in time, ensuring that government, industry and community are able to make informed decisions on higher education priorities that respond to the challenges presented by the closure of Hazelwood power station.

Recommendation 7

i) That the Victorian Government continues to invest in outcomes that will substantially lift higher education participation and attainment rates in Gippsland.

ii) That the Victorian Government initiate a body of work that updates the 2011 Gippsland Tertiary Education Review, with a particular focus on the impact of Latrobe Valley industry transitioning.

The Committee for Gippsland appreciates your long-term interest and engagement in our region. We would greatly value the opportunity to meet with you to further discuss our budget submission.

Yours sincerely



Mary Aldred
Chief Executive Officer