

# Waterway Infrastructure

Information Paper – IP11-01

January 2011



Tasmania  
Explore the possibilities

# BACKGROUND

The Base Grant Model (BGM) assesses the relative need of councils according to the principle of Horizontal Fiscal Equalisation. The BGM assists the Commission to recommend the distribution of the general revenue component of the Australian Government financial assistance grants, which in 2010-11 amounted to \$32.4 million shared by Tasmanian councils.

Over recent years, various councils have argued that the provision of certain services or infrastructure may warrant separate acknowledgement within the BGM calculations, due to the significant cost of providing that particular service or piece of infrastructure. Most recently, it was suggested that the maintenance of boat ramps and jetties may be a significant enough drain on recurrent expenditures to warrant recognition. The argument centred on the importance of boat ramps and jetties, and the regional importance attributed to this infrastructure by councils during peak holiday periods.

To ascertain whether this recurrent expenditure associated with infrastructure should be separately acknowledged within the BGM, the Commission requested that data be collected and analysed to assist the decision-making process. The Commission resolved to determine the significance of the expenditure first, prior to making any decisions regarding the most appropriate method of acknowledging this expenditure within the assessment, if deemed significant.

This paper outlines the data collected and the conclusions drawn by the Commission from its analysis of the data.

# DATA

The Commission selected five councils from which data would be requested relating to boat ramps, jetties and associated parking, which were collectively called waterway infrastructure. The councils were selected to acknowledge that waterway infrastructure is prevalent on lake and river systems as well as coastal areas.

Data was captured over a three-year period, relating to both capital and recurrent expenditure. Toilet and barbecue facilities, that often accompany waterway infrastructure, were not included in the data collection, as these facilities are not essential for the launching of boats.

Despite not being within the scope of the Commission assessments, capital expenditure was included to obtain a picture of the total expenditure on waterway infrastructure by the selected councils. The data collection also sought information relating to capital or recurrent contributions from other sources (e.g. Marine and Safety Tasmania) for the maintenance and reconstruction of boat launching facilities.

Table 1 below shows the capital expenditure for waterway infrastructure from 2006-07 to 2008-09 for the five selected councils. The data show that capital spending was significant for only one council over the sample period, with Glamorgan-Spring Bay having significant capital expenditure in 2008-09 relating to reconstruction of the council-owned Triabunna Wharf, with assistance from the State Government.

**Table 1: Capital Expenditure on Waterway Infrastructure 2006-07 to 2008-09**

|         |                            | Break O'Day   | Clarence      | Central<br>Highlands | Glamorgan<br>-Spring Bay | West Tamar    |
|---------|----------------------------|---------------|---------------|----------------------|--------------------------|---------------|
|         |                            | \$            | \$            | \$                   | \$                       | \$            |
| 2006-07 | <b>Council</b>             | 0             | 5 140         | 0                    | 0                        | 50 824        |
|         | <b>Other contributions</b> | 0             | 0             | 0                    | 20 000                   | 0             |
|         | <b>Total</b>               | <b>0</b>      | <b>5 140</b>  | <b>0</b>             | <b>20 000</b>            | <b>50 824</b> |
| 2007-08 | <b>Council</b>             | 0             | 0             | 0                    | 0                        | 0             |
|         | <b>Other contributions</b> | 0             | 0             | 0                    | 0                        | 0             |
|         | <b>Total</b>               | <b>0</b>      | <b>0</b>      | <b>0</b>             | <b>0</b>                 | <b>0</b>      |
| 2008-09 | <b>Council</b>             | 11 240        | 40 587        | 0                    | 592 535                  | 0             |
|         | <b>Other contributions</b> | 26 000        | 0             | 0                    | 156 000                  | 0             |
|         | <b>Total</b>               | <b>37 240</b> | <b>40 587</b> | <b>0</b>             | <b>748 535</b>           | <b>0</b>      |

The Commission contacted Marine and Safety Tasmania (MAST) to ascertain its funding for the maintenance and reconstruction of boat launching facilities across the state. MAST obtains funding from two primary sources, namely from fees and charges and the State Government. The State Budget appropriation is used to maintain infrastructure for which MAST has responsibility, while own-source revenue from fees and charges is hypothecated to the Recreational Boating Fund to upgrade and maintain recreational boating facilities.

Data obtained from MAST shows that its Recreational Boating Fund provided capital funding of more than \$1.5 million over the period 2006-07 to 2008-09, which was applied to recreational boat facilities across the State, a large portion of which was council-owned infrastructure.

The Commission does not explicitly include capital expenditure within the annual assessments, but does include depreciation to capture the recurrent cost of capital investment programs. Table 2 below shows the total recurrent expenditure of the selected councils for the collection period on waterway infrastructure. It should be noted that there were no recurrent funding contributions from other entities during the period sampled.

**Table 2: Total Recurrent Expenditure on Waterway Infrastructure (including Depreciation)**

|                 | <b>Break O'Day</b> | <b>Clarence</b> | <b>Central<br/>Highlands</b> | <b>Glamorgan<br/>-Spring Bay</b> | <b>West Tamar</b> |
|-----------------|--------------------|-----------------|------------------------------|----------------------------------|-------------------|
|                 | <b>\$</b>          | <b>\$</b>       | <b>\$</b>                    | <b>\$</b>                        | <b>\$</b>         |
| <b>2006-07</b>  | 37 246             | 5 770           | 0                            | 30 701                           | 38 661            |
| <b>2007-08</b>  | 38 364             | 12 818          | 0                            | 71 040                           | 50 921            |
| <b>2008-09</b>  | 39 515             | 164             | 0                            | 96 193                           | 51 388            |
| <b>3 Yr Avg</b> | 38 375             | 6 250           | 0                            | 65 978                           | 46 990            |

As can be seen from Table 2, the levels of recurrent expenditure are not significant for the selected councils. Glamorgan-Spring Bay experienced more than a 200 per cent increase in recurrent expenditure over the data collection period, but, despite this significant increase, levels of recurrent spending are relatively modest for the selected councils, especially when viewed as a three-year average.

# COMMISSION POSITION

The Commission considered waterway infrastructure at Meeting 346 (16 December 2010). The Commission acknowledged at the meeting that reconstruction and maintenance of waterway infrastructure does present a cost burden, but noted that the data collection indicated that funding the capital outlay is the most significant issue for councils. The Commission noted the extended life spans that can be achieved when using permanent materials as dictated by Australian Standards. Moreover, the Commission considers that little maintenance is required over the life span of the asset, and furthermore, depreciation can be applied over an extended period (80+ years).

The Commission also noted the funding contribution made by MAST to assist in maintaining recreational boating infrastructure, through its annual capital works program utilising revenue from its Recreational Boating Fund. The Commission also noted that MAST applies this revenue to recreational boating infrastructure regardless of ownership, and collaborates with the owner of the asset to complete any required maintenance works.

Therefore, taking into account the above factors, and the relatively modest level of recurrent expenditure on waterway infrastructure, the Commission has resolved to not separately acknowledge waterway infrastructure within the BGM.

## 2011 Hearings and Visits

The Commission will provide councils the opportunity to comment on this paper and any other council concerns during the 2011 Hearings and Visits program that will commence in March 2011.

The Commission would like to acknowledge the contribution of the councils and council officers that assisted with the provision of data for this analysis.



Tasmania  
Explore the possibilities