

5 September 2012

Parliamentary Inquiry into the Future and Continued Relevance
Of Government Land tenure Across Queensland
Queensland Parliament
George Street,
BRISBANE QLD 4000

Dear Sir/Madam,

This submission is on behalf of Queensland marinas that operate under leases in State Boat Harbours, under the jurisdiction of Port Authorities and freehold marinas who are members of Marine Queensland.

Marine Queensland is the peak industry association that represents the recreational and light commercial marine industry in the State. Our membership spans boat manufacturers, dealers, brokers and syndicators, marina operators and developers, marine tourism operators, the Queensland recreational Boating Council, educators and boat licensing providers. The recreational and light commercial marine industry in the State employs approximately 9,000 full time equivalent employees in 1,200 businesses.

Marinas are a critical infrastructure asset to the industry. Marinas tend to operate as marine industry hubs, particularly in regional centres of the State as well as provide important water access infrastructure to the general public. In Queensland, marinas operate under a number of jurisdictions including:

- Leases in State Boat Harbours, e.g. Many Boat Harbour and Scarborough Boat Harbour;
- Leases with Port Authorities; and
- Freehold marina properties.

These marinas also serve various markets within the State for example, industrial marinas, recreational marinas, tourism marinas and marinas integrated into other land based infrastructure.

Marinas operate under unique circumstances in that their facilities span land and water. This often presents many complexities associated with the development of new marina facilities as well as presents a greater level of complexity for the operation of commercial facilities where the provision of infrastructure is often made by lessees.

The marina industry has and continues to experience a number of significant issues that is inhibiting their growth and development within the State. As a result of this investments are often directed to other States where more commercially viable operational frameworks exist. This is a situation which is easy for the Queensland Government to rectify. Examples of issues negatively impacting the industry include:

1. Multiple jurisdictions (State Agencies and Ports) with differing policies relating to marina rental frameworks;
2. The lack of an appropriate State policy that defines a realistic and consistent methodology for the valuation of marinas and recognises their limited use and development potential;
3. The lack of a State policy for commercially viable tenures for marina developments operating under State leases;
4. The lack of a coordinated policy framework for the sustainable development and operation of marina facilities in the State, thereby not realising investment potential in the State.

Attached is an industry policy framework that has been endorsed by the marina industry in the State. This policy framework also outlines an appropriate roadmap and action plan to address these key issues.

Thank you for the opportunity to make a submission on these important issues to the recreational and light commercial marine industry.

Kind regards,

DON JONES
Chief Executive Officer

Attach:



Queensland Commercial Marinas Policy and Action Plan

Better Facilities For The Boating Public

October 2011

Background:

Marine activity and precincts are important to Queensland. We have an extensive coastline and major regional cities the length of the state. Commercial marinas are the lifeblood of many regional communities and are often bases for marine businesses and employment. They offer access for international tourists to our unique attractions, facilities for visiting yachts, recreational and commercial boat building and repair and as places of recreation and amenity for local communities. Importantly marinas ensure the environment is protected by managing transient vessels through coastal ecosystems. They are the critical interface for managing boating activity and the environment.

In 2007, the Queensland Government nominated the Marine Sector as a priority sector under its *Smart Industry Policy*. In 2008, the Marine industry in Queensland contributed \$2.6 billion to the State economy and employed 12,000 people directly and up to 32,000 indirectly.

Because of this activity, demand for marine infrastructure is growing with private industry willing to and capable to do much of that investment. But investment in marine infrastructure has stalled in the absence of an encouraging and sustainable regulatory environment to support the sector. The legislative framework supporting the sector is administered by a number of Departments and this has led to inconsistencies, unpredictability and anomalies in the way marinas are managed throughout the state. Queensland's capacity to remain competitive and to provide the level of infrastructure to complement our world class tourism and recreation boating activities has been reduced.

The value of this sector to the economy and the community means that further reform is now required to unlock investment in these vital State assets.

Queensland Government Policy Settings:

The marine industry sector was identified by the Queensland Government as a Priority Sector within the Government's Manufacturing Strategy.

This strategy acknowledged the State Government's responsibilities to assist the sector through a supportive business environment and regulatory settings. It also recognised that marinas and marina precincts are vital to maintaining a viable marine manufacturing and service environment.

Queensland Government Policy:

"While Queensland has world-class marinas and marine precincts, business will have to ensure they remain innovative, and the State Government will need to ensure it supports this process through a business environment that encourages investment in vital marine infrastructure.

A key element underpinning growth in the marine industry sector is adequate and timely infrastructure development. This includes.... regulatory processes that do not inhibit sustainable business operations."

Queensland Government, 'Marine Sector, An Action Plan' at:

<http://www.industry.qld.gov.au/key-industries/514.htm>

The marine sector believes the industry's many competitive advantages are being compromised through an inefficient regulatory environment hampering investment in new and existing marina infrastructure.



Current Industry Challenges:

Marinas are regional hubs for marine industry development and a base for substantial infrastructure investment, employment, tourism and small business. Marinas add enormous community value as places of recreation, amenity and social benefit.

With a small number of exceptions, marina seabed tenures, (and dry land tenures where leased), are administered by Department of Transport and Main Roads (TMR), Department of Environment and Resource Management (DERM) and Government owned corporations (Port Authorities). This has led to a number of disparities in the way marinas are administered under the various authorities and has created an un-level playing field and unsustainable environment for the marina industry. Hundreds of millions of dollars of investment are on hold pending industry policy outcomes.



All marinas in Queensland are subject to valuations for the purpose of rates, rents and/or land tax. At the moment, there are inconsistent valuations and rental policies being applied. Inconsistent or unfair valuations affect the ongoing viability of the marina assessment and reduce the ability to attract investment funding. Where rents are directly based on valuation, incorrect methodologies and the uncertainty of valuation cycle outcomes can be disastrous to the ongoing viability of the marina and its ability to invest. The result is a loss for both the marina investors, the State and community.

Currently, inconsistencies in valuations and lack of defined and accepted industry valuation procedures for marina assessment have left the industry confused, concerned and stalled. Current legislative reform has added to the alarm with some very serious and unintended consequences for the marina industry and its unique nature.

Reform Required:

The marina sector is concerned that if the administrative environment is not reformed the economic sustainability of existing and proposed assets becomes marginal at best. The private sector development of marinas is based on a model of a long term return on the investment to recover initial capital outlay. The risk for the State under this model is it becomes unattractive with significant costs accruing to the State. These costs could include a lack of investment, incomplete projects, lack of facilities to meet prevailing and future demand and poor environmental outcomes. The sector believes that to avert potential problems the government will need to embark on a reform process.

Valuation Methodology

The first reform required is to the valuations regime for marina assets.

This would include the collaborative development and implementation of a defined valuation methodology and practice. This methodology would be documented as a practice note for valuation professionals with specialist expertise who undertake valuations of marina assets within the State.

Commercial Marina Rents

Reform is also required to the practice of linking commercial rents to valuations. World's best practice used in countries comparative to Australia, link rents to the economic performance of the marina and not rents based on valuations as in Queensland. Rents based on economic performance encourage positive investment and results in an outcome where the investor, the state and the community all benefit. This reform will result in quickly unlocking much needed investment in these vital state and community assets.

Long-term Industry Development Reforms

The longer term element of the reform agenda is to complete the work started with the replacement of the *Harbours Act* with the *Transport Infrastructure Act*. Marine Queensland believes it is timely to review the ownership models of State Boat Harbours and marinas within Port Authorities to assess whether there is any continuing benefit to the sector or the community in continuing sole state ownership.

An Industry Development Plan for Marinas in Queensland:

The marine industry in Queensland will work with the Queensland Government to develop next tranche of reform with the aim to update existing regulatory and policy settings, to overcome the disincentives which have arisen and to kick start investment and improve the viability of these important commercial and recreational facilities. This will take the form of an industry development plan. The three elements of the reform agenda under this plan are:

1. Better Management:

- adoption of best practice industry standards
- streamlining of management aimed at reducing government bureaucracy and costs of administration
- defined procedures and methodologies for consistent and fair outcomes
- focused asset management to encourage industry investment.

2. Legislative Recognition for Marina Assets:

- recognition of the unique nature of marinas
- fair return for the state
- delivering long term sustainability.

3. Securing future investment in new and refurbished facilities:

- consistent and appropriate tenure arrangements
- encouraging private industry participation in state asset development
- promoting environmentally sustainable development
- reviewing ownership models in the medium term.

Industry Development Plan Outcomes:

1. Better Management

A defined and published DERM Marina Valuation Practice Instruction

It is proposed a specialist marina team be created within DERM. This team would develop expertise in this specialist sector and work with the marina industry to develop agreed practice methodologies and guidelines.

The guidelines could include:

- practice notes for wet areas that ensure that valuations directly relate to highest and best yield of actual wet area only, either as built or as designed by marina engineers.
- practice notes for dry areas that ensure valuations properly take into account the nature of associated marina dry land components and their restricted use nature (e.g. marina car parking requirements, marina office, boatyard, ship lift, fuel storage, etc.)
- the requirement for valuations to take into account lease restrictions as well as zoning.

World's best practice

It is proposed the Government adopt the world's best practice commercial leasing models based on the economic yield of the marina facilities. This proposal would bring Queensland in line with other comparable advanced countries such as the United States, United Kingdom and Canada. The new model would be based on a defined and published rents policy with the rental calculation methodology based on percentage of turnover.

The new leasing model would be offered as an option to all new sites and existing marina leases as a deed of variation.



Realignment of marina lease administration for Government owned Port Corporations

Port Corporations were established to develop facilities to facilitate trade and support our export industries. Despite their expertise in the export sector, they do not have the interest or expertise to manage commercial marinas. The commercial strategic goals of Port Corporations are often at odds with recreational and light commercial marina facilities which offer wider community benefits. The marina industry is concerned the current policy is damaging the value of marinas in ports and reducing investment.

In the short term, it is proposed leases, valuations and rents should be managed by DERM in line with all other marinas. In the longer term, non-core port assets such as marinas should be managed under the *Transport Infrastructure Act*.

2. Legislative Recognition for Marinas

Currently, the *Land Act 2010* fails to recognise the unique nature of marinas. It is proposed the *Land Act* be amended to include a specific definition for marinas.

Proposed amendments would:

- include a definition of marinas, both wet and dry components
- revise the 'site-value' definition to recognise the unique nature of marinas built from reclaimed lands
- include specific valuation directions to require long-term marina lease restrictions to be considered in valuations.

3. Securing Future Investment

Currently, investment in commercial marinas has stalled mainly because current lease offerings are restricting industry investment.

We believe a number of strategies would ensure access to better facilities for the boating public.

Adoption of commercially attractive and viable lease terms and conditions would encourage investment by:

- giving relevant agencies authority to negotiate within commercial parameters to invest based on individual business plans and community benefit
- adopting new agency measures away from narrow based cost recovery to a wider economic and community benefit model
- developing tenure terms that recognise marina risk profile and investment levels required for viable developments
- standardising base conditions for leases across DERM, TMR and Ports
- the addition of first right of refusal to a marina lessee to prevent run downs towards end of leases
- removable of ratchet provisions
- removal of punitive make-good provisions, and
- recourse to the Land Court for all marina lease holders.



Next Steps

The commercial, recreational and tourism potential of Queensland's marinas is not reaching its full potential at present. There are a number of initiatives the Government could undertake to turn this around. Key to kick starting the reform process is the Marina Industry Development Plan. This plan will provide the framework to build a viable and sustainable industry in Queensland. It is proposed to progress this reform agenda by the following:

- establishment of a Joint Working Group with membership from commercial marinas and relevant government departments with a Terms of Reference to develop the detailed industry development and reform agenda for marinas in Queensland.
- development of a State Boat Harbour Governance Policy that underpins the proposed regulatory reform agenda including:
 - ⇒ amendments to the *Land Act* to include specific definitions for marinas;
 - ⇒ standardisation of core frameworks of all marina leases, valuations and rents.
- secure whole of government endorsement for the Marina Industry Development Plan;
- implement the Marina Industry Development Plan across the state.

Marine Queensland will continue to work with the government to ensure the disincentives to competitiveness which now exist can be overcome to grow the sector as an innovative and productive component of the economy.



Marine Queensland

Gateway Office Park, 747 Lytton Road, Murarrie QLD 4172

Ph: 3390 4657 **Fax:** 3390 4962

www.marineqld.com.au

Division Chair: Mark Robertson

Chief Executive Officer: Don Jones

