



Yanchep beach joint venture

Chair
Economic Regulation Authority
PO Box 8469
Perth BC WA 6849

Dear Sir,

Inquiry into Microeconomic Reform in Western Australia

On behalf of the Yanchep Beach Joint Venture (YBJV), attached is a submission to the above inquiry. I acknowledge the comment period has officially closed but hope you may be prepared to consider this submission.

The submission is limited to addressing the issues raised in Section 8.4, General Government Infrastructure, as this is particularly relevant to the YBJV.

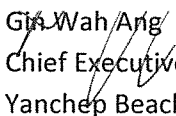
The YBJV owns and is charged with developing the land on which the proposed strategic metropolitan centre of Yanchep is located. According to the Western Australian Planning Commission (WAPC), Yanchep will be the second largest metropolitan centre outside the Perth CBD once fully developed therefore it is a significant development.

In approving the whole of the Yanchep Two Rocks area for urban development, the WAPC set employment self-sufficiency targets that will be impossible for the YBJV to meet without government providing certain essential infrastructure in a timely fashion, such as the extension of the rail line from Butler to Yanchep ahead of demand.

It is for this reason that the way in which infrastructure is planned and then delivered is of vital importance to the YBJV.

I would be pleased to elaborate on the content of the submission if necessary.

Yours sincerely


Gin Wah Ang
Chief Executive Officer
Yanchep Beach Joint Venture

INQUIRY INTO MACROECONOMIC REFORM IN WESTERN AUSTRALIA

Submission by Yanchep Beach Joint Venture

State Infrastructure Planning

1. *Has the State's process for project prioritisation resulted in the optimal provision of infrastructure? In particular:*

*a) Is the Strategic Asset Management Framework (**SAMF**) a robust system, and does it effectively ensure that the State's infrastructure priorities are well developed and implemented efficiently?*

i. If not, how can the process be reformed, and what are the costs and benefits of this approach?

b) How might State Government investment planning strategy in Western Australia be improved?

The short answer to the question is no.

In theory State Cabinet should provide the leadership on infrastructure planning and delivery, because ultimately questions of funding to provide the necessary (publicly funded) infrastructure within the State will be approved by Cabinet.

However, on a day to day level there needs to be a system and a mechanism whereby the bureaucracy implements Government priorities.

In December 1985 the Western Australian Planning Commission Act was assented to and established the Western Australian Planning Commission (WAPC). Among other things the Act established a number of sub-committees of the WAPC, one of which was the Infrastructure Co-ordinating Committee (ICC). The Act provided for the following membership and purpose of the ICC.

The ICC:

(a) is to consist of —

(i) the chairperson (of the WAPC), or a person nominated by the chairperson and approved by the Minister;

(ii) each member of the Commission referred to in section 5(1)(c)(i) or (iv), or a person nominated by that member and approved by the Minister;

(iii) the Coordinator of Energy referred to in section 4 of the *Energy Coordination Act 1994* or a person nominated by him or her and approved by the Minister;

(iv) the chief executive officer of the department referred to in section 228 of the *School Education Act 1999*, or a person nominated by him or her and approved by the Minister;

(v) the Commissioner within the meaning of the *Health Act 1911*, or a person nominated by him or her and approved by the Minister;

(vi) the chief executive officer of the department principally assisting the Regional Minister in the administration of the *Regional Development Commissions Act 1993*, or a person nominated by that chief executive officer and approved by the Minister;

(vii) the chief executive officer of the department principally assisting the Minister to whom the administration of the *Government Agreements Act 1979* is for the time being committed by the Governor in that administration, or a person nominated by that chief executive officer and approved by the Minister;

(viii) the chief executive officer of the department principally assisting the Minister to whom the administration of the *Mining Act 1978* is for the time being committed by the Governor in that administration, or a person nominated by that chief executive officer and approved by the Minister;

(viii(a)) the chief executive officer of the department principally assisting the Minister to whom the administration of the *Water Agencies (Powers) Act 1984* is for the time being committed by the Governor in that administration, or a person nominated by that chief executive officer and approved by the Minister;

(ix) a person approved by the Minister and appointed by the Commission to represent the interests of local governments; and

(x) such other person or persons as the Commission, after obtaining the approval of the Minister, appoints from time to time; and

(b) is to advise the Commission on planning for the provision of physical and community infrastructure throughout the State and to perform such of the functions of the Commission under this Act and any other written law as are delegated to the Infrastructure Coordinating Committee under section 20.

Allowing for departmental name changes as a consequence of government reorganisations, it is clear that the ICC was established to provide the very leadership at the bureaucratic level to provide the necessary coordination of both the planning for and delivery of infrastructure. The number and spread of departmental heads appointed to the ICC made it the most powerful of all the WAPC's committees and in some respects more powerful than the WAPC itself.

However, it is well known across government and in the private sector that the ICC has never fulfilled the role it was given because the respective government agencies never allowed their planning functions and budget allocations to be subsumed into the ICC processes. Consequently there has been a chronic lack of coordination of infrastructure over the last 30 or so years – arguably since the days of the Planning and Coordinating Authority in the 1970s.

There is no suggestion that the SAMF provides anything more than a process through which proposals have to pass and which will lead to some failing and others succeeding. However, while the SAMF may provide for a robust assessment process for individual proposals, it provides no coordination. It does not look at the bigger picture.

The principal difficulty with the planning and provision of infrastructure is that much of it requires long lead times for planning, then construction and implementation. Invariably this goes beyond the term of one Parliament, and often beyond the term of a particular government. The SAMF at least recognises this reality. Therefore, a system whereby bipartisan support is achieved for long-term infrastructure planning is essential if efficient and effective delivery is to occur.

A recent case in point of where divergence of political priorities can be damaging is in the area of public transport. This example is particularly pertinent to the situation in which the Yanchep Beach Joint Venture now finds itself.

At the 2008 State Election, the ALP in government made a promise to build a rail line to Ellenbrook. Whether this was justified is not the point of this submission; the point

is it was a promise made without any broader context or plan for public transport across the metropolitan region. To make matters worse, the then Coalition Opposition matched the promise, again with no reference to a public transport plan of its own. The estimated cost was over \$600 million.

In 2011, the current Coalition State government released its draft Public Transport Plan for Perth. This set out in a comprehensive document the plans and, more importantly, the priorities for the delivery of public transport infrastructure.

At the 2013 State Election campaign, the ALP now in Opposition released its version of a public transport plan for Perth namely Metronet. While there were some similarities with the government's 2011 draft plan, there were many proposals that were not the same and the priorities varied considerably. The ALP announced it would build a rail line to Perth airport, and this was then matched by the government. While the Coalition's 2011 plan did have a rail link to the airport, it was scheduled to be delivered over a much longer timeframe than that which was indicated at the 2013 Election.

This may not have been important save for the fact that the airport link was costed at almost \$2 billion thereby taking up a large chunk of the public transport budget for years ahead (especially when added to the MAX light rail project). The domino effect of this decision is that the public transport proposals shown in the 2011 plan to be delivered within certain timeframes will now be delayed until who knows when. These delays would have occurred even if the State's AAA credit rating remained intact. Delays of this nature have a major impact on the investment decisions of the private sector.

If major development proposals such as the new Yanchep city centre, which has been very consciously and specifically designed to capitalise on the provision of a rail link to the south, are put in jeopardy because of delays in the provision of essential infrastructure, then this will have a knock-on effect. The reality is that the north-west corridor of Perth is the fastest growing region within the metropolitan area in terms of population numbers. It is also the worst in terms of employment self-sufficiency meaning more workers from that region travel to other parts of Perth and the State than do from other parts of Perth.

The development of first Joondalup and then Yanchep in the north-west corridor are designed to provide viable major centres with sufficient employment opportunities and critical mass of services to offer an alternative to travel into the CBD or elsewhere in Perth. However, without critical infrastructure (such as a rail link) businesses – i.e. employers – will not establish in the north-west corridor. This will have the effect of cementing existing travel patterns, congestion on the roads and the existing rail services will get worse and productivity will decline as a result.

Incidentally, this trend is set to get worse if government continues to promote, encourage and provide massive amounts of employment floorspace within central Perth, because it means an ever increasing proportion of total jobs within Perth will be located in the CBD thereby forcing more people to travel to the CBD for work. These policy settings merely serve to reinforce the vicious circle of congestion.

These changes in the timing of the provision of public transport are just one example where the lack of political will to implement a plan can have damaging and perhaps unforeseen consequences.

If there is no appetite within the bureaucracy to make the ICC or any equivalent work (and clearly Ministers over the years have not directed their agencies to make it work), then the coordination of infrastructure planning and delivery will need to be at the political level. The challenge then is to get bipartisan support, because without that level of support infrastructure planning will fail.

A Parliamentary Sub-Committee could be established to achieve the bi-partisan support. The nature of Parliamentary Committees is that they consist of members of the government and opposition with the Chair generally (but not always) residing with the government of the day. Given that the provision of infrastructure is a long term financial commitment on the part of government, it would seem to be appropriate that the Sub-Committee be within the overall Treasury portfolio.

While in an ideal world a programme of infrastructure provision stretching ahead for 20 to 30 years would be endorsed and supported in a bi-partisan way, the political reality is that there will need to be flexibility built into the provision of infrastructure. However, this flexibility need not involve an overly complex process. If a piece of infrastructure either has to be dropped altogether or its provision delayed, an open explanation needs to be provided. If it is because of budgetary constraints, then a new timetable for the infrastructure should be provided at the time of the announcement of the delay. If something is to be dropped altogether, it needs to be explained why (especially if it originally received bi-partisan support because, presumably, there would be bi-partisan support for dropping it). If something is dropped and replaced by another piece of infrastructure, it needs to be explained why this will result in a superior outcome for the State.

State government investment planning should not be hard. The major problem is that currently it is too short-term. Forward estimates only go out four years while departmental capital works spending can be programmed up to 10 years and more into the future. Some of this is linked into electoral cycles, which is problematic in itself especially when significant contributions from the Commonwealth are needed to deliver infrastructure, where election cycles are only three years. This is far too short when it comes to the delivery of infrastructure.

2. *Is State infrastructure planning consistent with national initiatives, and is Western Australia maximising the amount of funding available through Commonwealth sources via participation in the various national initiatives?*

The answer to this question is 'sometimes' and 'no'. As with the first question, the national initiatives will be based around political decisions and priorities. Some pieces of infrastructure will receive bi-partisan support and funding for them will stand a good chance of extending beyond the life of one Parliament or one government. Others will not (think NBN as a current example).

The difficulty is that State infrastructure planning may not match up with national initiatives. Public transport can be used again as an example. The current State government and even more so the State Opposition want to develop heavy and light rail networks in the Perth metropolitan area. The previous Federal ALP government was a supporter of urban rail infrastructure but the current Coalition Federal government has made it clear that its preference for urban transport infrastructure is roads.

Again this submission is not about which position should be favoured, it merely serves to illustrate the difficulty of long-term infrastructure planning when national

priorities change because government priorities and preferences change. This also illustrates that even having a body like Infrastructure Australia does not guarantee long term consistency in the delivery of infrastructure.

That said the priority list on the Infrastructure Australia website highlights a major problem with the way it does its business. It is merely a priority list. It doesn't say when the piece of infrastructure should be built, why it is a priority relative to any other piece of infrastructure, or how long it will take to build. It also provides a benefit-cost ratio for what is called its 'Threshold' projects, but the BCR is provided by the proponent, not independently assessed.

Priority lists, if they are to mean anything, should provide the timing of when the piece of infrastructure should be built and how long it will take to build. This will then determine whether it will need to be funded through the current Parliament or a future Parliament (and potentially a different government).

3. *Should Western Australia establish a single State infrastructure fund similar to Infrastructure Australia, (such as recently recommended in Queensland by the Independent Commission of Audit into Queensland Finances) to consolidate State infrastructure funding and assessment?*

Do you mean the Regional Infrastructure Fund established by the Commonwealth government?

Arguably the Royalties for Regions (R4R) program perform some of the roles that a State infrastructure fund could undertake. However, R4R has no guarantee of political longevity in its current form and therefore may not be an appropriate vehicle. Besides, by definition it does not provide funds for the metropolitan area.

A State infrastructure fund, if established with bi-partisan support and with some guarantee that it would not be raided by future governments (if economic circumstances provided that temptation), could provide the answer. If it operated in a similar way to a trust account and in that way was quarantined then it would provide at least part of the prerequisites for successful infrastructure planning and implementation – namely funding.

The second element, listing the priorities and having them agreed to over the long term, would be a companion requirement to the funding.

4. *What is the best system to plan and provide infrastructure to regional and remote areas of the State?*

This is really a sub-set of infrastructure planning for the State and it would be dangerous and possibly counter-productive to create a system that is 'best' for the regional and remote areas that is wildly at variance to the 'best' system for the metropolitan area. That said there needs to be a mechanism established whereby the entire funds that can be allocated for infrastructure do not all get swallowed up by projects in the metropolitan region, which could easily happen.

The same criteria and benefit-cost analyses that should be used for infrastructure planning in the metropolitan area need to be used for regional and remote areas, perhaps with the addition of a factor related to a particular (often social) need. It may well be that on a consistent BCR basis no regional and remote projects would be endorsed, or they would be so far down the list that they would never get built. Clearly this was a motivating factor behind the R4R programme as well as the

political need to demonstrate a nexus between the regions that created the wealth and the places where that wealth was spent.

The way the R4R programme was designed is too blunt an instrument in terms of allocating funds for regional and remote infrastructure. It is inappropriate to almost arbitrarily pick a figure of the amount of royalties to be spent in the regional and remote areas because it takes no account of overall State needs and priorities.

Funding and Utilisation of Infrastructure

1. *Are sufficient opportunities being identified for private sector participation and involvement in the provision of infrastructure? If not, what other opportunities could be provided and what are the costs and benefits associated with each approach?*

Probably not, and this is largely because there is a perception that private sector provision of an essential service is not going to be as reliable as if it is provided by the public sector, and will not be as cheap because the private sector will need to make a profit.

2. *In what circumstances should infrastructure costs be recovered through the application of user charges?*
a) If so, what are the costs and benefits of employing this approach?

Fundamentally the principle of user pays should be implemented. However, this should be accompanied by the recognition of genuine hardship cases.

The user charges for water, sewer and power already contain a contribution towards the cost of operating infrastructure, if not the cost of providing the infrastructure in the first place (although the land development industry makes a contribution towards headworks costs where additional or upgraded infrastructure is required to serve new developments).

3. *In which circumstances would implementing time-of-use pricing for Government assets be appropriate in order to enable greater use of infrastructure and reduce peak-period costs? This might include:*

- *a peak-period road user charge for major entry points into the city;*
- *a uniform road user charge for major entry points into the city that is levied on all users regardless of the time of day;*
- *off-peak leasing of Government assets to the private sector, such as sharing medical facilities or renting empty classrooms to private educators or day-care facilities.*

There are two ways of looking at this issue. The first is could you/should you charge for entry into the CBD? The second is what could you do to reduce the attraction of the CBD at peak hour and make better use of the infrastructure already provided?

While a sufficiently high congestion charge/road user charge may make the CBD less attractive at peak hour that is not the point of the second question.