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Mr Lyndon Rowe
Chairman
Economic Regulation Authority
PO Box 8469
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Dear Mr Rowe

Thank you for the opportunity to contribute a submission to the Inquiry into Microeconomic Reform in Western Australia.

As the industry body representing Western Australia's civil construction industry, our submission focuses on infrastructure planning on provision. Over-regulation or "red tape" is also a concern for our members, and our submission calls for the adoption of the key recommendations in the *Reducing the Burden* report.

Please do not hesitate to contact me if you have any further queries.

Yours sincerely,

Jeff Miller
Chief Executive Officer



**CIVIL CONTRACTORS
FEDERATION**

Inquiry into Microeconomic Reform in Western Australia



Submission to the Economic Regulation Authority
by the Civil Contractors Federation (WA Branch)

Introduction

The Civil Contractors Federation WA welcomes the opportunity to comment on the Economic Regulation Authority's Inquiry into Microeconomic Reform in Western Australia.

Our submission focuses on the areas of infrastructure planning and provision, and red tape.

CCF WA believes major reforms are needed to the planning and provision of infrastructure in WA. At present, long-term infrastructure planning by Government is disjointed at best, non-existent at worst and too often with one eye on the electoral cycle, leading to poor decisions and inefficient use of available funding.

A new system is needed to ensure infrastructure planning and provision is, first and foremost, evidence-based. While the long-term plans currently provided by individual departments and agencies are valuable, they are no substitute for a "whole of government" approach to long-term infrastructure planning.

The following comments respond to specific questions (in italics below) in the Discussion Paper.

State Infrastructure Planning

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?

No. Without a comprehensive, long-term infrastructure strategy, WA will increasingly struggle to receive its fair share of Federal funding. In particular, the Federal Government's recent decision to develop a 15-year pipeline of major infrastructure projects (to be coordinated by its advisory body Infrastructure Australia) means states such as WA without a similar evidence-based pipeline will be at a disadvantage.

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?

Infrastructure Australia is a statutory body created to advise the Federal Government on funding decisions. CCF WA recommends the formation of a similar body to provide independent, evidence-based advice to the State Government on infrastructure provision. This body should also develop a comprehensive long-term infrastructure strategy – with a 15, 20 or 25 year framework – that reports on the current state of WA’s infrastructure, identifies the infrastructure that needs to be built, and uses a preliminary cost/benefit analysis to prioritise that infrastructure.

We congratulate the Queensland Government for its stated intention to “have a more disciplined approach to infrastructure decisions, get better value from the state’s infrastructure assets and get the private sector more involved in infrastructure provision”¹ by boosting the role of the Property and Infrastructure Cabinet Committee. However, we believe the creation of an independent statutory body would be a more effective mechanism.

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

Decisions on infrastructure planning and provision in remote and regional areas need to be coordinated, evidence-based and with a long-term view. This can be achieved through the mechanism CCF WA proposes – the creation of a state infrastructure agency, which would produce a 15, 20 or 25-year infrastructure strategy. If the State Government decides to prioritise regional development, an independent state infrastructure agency would be best placed to advise on this policy objectively within a whole-of-government framework.

¹ “Government to maximise infrastructure life and spend”. Queensland Government media release, October 16, 2013.

Funding and Utilisation of Infrastructure

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?

A long-term infrastructure plan of the type proposed above will provide a clear pipeline of investment opportunities for investors, stimulating confidence and helping to encourage the flow of private capital.

We recommend the state infrastructure agency also be tasked with providing independent advice to the State Government on funding strategy and financing models, including any policy reforms that could encourage private investment.

In what circumstances should infrastructure costs be recovered through the application of user charges?

All public infrastructure is paid for by the community, whether indirectly through government investment or directly through user charges. Government policies that discriminate against user charges for some classes of infrastructure effectively block one of these mechanisms, and therefore reduce the potential for infrastructure development.

CCFWA supports the view of Infrastructure Australia's Infrastructure Finance Working Group that "solving the funding challenge will require an acceptance from all stakeholders that there is no such thing as a 'free lunch'"².

If so, what are the costs and benefits of employing this approach?

The costs and benefits of user pays versus more traditional funding mechanisms will vary depending on the project. What is important is that both options are given equal consideration.

2. Infrastructure Finance Working Group report: Infrastructure Finance and Funding Reform, April 2012.

Reducing the Cost of Complying with Red Tape

Which outstanding recommendations of the 2009 Reducing the Burden report are the most important ones yet to be implemented?

CCFWA endorses all the recommendations yet to be implemented that are contained in Chapter 4 of the report, which addresses the lack of transparency and consistency in government decision-making processes, and Chapter 5, which contains government-wide regulatory reforms that would make a real difference in cutting red tape.

Also of vital importance are the recommendations contained in Chapters 12 and 13, around improving the timeliness and accountability of environmental approvals generally and the clearing of native vegetation in particular.

What other major red tape problems not addressed in the Reducing the Burden report need to be addressed?

Two particular areas of concern for the civil construction industry not addressed in the report are:

Contract prequalification: Many government departments and agencies, both state and local government, have their own prequalification regimes, each with specific requirements. Satisfying the requirements of these various regimes is an unnecessary time and cost burden on contractors. Greater coordination and consistency is required.

Contract forms: There is also significant disparity between departments and agencies in the interpretation and application of contractual obligations. This places a particular burden on small businesses, which generally lack the administrative resources to deal with a multitude of contract forms, including numerous variations on Australian Standard contracts. A standard contract should mean a standard contract; there should be a monetary limit below which a standard form contract cannot be amended and still be regarded as a standard form contract.

What process improvements could be made to ensure that Government red tape is kept to a minimum?

CCFWA endorses the process improvements contained in the recommendations in Chapter 4 of the Reducing the Burden report.

Conclusion

CCFWA congratulates the State Government for its initiative in requesting this inquiry. The recommendations above will help achieve the inquiry's aims of improving the State's economic performance. Please contact me if any more information is required.

For more information please contact:

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About CCF

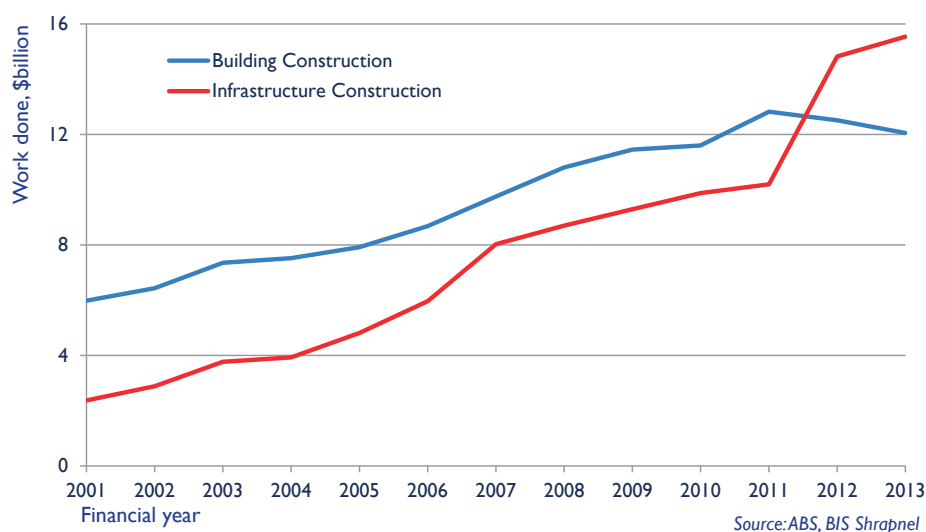
The Civil Contractors Federation is the member-based body representing the Australian civil construction industry, providing assistance and expertise in contractor development and industry issues. Nationally, we represent more than 1,550 civil contractors and a further 770 suppliers to industry.

CCFWA members are involved in a variety of projects and activities including the development and maintenance of civil or “horizontal” infrastructure such as roads, bridges, railways, sewer, water and drainage pipelines, dams, wharves, and commercial and housing land development.

In the 2012/13 financial year, a record \$15.5 billion was invested in civil infrastructure construction in Western Australia – a six-fold increase in just over a decade, due in part to works directly related to the state’s “resources boom”, as well as an increased appreciation by governments of the economic benefits of infrastructure investment.

This remarkable growth in infrastructure meant that during the 2011/12 financial year, total civil construction activity in WA exceeded building construction for the first time. While civil construction activity is expected to moderate from the current peak, the sector will remain about equal in size to the building industry – a dramatic turnaround from little more than a decade ago, when the building sector was double the size of civil. (see chart below)

Building v Infrastructure (civil) construction in WA





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