



Mr Lyndon Rowe
Chair
Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

Dear Mr Rowe,

INQUIRY INTO MICROECONOMIC REFORM

Thank you for the opportunity to provide feedback to the ERA's Inquiry into Microeconomic Reform.

The Department of Regional Development (DRD) has reviewed the Issues Paper and the Discussion Paper. DRD comments relate specifically to Question 4 under Section 8.4 "General Government Infrastructure" and Section 8.4.1.3 *Regional Infrastructure Delivery*.

The submission highlights how the State Government's Royalties for Regions program and several strategic departmental initiatives, in collaboration with other agencies, have contributed to developing a comprehensive approach to the planning and provision of infrastructure to regional and remote areas of the State.

DRD looks forward to the release of the ERA's Draft Report next year and hopes that the needs of regional Western Australia will be considered in its recommendations.

For further inquiries please contact Mr Mike Rowe, Director, Policy and Planning, Department of Regional Development on telephone 08 6552 1888.

Yours sincerely

Paul Rosair
DIRECTOR GENERAL

9 December 2013
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Government of Western Australia
Department of Regional Development

DRD Submission

Inquiry into Microeconomic Reform
in Western Australia

by

The Economic Regulation Authority

Background

DRD welcomes the opportunity to make a submission to the Economic Regulation Authority in response to the Discussion Paper, *Inquiry into Microeconomic Reform in Western Australia*.

Please find below an overview of DRD's role and the *Royalties for Regions Act 2009* (the Act), which DRD is responsible for managing, followed by specific comments on Section 8.4 of the Discussion Paper.

Role of Department of Regional Development

DRD's vision is to have well-managed, strong and vibrant communities that build and deliver opportunities, facilities and services appropriate to their people.

Our mission is to facilitate the development of sustainable regional communities so they have a sense of purpose and control over their future.

One of DRD's major responsibilities is to manage the Royalties for Regions (RfR) funding program, which re-invests 25% of mining and onshore petroleum royalties into regional WA each year and over the next four years, the RfR budget allocation is estimated to be \$5.5 billion.

Royalties for Regions Act 2009

The Act provides for the establishment of the Royalties for Regions Fund to promote and facilitate economic, business and social development in regional Western Australia.

The Act provides a legislative base for RfR's continuing operation, including establishment of the Western Australian Regional Development Trust (the Trust), which provides an oversight role to the RfR program, including policy, allocation and management of expenditure.

RfR's investment is channeled into projects that help build regional communities and all decisions are underpinned by six principles:

- Building capacity in regional communities
- Retaining benefits in regional communities
- Improving services to regional communities
- Attaining sustainability
- Expanding opportunity
- Growing prosperity

Guided by these principles, it is estimated that by 2015 there will be 3,500 RfR funded projects across the regions that support and develop new initiatives in the areas of:

- Hospitals and healthcare
- Schools, education and training
- Community assets such as town centres, parks and sports pavilions
- Community programs
- Infrastructure
- Housing
- Water and agriculture initiatives

It is important to note that RfR funding is not limited to infrastructure (as implied on page 34 of ERA's Discussion Paper) and this needs to be corrected.

Application of the RfR fund is:

- (a) to provide infrastructure and services in regional Western Australia;
- (b) to develop and broaden the economic base of regional Western Australia;
- (c) to maximise job creation and improve career opportunities in regional Western Australia.

However, a significant amount has been provided for infrastructure in regional Western Australia.

All projects funded through RfR require submission of sound business cases which are reviewed and commented across State Government agencies under the auspices of a 20-strong Directors General Reference Group, which enables greater coordination of both service and infrastructure projects. This cross-agency review is not limited to government only projects.

All RfR projects are subject to funding agreements with stated milestones and outcomes, which will be evaluated on completion and acquittal of projects.

The Trust, which provides independent advice on RfR at a strategic level, has advised that one of the central themes for RfR should be to improve the productivity of regions and in particular to promote strategic infrastructure corridors and productivity enhancing projects. This provides the opportunity for Government and industry to work together to realise better outcomes than what can be achieved through normal commercial practice. Overall productivity improvements are the goal which will improve competitive advantage more globally.

Future strategic infrastructure allocations will be guided by the Regional Investment Blueprints currently being prepared by the nine Regional Development Commissions and be consistent with , within the State Planning and Development Framework, and will be cognisant of existing strategies such as the Regional Freight Transport Strategy. This regional planning approach is expanded upon further below.

Further details on specific RfR projects can be found on our website:

<http://www.drd.wa.gov.au/publications/Documents/R4R-Progress-Report-2012-13.pdf>

Developing the Regions

As the State's population is expected to double over the next 40 years, growth will need to be managed strategically, with regional investment becoming essential to attract and direct the increasing population to live, work and invest in regional Western Australia. This will not only develop sustainable regional communities but will help reduce the pressure of the population growth on metropolitan areas.

To help achieve this, there has been a strong focus on developing land reserves, water resources, agriculture, Aboriginal economic development and affordable housing options in regional areas, with major regional revitalisation, capacity building and across-portfolio planning initiatives being undertaken across the State including:

- Ord-East Kimberley Expansion Project
- Pilbara Cities
- Gascoyne Revitalisation
- Mid-West Investment Plan
- Regional Centres Development Plan (SuperTowns)
- Country Local Government Fund

The RfR work program for 2013-14 also includes developing and delivering major election commitments from the last general state election such as the:

- Goldfields Esperance Revitalisation
- West Kimberley Revitalisation
- Seizing the Opportunity Agriculture

The overview provided above is intended to demonstrate the legislative parameters and policy framework that DRD is expected to operate within, as part of administering the RfR Fund.

The next part of DRD's submission focusses on issues and activities relating to regional infrastructure planning and investment frameworks.

Comments on Section 8.4.1.3 Key Issues – Regional Infrastructure Delivery

Recently, there has been substantial activity at both the national and state level regarding the importance of developing national and state level prioritisation frameworks for infrastructure investment; and the examination of alternative funding options for infrastructure delivery and maintenance.^{1 2 3 4 5 6}

It is recognised that infrastructure systems play a vital role in economic and social development, facilitating the development of economic opportunities and delivery of goods and services that promote economic prosperity and growth, and contribute to the quality of life. Demand for infrastructure is expected to continue significantly, driven by global economic growth, technology, demographic change and urbanisation.⁷

In WA, public infrastructure has traditionally been funded and provided by local, State and Federal government. In most cases, funding has been sourced from the public account, either directly through annual Treasury appropriation or through government trading enterprises and other government corporate entities.

However, the increasing pressure to meet demand from the community, industry and business, means that alternative funding mechanisms do need to be examined by government; and any funding decisions that are made need to reflect the priorities for the state.

Regional Infrastructure Planning and Prioritisation

The Departments of Planning, Regional Development (formerly Department of Regional Development and Lands) and Local Government have worked collaboratively to produce a State Planning and Development Framework for regional development (see Attachment One).

For the first time, this incorporates regional investment planning into the statutory planning regime of the State Government. This includes the work done in Regional Infrastructure and Planning Frameworks and adds the dimension of economic, social and business

¹ *Strong Foundations for Sustainable Local Infrastructure*, Ernst & Young, June 2012

² *National Financing Authority for Local Government, Options Assessment paper*, Ernst & Young, March 2013

³ *Catalysing the Renewal of Local Infrastructure in Regional Communities: The case for Local Infrastructure Australia*, Regional Australia Institute, November 2012

⁴ *Infrastructure to 2030, Policy Brief*, OECD 2008

⁵ *Pension Fund Investment in Infrastructure – OECD Working Paper on Insurance and Private Pensions, No 32*, OECD, 2009

⁶ *Public Infrastructure Issues Paper*, Productivity Commission, November 2013

⁷ *Infrastructure to 2030, Policy Brief*, OECD 2008

development. It provides the linkage to the integrated local government planning framework, which is now a statutory requirement for all local governments and aligned to the Nationally Consistent Frameworks.

In addition, the nine Regional Development Commissions are developing a Regional Investment Blueprint for each of their regions, which will be a strategy that outlines their regional growth and development aspirations, including their comparative advantages; and presents a set of priority actions and investment opportunities.

This State Planning and Development Framework for regional development enables an integrated and comprehensive approach to regional development, working across the key portfolios of regional development, lands, planning and local government, with overall alignment to the State planning strategy.

Examples of how this new approach has been applied include the *Royalties for Regions Pilbara Cities Vision* and the *SuperTowns* programs, which demonstrate best practice models of a consultative and integrated approach to infrastructure planning and prioritisation.

The process recognises that the view of the world through an infrastructure provision and land use lens is by itself limited, and does not encompass all the elements that will build regional economies and provide benefit to people living in the regions or encourage others to move to the regions.

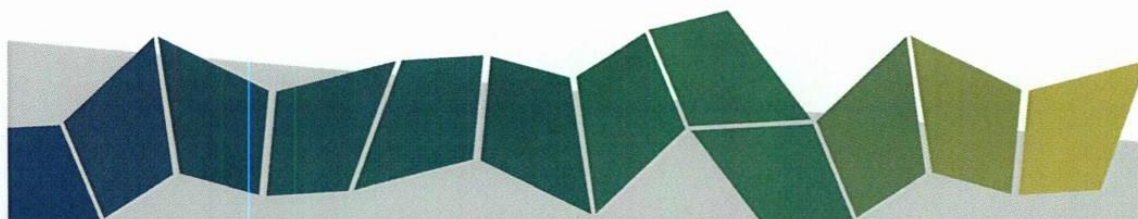
RfR places a strong emphasis on local engagement and decision-making and this is particularly evident in the *Pilbara Cities Vision* and *SuperTowns* programs. Local residents, government, business and industry are encouraged to be involved in developing their unique growth vision and in defining the future make-up of their community. This builds capacity, collaboration and ownership of plans at the local and regional level.

Government agencies and the private sector are invited to respond to these locally driven plans and to outline their proposed future actions. This helps to identify short, medium and long term priorities and clarify the future investment pipeline for the region, thus aiding budget planning and funding commitments at the local, regional and state level.

The planning process combines elements of scenario planning and strategic planning based on local and regional comparative advantages; an analysis of supply chains and demographic modelling to identify population thresholds and likely industry investment triggers; land-use planning, place-making, town and urban revitalisation strategies; community and cultural development; and economic development planning (including job creation and workforce, business and industry development).

This planning and prioritisation model looks at all facets of a well-functioning sustainable community and seeks input from all stakeholders.

RfR has assisted with meeting the costs of accessing expertise in a range of specialist planning and development areas to work with the participating communities and local governments.



Regional Infrastructure Financing and Delivery

Attracting private investment in developments such as land, housing or common use infrastructure, such as ports and rail; and working towards normalising the market place and population demographics in regional communities are key strategies to support the goals of longer term economic growth and sustainable communities, which will drive economic diversification, strengthen supply chains and stimulate the emergence of industry clusters.

Through RfR, DRD is keen to encourage public private partnership opportunities as a means to promote infrastructure development in regional Western Australia. A recent example is the Regional Mobile Communications Project (RMCP), a collaborative project delivered by the Departments of Regional Development, Commerce and Finance, and private sector firm Telstra Corporation Limited.

In this project, \$40 million of Royalties for Regions funding is being used to support the delivery of 113 new and expanded mobile communication towers in regional Western Australia.

State Planning and Development Framework

WESTERN AUSTRALIAN PLANNING COMMISSION — INFRASTRUCTURE COORDINATING COMMITTEE

STATE PLANNING STRATEGY

