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1 December 2006

State Infrastructure Strategy
Level 10
Department of Treasury and Finance
Governor Stirling Tower
197 St George's Terrace
Perth WA 6000

Dear Treasurer

SUBMISSION: FRAMEWORK FOR THE STATE INFRASTRUCTURE STRATEGY GREEN PAPER

UDIA is the peak body representing the property development industry in WA and has been calling for the State Government to establish a strategic approach to infrastructure provision to achieve efficient use of land, infrastructure and services for some time now. We therefore offer our full support for the introduction of a State Infrastructure Strategy in Western Australia.

A strategic approach to infrastructure provision offers certainty to government, the community, infrastructure providers and developers. The need for the efficient roll out of infrastructure and services to facilitate new development has become very apparent during 2006. The land supply shortage, which realised an all time low of only 337 lots on the market at 30 June, has impacted both metropolitan and regional areas of Western Australia. The Infrastructure Strategy will go some way to ensure that these shortages are not experienced again and that an integrated approach to infrastructure planning and land use planning is the preferred approach to development.

THE PROVISION OF INFRASTRUCTURE – WHOSE RESPONSIBILITY?

UDIA is concerned at the following statement from the Green Paper:

“Government does not need to provide infrastructure in cases where the private sector can provide the infrastructure society requires. It should only supply infrastructure or assist private infrastructure when sufficient public benefits compared with the cost to government will be realised.”

This statement suggests to UDIA that Government is proposing to abrogate its responsibilities to society and put the onus for infrastructure provision on the private sector if Government considers the cost too high. The private sector, largely developers, already contributes to the provision of infrastructure, both hard and soft infrastructure, in a number of ways through development contributions used for:

- Headworks contributions and construction of infrastructure works which are transferred to public authorities on completion;
- Monetary contributions to acquire land or undertake works by public authorities or others;
- The ceding of land for roads, public open space, primary school sites, drainage and other reserves.¹

The private sector clearly has an ongoing role in the future provision of infrastructure; however UDIA is of the opinion that it is the Government's responsibility to prioritise and provide infrastructure that supports other State planning strategies (for example, *Network City*) to facilitate the adequate supply of developed land to the community. This can be achieved in partnership with the private sector so that there is a high degree of co-ordination between public and private sector planning for infrastructure; however it remains the responsibility of Government to take the lead in the planning and roll out of major regional infrastructure that precedes or consolidates efficient urban development.

COMBINED APPROACH TO INFRASTRUCTURE PROVISION

A strategic approach to infrastructure provision provides greater confidence to all tiers of Government, state agencies, the private sector and general community. UDIA welcomes the Infrastructure Strategy's call for a joint review between the Commonwealth and States aimed at achieving better consistency and coordination of programs between jurisdictions.

The Green Paper highlights a number of deficiencies within the current system of Federal/State financial relations and the reliance of State and Local Governments on Commonwealth funding for infrastructure. The Green Paper draws attention to the need to streamline the process of funding acquisition from the Federal Government, to reduce tied funding and to render State and Local Government decision-making less vulnerable to dependence on Commonwealth funding. UDIA supports this proposal.

It is also important to consider State Government funding of Local Government. The Green Paper acknowledges that Local Governments are under increased pressure to provide more social infrastructure arising from increased community expectations, however the report asserts it is up to the Federal Government to increase the quantum of Commonwealth transfers to meet the shortfall. It is well documented that less than half of WA local governments are considered economically viable (Local Government

¹ Western Australian Planning Commission, *Planning Bulletin 18*

Advisory Board Review) and this is of great concern considering the pivotal role they play in providing local infrastructure such as roads and the on-going management of community facilities and public open space.

UDIA believes that the Infrastructure Strategy needs to address the ability of Local Governments to fund infrastructure and to examine situations where the State Government could assist Local Government with additional funding or assistance for them to keep pace with increased demand for services. It is worth noting that UDIA together with Western Australian Local Government Association (WALGA) and Department for Planning in and Infrastructure (DPI) have recently drafted a *Contributions to Community Infrastructure Report* (November 2006) which addresses the capacity of Local Governments to deliver infrastructure and services in an environment of strong population growth and rising expectations of residents.

STATE BUDGET CONSIDERATIONS

It is imperative that the budgets of planned infrastructure projects are fixed and allocated to State budget forward planning. An allocated budget for large infrastructure items provides a guarantee that the project will be delivered regardless of the Government of the day. The Infrastructure Strategy should provide for a level of certainty that supports related urban and regional land use and services planning.

The strength of the *South East Queensland Infrastructure Plan 2005 – 2026* (April 2005) is the commitment of the Queensland Government to a program of infrastructure over a ten year period and further infrastructure planning for the following ten years. This approach ensures that infrastructure in the SEQ region is better planned and coordinated to achieve the maximum impact for the least cost. It also provides certainty for future infrastructure provision despite which government is in power and also requires that the plan is updated annually at budget time to reflect new developments.

The Queensland Government sources funding from:

- Operating cash flows (for example from the State budget)
- Borrowing (the government is prepared to borrow more)
- Private sector involvement

SEQIP is the first in an annual series of publications intended to support the objectives of the *South East Queensland Regional Plan*. The Queensland government is making a concerted effort to ensure that funding of infrastructure remains a priority for the next 20 years. UDIA believes that this kind of commitment is needed from the Western Australian government in order for a State Infrastructure Strategy to be implemented successfully.

UDIA would like to see the WA budget surplus, which in recent years has seen a significant contribution made by the property industry through stamp duty revenue, be expended on infrastructure provision. The *UDIA Economic Impact Study 2005*

demonstrated that the urban development industry has a significant and positive affect on the Western Australian economy. In 2003/2004 alone the industry directly and indirectly generated a total of over \$8 billion in production value, wages and Commonwealth and State taxes. A combined total of \$762M in Commonwealth and State taxes alone was generated by the industry during this period. The high levels of economic growth experienced in Western Australia in recent years suggest that the contribution of the development industry to the State economy would be even more significant than these figures.

POPULATION AND GROWTH PRESSURES

The WA State Government, through the WA Planning Commission publishes the *Metropolitan Development Program (MDP)*, which the urban development industry participates in and strongly supports. The intention of the *MDP* is to provide a whole-of-government coordination of associated urban infrastructure in Perth and the Peel Region; however UDIA members report a disturbing lack of coordination between essential service providers that has resulted in inefficiencies and delays in getting lots onto the market. An effective State Infrastructure Strategy would ensure that this situation would not happen in the future and that a coordinated, synchronized approach between infrastructure and service providers, supported by adequate funding, would allow providers to meet market demand in a timely manner particularly in periods of high demand.

The need for a State Infrastructure Strategy could not be more apparent than in this current climate of strong economic growth and the concomitant demand for land and housing. In the South West Region, there is an immediate need for an Infrastructure Strategy that allows the region to fully respond to an increasing demand from industry and the community for services and housing. Bunbury, Busselton and Mandurah are in the top 20 growth areas nationally yet growth is occurring without an overarching strategy to guide development.

The South West will continue to be under immense pressure to accommodate growth in the next 10 to 20 years and there is an obvious need for an Infrastructure Strategy that allows for orderly and proper planning so that the right outcomes are achieved for the region. Some of the projects planned for the SW that are fuelling, and will continue to fuel growth, include:

- Boddington Gold Mine, \$2 billion expenditure
- Worsley Refinery Expansion, \$257M expenditure
- Collie – Bluewaters Coal Fired Power Station, \$400M expenditure
- Worsley Alumina Bunbury Port Facilities, \$50M expenditure
- Wagerup/Willowdale Alumina Refinery Expansion, \$1.5 billion expenditure
- Worsley/Boddington Alumina Refinery Expansion, \$900M expenditure

The magnitude of these projects is enormous and they require a strategic approach to infrastructure provision to underpin their economic potential and to provide adequate housing, educational, health and community services to support the regional workforce.

INFILL DEVELOPMENT

It is crucial that the Infrastructure Strategy adequately plans for brown field development, particularly in the context of the *Network City Strategy*. Statement of Planning Policy No.3: Urban Growth and Settlement encourages urban consolidation and higher density development in appropriate areas, however for this policy to be realised, it is important to upgrade and expand on existing or ageing infrastructure to support increased population and activity.

REFERENCE GROUP

UDIA is disappointed and concerned that we are not part of the Reference Group which the Strategy states will have an ongoing role in determining the priority and timing of projects. The urban development industry has a substantial positive impact on the Western Australian economy which needs to be recognised. It seems reasonable to assume that the sizeable contribution of the development industry to the State economy would earn UDIA a place on the Reference Group, particularly as our developer members are actually responsible for funding the provision of infrastructure. UDIA has a valuable contribution to make to the Reference Group.

We remain hopeful that UDIA (WA) will be invited to join the Reference Group and in this way assist the Government to formulate a State Infrastructure Strategy that will better manage the anticipated high levels of growth in Western Australia in an informed and structured manner.

CONCLUSION

UDIA supports the development of the State Infrastructure Strategy to provide a coordinated, long term approach to infrastructure planning to achieve sustainable outcomes. We recommend the following points be considered more closely in formulation of the Strategy:

- Shared private public responsibility for infrastructure provision with recognition of the current role of private provision of infrastructure;
- Coordinated strategic planning at State and Local Government level in order to achieve efficiencies and a cohesive approach to development;
- The need for the Government to have a coordinated, funded plan for the provision of essential infrastructure;
- Recognition of the limitations of Local Government to fund or maintain infrastructure and the potential for State Government support in this area.

UDIA is grateful for the opportunity to comment on the Framework for the State Infrastructure Strategy. I would like to reiterate that we have a valuable contribution to

make to the development of the State Infrastructure Strategy and are hopeful we will be considered for inclusion on the Taskforce.

Yours sincerely

A handwritten signature in black ink, appearing to read "Marion Fulker". The signature is fluid and cursive, with a long horizontal stroke at the end.

Marion Fulker
EXECUTIVE DIRECTOR