

POSITION STATEMENT

INFRASTRUCTURE PLANNING AND INVESTMENT



Context

Infrastructure plays a critical role in the planning of cities and the delivery of development outcomes. Whole of government infrastructure coordination and funding is one of the greatest challenges for government yet efficient urban development relies on coordinated infrastructure planning, investment and delivery to enhance the social, economic and environmental sustainability of our urban areas.

There is a host of competing infrastructure needs ranging from those of major resource projects and regional infrastructure to the infrastructure needs of urban development: water; sewerage; energy; telecommunications; public transport and roads; community and recreation facilities, education and health facilities.

The lack of a government infrastructure investment plan and poor planning and coordination between government agencies has resulted in underinvestment in infrastructure and a too-frequent requirement for pre-funding. The current approach to infrastructure provision threatens sustainable outcomes. Costs are borne by the new home buyer which is inequitable and has a profound impact on housing affordability.

Sustainable outcomes rely on strong links between infrastructure priorities and State budget processes with committed funding ensuring the delivery of planned infrastructure. The Western Australian planning system has been deficient in this area. This was acknowledged by the WA planning reform agenda which identified the need for integrated infrastructure planning and coordination as a strategic priority however this has yet to be realised.

Government policy framework

The lack of a long term view on infrastructure planning and investment has plagued Australia for decades and is experienced by the community as traffic congestion, water restrictions, inadequate public transport provision and declining housing affordability. The Council of Australian Governments (COAG) is seeking to amend past practices by including the integration and coordination of infrastructure planning with land-use planning in the assessment criteria for COAG's national planning reform agenda with the expectation that plans be integrated across functions (land-use, infrastructure and transport) and coordinated between all three levels of government. The Commonwealth will link future infrastructure funding decisions to meeting the criteria.

The Federal government addresses infrastructure planning and funding in *Our Cities National Urban Policy* (May 2011) and acknowledges the importance of targeted infrastructure investment to improve efficiencies in city function. Infrastructure Australia has a key role in identifying and funding infrastructure projects of national significance and their recent report to COAG (July 2011) highlights a number of ongoing infrastructure-related challenges. These include changes in the way the development and operation of key infrastructure is funded and continuing weaknesses in the planning of infrastructure networks and in infrastructure investment decisions. There is a disconnect between the desire and need for infrastructure to support our quality of life, the competitiveness of our economy and government reluctance to increase debt or to increase taxes or charges to pay for improved infrastructure. This plays out at the national, state and local level and for the urban development industry is evidenced by the increasingly common practice of developers pre-funding infrastructure which adds a significant impost on development costs and inevitably, housing affordability.

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Western Australia's obligations to the national reform agenda require a number of planning and infrastructure strategic initiatives to be in place which include the State Planning Strategy, the Urban Development Program and *Directions 2031 and beyond* with the latter the only commitment met to date.

The current review of the State Planning Strategy identifying the government's strategic priorities for infrastructure must be finalised with clear direction on urban development priorities to guide new infrastructure investment decisions. It is essential that Treasury has an active role in this area of reform. The Urban Development Program and growth management strategies must also be adequately funded and resourced as effective infrastructure coordination will ensure maximisation of investment return to the state in terms of community development. The Infrastructure Coordinating Committee (ICC) must actively plan for infrastructure in growth management strategies, inclusive of infrastructure priorities and programs and to actively solve delivery issues based on strategic planning priorities.

The funding and delivery of infrastructure

The vision set in *Directions 2031 and beyond* of Perth as an accessible, sustainable and connected city can only be achieved if the provision of all major infrastructure is carefully coordinated with funding committed by government. This reduces the need to pre-fund major works which is becoming a barrier to financing development. The increasing dependence on contributions from developers for infrastructure reduces project viability and investment and impacts on affordability. The government needs to review funding for major infrastructure in growth areas, including bonding arrangements, and give consideration to alternative funding mechanisms including payment over time through increases in energy and water delivery charges, public private partnerships or a tax increment financing framework. The recent initiative of the Water Corporation to link prefunding to headworks contributions for the delivery of future assets is a positive development that should improve their asset delivery process.

The lack of integrated strategies for infrastructure planning and funding, including the Public Transport Network Plan, are critical omissions in *Directions 2031 and beyond* and the associated sub-regional strategies. The *Central Metropolitan Sub-Regional Strategy* details potential capital works projects to support the proposed 47% infill rate however there is little in the way of policy mechanisms and no financial commitment from Treasury or the infrastructure providers themselves to facilitate greater density. In addition, there has been no analysis undertaken of the adequacy of the proposed capital works projects to support the infill target. For outer metropolitan growth areas, there is a lack of clarity about frontal works where government have funding responsibility for headworks. It is critical that frontal areas are identified so that all agencies agree where the growth front is and commit the necessary resources to servicing it. Treasury should undertake a cost-benefit analysis of the sub-regional strategies in order that the State's capital investment program for service infrastructure be set against timeframes and priorities and that these support the framework to deliver the stated targets.

The successful delivery of *Directions 2031* requires an Infrastructure Development Plan based on a centralised budget process that unites infrastructure, planning and funding. Infrastructure will be better timed for delivery, driven by the strategic priorities of government and targeted to support the desired economic, social and environmental outcomes for Perth.

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UDIA policy position

It is the policy of UDIA to:

- Advocate for an integrated infrastructure planning process across government agencies including the Department of Planning, Western Power, Water Corporation, Main Roads and Department of Transport;
- Advocate for an Infrastructure Development Plan to be prepared and adopted to ensure an effective process for the management and funding of infrastructure to support the implementation of *Directions 2031*. This should be done under the guidance of a Cabinet Committee;
- Advocate for Treasury to undertake a cost benefit analysis of the *Directions 2031* sub-regional strategies to underpin the Infrastructure Development Plan;
- Advocate that agreed areas of frontal works where government agencies have funding responsibilities for headworks be published;
- Advocate for the government to review funding mechanisms for major infrastructure including bonding arrangements, delivery charges, public private partnerships and the potential of a tax increment funding framework.

This Position Statement articulates UDIA's current policy position and supersedes any other UDIA policy statement.

Committee Review	Endorsed by Council	Policy Review
	July 2011	