



**SUBMISSION FROM THE NORTHERN TERRITORY GOVERNMENT TO THE
STANDING COMMITTEE ON INFRASTRUCTURE AND COMMUNICATIONS INQUIRY INTO
INFRASTRUCTURE PLANNING AND PROCUREMENT**

APRIL 2014

Background

In its written submission to the Productivity Commission's draft Public Infrastructure enquiry report, the Northern Territory Government expressed its strong view that if Australia is to continue to increase productivity and maintain its economic competitiveness, our approach to infrastructure prioritisation and investment has to recognise the requirement for a significant step increase in economic and social infrastructure investment outside of the major Eastern seaboard population and economic centres.

The Northern Territory faces significant infrastructure challenges which are beyond the capacity of our small economy to unilaterally deliver.

There needs to be acknowledgement that Northern Australia has a developing and not mature economy and must accelerate its rate of economic development to secure its contribution to a competitive and productive Australia. Without transformational infrastructure investment, new projects will be development constrained and potential infrastructure bottlenecks will drive project investment outside Australia.

Traditional infrastructure investment prioritisation and selection tools such as the cost benefit analysis (CBA) disadvantage regional and remote Australian projects given our inherently higher costs structures compounded by small population size. The Northern Territory Government's view is that the current CBA methodology needs to be expanded to recognise the broader economic benefits of enabling and transformative infrastructure which is necessary to unlock economic potential that would otherwise remain untapped and underdeveloped.

More specific Northern Territory comments are set out below.

1. What initiatives are operating around Australia at local and state government levels that might lower the cost of planning approvals and reduce timeframes for delivery of projects?

From a planning perspective the Northern Territory Government has progressed the following initiatives:

- Amended the *Planning Act* (effective from 1 May 2014) to introduce a concurrent process for rezoning and development, which will save between 6 and 12 weeks on approval times.
- Commenced a review zoning tables under the NT Planning Scheme with a view to provide more "as of right" uses for low-risk and low-impact developments, thereby reducing the need for planning approvals.
- Updated delegations for the Northern Territory Development Consent Authority to reduce approval times.
- Amended the NT Planning Scheme to reduce the minimum lot size from 800m² to 300m² in zone MD – Multiple Dwellings, thereby removing the need for planning approval for single

dwellings on each allotment created.

- Commenced deregulation of “dependant units” (commonly known as “granny flats”) in the NT Planning Scheme.
- Planning approval times have been significantly reduced in the Northern Territory through the introduction of the Development One Stop Shop and a paperless approvals process (the first in Australia). As a result, the Northern Territory was rated as leading the nation in development assessment processes.

Northern Territory Government planning procedures are considered to be one of the most efficient in the nation.

In terms of procurement, the Northern Territory Government has commenced a process of reform initiatives to streamline the procurement process, and has implemented procurement option reviews to examine the benefits of alternative delivery models. This includes options for the concurrent development of design with early works, with the impact of reducing overall delivery timelines. For road projects a policy framework is also being developed to provide online guidance to developers through the approval process, and to ensure government requirements for access approvals are clearly articulated.

2. Of those initiatives that the Committee has considered, are any able or appropriate to be implemented on a broader basis, including at Federal level?

The NT Government is undertaking a reassessment of the Indigenous Communities Engineering Guidelines (ICEG), which is used by the integrated utility service in remote communities, to, among other things make the requirements on developers more appropriate to remote community needs (rather than simply translating guidelines applied in major urban centres), assist in the development of essential general infrastructure in remote indigenous communities and encourage development.

As no Australian general engineering guidelines cover remote locations, in many instances major urban requirements are applied in remote locations leading to high project capital costs, over calibrated essential services infrastructure or poorly designed essential services infrastructure with large downstream maintenance/repair legacy of increased failure risk.

The assessment will conclude in June 2014 and will be available for other jurisdictions to use. As the Northern Territory has an integrated utility services provider, this project covers all aspects of utilities infrastructure provision. The work on the ICEG will be integrated into Northern Territory wide developer guidelines which will have a broader focus.

It is noted that under the previous Local Government and Planning Minister Council, initiatives to streamline planning processes and accommodate urban infill were commenced. However, without a relevant Ministerial Council, these are now not been appropriately coordinated at the Federal level.

3. Are local, state and federal governments adequately considering the infrastructure challenges that they face and do they have long term plans in place to deal with those challenges?

In terms of infrastructure challenges, as a developing rather than mature economy, the Northern Territory Government recognises that infrastructure is the key to growth, productivity and economic competitiveness. The challenge is the sustained investment required to deliver the required level of enabling infrastructure. The infrastructure investment requirement is beyond the means of the Northern Territory Government and we recognise that innovative ways of leveraging Commonwealth Government and private sector financing is required.

In this context, the Northern Territory Government has commenced consideration of ways in which it is best able to package government owned infrastructure and assets to attract private sector funds and promote sustained private sector investment. While we recognise that the small size of the Northern Territory means that asset ownership is appropriate in some circumstances, we are keen to consider opportunities for these assets to be used to stimulate or facilitate critical economic development.

The Northern Territory Government has also signalled its intent to test the current approach to infrastructure prioritisation and selection used by the Commonwealth Government to prioritise infrastructure investment. The Northern Territory Government agrees with the general principle of CBA, but there needs to be recognition that the use of CBA as a project prioritisation and selection tool delivers adverse results for smaller and less economically developed jurisdictions.

The Northern Territory sees two major issues with application of CBA to Northern Territory projects. First, the Territory's less mature stage of economic development means that what is economic infrastructure in mature economies is primarily used to meet social objectives, including equitable access to services (e.g. sealing roads to allow wet season access), with the delivery of economic outcomes often a second order issue.

Second, while CBA is a very useful tool for evaluating stable brown-field infrastructure, and should be used where possible, it is much less useful where projects contain considerable uncertainty around future outcomes which lead to costs and benefit estimates being highly subjective and difficult to quantify.

Many projects in the Northern Territory are of a nature that involves such uncertainties. For example where a piece of enabling infrastructure is being considered (such as a sealed road or rail spur through a prospective mineral province), the subjective assumptions around the likelihood and amount of utilisation by potential users, now and into the future, is critical in determining whether the project is estimated to provide a net public benefit. This infrastructure is often transformative in nature, and *ex ante* benefits are therefore difficult to quantify.

Against this range of uncertain outcomes, governments have a role in facilitating investment in strategic infrastructure as a means of promoting longer term growth and development prospects. It is for this reason that alternate methods of project appraisal should be investigated, and should assess a project's benefits against broader social, strategic, economic and public policy objectives of government in the project selection phase as an expansion to the CBA model.

The Alice Springs to Darwin Railway has been touted as an example of a project which delivers poor value-for-money due to inadequate project selection, assessment, development and design. The Northern Territory Government contends that the Railway is a crucial and necessary link in a comprehensive national freight and passenger rail network. It has been and continues to be the key to unlocking this region's economic growth potential.

The rail link has been instrumental in supporting industry development and economic growth along the north-south rail corridor. It has enabled the establishment of several mining operations including the Bootu Creek Manganese mine, Frances Creek Iron Ore mine and Roper River Iron Ore mine. These mining operations would not be feasible in the absence of the rail link, and bulk minerals freight has increased from 45,000 tonnes in 2006 to 3.6 million tonnes a year in 2012. Around 90% of the contestable freight on the corridor is now carried by rail evidencing its contribution to supply chain productivity.

Similarly, the Ord River Irrigation Scheme is viewed as a project which has not been effective in delivering outcomes. The Northern Territory notes that while significant public investment has been made in the Ord River Scheme, this investment has unlocked proportionally greater private investment, has the potential to underpin the growth of a region and activate establishment of new industry. The spin-offs from investment in the Ord River Scheme include the entry of a large Chinese investor, on the Western Australia side of the border, who is already diversifying their investment portfolio in the region and is creating jobs for the local Miriuwung Gajerrong people. A new \$400 million sugar/ethanol mill will be built once scale requirements are achieved and this will create new jobs both at the facility and in trucking and haulage.

Application of the CBA model would have resulted in both these projects shelved.

In terms of land use planning, in 2013 the Northern Territory Government established the Northern Territory Planning Commission to develop strategic plans and planning policies. The functions of the Commission include, among other things, preparing integrated strategic plans, and researching future land use and development, taking into account projected economic, social and demographic changes.

Since then, the Northern Territory Planning Commission has prepared the:

- Darwin Regional Land Use Plan – an update the previous Plan of 1990, the Plan will focus on accommodating growth to 2030, due for release in mid-2014.
- Katherine Land Use Plan – currently being finalised following public exhibition, implementation of the Plan will include rezoning of land.
- Tennant Creek Land Use Framework – completed in 2013, the first land use framework for the town.
- Berrimah Farm Area Plan – a strategically located “brownfields” site identified for mixed use development.
- Urban Densification Strategy – options for redevelopment of the urban areas of Darwin, includes Government land assets and brownfields sites.
- Berrimah North Area Plan – rural land currently transitioning to urban.
- Alice Springs Town Centre Planning study – policy options for redevelopment of the Alice Springs town centre.

The Northern Territory Government is also undertaking the following land use planning projects:

- Infrastructure needs analysis for the Rural Activity Centres (Darwin's rural area) to inform Area Plans for Noonamah, Berry Springs, Humpty Doo and Howard Springs.
- Lee Point Area Plan – former Defence installation and Crown land, master planning for “greenfield” sites for urban expansion.

Planning, provision and maintenance of infrastructure in the Territory presents unique challenges for all levels of government. A small, dispersed population, long distances, diverse geographical areas and extreme climatic conditions all add to the cost and complexity of infrastructure delivery. To plan and respond to these challenges the Northern Territory Government has commenced a Northern Territory Regional Planning Study. The objective is to develop a 30 year Regional Infrastructure Plan for the Territory. Initial investigations have commenced and the Plan is scheduled for completion in late 2014.

The Study includes transport infrastructure (roads, aerodromes, barge landings, ports and rail), essential services infrastructure (energy, telecommunications) and community infrastructure (schools, health clinics, etc). The Study is investigating at a lower level than the Commonwealth infrastructure audits (e.g. communities less than 5000 people) and will provide a 30 year infrastructure plan and economic investment framework.

With 36,000 km of roads (of which only 9000km are sealed) planning and delivering the Territory's transport infrastructure presents significant challenges. The Northern Territory Government is currently developing a Roadmap for future Integrated Transport Planning and Investment which will provide a long term, over-arching plan for the delivery of transport infrastructure and services. The Roadmap will guide a number of component strategies including a Road and Bridge Strategy, a Darwin Regional Transport Plan, a Public Transport Strategy and a Freight and Logistics Industry Strategy.

In recognition of the common challenges across Australia in providing transport infrastructure in remote and regional areas, on 22 May 2014 the Northern Territory Government will host the Remote and Regional Transport Infrastructure and Services Forum. All levels of Government, industry, peak bodies and community representatives are invited, and one of the key outcomes is expected to be development of a Remote and Regional Transport Strategy.

Where feasible the Northern Territory Government also negotiates directly with private companies to contribute to transport infrastructure, including INPEX, which has invested \$20 million in roads and \$4.73 million from Sherwin Iron. The Department of Transport is developing a policy position on private investment contributions for major infrastructure developments.

4. For governments that are engaging in long term planning for future infrastructure investment, are they taking steps to protect the land and corridors that are needed to deliver those infrastructure projects in the future?

The Northern Territory Government has established the NT Planning Commission and one of the Commission's key mandates is to identify and protect future corridors for infrastructure and transport.

Long term strategic planning for infrastructure in the Territory includes the protection of corridors for future infrastructure delivery. In and around the major urban centres in the Territory including Darwin,

Palmerston, Alice Springs and Katherine, the NT Government has identified and reserved infrastructure corridors.

The Northern Territory Government approach to the protection of corridors in the major urban cities across the Territory has been through a multi-level approach that sits under the Northern Territory Planning Scheme and Planning Act. Corridors are identified and shown on Regional Land Use Plans. For example, the transport and services corridors to Glyde Point (future port) from Palmerston and the public transport corridor from Palmerston to Darwin CBD along Tiger Brennan Drive. Land acquisition for future corridors is undertaken under the Land Acquisition Act.

Area Plans are also prepared that are specific to a locality that sits within a regional plan and provides a further avenue for identifying and establishing corridors. Appropriate zoning for the corridors can then be established under the Planning Scheme to lock the corridors in for the specific purpose. Once strategic plans are identified, the Northern Territory Government proceeds to secure strategic corridors under its land acquisition process.

The Northern Territory Government has, as a further protection strategy, set aside infrastructure corridors through potential development areas by investing these lands in its Land Development Corporation.

The Land Development Corporation issues easements at nil cost for utility services, such as power and water transmission. For commercial activities such as gas and industrial feedstock/ product, the Corporation charges an annual fee for the infrastructure easement. Such land tenure arrangements can provide a flexible and commercial return to government, with the added benefit of remaining under the control of government into the future.

The Land Development Corporation has prepared Operating Procedures for the Middle Arm Product Corridor, which provides a clear framework for prospective proponents and existing infrastructure operators on the whole of life project requirements from initial planning to asset retirement. Compliance with the procedures ensures that the potential of the Industrial Precinct is not compromised by poor land use planning and minimises the risk to existing / proposed infrastructure and the environment.

The 30 year Regional Infrastructure Plan, once complete, will include identification of future infrastructure corridors across the Territory. Some of these corridors will connect into the neighbouring states of Queensland, Western Australia and South Australia. Further work to develop corridor protection principles at the national level will assist in facilitating negotiation for cross border corridors as well as providing guidance on best practice approaches to corridor reservations.

A Darwin Regional Land Use Plan is currently being prepared and to ensure transport and land use planning are effectively integrated, a Darwin Regional Transport Plan is also being developed in response to the land use plan. These high level, strategic planning documents will ensure that corridors for future infrastructure projects will be protected as the Territory's capital grows.

In a response to the National Freight Strategy, the Northern Territory will also be preparing a Northern Territory Freight and Logistics Strategy which will identify and define the transport routes and future corridors across the Territory.

One of the major issues for the Northern Territory is that over 50 percent of the Territory is Aboriginal land and many of the road corridors do not have a road reserve excised from the Aboriginal land. Establishment of land tenure over the road infrastructure on Aboriginal land is an ongoing challenge for the Northern Territory.

5. What is industry doing to reduce the regulatory and other costs that it faces in competing for infrastructure projects?

In terms of access to suitable land, industry continues to seek partnerships with government to reduce regulatory and other costs and reduce risks on project delivery. The ability to leverage accelerated government decision making and hence fast track projects and reduce costs, appears to be an incentive for industry to partner with government when competing for infrastructure projects.

6. How can Australia increase or deepen the competitive market for infrastructure provision and funding in Australia?

Competition could be maximised through the issue of funding packages which allow individual projects to be sized to allow engagement of local providers as head contractors. Completion targets could also be relaxed to avoid any embedded acceleration inefficiencies.

Tax incentives for regional and remote business will assist them to offer more competitive tenders given the additional overhead costs they have with higher fuel costs, workers accommodation, water, power and gravel etc.