

## Policy, planning and coordination

- 3.1 Infrastructure provision, previously the realm of government, has been increasingly provided by the private sector in the past decade. The genesis of this trend and the conditions under which it can contribute to the successful rejuvenation of regional areas, requires understanding and support from governments and communities.
- 3.2 The Department of Transport and Regional Services claimed that direct provision of public infrastructure by governments has reduced due to:
- the increasing depth and maturity of Australia's capital market;
  - changes in the commercial character of infrastructure businesses and associated industries;
  - public policy reform reflecting and encouraging technological change and market development leading to the introduction of competition and efficient pricing (eg electronic tolling);
  - a reduced willingness by governments to accept ownership risk in competitive and commercial markets; and
  - a recognition of the potential of the private sector to bring forward the economic benefits of infrastructure development.

A key catalyst for change has been financial sector reform stemming from the Campbell Report and the movement of Australian banking and banks into the global banking industry. This reform has created a larger pool of funds and access to expertise in places where infrastructure lending had been commonplace for some time. Australians are becoming more conversant with the 'user pays' concept, and are gradually accepting tolls and other direct charges for services. This has given governments the ability to engage the private sector in

infrastructure development that may otherwise have not taken place.<sup>1</sup>

3.3 According to the Department of Industry, Science and Resources, the advantages of private sector involvement in infrastructure provision include:

- expansion of financing options;
- earlier satisfaction of demand;
- improved allocation of resources through user charges;
- improved operational efficiency through the introduction of competition into infrastructure markets; and
- minimisation of factor input costs for industry from an efficient and coordinated infrastructure network.<sup>2</sup>

## Role of government

3.4 The long involvement of federal and state governments in regional development has resulted in many inquiries and a wide range of policies and mechanisms developed to reduce disparities between metropolitan and non-metropolitan areas. A range of programs, many not labelled specifically for the purpose of 'regional development', have been delivered by a host of different government agencies working to different agendas and across different geographical boundaries.

3.5 The committee considered the role of governments past and present in regional development, in light of the increasing role of the private sector in providing infrastructure. Fred Argy advocated an active infrastructure policy that 'seeks, through strategic IF investment, to create new opportunities for competitive development and employment in regional areas' rather than simply responding to infrastructure gaps, bottlenecks or deficiencies. In his view, the impediments to such a policy were:

- insufficient recognition of economic and social externalities arising from the spread of employment opportunities across the nation;
- inadequate machinery for national infrastructure planning;
- lack of a sound uniform system of evaluation, application and prioritisation of infrastructure projects; and

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1 Department of Transport and Regional Services, Submission no. 255, pp. 10-12.

2 Department of Industry, Science and Resources, Submission no. 168, p. 5.

- distortions in risk sharing for infrastructure investment between the public and private sectors (due, in part, to taxation impediments and short-termism on the part of financial institutions).<sup>3</sup>

3.6 Many submissions called for long term vision and stability of approaches and policies concerning infrastructure provision and funding across jurisdictions, structures and programs. The submission from the Western Australian government set out principles to be observed concerning public sector investment or encouragement of investment in infrastructure including:

- that the infrastructure should facilitate economic growth through the development of new industries or removal of constraints on expansion of existing industries; and
- the need for infrastructure evaluation (cost/benefit analysis) from a state, national and regional perspective to determine the economic viability of projects and permit ranking against competing uses, taking account of all intangible benefits resulting from the project.

The submission claimed that governments should ‘only intervene...if the private sector is unable to provide an adequate amount of infrastructure’.<sup>4</sup>

3.7 The Department of Industry, Science and Resources argued that governments could be involved in providing infrastructure:

- in the case of market failure (with the Commonwealth assuming responsibility for economy wide failures, and state and local governments assuming responsibility for localised failures);
- to achieve social objectives;
- to facilitate private sector provision through involvement in planning and coordination, best practice project evaluation and competitive tendering; and
- through developing appropriate macro-economic policies, micro-economic reform and efficient finance market regulation and allocation of property rights.<sup>5</sup>

3.8 The Institution of Engineers referred to findings demonstrating that public investment ‘crowds in’ or stimulates private capital expenditure rather than excluding it, and the need for planning to achieve ‘the optimum

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3 Fred Argy, Transcript of Evidence, 22 September 1999, pp. 141-142.

4 Western Australian government, Submission no. 273, pp. 5-6.

5 Department of Industry, Science and Resources, Submission no. 168, pp. 5-6.

contribution of both the public and private sectors in [the] provision of infrastructure'.<sup>6</sup>

- 3.9 The Northern Rivers Regional Organisation of Councils strongly advocated the fundamental link between direct federal financial support and regional development. It suggested that the federal government should be largely responsible for financing regional infrastructure.

The Federal Government holds the key to the Australian nation and its regions successfully completing important projects which would otherwise:

- never be possible via the private sector or other government and semi government agencies acting unilaterally; and
- would simply take too long to achieve, and therefore miss out on the market place opportunities now on offer, if placed in a queue for funding under existing programs.

While there are exciting examples of new joint ventures between government and the private sector, and a continuing role for the private sector through the privatisation of a selected range of services and utilities, these mechanisms do not substitute for the leading role in planning and financing which all governments must take in order to build the capacity of regional Australia to produce wealth.<sup>7</sup>

- 3.10 In similar vein, AusCID drew the committee's attention to regional infrastructure failure, specific examples of which were highlighted in many submissions. AusCID opposed the trend for the Commonwealth to withdraw 'from any role in infrastructure, other than tax policy and a handful of major projects'.

As steward of the national economy, it needs to steer the States and Territories towards better coordinated infrastructure delivery. In particular there is a clear need to identify strategic gaps and weak links leading to policy settings designed, where necessary, to encourage further private investment in remedies.<sup>8</sup>

AusCID advocated:

- continued implementation of national competition policy (NCP), using NCP dividends to States to encourage structural reform, competitive neutrality and full pricing;

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6 Institution of Engineers, Submission no. 234, p. 7.

7 Northern Rivers Regional Organisation of Councils, Submission no. 195, pp. 5, 8.

8 Australian Council for Infrastructure Development, Submission no. 215, p. 10.

- strong national coordination by the Commonwealth 'to address standards, information acquisition and sharing, planning and delivery gaps and cost benefit analysis;
- reduction of front end costs to encourage private investment in smaller regional infrastructure projects; and
- modernisation of the taxation system to encourage effective public/private partnerships.<sup>9</sup>

3.11 AusCID's views were supported by the Department of Industry, Science and Resources which considered that more efficient distribution of infrastructure would occur if:

- cost benefit analyses of existing and potential investments were undertaken;
- NCP principles continued to be applied to existing and prospective private and public investments;
- regulation that resulted in efficient pricing and funding of community service obligations were implemented; and
- macroeconomic and microeconomic policies that complement rather than impede efficient infrastructure investment decisions were pursued.

It referred to Productivity Commission findings in relation to improving infrastructure provision that stressed the importance of applying national competition policy; implementing improved pricing, contracting out, labour market and tax reforms; and improved planning and investment processes.<sup>10</sup>

3.12 A number of submissions emphasised the federal government's role in encouraging investment regionally through robust national policy initiatives that set conditions by which regions can capitalise on and develop their intrinsic advantages, including through the taxation system, and direct capital investment (in support of private commercial investment).<sup>11</sup>

3.13 The South Australian Regional Development Taskforce considered that a balance between a market-led approach and a commitment to strategic intervention, with support and facilitation for regions to determine the

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9 Australian Council for Infrastructure Development, Submission no. 215, pp. 3-4.

10 Department of Industry, Science and Resources, Submission no. 168, p. 6.

11 For example, Australian Local Government Association, Submission no 131, pp. 1, 11-13; Murray Irrigation Limited, Submission no. 199, pp. 4-5; Minerals Council of Australia, Submission no. 277, p. 3.

direction of development in their regions and for greater involvement of the private sector, was essential.<sup>12</sup>

- 3.14 The submission from the Eyre Regional Development Board referred to the importance of confidence and certainty to regional rejuvenation and development and the need for community involvement, stating that individuals, business and industry needed to take more responsibility for issues affecting them and their region.<sup>13</sup>
- 3.15 In advocating that government focus on policy, legislation, facilitation, regulation and coordination, AusCID suggested that production should be a private sector responsibility, with distribution handled by the public sector.

So if you are going to have a partnership let the manufacturing ... be what you give to the private sector because it can do that best. It can give you a cost per unit equivalent to what the city users will get. But you can leave the pipes, the distribution network, for the local councils, for your state government bodies to run. It should be the pipes that attract any cross-subsidisation, not the production end of it. At the moment we have in the bush a lot of pricing structures which in fact subsidise consumption, and it leads to distortions. Again, you need look no further than national competition policy to find some of the solutions to getting rid of the distortions that are in the system so that we get this public-private partnership working effectively.<sup>14</sup>

## Policy framework

- 3.16 The need for a coherent government policy framework that could lead to sustainable regional development was emphasised time and again to the committee. The Regional Development Council of Western Australia stated that Western Australia's Regional Development Commissions formed a well established network that could link programs across all levels of government. It claimed that the federal government approach to regional development policy had been 'ad hoc' 'with only occasional bursts of enthusiasm' and described development of an integrated regional development framework as being of 'top priority at the national level'.<sup>15</sup> The Murray Regional Development Board Inc opposed full privatisation of infrastructure provision on the grounds of equity and

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12 *South Australian Regional Development Taskforce Report*, State Government of South Australia, April 1999, p. 52.

13 Eyre Regional Development Board, Submission no. 185, p. 3.

14 Australian Council for Infrastructure Development, Transcript of Evidence, 21 June 1999, p. 11.

15 Regional Development Council of Western Australia, Submission no. 286, pp. i-ii.

stated that infrastructure planning would 'shape regional economic development into the next millenium'.<sup>16</sup>

*National strategy/oversight*

- 3.17 The National Rural Health Alliance claimed that current approaches to rural development were not working. It called for the establishment of an independent Rural Development Commission, 'uniquely positioned with respect to all levels of government, [that could] take the lead in national development and application of a new approach to regional and rural development in Australia'.
- 3.18 Other suggestions put to the committee were establishment of:
- a national infrastructure strategy;
  - an overarching federal portfolio;
  - a National Infrastructure Advisory Council (NIAC), originally recommended in 1995 by the Economic Planning Advisory Committee's Private Infrastructure Taskforce; and
  - a national construction authority with responsibility for planning infrastructure that is in the interests of the nation as a whole.<sup>17</sup>
- 3.19 A recent report on infrastructure by the Institution of Engineers called for the promotion and underwriting of a NIAC by all governments with expertise from the public and private sector. It proposed that the NIAC advise and report through the Council of Australian Governments (COAG) on how to facilitate the efficient and equitable provision of national infrastructure by both the public and private sector based on longer term planning for sustainable development and operation.<sup>18</sup>
- 3.20 Australian Project Developments proposed establishing a Regional Infrastructure Investment Fund with conditions including:
- annual budget of \$500-800 million for 4-5 years;
  - funding (excluding road funding) as one-off grants, with possible Commonwealth equity in selected projects;
  - eligibility only to projects delivering public benefits;
  - criteria including facilitation of regional best practice, sustainable jobs and export development, and evidence of matching funding; and

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16 Murray Regional Development Board Inc, Submission no 178, p. 12.

17 Professor Lance Endersbee, Submission no. 208, p. 4.

18 *A Report Card on the Nation's Infrastructure: Investigating the Health of Australia's Water Systems, Roads, Railways and Bridges*, Institution of Engineers, Australia, December 1999, pp. 46-49.

- government officials, industrialists, and possible cross-party representation of Senators or Members to develop recommendations, for consideration by Ministers whose portfolios have relevance to regional economic development.<sup>19</sup>

- 3.21 There was general agreement on the urgent need for wide dissemination of a national infrastructure policy and the adoption of a whole of government approach to regional development. Strong leadership and a coordinated approach by all tiers of government was considered essential to support the momentum for growth that can be underpinned by private investment.<sup>20</sup>
- 3.22 Gippsland Development Ltd, representing five municipal shire councils in Gippsland, cited political imperatives and bureaucratic inertia as major impediments to regional development and advocated implementation of the recommendations of the Kelty Taskforce (1993-95).

Nothing substantially has changed in relation to the issues that constrain development in Australia's regions. It is the lack of will, both politically (sic) and within the bureaucracy to deliver directly into the regions, that has failed the Australian society. Federal - State coordination has failed to provide an efficient process where complementary programs channel a "shandy" of significant funds to the "coal face". By the time the structures and guidelines are put into place, the next election cycle begins and all is shelved. The faces change, information and continuity is lost, and the strategic work is misplaced.<sup>21</sup>

## Planning

- 3.23 Duplication, overlap, fragmentation and misallocation of resources in relation to infrastructure result from a lack of coordination and cooperation across the three levels of government. The need for alignment of policies and directions across the three tiers of government based on joint/cooperative agreements between governments and the development of effective public/private partnerships to address infrastructure needs identified by communities on a regional basis, was a common theme.

It is quite rare for us to run into a project where all three of the governments involved or interested in a significant regional project have an agreed set of outcomes that they want to achieve and an agreed mechanism for achieving a quick result.<sup>22</sup>

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19 Australian Project Developments Pty Ltd, Submission no. 254, p. 8.

20 For example, Peel Regional Development Commission, Submission no 117, p. 2.

21 Gippsland Development Ltd, Submission no. 222, p. 1.

22 Australian Constructors Association, Transcript of Evidence, 23 August 1999, p. 105.



- 3.24 The Institution of Engineers claimed that ‘planning of and for infrastructure is a much neglected aspect’ of the infrastructure debate and pointed to the shift from the public to the private sector of infrastructure services and skills as a result of policy changes in recent years.<sup>23</sup>
- 3.25 The Mayor of Townsville City Council told the committee during a private meeting that regional development would be greatly facilitated if the Commonwealth government became more actively involved in strategic planning for infrastructure. Appropriate resources and a focus on integrated planning are needed. For example, a program to determine ‘regions of national importance’, similar to that of identifying ‘roads of national importance’, could be developed.
- 3.26 Consistent project guidelines and better cooperation on a project by project basis was needed, not only across but also within jurisdictions. Amalgamation of councils to provide critical mass and consistency, especially for major projects affecting a whole region, and effective partnerships with the private sector was needed.
- Regional endeavour must be integrated and strategic over a least a 10-15 year time span, in order to achieve the critical mass of productivity required to contribute to Australia being internationally competitive. This must be underpinned by local government being regionally coordinated and strategic (to provide appropriate community auspice and imprimatur). An endorsed regional strategy should be focussed upon a true partnerships with the private sector. It is the private sector, in partnership with government, that will finance the infrastructure (directly and indirectly) for regional development.<sup>24</sup>
- 3.27 The Royal Australian Planning Institute claimed that there was a dearth of coordinated, strategic and integrated infrastructure planning that linked infrastructure to land use especially within local government and between state and local government. Along with other submissions, it emphasised the need to take account of all three dimensions of environmentally sustainable development - social, economic and environmental considerations.<sup>25</sup>
- 3.28 Ballarat City Council argued for curtailment of uncontrolled bidding for government assistance, with projects ‘directed to those regions that have the best location advantages for the development concerned’.<sup>26</sup> A ‘whole

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23 Institution of Engineers, Submission no. 234, p. 6.

24 Gippsland Development Ltd, Submission no. 222, p. 1.

25 Royal Australian Planning Institute, Submission no 242, pp. 1, 7.

26 Ballarat City Council, Submission no. 92, p. 1.

of government' and 'whole of region' perspective, including the possibility of trading investments, was needed.

Regional economic development planning would provide a good 'spatial' framework for the Commonwealth and State Governments to start to implement a national strategy for infrastructure provision. Instead of the current practice of Government Departments and agencies considering infrastructure provision in the context of their own service delivery programs, infrastructure requirements should be considered against regional economic strategies. ... the prioritising of infrastructure would be from a 'whole of government' and a 'whole of region' perspective. Regions should be given opportunities to trade off some capital investment in favour of others.<sup>27</sup>

- 3.29 States are developing a range of policies to facilitate the economic development of regions within their jurisdictions, including integrated planning processes, developed in consultation with local governments and communities.
- 3.30 Western Australia has the most comprehensive and integrated model with a Regional Development Council and nine Regional Development Commissions. In a private meeting with Transport Western Australia, the committee was told of 'package approaches across a whole region' in which critical components, such as telecommunications, transport, water and energy, are linked. For example, the Goldfields-Esperance Development Commission is examining the possibility of desalinating water from the south coast for piping to the northern goldfields and providing telecommunications infrastructure along the railway.
- 3.31 Some states are well advanced in terms of strategic transport planning.
- *Action for Transport 2010: An Integrated Transport Plan for New South Wales* sets out a long-term vision and a 12-point action plan outlining initiatives to meet the state's transport needs into the next century.<sup>28</sup>  
⇒ A good example of integrated planning is the *Central West Transport Study* that involved 13 councils and considered two scenarios projecting freight and people traffic by air, on rail and on national, state and regional roads to 2007-2008.<sup>29</sup>
  - *Transporting Victoria* is one element of an integrated, whole-of-government approach to support sustained regional, state and national development.

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27 Townsville City Council, Submission no. 176, p. 10.

28 New South Wales government, Submission no. 260, p. 14.

29 Central West Transport Study: Final Report, June 1996, SMEC Australia Pty Ltd.

- The Queensland government stated that it is 'committed to a system of regional transport planning to coordinate transport investment across the State. This planning process is being undertaken in conjunction with the Commonwealth and local governments, industry and community groups'.<sup>30</sup> A 25 year plan (an Integrated Regional Transport Plan (IRTP) to develop and manage the transport system for South East Queensland was endorsed by the State government in 1997, and IRTPs are underway in several other regions.
- Six regional transport strategies have been produced in Western Australia. A statewide Transport Infrastructure Project (TIP) is looking at interstate and international transport linkages and intermodalism in the context of 'identification and evaluation of a full range of options'.<sup>31</sup>

3.32 AusCID advocated 'national oversight' rather than a 'national plan.'

... the notion of a national 'plan' is probably not feasible, but national oversight, given that the federal government is the steward of the national economy, would find some favour in the private sector simply because we need better information flows. We need better exchange of information, particularly as we move into an era where there is the roll-out of national competition policy and where the degree of contestability available now in markets did not exist 10 years ago—for example, in the electricity market. There have to be cross-border exchanges. There has to be an understanding of what the needs are in different jurisdictions and how those needs will be fulfilled, and that requires cooperation between governments.<sup>32</sup>

3.33 The committee strongly agrees with the need for a national, coherent, strategic, coordinated 'whole of government' approach to regional development and planning, appropriate to Australia's federal system.

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30 Queensland government, Submission no. 257, p. 36.

31 Western Australian government, Submission no. 273, p. 10.

32 Australian Council for Infrastructure Development, Transcript of Evidence, 21 June 1999, p. 7.

**Recommendation 5**

- 3.34 **The committee recommends that the Department of Transport and Regional Services work with state, territory and local governments, to:**
- **develop national, ‘whole of government’ and ‘whole of region’ integrated, coordinated and strategic infrastructure planning; and**
  - **assist local government to improve infrastructure planning.**
- 3.35 The committee also agrees with the need for a systematic approach to identifying and assessing infrastructure opportunities that will enhance productive capacity and regional development, taking account of all social and environmental benefits.
- 3.36 Fred Argy argued that there was inadequate machinery for federal-state regional infrastructure planning, and a lack of a sound national system of evaluation, application and prioritisation of infrastructure projects. He advocated:
- collation of information about infrastructure needs and opportunities, with the Commonwealth government taking a lead role; and
  - rigorous benefit cost analysis by a national advisory council, with dissemination of the information to investors.
- 3.37 He advised the committee that it was likely that regional projects would rank higher than otherwise if the analysis took account of all social, economic and environmental benefits to regions. He strongly supported analytical consistency within and across jurisdictions and stated that a wide range of techniques was now available to quantify benefits and costs.<sup>33</sup>

**Recommendation 6**

- 3.38 **The committee recommends that the Commonwealth government establish a National Infrastructure Advisory Council (NIAC), with expertise from the public and the private sectors, to facilitate the efficient and equitable provision of national infrastructure by both public and private sector stakeholders.**

**Recommendation 7**

- 3.39 **The committee recommends that the function of the proposed National Infrastructure Advisory Council be to report through the Council of Australian Governments to Ministers responsible for regional development on:**
- **what strategic infrastructure development is taking place;**
  - **projects meeting national criteria that could be developed across regions and between states; and**
  - **international developments in infrastructure funding models.**
- 3.40 The committee expects that the proposed NIAC, through promotion and advice, will:
- encourage and invite participation from all stakeholders including community organisations and individuals;
  - encourage alignment of infrastructure policies, planning and assessment across all levels of government through consultation and closer cooperation between governments;
  - encourage consistent application of investment criteria and cost benefit analyses across and within jurisdictions with reference to existing criteria such as those underlying the Infrastructure Bonds Taxation Offset (IBTO) scheme, the strategic investment coordination process and state government private investment guidelines; and
  - encourage development of effective public/private partnerships to address infrastructure needs identified by communities on a regional basis in consultation with governments, industry and business.

### *Community involvement*

- 3.41 The need for regional development to be community-driven so that infrastructure needs specific to regions were met, was emphasised time and again to the committee. It was considered that, despite the increasing degree to which economic outcomes are determined by global events, community action could make a difference.

Regional Diversity – It is vital that the committee recognize the complexities and diversities of each region / sub region in dealing with infrastructure matters and priorities.

... a “bottom up” approach, namely having due regard to the experience, views of and trust in the judgements of Regional Leaders, rather than persisting with past practice of mandated “top-down” approaches, from remote, centralized, Federal and State provision agencies [is needed].<sup>34</sup>

- 3.42 Regions needed to look beyond infrastructure to the identification of their economic strengths.

A far more logical approach to regional development is to recognise regions for their natural strengths and "expertise" and categorise them by their locational advantage for particular types of industry and business.<sup>35</sup>

- 3.43 This view was supported by Fred Argy:

... I do not think infrastructure alone will be enough to achieve the kind of regional development that you might be striving for; you would also need other complementary measures ...<sup>36</sup>

and accords with the declaration of the Regional Australia Summit that ‘regional (including rural and remote) Australians want to shape their own futures. ... in a journey of partnership ... to be forged among governments, business and communities’ based on ‘more comprehensive participation by regional Australians in decisions affecting them and the broader Australian community’.<sup>37</sup>

- 3.44 State governments are taking a strategic, ‘bottom up’ approach in developing regional planning frameworks. For example, Victoria’s framework for decision making in response to the needs of rural and regional communities is based on ‘most importantly, the need to listen to

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34 For example, Central Goldfields Shire Council, Submission no. 167, pp. 1-2; and Perry Shire Council, Submission no. 65, p. 1.

35 Ballarat City Council, Submission no. 92, p. 6.

36 Fred Argy, Transcript of Evidence, 22 September 1999, p. 148.

37 Communique, Regional Australia Summit, October 1999.

rural and regional communities, and work with them to understand how to best meet their infrastructure needs and better use existing infrastructure assets. It is also important to recognise the role of community leadership in decision-making and driving regional initiatives'.<sup>38</sup>

- 3.45 Winton Shire argued for 'on-the-ground research' at local level, with expert assistance from state and federal governments, including significant funding assistance, and local input to achieve commitment to projects targeted to attract private investment. It cited construction of the shire's Waltzing Matilda Centre using a combination of state subsidies, local contributions and private investment as an example of a successful partnership between governments, the community and the private sector.<sup>39</sup>
- 3.46 The committee strongly supports the continued development of partnerships between the public and private sectors with more autonomy for local communities to drive development in their region, based on their acceptance of responsibility for securing infrastructure appropriate to specific regional needs. The committee considers it imperative that public/private funding partnerships be encouraged and facilitated by governments, including through taxation reform and provision of incentives. A range of funding initiatives involving the private sector for particular sectors, such as roads, power and water, has been discussed elsewhere in this report.

### *Regional organisations*

- 3.47 Many submissions claimed that regional organisations were the critical linchpin for sustainable, community generated regional development and urged that the government commit to providing secure long-term funding for these organisations.

The need for large regional development organisational structures, owned by the community, is the primary success formula for regional development. It provides the "critical mass" necessary to be acceptable to private sector and government alike. It is also the right "critical mass" to look at the big picture.

The community needs the "tools" (infrastructure) to be self-empowered. It needs the "tools" to be able to manage change. This can only be provided by the RDO type structure - which has a

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38 Victorian government, Submission no. 247, p. 2.

39 Winton Shire Council, Submission no. 127, pp. 4-5.

successful history of working with the private sector and the community.<sup>40</sup>

- 3.48 The committee's attention was drawn to the fact that, despite changed emphases and continual program modification, a plethora of regional organisations, set up over the past decade, exist:
- Area Consultative Committees (ACCs), introduced as part of Working Nation, whose roles expanded from an employment focus to including economic development;
  - some Regional Economic Development Organisations (REDOs) that secured alternative funding following cessation of the program after the National Commission of Audit Inquiry in 1996 (REDOs were set up as part of the Keating government's Regional Development Program to promote competition, regional leadership and best practice);
  - Voluntary Regional Organisations of Councils, comprising local government councils whose membership is voluntary and with a focus on matters of interest to their 'region'; and
  - Networks of regional development agencies set up by some state governments under individual state regional development frameworks or strategies.
- 3.49 The committee considers there is an urgent need for rationalisation of this state of affairs. At the Regional Australia Summit, a taskforce to review the range of models used to deliver government funding and services to regional areas was proposed by the chair of the Gascoyne Murchison Strategy in Western Australia.
- 3.50 Several submissions argued that ACCs were underutilised and that the ACC network could act 'as a conduit for information provision and dissemination' between governments and regional communities.<sup>41</sup> The ACC model was supported on the basis of greater local ownership than other regional organisations and for providing more integrated, specific and tailored assistance, readily available at the point of need. The Australian Catholic Social Welfare Commission has argued that ACCs should 'become the central stakeholder in any national regional development and job creation strategy' with responsibility for a wide

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40 Outback Regional Development Council Inc, Submission no. 220, p. 1.

41 For example, South East Area Consultative Committee and Greater Green Triangle Area Consultative Committee (South Australia), Submission no. 88, p. 1; Hunter Area Consultative Committee, Submission no. 180; Eyre Regional Development Board, Submission no. 185.



range of tasks, including investigation of the impact of national competition policy, microeconomic reform and fiscal restraint.<sup>42</sup>

- 3.51 Submitters from Western Australia and South Australia called for strengthening the existing links between Commonwealth, state and local governments and working relationships with state regional development boards.<sup>43</sup> The Eyre Regional Development Board supported ‘unbundling’ of government support and assistance programs with the regions having ‘the final say as to which sector is likely to show the best return on the use of public sector investment ...’

Requirements of infrastructure in regional areas will not always fit the policy structure of one agency. It must be made available on an equitable basis across the various industry sectors, leading the economic growth of that region.

The challenge is to develop a widely accepted model, coordinating responsibility to ensure proper interface with the Federal Government on all regional development matters. There is an immediate need to revise the current process to ensure that the priorities for infrastructure funding be decided upon after consultation with the appropriate Regional Development Organisation in each State.

Regional Development Boards in South Australia provide a direct and positive link between the private sector, Government and the community and we would encourage the Federal Government to build and develop those relationships.<sup>44</sup>

- 3.52 An independent, self-funding regional organisation committed to the long term sustainable economic growth of the Riverina of NSW and North East Victoria, was set up in March 1996 to capitalise on leadership provided by local entrepreneurs and key stakeholders. Using ‘an innovative and systematic approach to encourage self-reliance, entrepreneurial activities and empowerment of rural communities’, the Regional Business Development Network Inc. has encouraged establishment of new initiatives and industry groups that are developing value adding and processing in both new and emerging industries as well as traditional industries. The Network criticises the lack of outcomes from existing government initiatives that have been dogged by ‘constant movement of local and state government economic officers’, lack of coordination and focus, and appointment of officials with questionable competence,

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42 *Regional Unemployment and the Indirect Employer: Beyond the Principle of Self-Reliance*, Australian Catholic Social Welfare Commission, vol 7, no. 2, August 99, p. 11.

43 Regional Development Council of Western Australia, Submission no. 286, covering letter p. 1.

44 Eyre Regional Development Board, Submission no. 185, p. 7.

credibility and skills, resulting in a 'mix/mess of economic activities'. It also criticises the lack of transparency and community consultation associated with federal government programs and urges much greater accountability for funding, especially that provided from the Commonwealth to states for regional development.<sup>45</sup>

- 3.53 A number of submissions argued for a greater role for local government in regional development initiatives. The committee is concerned, however, at the lack of expertise at the local level to assess, evaluate and promote regional infrastructure initiatives.
- 3.54 It was also advised on many occasions that the capacity of local government to fund infrastructure had been adversely affected by reduced funding from state governments. A recent report on Victorian local councils' infrastructure indicated large backlogs in infrastructure maintenance throughout regional Victoria, with underspending by most councils to maintain infrastructure at sustainable levels. Estimates of increased expenditure on infrastructure that would be required over the next five years for asset renewal varied between 25 and 50 per cent.
- 3.55 The committee strongly agrees that a community driven 'bottom up' approach to regional development, with targeted assistance especially for education, training and development of a regional skills base and leadership potential, is likely to achieve more than 'top down' approaches that are subject to political and bureaucratic complexity. It considers that closer links are needed between the Commonwealth government and state regional development strategies and agrees with calls for a review of the present range of regional development organisations, with a view to implementing the most efficient structure for regional development.
- 3.56 It considers that organisations based in regions should be the conduit for information on regional development needs, government assistance/programs, investment information and community input to governments, the private sector and the NIAC. Organisations must have the support of their communities and governments should facilitate community input from regional organisations to the NIAC and the development of partnerships between business, industry and government. The committee supports transparency and full accountability of all regional development processes and calls for the establishment of mechanisms to ensure this.

## Recommendation 8

### 3.57 The committee recommends:

- **rationalisation of the many different regional organisations that currently exist; and**
- **that, in relation to the model used to deliver government funding and services to regional areas:**
  - ⇒ **its membership has the expertise to advise the proposed National Infrastructure Advisory Council; and**
  - ⇒ **the body itself reflects the area that it is designed to service.**

## National Competition Policy

3.58 The effects of national competition policy in relation to specific sectors are discussed elsewhere in this report. As noted in these sections, implementation of the policy generates both support and opposition. The Royal Australian Planning Institute argued that the Kelty report's claim for 'popular support for policies designed to open up Australia to greater competition' has been challenged by the events of the intervening six years.<sup>46</sup>

3.59 On the other hand, the Department of Foreign Affairs and Trade referred to the 'significant and positive effect on rural and regional exporters' ability to compete in international markets and consequently on Australia's trade performance' resulting from reductions in tariffs and other reforms, including the introduction of the NCP.<sup>47</sup> Coliban Water pointed to lower cost projects with benefits passed on to customers as a result of competition between bidders.<sup>48</sup>

3.60 Writing about the United Kingdom's experience, Helm and Jenkinson (1998) stressed that competition is 'a means to an end' and that market failures and government failures differ between industries, possibly requiring different arrangements for achievement of efficiencies in different industries. In the case of those adversely affected by restructuring due to the introduction of competition, restructuring assistance was advocated. Appropriate assignment of the costs and risks

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46 Royal Australian Planning Institute, Submission no. 242, pp. 1, 6.

47 Department of Foreign Affairs and Trade, Submission no. 249, p. 2.

48 Coliban Water, Submission no. 116, p. 4.

of the transitional period and exercise of regulatory discretion was imperative.<sup>49</sup>

- 3.61 The September 1999 report of the Productivity Commission on the impact of competition policy reforms on rural and regional Australia concluded that NCP was only one of the influences affecting regional Australia. Although the early benefits of NCP have favoured metropolitan areas and there are costs associated with its implementation, there will be net benefits to the nation and to regional Australia as a whole over the medium term. **It urged action to improve community understanding of NCP and, ‘where adjustment pressures develop rapidly and are regionally concentrated’, close attention by governments to the need for specific forms of adjustment assistance for some people in adversely affected regions, as distinct from generally available assistance measures.**<sup>50</sup>
- 3.62 The need for more information and education about the benefits of private sector investment and properly implemented competition policy was advocated on a number of occasions to the committee. There was also wide-ranging support for adequate restructuring assistance for adversely affected communities. What is required, according to AusCID, is ‘the development by government and affected communities of a common community (or universal) service obligation in relation to basic infrastructure services, paid for by the tax base’.<sup>51</sup>
- 3.63 The committee supports calls for steps to significantly improve community understanding of NCP, particularly in relation to how matters of wider public interest including social considerations are taken into account in its implementation. It also strongly supports adequate, specifically targeted and funded restructuring assistance for adversely affected communities.

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49 D Helm, T Jenkinson, eds, *Competition in Regulated Industries*, Oxford University Press, London, 1998, pp. 21-22.

50 *Impact of Competition Policy Reforms on Rural and Regional Australia*, Report No. 8, September 1999.

51 D O’Neill, *Infrastructure: The Challenge*, paper given at the Regional Australia Summit, October 1999, p. 4.

## Recommendation 9

- 3.64 **The committee recommends that the Commonwealth Government take urgent steps to implement the recommendations made in 1999 by the Productivity Commission in its report *Impact of Competition Policy Reforms on Rural and Regional Australia* relating to:**
- **community understanding of national competition policy; and**
  - **assistance for people adversely affected by national competition policy.**

## Information and data issues

- 3.65 The Association of Consulting Surveyors Australia argued that accessible quality spatial information was the foundation of infrastructure planning that would lead to informed management and investment decisions, reduction in duplication, inconsistency and inefficiency across jurisdictions.<sup>52</sup> Among other submissions, the ERIC Environmental Research & Information Consortium pointed to the lack of coordination between government agencies concerning collection of information and the barriers to data availability and access that exist.<sup>53</sup>
- 3.66 **An infrastructure audit was advocated by many submissions as the basis for holistic assessment and prioritisation of infrastructure needs.** Spare capacity in relation to regional infrastructure was cited as one reason for an audit. Central Goldfields Shire argued that Australia could not afford to underuse existing and available infrastructure in favour of expending large sums of unsustainable new infrastructure in metropolitan areas.<sup>54</sup>
- 3.67 AusCID told the committee that inadequacy of information was identified as a major constraint to informed investment decision making by the IIS project.

Different regions had a different ability to identify what was the existing quality of infrastructure across a range of sectors in that region and, projecting forward, offer different qualities of insights as to what they might need. Certainly we would be inclined to

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52 Association of Consulting Surveyors Australia, Submission no. 181, pp. 1-2.

53 ERIC Environmental Research & Information Consortium, Submission no. 37, pp. 1-3.

54 Central Goldfields Shire Council, Submission no. 167, p. 1.

draw the committee's attention to the EPAC analysis in 1995 in which there were several recommendations about national oversight relating to information exchange relating to infrastructure in the states. This goes to the notion of infrastructure audits—the exchange of information to assist the strategic planning process within the states.<sup>55</sup>

- 3.68 The South Australian Regional Development Taskforce said that an audit would help to improve planning and coordination of infrastructure delivery, and reduce duplication of efforts by state and Commonwealth governments. The results of the audit would be matched against needs.

Regional endeavour must be integrated and strategic over at least a 10-15 year time span, in order to achieve the critical mass of productivity required to contribute to Australia being internationally competitive. This must be underpinned by local government being regionally coordinated and strategic ...<sup>56</sup>

- 3.69 The Australian Local Government Association (ALGA) discussed data issues

... relevant data sources are generally difficult to identify, scattered among institutions and agencies, organised on a sectoral (sic) basis, based on diverse geographic boundaries, and in many cases collected on a sample basis.<sup>57</sup>

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55 Australian Council for Infrastructure Development, Transcript of Evidence, 21 June 1999, p. 7.

56 *South Australian Regional Development Taskforce Report*, State Government of South Australia, April 1999, p. 71.

57 Australian Local Government Association, Submission no. 131, p. 9.

**Recommendation 10**

**3.70 The committee recommends that the proposed National Infrastructure Advisory Council ensure that a national audit of the state of existing regional infrastructure and future infrastructure needs be conducted.**

**The national audit should:**

- **identify existing regional infrastructure investment by the public and the private sector;**
- **identify projects requiring public/private sector partnership funding;**
- **build on audits already commenced by individual states and territories; and**
- **be undertaken transparently, across all jurisdictions and with full cooperation from all levels of government.**

**Recommendation 11**

**3.71 The committee recommends that, through the proposed National Infrastructure Advisory Council, the Commonwealth establishes processes for the upgrading, the accelerated acquisition and the sharing of data, including land, geographic, economic and social data, to better facilitate base information needed for infrastructure planning.**

**These processes should address the compatibility of data between government agencies and the availability and cost of data transfer between the public and private sectors.**