

To The Committee Secretary
Standing Committee on Primary Industries and Regional Services

Leighton Contractors Pty Limited (Leighton) wishes to congratulate the Committee for their endeavours to ensure that Australia's regional areas are developed in an economically sustainable manner.

In response to your Terms of Reference, Leighton has prepared the following submission. Leighton is cognisant of the need to address issues from a local and regional perspective, therefore, our submission has been structured from that regional perspective (being our Queensland/Northern Territory Branch).

Our submission demonstrates our understanding of the broader issues that are involved in infrastructure and regional development. It is structured to articulate not only the constructor's perspective, but also our recognition that infrastructure is a platform to support the economic development of our regions. Therefore, issues such as Government (Commonwealth, State and Local) fiscal management need to be addressed, with an emphasis placed on Government's considering infrastructure as an investment rather than as an expense on the Government's balance sheet.

The Leighton approach to business is to build and manage the relationships with our clients in such a way that all parties can mutually benefit. As the primary client in the area of infrastructure development, Government can achieve a successful outcome in increasing Australia's sustainable rate of economic growth through the investment in infrastructure. It is Leighton's aim to work together with all levels of Government to ensure that current and future generations enjoy an enhanced lifestyle through the economic and social benefits that infrastructure development brings.

Once again, Leighton thanks the Committee for the opportunity to contribute to this debate, and we would appreciate discussing our views with the Committee when time permits.

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My telephone number for your reference is (07) 3215 4411.

Yours faithfully
LEIGHTON CONTRACTORS PTY LIMITED

CRAIG PORTER
Manager Business Development



**Response to the Standing Committee on Primary Industries and Regional Services Inquiry
into
Infrastructure and the Development of Australia's Regional Areas
From
The Queensland and Northern Territory Branch of
Leighton Contractors Pty Limited (Leighton)**

Committee Terms of Reference

The House of Representatives Standing Committee on Primary Industries and Regional Services will inquire into and report on the role of infrastructure in assisting the economically sustainable development of Australia's regional areas. The Committee will, among other matters, consider and make recommendations about:

- *deficiencies in infrastructure which currently impede development in Australia's regional areas;*
- *factors that would enhance development in these areas, including the provision of infrastructure such as energy, transport, telecommunications, water supplies, and facilities that deliver educational, health and financial services;*
- *the potential for development in regional areas;*
- *the extent to which infrastructure development would generate employment in regional Australia;*
- *the role of the different levels of government and the private sector in providing infrastructure in regional areas;*
- *planning, coordination and cooperation in the provision of infrastructure in regional areas; and*
- *the benefit to the national economy of developing regional infrastructure.*

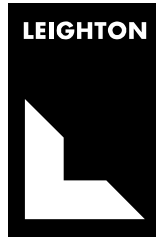
General Comment

As one of Australia's foremost infrastructure construction companies with a significant presence in Queensland, Leighton is cognisant of the need to ensure that appropriate infrastructure is developed to support the social and economic development of regional Australia.

Through our ongoing involvement in the provision of infrastructure (such as the Pacific Motorway between Brisbane and the Gold Coast and the Eastern Distributor in Sydney) we have developed an understanding of the broader economic issues that need to be addressed in the provision of infrastructure. Our experience has led us to believe that Industry and Government (at both political and bureaucratic levels) would benefit from a paradigm shift to consider infrastructure provision as an "investment" for the current and future generations rather than as "expenditure" on the Government's balance sheet.

If this broader perspective prevailed, we are confident that the current deficiencies in infrastructure which impede regional development would be eliminated.

This submission does not attempt to provide a solution to the Committee's Terms of Reference. Our aim is to bring to the Committee's attention an industry perspective on two of the issues included in the Terms of Reference.



Deficiencies in Infrastructure which Currently Impede Development

In assessing whether there are any impediments to regional development as a consequence of deficiencies in infrastructure provision, Leighton has undertaken a brief analysis of the current program of infrastructure articulated by Queensland State Government, as well as both the Commonwealth and Local Government levels – e.g. National Highway Program, Centenary of Federation Fund, National Heritage Program).

We have focussed primarily on land transport infrastructure, as we are aware of the critical role that such infrastructure such as roads has in the development of regions throughout Queensland.

From our analysis, we believe that there are a number of areas which face massive increases in demand due to the present infrastructure reaching “saturation” point. Projects required include:

- Increasing the capacity of the Bruce Highway between Brisbane and Maryborough to provide safe and economical access to service an ever-increasing domestic and commercial demand.
- Relieving the pressure on the Gateway Bridge across the Brisbane River through an additional crossing (either bridge or tunnel) and realigning the Gateway Arterial Road to enhance access to the Brisbane Airport (Australia’s second busiest international airport).
- Facilitating the increase in trade opportunities through the Brisbane Sea Port by construction of the Brisbane Port Road.
- Enhancing domestic and trade opportunities between New South Wales and Queensland by rationalising access across the border and constructing what is locally known as the “Tugun Bypass”.
- Upgrading the Barkly Highway between Cloncurry and the Northern Territory Border to permit safe and economical road train use and so enhance interstate and international trade.

If the infrastructure needed to service this capacity increase is not delivered over the next couple of years, the growth in this region (the fastest growing region in Australia) will be severely inhibited.

The Role of the different levels of Government and the Private Sector in Providing Infrastructure

This response is primarily focussed on the role of the State Government, as Leighton has the most inter-face with this level of government. The principles of our response would also be translatable to the other levels of government.

Our first point is to recognise that the role of government will depend to a large degree on the extent that the particular government has embraced the principles of Competition Policy, Competitive Tendering, Corporatisation and Privatisation. The Victorian State Government for example has, since the early 1990’s, introduced a regime requiring all local authorities to put a minimum of 50% of their involvement in this industry out to competitive tender. In Queensland, successive governments (both Labor and Coalition) have been reluctant to go so far. It appears that there is no “cure-all” position, given the varying nature of the States – both geographically and politically. Queensland, being by far the most decentralised State, has argued that Competition Policy should not prevail in rural and remote areas where the provision of infrastructure by the private sector may adversely affect the local economy (particularly local employment). In this context, we refer to “local” in general as the local community represented by local government.



It is our view that, where there is no adverse impact on local employment, the private sector providing infrastructure (planning, designing, building, managing and maintaining) enables greater opportunities for government to maximise value for money through innovation and adoption of “best practice” methods and systems. We hold this view in light of the private sector being subjected to market forces which demand that, in order to survive commercially, private sector organisations must embrace innovation and best practice.

We note that the actual delivery of the majority of infrastructure across regional Australia is currently carried out by the private sector. What we believe needs to change is the current paradigm held by Treasury organisations that, because governments can finance the provision of infrastructure at a lesser financing cost to the community, the private sector financing of infrastructure will lead to the community apparently not achieving value for money.

This paradigm has manifested itself over more than a decade, and is now such a prevalent view, that it has permeated into the political arena, such that politicians believe that having government debt could lead to political suicide. We understand that a number of governments have, or are in the process of, legislating that budgets must be brought down as surplus.

In Queensland, the Government will not borrow capital for infrastructure unless a revenue stream can be achieved from that infrastructure (e.g. a toll road). Given that “user-pays” principles for financing infrastructure are rarely adopted in Queensland, this policy, in conjunction with the one above where the Government may be unable (by its own legislation) to raise the necessary capital, will result in a restriction in the economic growth of regional Queensland. This will occur because the necessary infrastructure required to facilitate that growth (both economic – roads, rail etc - and social – schools, hospitals etc) will not be developed.

This narrow financial view of the provision of infrastructure, whilst commendable for not subjecting future generations to decades of financial debt (dubbed the principle of “Intergenerational Equity”), does not recognise a number of key issues:

- Whilst not raising a financial debt, the concept does raise a service delivery debt, in that infrastructure is not provided to support the policy outcomes of government.
- Infrastructure, by its very nature, requires a large financial commitment to maintain the desired level of service delivery outcomes. If that level of maintenance is not preserved, then the next generation will be subjected to paying a premium for replacement of the infrastructure due to a range of factors including increased construction costs over time.

Conclusion

Leighton aims to work collaboratively with all stakeholders to provide appropriate infrastructure to enhance the economic benefits for regional Australia. The discussion above attempts to bring together a number of issues that we believe will assist the Committee identify a way forward.

We recognise the constraints that government is subjected to, however, we feel that if government at all levels develops a closer understanding of industry concerns, and industry itself is more cognisant of the limitations imposed on governments, then a way forward will emerge.

Leighton thanks the Committee for the opportunity to contribute to this debate and would be happy to expand on these issues as the Committee may require.