

Standing Committee on Primary Industries and Regional Services

**Inquiry into infrastructure  
and the development of Australia's regional areas**

**submission by**

**MID WEST DEVELOPMENT COMMISSION**

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# **INFRASTRUCTURE AND THE DEVELOPMENT OF AUSTRALIA'S REGIONAL AREAS**

## **1.0 INTRODUCTION**

Timely provision of infrastructure is essential, indeed critical for the continued development of Australia's regional areas and indeed, the prosperity of Australia. This submission from the Mid West Development Commission will focus on examples drawn predominantly from the Mid West region of Western Australia and focusses most attention on economic infrastructure. This should not be interpreted as a lessening of importance attached to social infrastructure, rather that the Mid West Development Commission, through its activities and involvement in strategic regional planning, is better placed to provide worthwhile comment in this area.

## **2.0 MID WEST DEVELOPMENT COMMISSION**

The Mid West Development Commission (MWDC) is a statutory authority responsible for the promotion of economic development in the Mid West region of Western Australia. It is one of nine regional development commissions covering the state.

## **3.0 THE MID WEST REGION**

### **3.1 Mid West regional economy – overview**

The Mid West region covers about 470,000 km<sup>2</sup> or one fifth the land area of the state of Western Australia. It is home to over 50,000 people with over 60% living in the built up area of Geraldton, the region's major commercial, administrative and service centre.

The Mid West has a diverse economy though it is based predominantly on the mining, agriculture, fishing and tourism industries. While most product is exported in its primary form, there is increased effort at all levels to encourage and promote diversification into value added enterprises. Mining has been a major growth sector with the value of mineral products more than doubling in the four year period from 1991/92 to 1995/96 to be worth about \$1.5 billion.

### **3.2 Contribution to state and national wealth**

Regional Western Australia makes a substantial economic contribution to the state and nation. With just 27% of Western Australia's population,

regional Western Australia contributes 87% of the state's exports worth over \$24 billion and 18% of the nation's exports.

According to the Mid West region's economic development strategy, Towards 2010 (1996), the Mid West contributed approximately 2% of Australia's exports and 26% of Western Australia's exports in 1993/94. More interestingly, the Mid West produced \$26,000 of exports per capita (epc), while WA produced \$9,700 epc and Australia, \$3,589 epc.

#### **4.0 SUCCESSFUL PROVISION OF INFRASTRUCTURE**

There are a number of examples where the provision of infrastructure has made a significant contribution to the development of the Mid West region. A few are outlined below:

##### **4.1 Narngulu Industrial Estate**

Developed in the mid 1970's the Narngulu industrial estate, 5 kms SE of Geraldton, has been a catalyst for industrial development in the Mid West. Amongst others, the estate accommodates Westralian Sands (formerly RGC Mineral Sands) – Geraldton's largest single employer. The MWDC receives regular enquiries from development proponents on the availability and cost of serviced industrial land.

##### **4.2 Gas pipelines**

The Mid West region is traversed by three natural gas pipelines – the Dampier Bunbury Natural Gas Pipeline (DBNGP), the Goldfields Gas Transmission Line (GGTL) and the Parmelia Line. A spur is currently being constructed to take natural gas from the DBNGP to a proposed vanadium development at Windimurra, 80 kms SE of Mount Magnet. All lines, and particularly the GGTL, have stimulated exploration and mining activity in the region by providing access to reliable, and competitive supplies of energy.

##### **4.3 Geraldton port**

Geraldton was established in 1850 primarily as a port. Since that time, the development of its hinterland has been very much contingent on the efficiency and effectiveness of the port. The port continues to develop in order to satisfy client needs though its inability to handle containers at present and its relatively shallow draught are impediments. Similarly, the absence of a suitable ship docking facility is resulting in ship maintenance service opportunities being lost from the local economy. The latter issue has been the subject of a recent study and will be discussed later in this submission.

#### **4.4 Road network**

The region's road network is slowly being upgraded. Of particular importance is the sealing of east-west roads, which link the resource rich hinterland with the service centre, and port of Geraldton. These roads (Mount Magnet – Leinster and Meekatharra – Wiluna) will be sealed over the next five years under the TransformWA Program, funded by a levy on all Western Australian vehicle owners. Numerous enquiries have been received by the MWDC in respect to establishing processing plants in Geraldton, using raw materials sourced in the hinterland, to take advantage of its transport and industrial infrastructure.

#### **4.5 Virtual Learning Environment**

The Central West College of TAFE based in Geraldton was recently successful in attracting funding under the federal government's Networking the Nation initiative. This on-line project involves a partnership with local business and will see cost-effective training and educational courses provided via Internet to communities beyond Geraldton.

#### **4.6 Wiluna airstrip**

The Wiluna airstrip was recently upgraded to a sealed surface to enable all weather capability. Previously, airstrips at Wiluna and surrounding mining communities could be closed for days due to flooding throwing fly in – fly out arrangements into chaos.

#### **4.7 Community infrastructure**

Geraldton is an established major regional centre largely because of its economic and social infrastructure. There is broad agreement that community infrastructure and the lifestyle a centre can provide are as important in the marketing of the city and the region as its economic and industrial capability. Geraldton has a quality theatre and entertainment complex, a new aquatic centre is being built, a recreational marina and associated land development is in the last stages of planning and a new regional museum will be completed over the next year. Quality private and public schools, and sport and recreational facilities support this infrastructure. These facilities keep people in regional communities and are key assets in developing strategies to attract new industry and people to regional areas. They need to be supported with adequate funding.

#### **4.8 Tourism related infrastructure**

Kalbarri, located 160 kms north of Geraldton is now one of Western Australia's major tourist destinations, its popularity increasing enormously since the main road into the town was sealed in the 1970's. Sealing of an alternative coastal route should further boost visitation by offerings a

circuitous route to the town. Planning is currently underway to construct a new road linking Kalbarri with world heritage attractions at Shark Bay.

Sealing of the road from the North West Coastal Highway to Coral Bay in 1985 in the adjacent Gascoyne region saw visitation numbers increase by 62% over the following two year period.

#### **4.8 Deregulation – water access/ energy**

##### **4.8.1 Water**

Geraldton is in the process of establishing a horticulture precinct. Recent changes to regulations will enable a third party to provide water to horticulturists within this precinct and beyond and literally breathe life into what has been regarded as an underdeveloped industry within the Mid West region. Being labour intensive, the provision of infrastructure to further develop horticulture has the potential to provide significant local employment opportunities.

##### **4.8.2 Energy**

It is expected that the state government's move to put its non-grid power generation business to tender and to allow third party access to government distribution networks will see a more reliable and cost effective supply of power to regional enterprises and residents. This will be enhanced if expansion of the region's natural gas pipeline network continues as is currently happening with the construction of the Mid West Gas Pipeline, linking the DBNGP near Geraldton with the Windimurra vanadium project SE of Mount Magnet. It is also expected the state owned spur line linking the DBNGP and Geraldton will be opened to market forces to ensure the price disadvantage Geraldton based businesses currently suffer is addressed.

#### **5.0 MID WEST - PLANNING FOR THE FUTURE**

Like most of regional Australia, the Mid West region has undergone extensive planning over the last few years. Key regional documents include the regions economic development strategy Towards 2010, the Geraldton Region Plan and the Mid West Communications Strategy. A Mid West Regional Transport Strategy is in the draft stage of preparation and will be finalised over the next few months.

At the core of all these strategies is the identification of the infrastructure needs and priorities of the region to support existing activity, stimulate expansion and

encourage diversification into downstream processing of primary products as well as enhancing the quality of lifestyle for residents. In this respect infrastructure includes transport and industrial infrastructure, utilities such as power, water and sewerage, telecommunications and social infrastructure such as schools, medical facilities, sport and recreation and other community infrastructure.

In respect to economic infrastructure, gaps have been identified. Towards 2010 (p30) for example states:

*“ As the push to value add and downstream process continues, there will be increasingly more pressure to expand export related infrastructure. Already deficiencies in economic infrastructure are evident including the lack of sealed east-west roads: the need for more freight space out of Perth and direct reliable links to it; the need for an alternative major industrial site; the continuing development of the (Geraldton) port (and /or the construction of a deep water port) and appropriate storage and handling facilities.”*

Further, the huge potential for mining and resource processing in the Mid West has been identified resulting in the preparation of the Mid West Minerals Study. This study is currently being undertaken as a tripartite funding arrangement involving the federal and state governments and the private sector. Broadly the study aims to identify the mining development and resource processing potential of the Mid West, determine future infrastructure needs and suggest ways in which infrastructure provision can be coordinated and funded.

The Western Australian State Government is currently preparing a Regional Development Policy. A key objective of this is “Providing Infrastructure.”

## **6.0 DEMAND AND SUPPLY**

As indicated above, there are many examples where the timely provision of infrastructure has seen significant regional and national benefits. It is clear that regional Western Australia is a major export earner for the nation. It is also apparent that regional development requires further provision of infrastructure.

Partly to satisfy calls for accountability, Governments today seem to have adopted the view that infrastructure will be provided if it is economically viable. While this demand driven philosophy is an economically sound basis on which to assess future developments, it does little to enhance the export earning capacity of regions such as the Mid West, which has twice the area of the United Kingdom. It also fails to provide for the quality of life of regional areas where the population base is small, distances are great and the economics do not always stack up.

As a case in point, the Western Australian State Government is looking to establish a major industrial estate and deepwater port in the Mid West at Oakajee, 20 kms north of Geraldton. Two issues emerge:

- Is an industrial estate adjacent to the coast and deep-water port the most cost-effective option for the broader regional development perspective? Certainly the economics suggest it is. On the other hand the resources processed in this estate will probably be sourced from the hinterland. Communities in these areas would like the opportunity to establish major processing industry within their areas in order to boost employment opportunities and reverse the rural urban drift, which is seeing their youth relocate to larger centres. These communities may then benefit from the increased critical mass of numbers and perhaps be in a better position to offer improved services to its residents including schools, medical and telecommunications. Is there a role for government to provide additional resource commitment to help decentralise major economic activity?
- Assuming Oakajee is to be established (the community in general supports it), does the region and the nation need to wait for a major project to come along before the estate and/or deepwater port are built? The recent downturn in Asia has seen some of the timeframes for major projects planned for the region pushed out. A staged development of Oakajee including the provision of basic infrastructure such as roads, power and water could see a number of medium and smaller projects being attracted to the region. However, this is likely to be dependent on the provision of competitive supplies of energy and gas which may require the establishment of a major project in the first instance.

The above example suggests that on occasions, the supply of strategic infrastructure could induce demand. This can be illustrated with two examples from the Mid West.

- The construction of the Goldfields Gas Transmission line has stimulated exploration and mining activity in the eastern part of the Mid West region.
- Telstra installed a mobile telephone system in Meekatharra. The subsequent demand for services has proven to be much higher than originally gauged by Telstra resulting in a new service in the mining centre of Mount Magnet (about 200 kms to the SW) and funding from the community for the Meekatharra service being returned by Telstra.

## **7.0 IMPEDIMENTS**

While extensive planning has and is clearly taking place at a regional level and major issues including the provision of infrastructure are well documented, it is difficult to get commitment of resources from either the public or private sectors to develop the necessary infrastructure.

### **7.1 Native Title and the approvals process**

Apart from having an adverse effect on exploration and new developments, Native Title legislation is also proving a major obstacle to infrastructure development in the Mid West. This is likely to be further compounded by the recent ruling in the Kimberley region, which found reserves adjacent to transport infrastructure were subject to Native Title assessment if developed for an alternative use.

Of particular concern in the Mid West is the situation in some mining communities such as Mount Magnet where there is currently an unmet demand for serviced industrial land. The process of converting crown land to freehold land and subsequently subdividing it for industrial purposes may take anywhere between 18 months to four years by which time opportunities are lost - particularly for the local community. Like all developments, infrastructure projects need to undergo a similar process and therefore it is vital that following appropriate and rigorous planning, governments act to set the approvals process in place to ensure infrastructure can be provided in a timely way.

## **7.2 Proving the need / justification**

As outlined above, assessment of most industrial infrastructure is based on economics. However, there are examples where it can be shown that the supply of infrastructure can induce demand. If governments in the past had taken the economic rationalists view, then much highly valuable existing infrastructure may never have been built. In Western Australia this includes the visionary water pipeline linking Mundaring Weir near Perth with Kalgoorlie and the Goldfields and the Dampier to Bunbury Natural Gas Pipeline.

It is hoped that governments will support the infrastructure needs identified in the Mid West Mineral Study to support future resource development.

In the absence of a major player, governments should be looking at ways to progress a staged development of Oakajee industrial complex, including the availability of cost effective power, and as demand then justifies it, continue to expand the complex including construction of an integrated deepwater port.

The issue of ship servicing facilities further illustrates this point. In the absence of suitable facilities and the recent shut down of the region's slipway, the servicing of ships in Geraldton (ranging from fishing vessels to trawlers and even defence vessels) is now reduced to simple maintenance of smaller vessels. Not only is this a major impediment to the existing fishing fleet, but an opportunity is being lost to service a



wider range of vessels and build on the shipping expertise available in the region.

### **7.3 Population / critical mass**

Western Australia's size, geographical isolation, huge distances between communities, highly centralised population and small population base makes it difficult for regional areas to prove the viability of new infrastructure development.

### **7.4 Lack of incentive for the private sector**

There is no doubt that a continual assessment and investigation into innovative ways to fund infrastructure development should be maintained. In the Mid West, a number of key infrastructure developments have occurred in partnerships with the private sector and local and state governments. This has applied particularly to roads and the sealing of the Wiluna airstrip.

#### **7.4.1 Institutional interest**

It is difficult to stimulate institutional interest in regional infrastructure development unless the returns on investment can be proven; there is a proven revenue stream; there is no direct competitor and the project is large enough in the first instance to make it worthwhile to prepare tender documents and undergo the due diligence process. Projects must be worth at least \$20 million to satisfy this last requirement.

In the Mid West this means smaller projects such as the proposed new Kalbarri airport have not attracted private sector interest. It is also difficult to attract private investment where there is no proven income stream.

There are examples from other parts of Australia, notably in the power supply industry in NSW and Victoria, where government guarantees are needed to ensure a captive market for a given period of time and quarantine the project from competitive forces. Otherwise the project's risk would increase, affecting its profitability and making it less attractive to the private sector.

#### **7.4.2 Infrastructure Bonds / Infrastructure Rebate Scheme**

As of 14 February 1997, the Infrastructure Rebate Scheme replaced the Infrastructure Bonds. Infrastructure Bonds (IB's) were very popular with investors and were largely responsible for the surge in private infrastructure investment over the past five or so years.

For various reasons, the Federal Government replaced the Infrastructure Bonds with the Infrastructure Rebate Scheme. This scheme does not offer the same tax advantages as the IB's and is more limited in its scope by a cap set at \$75 m. Until relatively recently, a further limitation was that while air and seaports were covered under the scheme, roads and railways were not.

Changes were also proposed to the tax treatment of leasing. If these changes have been enacted, they may provide benefits for some infrastructure projects.

### **7.5 Regional Headworks**

As government utilities have become corporatised the cost of headworks in regional areas has escalated accordingly. This is a major impediment to the attraction and expansion of businesses and therefore a major regional development issue. In Western Australia the State Government has initiated the Regional Headworks Program to assist businesses to establish or further develop. In the Mid West this scheme has proven highly valuable to those who have accessed it, yet there is still further assistance that could be provided. At the end of the day, all other things being equal, a project proponent will make locational decisions on a least cost basis. This invariably tips the scales in favour of major urban centres.

A recent case in point in the Mid West involves a project proponent wishing to process a resource. For various reasons including lifestyle, availability of industrial infrastructure and proximity to markets in SE Asia, Geraldton was the preferred location. However, the project required very large quantities of electricity, which could not be supplied without building another sub-station and separate power lines to the project. This was enough to already refocus the proponents thinking to a location close to Perth.

### **7.5 Political interference**

It is of concern to many in regional development that too many decisions on infrastructure involving the federal government are politically motivated. The lack of marginal seats at either the state or federal level means there is little for either side of politics to gain by pork barrelling in this region.

The allocation to Western Australia from the Regional Telecommunications Infrastructure Fund is a case in point. Most Western Australians are cynical about federal programs such as Networking the Nation which saw \$58 million directed to Tasmania and only \$26 million to Western Australia. In the end this program has had minimal impact on

the lives of regional residents and have left many feeling frustrated and short changed.

#### **7.6 Lack of coordination at Federal level**

The issue of communications demonstrates this point vividly. The debate last year when the change to digital broadcasting was being proposed illustrates this. There was total confusion in rural and isolated areas with the real possibility for households and communities to be forced to purchase duplicate satellite reception equipment due to Federal Government inaction.

While the Federal Government was finally pushed to intervene, the major TV broadcasters in Australia (ABC, SBS, GWN) were splitting their service delivery onto two separate satellites which would have required people living in rural and remote Australia to buy 2 satellite dishes and 2 decoders. This would have been expensive impost for services that people living in metropolitan areas receive free of charge.

The same problem was about to reoccur when WIN Television began operating in March 1999. It took WA government and community outcry to force a solution, which saw all, services being broadcast on both satellites.

#### **7.7 Lack of regional decision making ability**

While regions have embraced the need for strategic planning and prioritisation of projects, the ultimate decision making to fund projects is made outside regions. Reinforcing the somewhat disjointed decision-making is the fact that individual agencies develop their own statewide or federal-wide priorities and develop their programs (which are supported by capital funding) accordingly.

There is a need to provide greater decision making authority, supported by adequate funding, to the regions themselves. To illustrate this point, in WA Main Roads, Westrail, Department of Transport, the Department of Land Administration (industrial estates) and so on, each have their own state-wide priorities. While these agencies consult with stakeholders and each other, they still make their own individual decisions. The soon to be released Regional Development Policy for Western Australia touches on this issue.

Lack of decisions regarding land-use planning have also frustrated efforts to develop infrastructure. For example, more than 50 studies have been prepared for the Oakajee industrial estate development but apart from the

resumption of land, there is no clear commitment to the establishment of the infrastructure required to develop the complex.

## **8.0 CONCLUSION**

There is no doubt that the continued prosperity and earning capacity of Australia is largely dependent on healthy regional communities. The timely provision of infrastructure is critical for the existing business base, attraction of new enterprises and the attraction of people to facilitate vibrant, robust, dynamic and healthy communities.

In turn, population pressure on major cities and all its associated social and environmental problems could be eased.

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