

31 August 2020

Ms Nicole Lockwood
Deputy Chair
Infrastructure WA
Dumas House, 2 Havelock Street
WEST PERTH WA 6005

Sent via email: IWAconsultation@infrastructure.wa.gov.au

Dear Ms Lockwood

STATE INFRASTRUCTURE STRATEGY – DISCUSSION PAPER

The Chamber of Minerals and Energy of Western Australia (CME) is the peak resources sector representative body in Western Australia (WA). CME is funded by member companies responsible for more than 84 per cent of the State's mineral and energy workforce employment.

The WA mineral and petroleum industry reported record sales of \$167.3 billion in 2019.¹ In 2018-19, CME member companies directly supported a total of 15,412 organisations across WA (including businesses, community organisations and local governments), creating another \$31.9 billion in value add to the WA economy. Overall, spending by members supported one in five jobs in WA.²

Overview

CME welcomes the release of the discussion paper in informing the development of the 20-year State Infrastructure Strategy (the Strategy). The WA resources sector, alongside many other sectors represented in the Infrastructure Coalition, have long advocated for coordinated planning and development of strategic, productive economic infrastructure across the state.

Reliable, practical and accessible infrastructure is necessary for enabling economic growth and regional prosperity. Any future investment in public infrastructure must be underpinned by rigorous and transparent decision-making processes which holistically considers the full cost of the asset over its life.

In-principle, CME supports the direction of the Strategy in providing Infrastructure WA (IWA) with a foundation to offer advice to the State Government on infrastructure needs and priorities. In preparing this letter, CME has sought to address the underlying themes to the discussion paper's consultation questions, albeit at a high level, which is most relevant to the WA resources sector.

1. Underpinning the Strategy's development

CME supports a Strategy which can accommodate change through transparent and predictable processes, agnostic of the four-year political and budget cycle. Adaptability will be important in supporting new and emerging challenges, delivery models and technologies as they arise. It is critical changes can be coordinated and planned for well in advance so as not to jeopardise the intent of the Strategy.

A clear, strategic and long-term vision is pivotal to promoting efficient investment across all asset classes of public infrastructure. Such a vision enables various levels of government to plan, develop and effectively deliver their infrastructure policies and priorities to meet the expectations of community, business and

¹ Government of Western Australia, *Latest statistics release: Mineral and petroleum review 2019*, Department of Mines, Industry Regulation and Safety, April 2020: <http://dmp.wa.gov.au/About-Us-Careers/Latest-Statistics-Release-4081.aspx>

² Please note this expressly excludes the effects of household consumption, i.e. (a) 55,599 Western Australians directly employed full-time and (b) 196,915 Western Australians indirectly employed full-time to supply goods and services to the resources sector.

industry. Once such a foundation can be established, it will facilitate increased opportunities for market-led proposals and improve the efficacy of public-private partnerships.

2. Infrastructure priorities

a. Energy

Energy has been rightly identified as a core infrastructure sector in the discussion paper. Delivery of significant infrastructure (public or private) across the state, and equally any investment in downstream diversification of the WA economy, will need to consider the cost, reliability and carbon impact of energy. Although the energy costs in WA are relatively lower than our interstate counterparts, unit costs, as well as reliability, are likely to become an increasing challenge as assets begin to age and approach capacity.

An increasing focus on lower-carbon technologies by government and the private sector will also play a key role, inevitably shaping the future of all aspects of infrastructure across the state. For the WA resources sector, a critical means of shifting towards a lower emissions future will be through increased electrification³ and the decarbonisation of power and transport. Energy is, for the reasons explained, a key driver across all medium and longer-term outlooks for members.

The Energy Transformation Strategy being progressed in parallel by the State Government is welcomed as a positive step. However, its focus is currently limited to the South West Interconnected System. A stronger, integrated and clearer vision for all aspects of energy both up and downstream throughout the state is needed. Multiple government agencies are currently pursuing separate but related initiatives which will influence both public and private investment in the supply of energy infrastructure. Therefore, **CME recommends the Strategy thoroughly consider the interconnectedness and interdependencies of medium and longer-term infrastructure needs and priorities** between the following initiatives:

- The Energy Transformation Strategy – Primarily the Whole of System Plan, which will shape investment opportunities over the next 20 years and the Distributed Energy Resources (DER) Roadmap. Although the DER Roadmap has a focus on residential uptake of DERs, increasing penetration of renewables in commercial and industrial land uses needs to be factored in the medium and longer-term.
- The Future Battery Industry Strategy and Australia's Critical Minerals Strategy, particularly alignment on immediate priorities in the context of the recent announcement by the State Government to attract a cathode materials manufacturer (energy-intensive).
- Renewable Hydrogen Strategy and Australia's National Hydrogen Strategy. Current commitments to modify pipelines to enable intake of hydrogen is a welcome step.
- Future revisions to the WA Domestic Gas Policy or likely commitments arising from the LNG Jobs Taskforce to grow the gas industry and therefore infrastructure priorities.
- Upcoming reforms to the North West Interconnected System.
- The South West Hub Carbon Capture and Storage project and the upcoming release of the WA State Climate Policy under DWER. Climate change policy is complex and will have whole-of-economy impacts on what types of technologies and infrastructure are favoured.

Timely and successful delivery of any infrastructure requirements identified from the above initiatives will need robust and coordinated planning by whole-of-government across the state. Consideration should also be given to how private sector investment can be coordinated and leveraged across the above initiatives.

b. Private and cross-sector infrastructure

IWA should consider infrastructure which addresses capacity constraints to economic growth and diversification across more than one sector, region or issue. Where relevant and practical, **CME recommends closer coordination with the private sector on regional infrastructure requirements**. To minimise duplication and ensure future investment is sustainable, wherever possible, public infrastructure should complement private infrastructure.

³ CME, *Climate change in Western Australia: Issues paper*, submission to the Department of Water and Environmental Regulation, November 2019: https://cmewa.com.au/wp-content/uploads/2020/06/191129-ENV-State-Climate-Change-Policy-Submission-Final_signed.pdf.

Further to the recent draft South West Supply Chain Strategy, it is understood the Department of Transport is undertaking a supply chain strategy analysis of for each region. CME recommends future regional supply chain strategies be informed by broader and more transparent consultation, with IWA to consider the output of these analyses to inform how the Strategy should address private sector infrastructure requirements. Noting the last report card on the Regional Freight Transport Network Plan was in 2016, **examining transport infrastructure priorities and needs should be end-to-end across the full supply chain and its different transport modes, industry sectors and regions**. CME, therefore, would support the aggregation of these regional supply chain strategies to whole-of-state and whole-of-sector.

CME acknowledges major infrastructure is complex and can extend beyond the funding capability of all levels of government. **CME, however, encourages the IWA to consider a model which better incentivises the development of common-use infrastructure**. In determining an improved model for common-use infrastructure, CME reiterates IWA needs to consider the end-to-end process. In addition to commercial funding structures (partial or whole private sector contribution), **the project delivery, access conditions, ongoing operation and maintenance of the common user infrastructure needs to be adequately considered at the outset**. These considerations are even more important if the asset is then gifted to a government entity, i.e. effect on income tax liabilities (taxation treatment) and expenditure (recurrent and capital).

As access regimes across electricity and railway networks garner increased light-handed regulatory attention, there may be an opportunity to consider more effective hybrid funding arrangements and management. For new and emerging industries⁴, which do not have access to readily available capital nor operational scale, this will be key to unlocking their future economic growth and downstream diversification.

CME recommends IWA also liaise with funding agencies (e.g. the Northern Australia Infrastructure Facility and Clean Energy Finance Corporation) to obtain a better picture of public-private priorities and funding options available in the regions. There are currently three projects by members which have successfully applied for loan funding from the Northern Australia Infrastructure Facility to date, totalling \$114.5 million.⁵

CME also welcomes future releases of the annual ten-year State Infrastructure Program. Such transparency will help members in new and emerging commodities to better include accessible shared infrastructure in their longer-term plans for growth and expansion.

c. Prioritisation criteria

CME supports a transparent mechanism for the planning and prioritisation of infrastructure projects. Although it is not clear how a 'priority project' will be administratively determined under the Whole of System Plan (i.e. subject to Cabinet processes or not), **CME welcomes this proposed concept of undertaking whole-of-government identification for streamlining regulatory processes**. This priority status could be similarly applied for fast-tracking the assessment of future infrastructure projects of strategic or economic importance to the state, mainly where these opportunities are time-sensitive. A pipeline of priority projects could help align planning processes across whole-of-government and assist private investors in making investment decisions on infrastructure in WA.

Prioritised projects which meet the minimum significance threshold should also be able to demonstrate at least meeting more than one of the State Government's whole-of-government priorities, i.e. outcomes proposed by the Diversify WA economic development framework. The project also needs to demonstrate a sustained net benefit to WA, both intra- and inter-generational. Assessment of these projects, therefore, needs to be holistic and consider the assets whole-of-life costs. Financial or non-financial commitment by the State Government should then be made based on this allocated priority. **CME supports the principle that all projects of significance wholly or partially funded by the government be required to compete on their own merits**.

⁴ For the purposes of this letter, new and emerging industries includes lithium chemical processing, magnetite concentrate, pellets or sponge iron, heavy rare earths, hydrogen and other low carbon technologies.

⁵ Alinta Energy, Sheffield Resources and Pilbara Minerals.

3. Regional and remote WA

a. Improving interagency coordination

CME supports consultation being coordinated through forums which can holistically coordinate infrastructure priorities across regional boundaries. Currently, there does not appear to be a unified or consistent approach to developing proposals which relate to infrastructure across more than one region, agency or industry sector. Each stakeholder has its interest and resources, e.g. regional blueprints, supply chain strategies, etc. When considered in isolation, this reduces the collective benefit of assessing prospective priorities.

This lack of coordination is best reflected by the Northern Australia agenda where multiple local governments, Regional Development Commissions, Regional Development Australia committees, regional chambers of commerce, industry sectors, State Government and Commonwealth Government agencies are involved. Although it improves accessibility, productivity and safety for multiple parties (e.g. remote Indigenous communities, tourism operators, freight haulers and explorers), there has been only partial improvements to the Great Northern Highway to date. Like interagency assessments and approvals, **a more explicit interface for both between and within governments on defined roles, responsibilities and decision-making processes for identifying and developing infrastructure priorities is recommended**. Noting this year was a record for the number of initiatives submitted by the State Government to the Infrastructure Priority List, a clearer interface may have resulted in the adding the Great Northern Highway initiative sooner or a higher priority allocation.

A positive recent example of how regions can better work together would be the consultation the Department of Planning, Lands and Heritage undertakes for their regional land supply assessments. These updated assessments provide a 'single source of truth' for all agencies involved in developing their proposals. A single source of truth for both data and informing decision making would be beneficial.

b. Declining rural populations

For more than a century, there has been a widespread decline of populations in key regional areas. Exacerbated by WA's geographic isolation and remoteness, there is an increasing preference by working people to reside in urbanised and coastal areas. These factors have contributed to fly-in, fly-out (FIFO) as a legitimate, and often preferred, long-distance commute method in WA, alongside a population who choose to live and work in a regional location.

In a competitive and agile labour market, **CME has always maintained employees need a degree of choice on work arrangements to fit their circumstances and preferences**. Employees cannot be forced to live in the regions if they choose to reside elsewhere. In response to COVID-19, many member companies offered attractive financial and non-financial employment packages for willing employees, and their families, to relocate closer to operations in regional and remote WA. Also, the McGowan Government has offered a sizable Building Bonus grant. Despite these incentives, many barriers exist in encouraging employees to live closer to where they work. CME does not support 'artificial' slowing or reversing of declining populations in some regions by reducing an employee's choice on where they can live and commute from.

Like other stakeholders who provided input into the Productivity Commission's inquiry into remote area tax concessions and payments, CME considers more can be done to support the regional development agenda in WA. Fringe benefits tax on employer-provided housing assistance, employee-sourced housing assistance and transfer duty on employee home purchases are material disincentives, and if appropriately addressed, could work towards slowing or reversing declining populations in some regions.

Amenity – both physical infrastructure and cultural characteristics – also need to be adequately addressed to reduce the coastal and urban drift of populations. Productive investment in fit-for-purpose amenities can increase the attractiveness of living in the regions. However, any public investment into improving the liveability of the regions needs to be sustainable and properly consider whole-of-life implications. It will need to match the demand growth for such investments with the purported benefits (intra- and inter-generational) and ongoing funding requirements for upkeep and maintenance.

The regional development agenda is complex and will require much more than infrastructure-based solutions. It is worth noting chronic underfunding of public infrastructure in the regions makes addressing the regional development agenda inherently tricky. As a result, since the 1890s members have made significant investments in both physical and social infrastructure. Depending on where the operation is, some members will continue to make these investments.

Multiple governments have also sought to address affordability and liveability of the regions. Any meaningful slowing or reversing of declining rural populations will require a **multidisciplinary, coordinated approach to regional policy development and significant investment across each tier of government**.

Alternative funding options and governance models should be investigated to ensure sustainable and effective public infrastructure delivery in regional and remote WA. Unlike infrastructure financed from user fees (i.e. with a port authority or utility provider), there remain instances where ownership is unclear for public infrastructure partly funded by the private sector. For example where a piece of public infrastructure is funded by the private sector it is important agreed governance arrangements provide clarity including which party (e.g. local government, state, company) will incur ongoing maintenance costs.

c. Childcare

As a critical social infrastructure, increasing the availability and accessibility of quality childcare facilities may play a role in diversifying the demographic of populations in the regions. Currently, the gender gap for the WA workforce participation is the highest in the regions, with an overall 57 per cent of females citing lack of childcare as a barrier to further work.⁶ Childcare centres are at capacity with extended waitlists, placing undue stress on residential employees. Depending on the community's demographics, the waitlist for an age cohort can be in the three digits.

If these challenges are addressed, it could reduce underemployment (increasing part-time and full-time workforce participation) and instances where working populations are unwilling to relocate to the regions because there is a lack of support for young families. Even though childcare is a recognised occupational shortage, **CME recommends the importance of childcare facilities as social infrastructure is escalated in regional economic development frameworks, planning strategies, blueprints or land supply assessments** (where needed).

4. Non-build infrastructure solutions

a. Importance of land use planning

With growing urbanisation, CME would like to take this opportunity to emphasise the importance of land use planning in enabling the provision of infrastructure throughout WA. There needs to be greater protection of transport corridors and buffers for both current and future industrial land use at all levels of government. Priority access to ports and export facilities needs to be preserved. For companies whose access is not guaranteed under State Agreement Acts (SAAs) or their projects do not sit in a designated Strategic Industrial Area (SIA), this is crucial.

In the absence of amending the Metropolitan Region Scheme to legislate 'Industrial Deferred Zones', there is a real risk there may be a lack or loss of strategically important access routes. CME understands State Planning Policy 4.1: Industrial Interfaces will be finalised soon, however, the draft policy CME had the opportunity to comment fell short of providing certainty as to the protection of existing industrial land uses and their associated corridors. As mentioned above, for existing projects which do not have the assistance of an SAA, SIA, a Major Project Status or 'State significant' status, providing policy certainty between competing land uses may be vital for operational assurance in the medium to longer term.

Protection of strategic corridors, buffers and industrial areas at their full capacity (build out) ensure existing and emerging industries have cost-efficient and effective transport modes that enable them to be competitive in global markets. Where relevant, **corridors and buffers of strategic and economic importance need to be appropriately recognised in all levels of the planning process**. As evidenced by Westport's extensive stakeholder consultation process, a continued informed public debate on the effects of increasing urbanisation, encroachment and congestion between and on competing land use is welcome.

⁶ Government of Western Australia, *2019 Women's report card: An indicator report of Western Australian women's progress*, Department of Communities, August 2019, p. 138.

b. Industrial estates

Industrial estates also need to be appropriately serviced and have adequate buffers to consider both current and future proponents and the potential for 'industrial ecosystem's or clusters. A longer-term integrated approach to infrastructure will help achieve this. Like the work underway for the Australian Marine Complex, this will need to contemplate supply chain resilience and security.

CME also understands DevelopmentWA and the Department of Jobs, Tourism, Science and Innovation are currently undertaking a gaps analysis of SIAs. For transparency, CME recommends the findings of this analysis is made publicly available and taken into consideration when attracting future proponents to come to invest in Western Australia.

In northern Australia, where the costs of living and doing business are high, many stakeholders have suggested the use of special economic zones as a solution. Such incentives for selected strategic industrial areas located close to export markets may be necessary to attract and facilitate investment in new and emerging industries. With current market conditions, certainty in investing millions or billions in infrastructure has never been more paramount.

c. Matching infrastructure demand and supply

CME supports **integrated management approaches to match demand pressures with the limited supply of resources**, i.e. managing behaviour through full cost-reflective pricing on electricity and water. However, this needs to be region-wide and cover all types of uses (residential, commercial and industrial) and sources for markets to be transparent, efficient and equitable. This would also need to be underpinned by more effective and sustainable ownership models (private or public) to achieve competitive neutrality. CME understands these are often complex considerations, requiring a balance of 'influence over independence' and therefore supports IWA's consideration of these matters with time.

Currently, pricing is skewed towards users with a perceived capacity to pay, which results in suboptimal regulation and does not differentiate time of use costs or past and likely future users. This is not equitable, efficient nor sustainable in the medium to longer-term. If pricing signals are appropriately designed, this will better incentivise investment in both private and public infrastructure.

Conclusion

The opportunity to provide input into the development of the draft Strategy is welcome. CME looks forward to the release of the Strategy next year and engagement through the external stakeholders' reference group.

Should you have questions regarding this letter, please contact Linh Nguyen, Policy Adviser – Economic Competitiveness on 0439 488 672 or at L.Nguyen@cmewa.com.

Yours sincerely



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