Australian Chamber of Commerce and Industry

REGIONAL ROAD AND RAIL NETWORKS AND CONNECTIVITY TO PORTS

SUBMISSION TO THE HOUSE OF REPRESENTATIVES TRANSPORT AND REGIONAL SERVICES COMMITTEE

MAY 2005

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1 Background

The Australian Chamber of Commerce and Industry (ACCI) is the peak council of Australian business associations. ACCI's members are 36 employer organisations in all States and Territories and all major sectors of Australian industry. A list of our members is attached.

Through our membership, ACCI represents over 350,000 businesses nation-wide, including the top 100 companies, over 55,000 enterprises employing between 20-100 people, and over 280,000 enterprises employing less than 20 people. This makes ACCI the largest and most representative business organisation in Australia.

Membership of ACCI comprises State and Territory Chambers of Commerce and national employer and industry associations (a list of members is attached). ACCI members are representative bodies for small employers or sole traders, as well as medium and large businesses.

2 Introduction

2.1 Background to the Review

In March 2005, the Minister for Transport and Regional Services, the Hon John Anderson MP, asked the House of Representatives Transport and Regional Services Committee to conduct an inquiry into the interaction of Australian regional road and rail networks and their connectivity to ports.

The Terms of Reference are:

> The House of Representatives Standing Committee on Transport and Regional Services is to inquire into:
>
> - the role of Australia's regional arterial road and rail network in the national freight transport task;
> - the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
> - policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
>   - land transport access to ports;
>   - capacity and operation of major ports;
>   - movement of bulk export commodities, such as grain and coal;
>   - the role of intermodal freight hubs in regional areas;
>   - opportunities to achieve greater efficiency in the use of existing infrastructure; and
>   - possible advantages from the use of intelligent tracking technology;
> - the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

This Parliamentary inquiry is occurring at the same time as a Government inquiry into exports and infrastructure, chaired by Dr Brian Fisher. This submission draws heavily on our submission to the Fisher inquiry.

Note that this submission does not deal with many of the specific issues raised in the terms of reference above, but instead deals with the generic issues raised. ACCI considers that the generic policies will improve infrastructure investment, operation and charging across the board, including for ports, regional roads and rail.

2.2 What is infrastructure?

Infrastructure is made up of the basic facilities, services, and installations needed for the functioning of an economy or society. Infrastructure may have some or all of the following characteristics:

- large-scale and expensive;
- long-lived;
- has few or no alternative uses;
- natural monopoly (duplication of the infrastructure would be inefficient);
- non-excludable: that is, it is hard to exclude a person from using the infrastructure (for example, street signs); and

- it provides social and economic benefits to the wider community.

Examples of infrastructure include:

- roads, rail, ports, airports and intermodal facilities;
- telecommunications networks; and
- electricity, gas, water and sewage networks.

Some expand the definition of infrastructure to include “soft” infrastructure such as health, education, emergency services and Government agencies.

2.3 Importance of infrastructure

Infrastructure is vital to Australia. It is essential to:

- Improving Australia’s economic performance;
- maintaining and enhancing our international competitiveness;
- education and training;
- national security; and
- social cohesion.

Infrastructure also plays an important role in assisting with environmental outcomes.

2.4 Business concerns with infrastructure

As noted above, infrastructure is vital. However, business concerns with infrastructure inadequacy are mixed. It appears that concerns are more concentrated in particular sectors.

In 2004, ACCI conducted a pre-election survey to determine the main concerns of Australian business that could be addressed by Government (there were 1685 respondents). The single most important issue for surveyed business was as follows.

Percent of businesses in each category citing issue as single most important issue for Government to address

Issue	All business	Small business	Regional	Urban	Exporters	Non-exporters
Level of Taxation	**32.4**	34.9	35.2	30.9	34.9	31.4
Compliance with Taxation	**12.0**	10.8	9.9	13.5	12.0	12.0
Economic conditions	**23.3**	22.7	19.7	25.4	25.9	22.2
Workplace Relations reform	**10.1**	8.9	9.2	10.5	8.4	10.9
Government regulation	**8.1**	8.6	7.0	8.2	5.4	9.2
Skills development	**7.8**	9.7	11.3	6.2	7.2	7.9
Infrastructure	**6.3**	4.5	7.8	5.2	6	6.5
Total[1]	**100**	**100**	**100**	**100**	**100**	**100**

This shows that:

- Infrastructure is more of an issue for larger businesses and regional businesses, but there is little difference in concern between exporters and non-exporters.
- More broadly, when compared to other issues, infrastructure does not rate as the major issue for most businesses (as is often portrayed in the media).

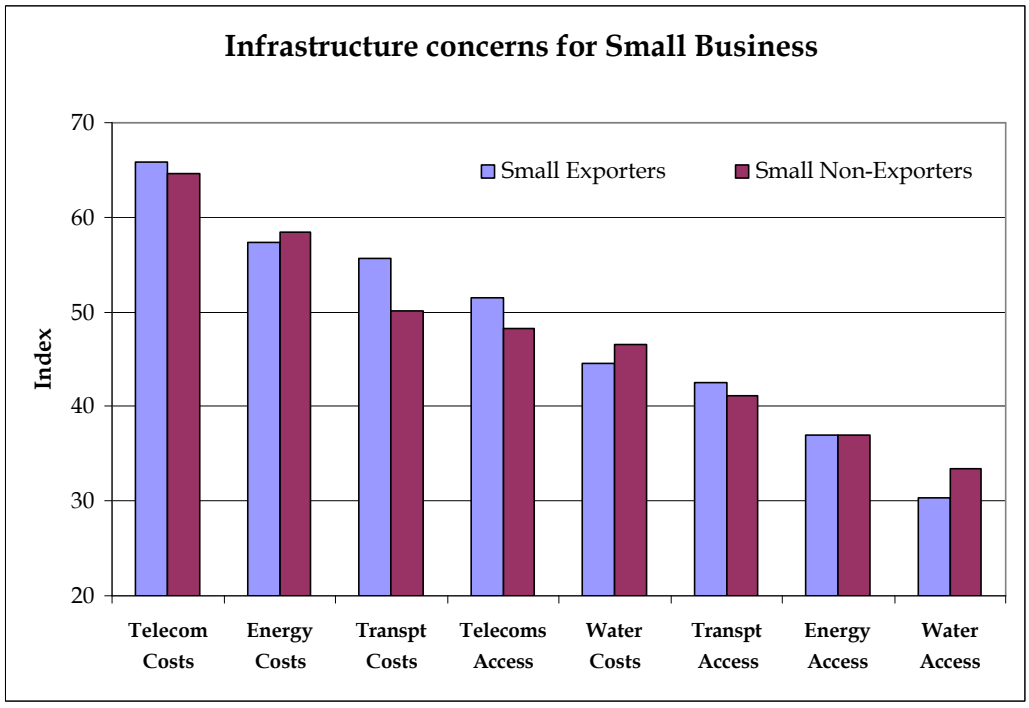
A more detailed analysis of the data shows that business has a greater concern over the cost of infrastructure, rather than access to infrastructure.

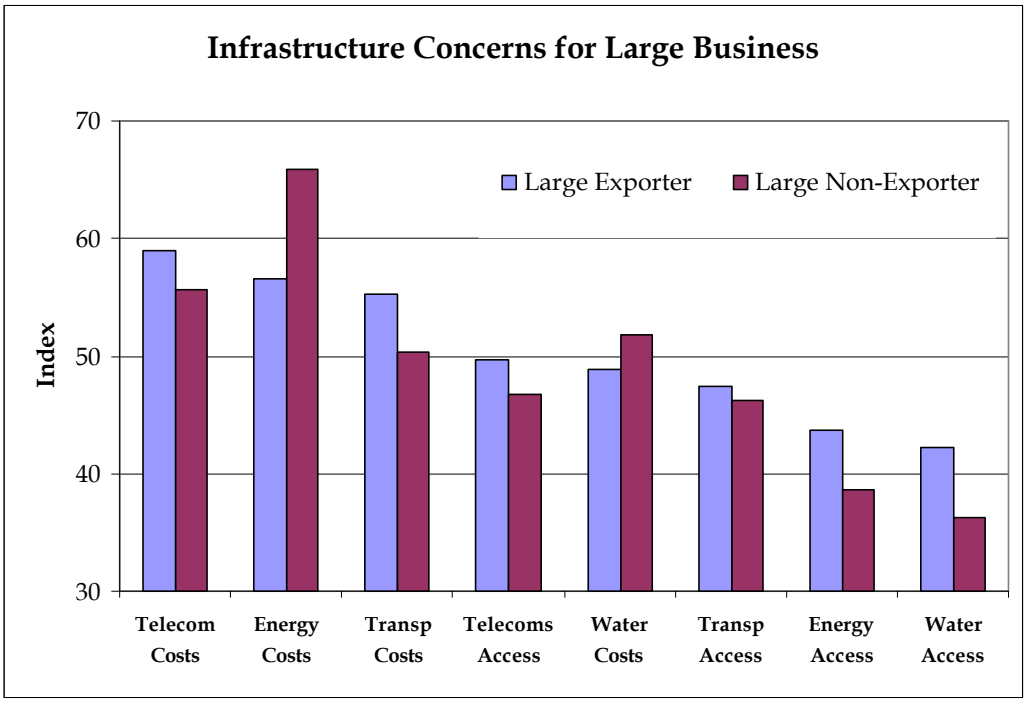
The following graphs show the level of concern over different aspects of infrastructure for small and large businesses. The level of concern in these graphs is measured in index terms[2].

[1] Numbers may not add due to rounding.

[2] The index amalgamates the various responses to a question into one single number. The question posed allowed for four levels of concern ranging from "none" to "major". The proportions of respondents to each category are then weighted so that:

- An index of 0 indicates that 100 percent of respondents indicate no concern;
- An index of 50 indicates that the level of concern is perfectly balanced and;
- An index of 100 indicates that all respondents consider the issue is of major concern.





There are a few caveats with these survey results:

- While infrastructure is not an important concern for a majority of businesses, it is likely to be a very important concern for a minority of business.
- The survey was conducted in the early part of 2004. Infrastructure may have increased as an issue since then.

3 Infrastructure Investment

3.1 Is there an infrastructure crisis?

ACCI does not consider that there is an infrastructure crisis.

- The Australian economy and employment are growing, albeit at a slower pace than in recent years. An infrastructure crisis would imply that the economy will fall into recession without the necessary investment. ACCI does not consider this to be the case.
- The survey outlined above showed that infrastructure was the greatest concern for only 6.3 percent of business surveyed in 2004.

However, there are clearly infrastructure issues in particular sectors which need to be addressed. For example, it is not clear that the following results are efficient:

- Around 50 ships queuing for berths at Dalrymple Bay port.
- Very large fluctuations in wholesale electricity prices.
- Water restrictions instead of more appropriate pricing mechanisms.
- Significant traffic congestion in most cities.

Specific areas in need of more investment include electricity (ABARE argues that $30 billion is needed by 2020), water and transport. Some areas of particular need raised by our members are listed in Section 5.4 below.

Poor infrastructure investment and pricing is causing a number of problems. For example, it has been argued that infrastructure constraints are a key reason why Australia's export performance has been poor in recent months and years.

ACCI argues that there is no infrastructure crisis in Australia, but that there are areas of significant infrastructure investment need.

3.2 Private sector vs public sector

A number of commentators consider that Australia's infrastructure issues should be addressed by significant increases in Government spending on infrastructure. ACCI does not agree with this simplistic argument.

Very often, the areas of alleged infrastructure deficiency can be addressed by private sector investment. In these cases, the clear preference should be for the private sector conducting the investment rather than Governments:

- Government investment requires costly taxation to finance. Higher taxes increase efficiency costs (deadweight losses), encourage avoidance and evasion, and can have high compliance and administration costs.
- The private sector is more responsive to market needs, because it has to make a profit.

- Private sector construction, development and operation is usually more efficient than Government sector.
- Government investment can be swayed by political considerations, meaning investment can be very inefficient.
- Governments frequently undercharge for infrastructure use. This is inefficient; causes congestion and overuse of the infrastructure; and can be environmentally unfriendly.
- Governments may have political constraints on its ability to finance some investments (particularly large ones).
- Government involvement in infrastructure can mean underinvestment in the longer term. The Australian Council for Infrastructure Development argues that "those sectors where the capital stock is most deficient are those where governments remain the dominant suppliers."[3]
- Government investment in sectors with infrastructure deficiencies "risks creating perverse incentives by rewarding incompetence. A far better approach would be to identify and remove the regulatory, policy or other failings which caused the bottleneck to arise in the first place."[4] It also implicitly penalises sectors where infrastructure is better managed.

The main concerns with private sector investment are generally not valid. Some issues raised and ACCI's responses are outlined below.

- *Private infrastructure requires a return, so charging for use is required.* While this is true, Government investment requires taxation – which can often be less efficient than charging those who use the infrastructure more directly. It can also be inequitable for all Australians to pay for infrastructure that is used by a fraction of the population.
- *It is administratively difficult to charge for infrastructure use.* While this is true for local roads, it is generally not true for any other type of infrastructure. In addition, difficulties with user charging are diminishing over time with new technologies. In comparison, the compliance and administration costs of taxes can be substantial.
- *The private sector does not take account of positive externalities from infrastructure investment.* However, *any* private sector investment that is profitable provides a benefit to the economy as a whole, and the difference between infrastructure and other investment is not very clear. If positive externalities are *clearly* an issue, the best response is Government subsidies to the private sector, rather than the Government taking on all the investment.
- *The Government can borrow at lower interest rates than the private sector*. While this is true, Government borrowings need to be repaid from taxes

[3] AusCID (2005) Submission to Exports and Infrastructure (Fisher) Taskforce, page 9
[4] CCIWA (2005) Submission to Exports and Infrastructure (Fisher) Taskforce, page 1

which have large economic costs. When this is taken into account, the cost of public borrowing is likely to be higher than private sector borrowing.

- *The private sector will overcharge for the use of monopoly assets*. This problem can be addressed by proper price regulation (see below).

This is not to say that Governments should never invest. Government investment can and should occur when there is clear and demonstrated market failure and after a thorough cost benefit analysis has been undertaken. Even in this case, partnerships with the private sector should be used to reduce development and operating costs (see section on public private partnerships below).

ACCI recommends that the private sector should be the preference for investment in infrastructure. Government investment should only be used when there is clear and demonstrated market failure and after a thorough cost benefit analysis has been undertaken.

3.3 Privatisation of infrastructure

Existing Government-owned infrastructure can be sold (ie privatised). As argued above, private operators are more likely to increase operational efficiency, increase productive investment, reduce unproductive spending and provide what the markets want (rather than what is politically expedient).

Privatisation is likely to provide the greatest benefits when:

- the infrastructure operates in more competitive markets, or is not a natural monopoly;
- the Government has a conflict of interest between being an infrastructure owner and a regulator; or
- the Government-owned assets may be competing unfairly with the private sector.

The decision to privatise should not be driven by the amount of money raised by privatisation, although the Government should ensure it receives a fair price.

If a natural monopoly is privatised, price regulation is needed to ensure that the private owner cannot abuse its market power.

Infrastructure assets can and should be privatised, particularly when they are in competitive markets.

3.4 If infrastructure is inadequate, why hasn't the private sector solved the problem?

It could be argued that the lack of infrastructure investment in some sectors implies that there is market failure and Government investment is required.

This is not necessarily true. The lack of private sector investment often occurs because of poor Government regulation of the sector ('Government failure'). For example, it is argued that:

- The lack of investment at Dalrymple Port is because the Queensland Competition Authority has set the price for access too low[5].
- Excessive government ownership of electricity generation is discouraging private sector investment.
- The private sector is not investing in water saving and energy saving technology because prices are regulated to be artificially low.

A recent *Economist* noted that some argue that Government investment is needed, but then notes that:

> *Businessmen such as the redoubtable union-busting Chris Corrigan, head of Patrick Corporation, disagree. The private sector can handle all of Australia's infrastructure needs, he reckons, if only government would get out of its way. He should know: he is trying to build a $3 billion inland railway, connecting Melbourne to Brisbane, with a spur to Sydney, and his biggest problems are regulatory, not financial.*
>
> *Chip Goodyear of BHP Billiton is in the same camp. His company has no real infrastructure problems because for the most part it has built its own railway lines to connect its mines with port facilities it also owns. Dalrymple Bay, which is fed by state-owned railways, may be congested, but Port Hedland, in western Australia, certainly is not. The private sector, he reckons, is better at planning for the future than is the public sector.*[6]

ACCI argues that the lack of infrastructure investment does not necessarily mean market failure, but can mean Government failure.

3.5 Public-Private Partnerships (PPPs)

When the Government does want particular infrastructure investment to occur, partnership with the private sector can reduce the cost to Government and hence the community. These Public-Private Partnerships (PPPs) have been quite successful in some areas. To ensure success, PPPs need careful structuring:

- The partnership should not just be a method for off balance sheet borrowing. There are limited benefits from a transaction that just transfers borrowing from the public sector to the private sector.
- The focus should be on using the comparative advantages of the public and private sectors.
  - The private sector should be used for activities that it is more efficient at, such as construction and operation.
  - It would be less efficient for the private sector to bear large sovereign risks (the risks from changing government policy).

[5] ACCI does not necessarily support this argument.
[6] The Economist, 5 May 2005, "The limits to growth".

- There should be transparency about PPPs. While it is inappropriate to reveal all details of contracts, the public should be informed about as much as possible to ensure the Government (and hence taxpayers) are getting value for money.

The tax system should neither promote nor discourage PPPs. While the GST is largely neutral between the public and private sectors, the income tax system can put PPPs at a disadvantage.

The Tax Act currently penalises infrastructure financing involving a Government or other tax-preferred entity (through Section 51AD and Division 16D). While these provisions are designed to prevent tax avoidance, ACCI considers that they go too far and actually prevent worthwhile partnerships between the public and private sectors. The Government is currently examining reforms to this area in consultation with stakeholders including ACCI. Further details about ACCI's policy on taxation of infrastructure are available in ACCI's Taxation Reform Blueprint, available from www.acci.asn.au

Public-private partnerships can be a useful tool for reducing the cost of infrastructure investment. However, these transactions should be carefully structured to ensure that they are value for money.

3.6 Mandating investment in infrastructure

Some commentators propose that the investment funds (particularly superannuation) be required to invest in infrastructure. ACCI does not support this proposal:

- If the infrastructure provides good returns, then super funds should be investing anyway.
- If the infrastructure provides poor returns, then noone should be investing. Requiring super investment will reduce returns and cut retirement incomes.

In any case, we understand that there has not been a shortage of super fund investment into infrastructure. There may be prudential reasons for not investing in infrastructure, but mandating investment will not address these prudential issues.

Investment funds should not be required to invest in infrastructure.

4 Infrastructure Regulation

The Productivity Commission has conducted a number of inquiries into infrastructure regulation. These inquires are of relevance to this current inquiry.

4.1 Productivity Commission inquiry into the National Access Regime 2001

The Commission conducted a useful inquiry into the "National Access Regime" in 2000 and 2001. This inquiry investigated the system for regulating access to essential infrastructure, which includes:

- the distribution of electricity, gas and water;
- rail networks;
- airports;
- telecommunications networks;
- postal services; and
- the financial payments clearing system.

The Commission inquiry clearly investigated areas that are relevant to the current inquiry. In particular, there has been much media comment on the access regime that applied to the Dalrymple Bay port. It is alleged that the Queensland Competition Authority set access prices for the port too low, so that the incentives to invest have been artificially reduced.

ACCI made a submission to the Commission's inquiry[7], arguing that:

> *The National Access Regime should be focused primarily on improving access to these essential facilities which are not commercially or economically viable to replicate but should not provide a means for a potential competitor to gain access to the capital assets of a provider simply because it would be commercially convenient…*
>
> *Goods that are produced in a competitive environment are often of higher quality than those produced under monopolistic conditions and more closely reflect consumer's desires.*

ACCI also indicated support for the Access Regime, stating that "that third party access to essential infrastructure will add to the efficiency of the economy." (p5). We however noted that:

- The National Access Regime should be focused primarily on improving access to these essential facilities which are not commercially or economically viable to replicate.
- The regulator for the Access Regime should be limited to arbitration when an access provider and a potential user cannot reach agreement. More broadly, the emphasis should be on encouraging agreement without the interference on a third party.
- An external regulatory body should not have the power to overrule a market agreement, simply because it believes that the agreement is unfair.
- ACCI does not have a preference for any particular access pricing method, but the method:
  - should not be at an unreasonable cost to the owner;
  - should take account of maintenance costs and the efficient cost of capital; and

[7] The submission is attached, and also available from ACCI's website www.acci.asn.au or the Productivity Commission http://www.pc.gov.au/inquiry/access/subs/sublist.html

- should not discourage future investment or research and development.

- Infrastructure should only be declared to be subject to the Access Regime if it creates a *substantial* increase in competition.
- The exemption for Commonwealth access regimes should be removed. The Government disagreed with this recommendation, stating it was "unnecessary".
- Ministerial involvement in the National Access Regime should be limited to matters of national not sectional or political interest.

Not all of these recommendations have been addressed by the Government.

Therefore, ACCI reiterates the proposals from our submission to the National Access Regime in the context of the current inquiry.

4.2 Review of National Competition Policy Reforms 2005

The Productivity Commission recently released a report into National Competition Policy (NCP) reforms This report included a chapter on further infrastructure reform (Chapter 8), arguing that there are significant opportunities to improve the efficiency of economic infrastructure through further competition-related reforms:

- For energy, there is a need to enhance the operation of the National Electricity Market.
- For water, a key challenge is to better integrate the rural and urban water reform agendas and to achieve more effective management of environmental externalities.
- For transport, policies should work towards an efficient and sustainable national freight system that does not distort activity in favour of individual transport modes.
- For communications, there should be a comprehensive review of telecommunications regulation, including assessment of the merits of further operational separation and an access regime for telecommunications content.

ACCI broadly supports these policy proposals. However, the Australian Government has announced that it will reallocate NCP payments (used to encourage NCP reforms) to the National Water Initiative. The Commission has argued that NCP payments are very important in ongoing NCP reforms[8]:

- The payments have played a 'pivotal role' in keeping NCP reforms on track. They have leveraged reforms that would otherwise have been too hard.
- They enable some of the reform dividends to be returned to the States and Territories.

[8] Productivity Commission (2005) Review of National Competition Policy Reforms at p 380.

- The payments could be used to pay for adjustment assistance (though the experience to date is that States and Territories do not provide much assistance for those facing transitional costs).
- They can lock in past reforms, discouraging 'back sliding'.

ACCI recognises that the introduction of the GST means that States and Territories now do share in the dividends of reform, so that the magnitude of any financial incentive can and should be reduced.

Therefore, ACCI recommends that financial incentives to encourage continuing reform, including in infrastructure, should be considered in the next agreement on national competition reform. However, the introduction of the GST means that States and Territories now do share in the dividends of reform, so that the magnitude of any financial incentive can and should be reduced.

4.3 Other relevant inquiries

The Commission also conducted the following inquiries which may be of relevance to the inquiry:

- Review of the Gas Access Regime in 2004
- Price Regulation of Airport Services in 2002
- Telecommunications Competition Regulation in 2001

ACCI recommends that the inquiry:

- take account of these reviews and
- recommend to the Government that any remaining issues from these reviews should be addressed.

4.4 Regulation of infrastructure investment

Business may not be investing in infrastructure due to regulations that restrict investment. In particular, there may be many development regulations that need to be met, making investment decisions difficult and costly. These can include environmental regulations and local government regulations.

In the context of ports, concerns have been raised that the restrictions on port operations and expansion can be onerous. For example, nearby residents complain of constant noise and can demand restrictions on operations or investment.

While these regulations can provide important social benefits, ACCI believes that these benefits should be weighed against the costs that are imposed on business. Regulation should only occur when the benefits clearly outweigh the costs.

If a regulatory response is required, the regulations should be designed to minimise costs while maximising benefits. An example where this clearly is not occurring is with greenhouse policy, with different states imposing different and

conflicting greenhouse regulations on business. In addition, continuing uncertainty over long-term greenhouse policies are impeding investment in many infrastructure sectors.

Regulatory decisions should be made in a timely fashion. Governments should provide adequate resources to regulators so that this can occur.

Regulations on infrastructure development should be carefully analysed to ensure that they meet cost-benefit tests. Regulations should be designed to maximise benefit-cost ratios and regulatory decisions should be made in a timely fashion.

5 Other issues

5.1 Broader inquiry into infrastructure

In the context of this inquiry and the Fisher taskforce, important issues relating to infrastructure have been raised by the media and ACCI members. The current inquiries will not be able to address all these issues, because their terms of reference are fairly narrow.

Therefore, ACCI recommends that there should be a broader infrastructure inquiry to be conducted by a suitable body, preferably the Productivity Commission. That inquiry should have broad terms of reference, including:

- a broad audit of Australia's infrastructure needs;
- an examination of barriers to infrastructure investment by the private sector; and
- the criteria for determining the nature and extent of Government involvement in infrastructure investment and regulation

However, the inquiry should not duplicate the work done by recent inquiries.

To ensure that infrastructure issues do not reappear, ACCI recommends that this type of assessment should occur regularly.

5.2 National infrastructure coordination

A number of proposals exist for encouraging greater coordination of infrastructure policy.

ACCI does not support proposals for a National Infrastructure Council or similar to take over decision making on infrastructure projects. As argued above, the private sector should be the primary focus of investment. ACCI is concerned that such a Council will:

- Dissolve into arguments between sectors or jurisdictions over who deserves more money.
- Support Government spending over the private sector.
- Support projects that have poor returns.

We do however support proposals for coordination of infrastructure *regulation* decisions. Infrastructure regulation should be an issue for regular discussion at the Council of Australian Governments (COAG). We are supportive of recent increases in national coordination of regulation, particularly for water (through the National Water Commission) and electricity (through the Australian Energy Regulator). The Treasurer has also floated a proposal for the ACCC taking over some of the state-based regulation of essential infrastructure.

ACCI does not support proposals for a National Infrastructure Council to take over the role of decision making on infrastructure projects. However, we may be willing to support greater national coordination in infrastructure regulation (depending on the exact proposal).

5.3 Transport pricing

ACCI supports measures to ensure that there is a level playing field between transport modes (particularly rail and road). Governments should not aim to promote one mode over another. In particular, each mode should pay marginal costs of use. There has only been limited movement towards more use of marginal cost pricing in land transport. For example:

- the current fuel excise system charges far too much for vehicles that are not eligible for the Energy Grants Scheme;
- road congestion in cities is undercharged; and
- public transport is heavily subsidised.

Recent policy changes[9] have only meant marginal reductions in each of these problems.

Governments should work towards greater marginal cost pricing for all modes of transport.

5.4 Other relevant policies

ACCI has a number of other policies that will assist in dealing with infrastructure constraints. In particular:

- Workplace relations reforms and training reforms will increase the flexibility of the labour market, increase economic growth and reduce unemployment. For infrastructure, these reforms will reduce labour costs, improve capital utilisation and reduce the problems of labour shortages that affect infrastructure. Further details are available in ACCI's Workplace Relations Reform Blueprint *Modern Workplace: Modern Future*
- Taxation reform will encourage investment, including in infrastructure. Tax reform will also reduce labour costs. Further details are available in ACCI's *Taxation Reform Blueprint*

[9] Such as the abolition of excise indexation, increased use of road tolls and the announced expansion of the Energy Grants Scheme.

- Reforms to occupational health and safety will reduce business costs while limiting the losses due to workplace injury. Further details are available in ACCI's Occupational Health & Safety Reform Blueprint *Modern Workplace: Safer Workplace*

These blueprints are available from ACCI's website: www.acci.asn.au

Reforms to workplace relations, tax and occupational health and safety will assist in addressing infrastructure issues.

6 Examples of Specific Infrastructure Concerns

In the short timeframe for this inquiry, ACCI asked a sample of our membership to present case studies of priority infrastructure concerns[10]. ACCI does not necessarily endorse these concerns, but we do consider that the relevant projects should be the subject of detailed cost-benefit analysis as a priority.

6.1 Commerce Queensland

Queensland businesses have become increasingly concerned about the need for additional capital investment to replace and improve upon the rapidly ageing stock of infrastructure, which is showing signs of acting as a deterrent to the State's long term growth potential. Engineers Australia produced the *2004 Queensland Infrastructure Report Card* showing the low quality of Queensland's essential infrastructure. The ratings for each infrastructure category are as follows: state roads (C); local roads (C); rail (C+); electricity (D+); gas (C); irrigation (C+); urban potable water reticulation (C-); and urban wastewater recirculation (C-). The report states that '… All sectors require significant enhancement before they could be regarded as meeting Queensland's current and future needs' (2004 Queensland Infrastructure Report Card, p. iii).

Queensland business has identified mounting needs for major infrastructure development across the regions, in particular:

- Fixing several strategic transport 'hot spots' at the Gold Coast, including commencement of the Surfers Paradise Traffic Scheme Stage 2, and dredging the Coomera River.
- Energy to meet growing demand and replace ageing facilities in South East Queensland.
- Water for industrial expansion in the Darling Downs, Central Queensland, and Mackay.
- Strategic road projects – including the Ipswich Motorway upgrade and bypass, Gateway duplication, Toowoomba bypass, and the Bruce Highway in North Queensland (including Tully and Cardwell).
- Roads and water to support population growth at Gladstone.

[10] This list is not exhaustive. The absence of specific concerns from one sector or jurisdiction should not imply that there are no needs in that area.

- Broadband communication connections.
- Improved port access in Townsville and Mackay.
- Upgrading the rail system from Mount Isa to Townsville.
- Upgrade of electricity supplies in and around Rockhampton.

6.1.1 Factors inhibiting infrastructure investment

Commerce Queensland has identified three broad factors inhibiting the development of these projects:

6.1.1.1 State Government funding

Queensland Government capital works expenditure, as a proportion of Gross State Product (GSP), has declined from around 5.8 per cent in the mid 1980s to 4.3 per cent in 2001-02. While public sector capital expenditure allocations during the 1980s were associated with a rapid phase of economic development for Queensland, there is a now a need for the State Government to renew its efforts towards essential infrastructure funding (consistent with the need for continuing responsible financial management) especially in light of significant GST revenue windfalls as well as growing own source State taxes.

6.1.1.2 Federal State cooperation

A lack of Federal State cooperation is hampering the development of critical infrastructure for the benefit of exporters. For example, the funding proposal by the Commonwealth to improve flood immunity for the Bruce Highway in the Tully Cardwell region of North Queensland has been delayed by the Queensland Government's refusal to sign the bilateral arrangement under the AusLink agreement, which would ensure that the State Government provides an adequate share of funding as well as adhere to the National Code of Conduct for the Construction Industry during the infrastructure development phase.

6.1.1.3 Private public partnerships (PPPs)

Queensland has joined other States in the development of a framework for the progression of PPPs, and other forms of private sector engagement in the provision of public infrastructure needs. However, the business community has expressed a growing frustration at the apparent inability of the State Government to effectively collaborate with the private sector in a meaningful fashion, to identify prospective major projects throughout the State and to determine which party (government or business) is best positioned to play a leading role in the development of given infrastructure development activities.

In particular, since the announcement of the Government's PPP policy in September 2001, no PPP project has commenced in Queensland. Recently the Queensland Government announced that it would not seek private sector participation in the duplication of the Gateway Bridge, which serves as a critical link to the Australia Trade Coast precinct for the State's exporters. By comparison, other jurisdictions, such as New South Wales and Victoria, have

already achieved success in attracting private sector investment in infrastructure works.

The business community has increasingly expressed concerns about the lack of transparency and input governing the State's management of PPP and other forms of public infrastructure financing involving the private sector. Commerce Queensland has called on the State Government to establish mechanisms ensuring that business and government can work together more effectively to facilitate private sector involvement in major public infrastructure project development.

6.2 Association of Consulting Engineers Australia

The Association of Consulting Engineers Australia advocates the following projects for investment.

6.2.1 Mackay Water Recycling Scheme

Agency: Mackay City Council

Impediments to investment: The project is waiting for some federal funding (about $8m) to start the project.

6.2.2 Murrumbidgee Anabranch Water Scheme

Agency: DIPNER / Federal Government

Impediments to investment: The Pratt Group identified an alternative proposal that would deliver better economic, social and environmental outcomes.

The Pratt proposal offers private sector opportunity to deliver and operate the scheme, but this has been ignored and a more traditional solution run and operated by government is being implemented.

6.2.3 Edinburgh Parks Stage 2 South Australia

Agency: Land Management Corporation

Impediments to investment: Limited South Australian Government funding for critical infrastructure for manufacturing and warehousing developers.

6.2.4 North-South Freight Link

Agency: Committee for Adelaide Roads/ Department Transport Energy and Infrastructure

Impediments to investment: Limited Commonwealth, South Australian Government and private sector funding

6.2.5 Bakewell Bridge Replacement

Agency: Department Transport Energy and Infrastructure

Impediments to investment: Funding

6.3 Business SA

6.3.1 AusLink

Business SA agrees with a national approach on infrastructure but was critical of the inconsistent interpretation in the Auslink package for the States, especially SA – why does a highway upgrade in WA stop at the border into SA?

Also the translation of what was important in terms of "nationally significant" seemed to be illogical. The connection between the port and airport in practical terms is not a highly valued connection for export – export product goes through the airport or the port but is unlikely to travel between them.

6.3.2 Sturt Highway Extension – part-funded under Auslink program

Construction of new national highway linking Gawler to Pt Wakefield Road ($190m) and ultimately on to the Port River Expressway ($110m) and into the port area. Approximate Angle Vale/Heaslip Rd alignment likely, replacing Gawler to Gepps Cross section of Main North Rd. Widening of Port Wakefield Road from the junction to the Port River Expressway will be necessary to accommodate the increased traffic.

Cost: $300 million

Economic benefits will accrue from improved access to and from the port area, rail terminals and transport depots. Producing areas to benefit will include Virginia, the Barossa Valley and Riverland areas, as well as areas of the mid-North and Far North of the State using Main North Rd today. A significantly improved social outcome through improved interaction with other users (especially on Main North Rd below Gawler, with its high commuter traffic levels). Reduced congestion will deliver environmental benefits.

6.3.3 Accelerated Maintenance

The Draft State Transport Plan outlined the desperate need to alleviate the maintenance backlog through increased funding. However, the State Government is yet to make the significant increase in funding necessary to both clear the backlog and to maintain the network in a "fit for purpose" condition through its useful life. Whole-of-life costs should be standing policy when funding specific projects.

Cost: $160 million

Poorly maintained transport networks increase operating costs, discourage business investment and can increase total maintenance costs. Safety outcomes also improve on well maintained networks, as do environmental outcomes through smoother running leading to reduced emissions. Specific priorities within an accelerated maintenance program also needs to be identified, and at the very least, a plan and funding to address the backlog within 15 years is required.

6.3.4 Riddoch Highway Expansion and Eventual Duplication

This key route connects the State's Upper and Lower South East regions to the Dukes Highway and key ports, airports and facilities. There has not been a

regular rail freight service to the region since 1995 (when the Adelaide – Melbourne line was standardised, cutting off the broad gauge SE Network). Recent attempts to reopen parts of the SE Rail Network have not met with any sustained private sector interest).

Cost: $10 million (passing lanes only)

Upgrading of the existing road will ensure a viable road network is available to this key producing region (in the absence of a viable rail operation). The South East of the State produces a variety of products, including grain, meat and livestock, seafood, timber and timber products (including woodchips, paper and panel board), horticultural products, some processed (eg: potatoes to chips), wine, dolomite and more. Good road access will facilitate regional development and accommodate these expanding industry sectors. Safety benefits will accrue from improved interaction between trucks and other users, especially tourists visiting the regions many attractions. Smoother running and more efficient access will improve environmental performance.

6.3.5 Eyre Peninsula Grain Transport System – both road and rail improvements

Upgrade sections of the EP rail track, rail receival and out-loading facilities and other road & rail access projects on Eyre Peninsula targeted at improving the flow of grain to Pt Lincoln.

Cost: $40 million

The Eyre Peninsula is a key grain producing region of the State with a large proportion of production destined for export markets. Rail has historically played a dominant role in moving large volumes of grain to port. The condition of the isolated, narrow gauge rail network has declined to a critical point where its future operation requires an injection of investment funding. This investment will improve the flow of grain to port and ultimately grain industry sustainability. Safety benefits will accrue from continued rail usage. The interaction of freight traffic and the community will improve. Congestion in Pt Lincoln will reduce and greenhouse gas emissions will decrease.

6.3.6 Ring Route – Bakewell Bridge, Britannia Roundabout, Fitzroy Terrace upgrade

Continued development and enhancement of an Inner City Ring Route to funnel traffic around the Adelaide City Centre. Route incorporates Toll Gate – Glen Osmond Rd – Fullarton Rd, Dequetteville Terrace, Hackney Rd, Fitzroy Terrace, Robe Terrace, Park Terrace, and either Torrens / Churchill Rd option (and on to the port and rail terminals) or Park Terrace to Port Rd, Railway Terrace and City West Connector link to South Rd. Ring route element is completed with a connection between South Rd and Fullarton Rd, using Greenhill Rd (no cost included).

Cost: $42 million

Considerable investment has been made in this route over recent years (eg: upgrade to Robe Terrace and Torrens Road connection). Nonetheless, additional

investment is required in areas such as the Britannia Roundabout, the Bakewell Bridge and for continuing enhancement and upgrades. Project will increase the efficiency of traffic flow around the city fringe, improve safety for all road users including the freight industry, and create more pleasant streetscapes for residents and road users.

6.3.7 Outer Ring Route

Continued development and enhancement of the Outer Ring Route, funnelling traffic through the Adelaide metropolitan area. Route incorporates Toll Gate – Portrush Rd – Ascot Avenue – Hampstead Rd ($6m), Grand Junction Rd, Gepps Cross Intersection ($45m for grade separation) Ring route element is completed with a connection between Gepps Cross Intersection, South Road (costs included under North-South Corridor Development), and Cross Roads (South Road to Portrush Rd – no cost included).

Cost: $51 million

Considerable investment has already been made in this route over recent years (eg: upgrade to Portrush Road). Nonetheless, additional investment is required in areas such as South Rd (especially between Port Rd and Torrens Rd) and for continuing enhancement and upgrades. Project will increase the efficiency of traffic flow around the city fringe and to/from the port, airport, rail terminals and key facilities. It will improve safety for all road users including the freight industry, and create more pleasant streetscapes for residents and road users.

6.3.8 Intermodal Terminal Development

Establish intermodal terminals in key areas of the State, and ensure efficient road access is available.

Cost: $1 million – $20 million depending upon development proposed

The establishment of commercially viable rail terminals will facilitate achievement of government and community goals relating to modal shift for freight. Improved modal choice may also have a downward effect on freight rates as the choices available to industry expand.

6.3.9 Adelaide to Melbourne, Dukes Highway duplication

Duplication from the Victorian border to Tailem Bend. Traffic volumes, particularly between Tailem Bend and Keith, warrant the duplication of this road.

Cost: $600 million

Principal route to Melbourne, which carries high volumes of freight moving to market or export exit points (and imports). Key regional areas such as the Murraylands and South East of the State funnel traffic onto this route. It is therefore significant from an economic perspective as any efficiency improvements arising from access improvements will reduce production costs.

6.3.10 Improve Adelaide International Airport Freight facilities.

Extend Richmond Rd into the airport precinct, providing connections to the proposed freight park at Adelaide International Airport.

Cost: to be determined (depending upon development proposed)

The Adelaide International Airport Master Plan includes a proposal to develop a freight park on the eastern side of the Airport. Efficient connections between the park and the freight network will facilitate the movement of freight and will assist industry expansion.

6.3.11 Adelaide – Melbourne rail

Upgrade Adelaide to Melbourne rail line to facilitate double stacking of containers and maximum length trains allowed elsewhere on the network (1800m).

Cost: $300 million plus

The current clearance problem represents a significant constraint on the national rail network. Double stack capability is currently available from Adelaide to Perth, Darwin and Parkes (NSW). The current 1500 metre maximum train length also limits operations, on a link which is near service capacity.

6.3.12 South East Rail – Stage 1

Upgrade and convert to standard gauge the Wolseley to Mt Gambier, Mt Gambier to

Heywood, and later, the Mt Gambier to Millicent rail lines (Stage 2).

Cost: $18 million

Investor interest in this project is waning. The $10m offered by State Government has not been taken up. Nonetheless, the South East of the State makes a large contribution to Gross State Product, and is faced with a rapidly growing freight task (especially woodchips).

6.3.13 Adelaide Bypass – road and rail

Proposal to link Murray Bridge and Pt Wakefield

Cost: $10 million - $100 million, depending on chosen route

Further investigation of preferred routes is required so as key corridors can be reserved. The project will improve the flow of national freight and remove unnecessary freight trips from the Adelaide urban area.

6.3.14 Princes Highway Duplication

The Gepps Cross to Port Wakefield section of this road has already been duplicated. Traffic volumes warrant duplication to Port Augusta.

Cost: $600 million

Duplication of the existing road will ensure a viable road network is available to the key producing regions along and adjacent to the corridor, as well as regions further afield.

6.3.15 Port Facility Development

Deep water bulk product berths, move livestock berth.

Cost: $24 million

Proposals are complementary to Outer Harbour channel deepening. Expansion of the motor vehicle terminal may also be necessary.

6.3.16 East-West National Route

Connection between Peterborough and Pt Wakefield Road near Crystal Brook, via Jamestown and Gladstone, to replace existing route via Orroroo and Wilmington.

Cost: $3 million

This route principally serves interstate operators and producers needing to move freight between the eastern seaboard and Western Australia and the Northern Territory. It is a significant rate for freight within the State, and the Government should complete the remaining work on this route, so as to ensure a return on the investment it has made to date.

6.4 Chamber of Commerce, Western Australia

The following is taken from the submission of the Chamber of Commerce, Western Australia to the Exports & infrastructure Taskforce.

6.4.1 Kemerton industrial estate

Government investment can fail to realise its potential gains if it is not undertaken in a conducive policy environment and articulated with other investments. In WA, for example, the Kemerton industrial estate has proved unattractive to many developers because it has no continuous access to a deepwater port, a point made frequently by CCIWA and by local industry.

Similarly, while CCI supported the WA Government's support for a fabrication facility at Jervoise Bay which allows local fabricators to tender for work in the resource investment boom, in the absence of high-wide load corridors local industry is still inhibited in its capacity to tender for work on major resource projects.

WA's fabricators are reluctant to tender for upcoming major orders, because they fear that obstacles and hindrances throughout the road network will prevent their modular construction loads – up to nine metres high and wide – from getting to port or site.

Large project proponents recognise the quality of Perth's steel fabrication industry, but the competitiveness of local industry has been eroded by the appreciation of the Australian dollar in recent months. It would be unfortunate if the ability of local industry to compete was further threatened for the sake of a relatively small budget provision that has been repeatedly put off.

These costs of such investment are readily identifiable, but the greater cost of failing to invest in appropriate infrastructure may be invisible.

It is not possible to estimate the value of projects that might have been attracted to a new heavy industry site located close to Perth with access to a deep water port, such as that which CCI has long lobbied for at Breton Bay.

6.4.2 Development buffers

Affording appropriate planning protection to industry is becoming increasingly important. Incompatible development, especially residential, in the vicinity of industry can pose a serious threat to the continued viability of industry. The risk is increasing as environmental standards are becoming increasingly onerous. For example, industry is under threat from encroaching development at Fremantle Port, the Kwinana Industrial Area and hard rock quarries in the Perth metropolitan area. In this regard, CCIWA supports recent efforts to better delineate the buffer around the Fremantle Inner Harbour and to secure the Kwinana Industrial Area buffer through the Hope Valley Wattleup redevelopment project.

Business requires a high degree of certainty that its investments will not become under-utilised or even sterilised - especially if they have a long payoff life. Industry is concerned to ensure that there are efficient freight links in place between Fremantle Inner Harbour and the industrial hinterland of Perth.

CCIWA therefore previously supported the Fremantle Eastern Bypass linked to Roe Highway Stage 8. In the light of the Government's decision to abandon the Fremantle Eastern Bypass, the issue of provision of outer harbour container facilities becomes even more pressing.

6.4.3 Road Transport

A key issue for WA business is the transportation of freight from Fremantle harbour and the manufacturing and fabrication facilities on the coastal strip south of Perth to the industrial areas of the Metropolitan area, and to the resource and other projects situated in WA's regions. Transporting both imported materials and equipment fabricated in the area results in a large number of trucks travelling along Leach Highway through residential areas.

To address this issue, the State Government has developed a metropolitan freight strategy, which includes an upgrading of rail infrastructure at North Quay. CCIWA has long argued that the Government should also proceed with plans for a Fremantle eastern bypass and stage 8 of Roe Highway, which would divert traffic away from residential areas and improve the quality of transport infrastructure. However, the WA government has refused to implement this option.

Freight volumes are likely to increase over the medium and longer term, with plans to expand the Fremantle Port facilities and also proposals for a competing facility at James Point.

A related issue is the lack of high wide load corridors to allow the transportation of large loads from the engineering and fabrication facilities on the west coast to major projects throughout the state. CCI has lobbied the WA Government over many years to add to the existing corridor, which would significantly improve the competitiveness of WA's import-competing fabrication businesses. The trend towards modular construction of processing plants for resource projects adds to the case for the corridors, and their cost would be relatively modest amount of around $20 million.

The North West Shelf venture provides a good illustration of how infrastructure bottlenecks that can impede net trade without necessarily being related to infrastructure actually used in exporting. In the past, its gas processing plants have been built on site, but project operator Woodside has opted for off-site pre-assembly of fabricated modules for train 5. This now means that local fabricators are in competition with businesses in South East Asia. In the absence of adequate transport facilities to get the modules to the Pilbara, local businesses will not be able to compete for this work.

Research commissioned by CCIWA from Syme Marmion indicates that the number of over-dimension load permits issued in WA has been growing by 9 per cent a year, and over the 18-month study period, permits were granted for 1,063 loads that were either greater than 6.5 metres wide or 6.5m high or greater than 30m long. These freight movements would not have been possible without a high-wide-load corridor.

6.5 Victorian Employers' Chamber of Commerce and Industry

6.5.1 Short-term

- Scoresby (Mitcham-Frankston) Freeway, otherwise known as Eastlink
- Pakenham Bypass
- Deer Park Bypass
- Improvements to the Tullamarine/Calder freeway interchange
- Geelong Bypass
- Duplication of the Calder Freeway between Melbourne and Bendigo
- Standardisation of rail freight links across Australia

6.5.2 Medium- to long-term

- North/south underground Melbourne rail loop
- Tunnel linking the Eastern and Tullamarine Freeways
- Completion of the Metropolitan Ring Road (linking the Ring Road at Greensborough to the Eastern Freeway)

7 ACCI membership

ACT and Region Chamber of Commerce and Industry
Australian Business Ltd
Business SA
Chamber of Commerce and Industry Western Australia
Chamber of Commerce Northern Territory
Commerce Queensland
Employers' First ™
State Chamber of Commerce (New South Wales)
Tasmanian Chamber of Commerce and Industry
Victorian Employers' Chamber of Commerce and Industry
Agribusiness Employers' Federation
The Association of Consulting Engineers Australia
Australian Beverages Council
Australian Consumer and Specialty Products Association
Australian Entertainment Industry Association
Australian Hotels Association
Australian International Airlines Operations Group
Australian Made Campaign Limited
Australian Mines and Metals Association
Australian Paint Manufacturers' Federation
Australian Retailers Association
Housing Industry Association
Insurance Council of Australia
Investment and Financial Services Association
Master Builders Australia
Master Plumbers and Mechanical Services Association Australia
National Electrical and Communications Association
National Retail Association Limited
NSW Farmers Industrial Association
Oil Industry Industrial Association
Pharmacy Guild of Australia
Plastics and Chemicals Industries Association
Printing Industries Association of Australia
Restaurant and Catering Australia
Standards Australia Limited
Victorian Automobile Chamber of Commerce