
Draft Infrastructure Western Australia State Infrastructure Strategy Discussion Paper – Proposed City of Stirling Submission

25 August 2020

1. What do you think the implications of the pandemic for infrastructure will be in the recovery phase, and over the medium and long-term? Do you see any new opportunities or challenges?

As the Discussion Paper acknowledges, the pandemic has the potential to reshape society and the global economy. The challenge lies in determining what constitutes short-term interruptions versus long-term shifts in the way we live and do business. For example, are current challenges facing the retail sector, evidenced by increased vacancies in shopping centres, a short term impact or sign of permanent structural change in this sector?

Whilst it is acknowledged that this Discussion Paper has been produced and is being released during the COVID-19 pandemic, it is important to recognise that many trends that were already occurring may be accelerated by the disruption of the pandemic.

Infrastructure investment arising from the various economic stimulus packages should be aligned to achieve the goals of the Perth and Peel @ 3.5 Million Strategy. In the metropolitan context, investment should be focussed on:

- Improving liveability and amenity along urban corridors and in activity centres;
- Providing high quality public transport and cycling infrastructure along urban corridors that link activity centres and employment centres;
- Providing the service infrastructure needed in the major activity centres in the Central Sub Region to allow infill development to occur, including necessary upgrades to sewer, water, electricity and public transport;
- Increasing the provision of public open space and community infrastructure including recreation, health, education and other civic facilities;
- Infrastructure which encourages and stimulates economic development by way of innovation and diversification; and
- Providing sufficient infrastructure to address future waste considerations.

The City of Stirling has 100km of the 300km of urban corridors in the Central Sub-Region and has planned for 75% of the City's infill requirements to occur along corridors and in centres to meet its obligations under Perth and Peel@3.5M. However, take up of this potential to meet the State Government Strategic Planning objectives will need State Government infrastructure investment.

2. Are there early learnings resulting from the pandemic around the resilience of our economy and our infrastructure that we should consider as we develop the Strategy?

The pandemic has highlighted issues around the resilience of our economy and its dependence on the resource export market. The resource sector has continued to operate during this time, while this has supported the State and National economy during a time of economic stress, weaknesses in other sectors have become evident.

In particular, while the service sector has been particularly affected by the pandemic, the ability for small business to adapt quickly to changing circumstances should be harnessed.

If a long term shift occurred with more people working from home, billions of dollars earmarked for infrastructure investment to deal with peak hour commuting could be reallocated. The majority of investment in transport infrastructure in Perth is based on meeting peak vehicle traffic demand.

The money saved could be invested in existing and proposed activity centres to promote activation and to meet local needs. The City of Stirling has 79 activity centres that all require infrastructure investment to make them community hubs.

COVID-19 has highlighted sectors where the country is over reliant on certain imports. The development of the State Infrastructure Strategy is an opportunity to focus on sectors of the economy where it has been shown that there is a significant health or other national interest that should drive local manufacturing or production and identify these for support.

COVID-19 highlighted the vital role that public open spaces and pedestrian/cycling infrastructure performed during the lockdown period. At a time when recreational activities were not permitted, people took to the streets and local parks for walking and recreation. It is vital that the provision of footpaths, cycleways and public parks matches the growing population.

The need for the State's economy to diversify so that it is more robust and resilient to external shocks has become more urgent, though it is less clear how this can be achieved.

Businesses that have adapted to the 'new normal' have in some cases thrived, whereas arguably those that have taken longer to adapt are playing 'catch-up'. What is critical is for government to be agile enough to respond in a way that supports business.

The City believes that the key early learning is that the Strategy needs to have a degree of flexibility embedded into it to enable it to respond to possible future challenges.

3. What elements should a well-developed 20-year Strategy include?

The Strategy should include the following elements:

- Public transport cycling infrastructure to promote urban infill and the creation of clean, low carbon, low noise green communities;
- Servicing infrastructure to promote the growth of activity centres, including sewer, water and electricity infrastructure;
- Infrastructure to deal with coastal erosion and increasing sea levels;
- Renewable energy infrastructure to move the economy to a low carbon economy;
- Electricity charging infrastructure for the impending electrification of the City's vehicle fleet; and
- A recognition that infrastructure projects may not be one big project but made up of many small projects that collectively have significant scale, aimed at achieving strategic outcomes.

4. Are there any additional or alternative principles that should guide the development of the Strategy?

The City is supportive of the five guiding principles, as they are consistent with the vision, mission and objectives of the City's Strategic Community Plan 2018-2028.

The City would discourage a 'one size fits all' approach to development of the strategy. Infrastructure must fit the local context and be developed in collaboration with communities. Greater consideration should be given to collaboration with local communities to minimise the impacts of infrastructure projects.

5. Are there other strategic issues that we have not addressed that should form part of these objectives?

The City is concerned about the environmental impacts of climate change and the associated rise in sea levels. For the City this particularly needs to focus on coastal erosion. Coastal erosion is a significant problem facing many local governments in Western Australia.

The City recommends that coastal protection be elevated as a standalone infrastructure sector. The Strategy needs to give consideration to a State infrastructure and funding response to this matter considering it goes beyond the bounds of individual local governments and States.

6. What are the macro trends that you see as important over the 20-year timeframe? What risks or opportunities do they provide to the Strategy?

The competition between cities for the future jobs of tomorrow is an important macro trend that is occurring currently.

Knowledge intensive and export-oriented jobs are the jobs of tomorrow, particularly given the advances in automation that will continue to erode low skilled repetitive jobs. There is significant competition amongst cities in Australia and around the world to attract these types of jobs.

The cities that are successful in attracting these types of jobs are investing in light rail that create green, low noise, low pollution pedestrian friendly communities. Perth has not made the transition to attracting these types of jobs as it has had long-term growth in mining based jobs. However with an increase in automation in many sectors of the economy, focus needs to change to knowledge intensive jobs and creating the communities that attract these highly competitive jobs from other areas of Australia and in the Asia Pacific Region.

The peaking of world population is another macro trend that should be acknowledged. Currently infrastructure investment is based on modelling that predicts continual growth into the future. This has been the case for the last 70 years; however, beyond 2060 it is likely that this scenario will no longer hold true given the world's population could peak by this date.

Australia's largest trading partners China and Japan are projected to experience population declines. Japan's population has declined by 1.5 million people from 2008 to 2018 and is expected to reduce by another 26 million people by 2050. Similarly China is expected to reach peak population this decade, driven by a significant decline in the birth rate. By 2050 China's population is expected to drop by 40 million people and by a further 190 million people by 2065.

These projected population declines may impact on future export business.

7. How can regions work together to identify and deliver large scale opportunities, projects and programs which extend across regional boundaries?

No comment.

8. What do you think are the greatest infrastructure needs and priorities across the regions and Perth?

Aligning urban infrastructure investment with the State and local government planning frameworks should be prioritised. This would include investment in public transport and cycling infrastructure to promote urban infill and the creation of clean, low carbon, low noise green communities.

Also important is the upgrading of servicing infrastructure to promote growth of activity centres, including sewer, water and electricity infrastructure.

Other priorities include:

- Infrastructure to deal with coastal erosion and increasing sea levels;
- Renewable energy infrastructure to move the economy to a low carbon economy; and
- Electricity charging infrastructure for the impending electrification of the local government vehicle fleet.

9. How can declining population in some regions be slowed or reversed?

No comment.

10. Should Western Australia have a second major city of more than 200,000 people? Which of the State's existing centres should be a second major city and why?

No comment.

11. What, if any, other infrastructure sectors should be addressed in the Strategy?

The City recommends that the following additional sectors be included:

Coastal Protection

The discussion paper acknowledges that the impacts of coastal erosion are becoming more evident, and has identified 15 metropolitan and 40 regional locations where coastal erosion is expected to have a significant social, economic and environment impact over the next 25 years. The management of coastal infrastructure to ensure resilience to rising sea levels and extreme weather events is a critical emerging issue.

The City therefore recommends that this issue be elevated as a standalone infrastructure sector.

Tourism

To address the need to grow the State's tourism sector and the necessary infrastructure investment is required to attract visitors to the state in accordance with the State's Tourism Plan.

12. How should the Strategy address private sector infrastructure requirements?

State and Federal Government has limited ability to fund all future infrastructure requirements, therefore, private sector infrastructure investment is critical. The private sector involvement in the initiation, funding and delivery of infrastructure needs to be expanded. A new governance model is required to help facilitate the private sector delivery of key infrastructure. In a City Centre environment, the private sector is best placed to be able to deliver key enabling infrastructure that adds value to underutilised land.

The State Infrastructure Strategy should investigate private sector funding models and establish a fund enabling on road public transport infrastructure which does not have current financing sources. This public transport infrastructure enables the creation of clean, low carbon, low noise green corridors.

The City has looked at a number of funding models to enable public transport infrastructure that stimulate private sector development along urban corridors. These funding models include parking levies (in line with the Perth Parking Act), Rates Quarantining, Specified Area Rates and Development Contributions. The Metropolitan Region Improvement Fund should also be used to fund this public transport infrastructure along urban corridors.

The Strategy should also consider how superannuation funds could be tapped to assist in funding infrastructure. There is an obvious nexus between the community putting their money in

to save for their future and that money being used to provide enduring infrastructure for the same community to use.

13. How can the Strategy assist to coordinate and integrate across infrastructure sectors? What interdependencies do you consider most important?

The strategy should drive and require improved collaboration across State Government agencies essential to deliver liveable, green, low pollution and low noise cities that attract the knowledge intensive jobs of tomorrow. The discussion paper recognises that State Government agencies may operate as separate entities often with competing and conflicting interests. It is essential that these differences be overcome to provide a strategic approach to infrastructure investment over the long term.

New governance models are required to deliver key activity centres and urban corridors are necessary to create liveable, green, low pollution and low noise cities. To achieve this it is critical to have coordinated investment strategies as well as objectives and goals coordinated across government agencies.

Additionally, all infrastructure investment decisions need to be made in the context of the broader strategic direction. For example a single intersection upgrade may not be large enough to fall within the scope of the State Infrastructure Strategy. However, if over time every intersection on such a road is upgraded this will be a major investment and have strategic consequences.

The City is already experiencing this where activity corridors (places for people to live) are becoming increasingly hostile environments due to incremental road upgrades to facilitate more vehicle movements. Therefore the Strategy will need to look at how all state agency decision making, not just large scale infrastructure projects, is aligned to the Perth and Peel@ 3.5 million framework or other strategic outcomes sought by the State Government.

14. Do the opportunities and challenges identified in this section reflect the most important and/or pressing matters in each sector?

For the reason outlined in responses to Question 6, 8 and 11, the City believes the following issues are the most important:-

- That urban infrastructure investment be aligned with the State and local government planning frameworks;
- The need for a State-led response to rising sea levels and associated coastal erosion;
- The need to grow the State's tourism sector and the necessary infrastructure required to attract visitors to the state; and
- Radical changes to the electricity and environmental sectors.

15. Are there particular aspects of infrastructure provision in these sectors which you think IWA should focus on?

As outlined in our response to Question 8, the City of Stirling's main priority is to require urban infrastructure investment be aligned with the State and local government planning frameworks.

This would include investment in public transport and cycling infrastructure to promote urban infill and the creation of clean, low carbon, low noise green communities. Also important is the upgrading of servicing infrastructure to promote growth of activity centres, including sewer, water and electricity infrastructure.

16. In what way do you think the core sectors may change (for example, emergence of new sectors or shifts in the importance or significance of sectors) over the life of the Strategy?

As outlined in the response to Question 11, additional sectors should be included to address future shifts in core sectors. The City recommends two additional sectors, being Coastal Protection and Tourism, be included.

Additionally, the electricity and transport sectors will have radical changes. This is due to the abundance of electricity generated by household solar panels, the improvements in battery capacity and the application of this to mobility. New infrastructure and storage capacity and markets need to be developed to capture this potential.

17. What are your thoughts on the proposed methodology to develop the Strategy?

The City is supportive of the methodology to develop the Strategy as identified in the Discussion Paper. In particular, the enhanced cross government coordination of infrastructure planning and funding is strongly supported. The methodology around the assessment of actual strategies and infrastructure projects needs to be articulated as it has not been adequately addressed in the Discussion Paper.

18. What approaches can IWA take to compare and assess priorities across different sectors, regions and issues? What prioritisation criteria should be applied?

All infrastructure projects are required to lodge business cases to justify their proposals. However, these business cases are typically not standardised and the calculation of benefits vary depending upon the infrastructure being proposed. This makes any comparison or prioritising of projects difficult. It is important that a standardised approach to formulating business cases be developed.

An example of this is where a road project is only assessed against the benefit the project delivers on the day of opening in comparison to the day before opening. It does not assess what, if any, benefits there are 12 months after opening when the level of road congestion can often be the same as before the project opened. In fact, induced demand is specifically excluded. Maintenance costs into the future are also excluded (Infrastructure Australia, Mitchell Freeway Extension Project Business Case Evaluation, 2016).

Conversely, public transport projects are required to demonstrate that their benefits outweigh their construction and maintenance and running of services many decades into the future (Infrastructure Australia Metronet Morley-Ellenbrook Line Project Business Case Evaluation, 2020).

The City recommends that a standardised approach to producing business cases be introduced. This will allow 'like with like' evaluation.

The City also recommends that priority should be given to projects that align with adopted strategies such as Perth & Peel @ 3.5 Million Strategy that supports urban consolidation rather than infrastructure that services urban sprawl.

19. To what extent should IWA consider the potential for infrastructure to directly promote new economic development and diversification (including in the regions), as opposed to improvements in core service delivery?

Regardless of whether infrastructure proposals promote new economic development as opposed to improvements in core service delivery, all proposals should be backed by a business case.

The benefit cost ratios should include wider economic benefits such as the downstream economic development that has resulted from the infrastructure investment. Some of these economic development benefits are direct and others are indirect (wider economic benefits).

The City has produced a number of business cases on proposals to deliver a liveable clean, green, low noise city centre that deliver a variety of direct and indirect economic development benefits. These business cases have produced benefit cost ratios of above 3.0. An example is the Mirrabooka Town Centre project that the City of Stirling delivered. Approximately \$25 million was expended in new and upgraded infrastructure in the centre in return for over \$100 million in private led development in the space of 5 years.

In the City's opinion, Economic Development aspects of significant economic development projects that the State Government could lead are one way of doing this. A leading example is the 10 Gig project in Adelaide, where State and local government are cooperating to drive innovation and jobs.

The strategy should aim to encourage and stimulate innovation and diversification.

20. What is an appropriate significance threshold to apply, to enable a focus on larger and more strategic infrastructure? Should it vary across different regions and/or sectors and, if so, how?

It would be appropriate for thresholds to vary across regions. It would be a disservice to the urban population to deny lower value infrastructure projects on the basis of their perceived lack of worth to the economy when they clearly have other demonstrable benefits to the community.

The proposed criteria for prioritisation of projects and programs contains no information on the potential thresholds that will be considered, so we are unable to provide feedback on what value would "trigger" consideration by IWA.

One difficulty in determining an appropriate threshold is that an infrastructure project, for example, coastal hazard mitigation infrastructure, can extend across several local government boundaries. If a single local government attempts to address this in isolation, the cost may be below \$20 million. A coordinated response may exceed \$100 million.

This is an important issue that needs to be clarified further before the Draft Strategy is released.

21. What specific scenarios should IWA consider from a top-down perspective, particularly as part of its 11 to 20 year outlook?

Refer comments in Questions 6, 8 and 11.

22. Do you have any comments about the proposed engagement approach?

The City welcomes the opportunity to provide comment on the discussion paper, and supports the approach taken by Infrastructure WA.

The use of workshops by Infrastructure WA for consultation and information on the Discussion Paper is commended by the City. If the workshops could occur slightly earlier in the process for the draft Strategy, this will assist in providing more time for Local Governments who need to manage reporting requirements to Councils. A slightly longer consultation period, for example 90 days rather than 60 days, would also be welcomed.