



# Chamber of Commerce and Industry of WA

## Submission to Infrastructure Australia's *Discussion Paper 1: Australia's Future Infrastructure Requirements*

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Australia's *Discussion Paper 1:*  
*Australia's Future Infrastructure*  
*Requirements*

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### Introduction

The Chamber of Commerce and Industry of Western Australia (CCI) welcomes the opportunity to provide a submission to Infrastructure Australia, in response to *Discussion Paper 1: Australia's Future Infrastructure Requirements*.

To assist Infrastructure Australia with its national audit, CCI has highlighted key Western Australian infrastructure projects that we consider to be of national importance. That is, delivery of these projects will see significant long-term benefits accrue for both Western Australia and the nation.

### About CCI

CCI is the leading business association in Western Australia. It is the second largest organisation of its kind in Australia with a membership of over 5,000 organisations in all sectors including manufacturing, resources, agriculture, transport, communications, retailing, hospitality, building and construction, community services and finance.

Most members are private sector businesses but CCI also represents firms in the not-for-profit and government sectors. About 80 percent of members are small businesses, and members are located in all geographical regions of WA. Some 100 business associations are affiliated with CCI, expanding the organisation's representative coverage to more than 10,000 enterprises.

### The Need for Infrastructure Investment in Western Australia

CCI believes that Western Australia's economic growth will continue for many years, largely due to international demand growth for export commodities such as iron ore and liquefied natural gas. The opportunities this presents are immense, and industry stands ready to deliver the projects that will increase capacity in the economy. Western Australian industry currently has approximately \$170 billion of projects either committed or in development. CCI believes it critical that appropriate national infrastructure be provided to ensure these projects can succeed.



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According to CCI's *Profile of WA Business 2008* the Western Australian economy has rapidly expanded and maintained an above average growth rate of 4.7 per cent over the 15 years ending 2006-07. This Report also identified that WA had firmly cemented its position as a driving force behind Australia's recent economic success by contributing \$127.8 billion to the national economy in 2006-07 or 12.8 per cent of GDP.

Western Australia's wealth and economic expansion is largely attributed to the dominance of key regional industries such as mining and resources and reflects a strong need for the Commonwealth to support key infrastructure projects across Western Australia's regions.

The creation of Infrastructure Australia is a welcome initiative and the allocation of \$20 billion by the Federal Government in its 2008-09 Budget to the Building Australia fund to improve the nation's infrastructure is a promising step forward.



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## Energy Infrastructure

CCI considers that the provision of reliable energy resources to Western Australia is essential to this State's ongoing development, economic growth and social stability. Achieving this goal requires infrastructure of sufficient scale, capability and diversity that will reliably supply both industry and the community.

Natural gas supply disruptions, as experienced twice during 2008, impose significant costs on industry and the broader community, undermine business confidence and potentially result in this State becoming a less attractive investment destination.

CCI contends that energy supply infrastructure in Western Australia should be seen as infrastructure of national importance, and considered by Infrastructure Australia as an appropriate and worthwhile investment opportunity.

### WA Energy Crises

Western Australia has experienced two critical natural gas supply shortages during 2008. In January, gas supplies from the North West Shelf Joint Venture (NWSJV) Gas Processing Plant were disrupted. This disruption resulted in gas and electricity consumers in the South West Interconnected System (SWIS) being required to reduce their demand loads. In June, an explosion at Apache Energy's Varanus Island natural gas processing facility saw gas supply to the Perth region cut by 30 percent. Full production is not expected to be resumed at Varanus Island until mid-December 2008.

A CCI survey of WA industry estimated the Varanus Island natural gas crisis has cost business and industry \$2.4 billion in lost turnover during June and July 2008 alone. This represents a significant negative impact upon the State economy, and it is likely that the flow-on effects will continue to impact the economy for some time.

Indeed, the Reserve Bank of Australia has stated that some of the downward revision in its forecasts of economic growth by one quarter of one percent can be attributed to the Varanus Island gas disruption.

The CCI survey found that nearly half of over 300 total respondents have been affected in some way by the Varanus Island natural gas outage. Some 16.6 percent of respondents indicated that their business had been directly affected by the outage, while a further 33.2 percent had been indirectly affected. Of those businesses impacted by the gas outage, their production declined by an average 30.6 percent.



## Gas Infrastructure

CCI believes that the gas disruptions experienced in 2008 highlight the energy security issues inherent in Western Australia's heavy reliance on gas supply from the State's north-west, which features a limited number of processing plants and a single supply pipeline that provides a primary fuel for electricity generation. The systemic vulnerabilities of our industrial base, being dependent largely on a single source of supply have been brought to the fore through these crises.

CCI believes that multiple alternative energy sources would assist WA to respond effectively to supply shortages affecting particular energy sources. The most flexible and efficient electricity supply system is likely to include a range of technologies, each economically meeting the portion of the system to which it is best suited. We recommend that Infrastructure Australia and Government consider projects and policies that encourage the development of a more diverse primary fuel base and supporting infrastructure.

While CCI contends that future gas projects should only proceed if commercially viable, the CCI paper 'Meeting the Future Gas Needs of Western Australia' (May 2007) calls on Government (both State and Commonwealth) to reform the retention leases process, approvals process, taxation framework and to provide infrastructure support to assist new supply coming to market.

These measures could facilitate development of gas resources and additional gas production facilities. An increase in the number of gas production facilities, operating in addition to the NWSJV site, would enhance security by increasing diversity of supply. It would mitigate the supply impacts of both unscheduled events and scheduled supply interruptions arising from, for example, regular maintenance. An increase in the number of gas production facilities could also increase domestic gas supplies, by encouraging the entry of smaller market participants that could access these facilities.

CCI recommends that Government continue to pursue policies that encourage gas exploration and development of gas fields in relative proximity to the Perth metropolitan region. This could also lessen our dependence on the gas produced by the NWSJV facility.

CCI believes that initiatives to explore and develop gas storage facilities, using reservoirs along the DBNGP should also be supported. The interconnection between the Perth basin and the DBNGP could be considered.

## Electricity Infrastructure

Western Australia's electricity system comprises two key networks, they being the SWIS and the North-West Interconnected System (NWIS). These networks are



physically isolated from one another and not connected to, nor part of, the National Grid. The SWIS has received a greater share of investment as the primary network serving the populated south-west region of Western Australia. This network currently has sufficient capacity to ensure sufficient delivery of energy during peak demand periods.

The NWIS currently has 475 megawatts of installed capacity and 1200 kilometres of transmission lines. With Western Australia's growing resources sector, the significance of the NWIS in terms of providing electricity generation and supply is growing. It is expected that energy consumption on the NWIS will outpace that of the SWIS within five to ten years.

It is necessary that sufficient capital investment is made in the NWIS to ensure that broader industry growth is not hampered by insufficient electricity supply.

The NWIS differs from the SWIS in that it does not have a formal generation and transmission asset planning process or centrally coordinated system management to facilitate its growth. There is not currently a regulatory system to manage third party access to the network. Growth of the NWIS will require a more formal approach to network development and management. The provision of funding through Infrastructure Australia would provide the necessary impetus to ensure such systems are implemented.

Development of the NWIS will ensure provision of cost-effective and efficient energy supplies to the regional customers, many of which are likely to be large-scale mining operations. This will have flow-on benefits to regional centres through improved power reliability and capacity. A network approach to electricity transmission will assist with load balancing and matching supply with demand, which will result in savings with respect to greenhouse gas emissions.

CCI believes that Government investment in the NWIS will deliver significant flow-on benefits to industry and communities, and provide a level of energy security that is taken for granted in other regions. It will ensure the resources sector can continue to export product efficiently and cost-effectively, to the benefit of the national economy.



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## High-Speed Broadband

CCI considers the widespread provision of high speed broadband infrastructure a key priority for Australia that needs to be encouraged by the Commonwealth and supported by regulations that promote competition.

It follows that CCI supports the Commonwealth's proposal to build the National Broadband Network (NBN) which we understand will deliver 12 megabits per second to approximately 98 per cent of Australian homes and small businesses.

CCI believes that this infrastructure will play a key role in Australia's continued economic growth, international competitiveness and social development.

The provision of high speed broadband enables businesses to take advantage of the opportunities present in the new knowledge economy, including the ability to re-engineer fundamental business processes to help improve a business' efficiency and bottom line.

In addition to broad industry benefits, CCI believes that high speed broadband will play a critical role in the future development of industries such as education, health, government, mining, resources and entertainment. CCI also believes that this technology can indirectly reduce carbon emissions related to travel as it is an effective alternative to physical meetings.

The reliance of around three quarters of Australia's Internet subscribers on Australia's copper telephone network reflects the importance of this network for the development of broadband.<sup>1</sup> Unfortunately, CCI understands the current infrastructure is not adequate to support the future needs of high-speed broadband.

Based on new telecommunications technologies and technology convergence, CCI believes it is reasonable to forecast that in the next five years the industry standard for Internet access will be significantly faster than the speed available from the current copper telephone network or the planned NBN.

Countries around the world are securing services as fast as 100 megabits per second in the retail telecommunications market.<sup>2</sup> CCI believes the Commonwealth

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<sup>1</sup> ABS: 8153.0 Internet Activity, Australia, March 2007, adjusted by CCI.

<sup>2</sup> Organisation for Economic Co-operation and Development, (2008), *OECD Broadband Statistics to June 2007*, [http://www.oecd.org/document/60/0,3343,en\\_2649\\_33703\\_39574076\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/60/0,3343,en_2649_33703_39574076_1_1_1_1,00.html), 10 June 2008.



needs to ensure Australia's international competitiveness is maintained when finalising plans for the future of broadband in Australia.

CCI believes the Commonwealth's planned NBN goes some way to addressing the gap in current infrastructure. However, CCI is concerned that the NBN will have limited coverage in Western Australia based on the Commonwealth's target to cover 98 percent of the Australian population. Given WA's large land mass and sparse population, it is likely that much of the State will be excluded from the NBN.

Given WA's firm position as a driving force behind Australia's recent economic success, and with the State's economic expansion being largely attributed to the dominance of key regional industries, CCI argues that the Commonwealth should ensure the provision of high-speed broadband to the entire Australian population.

Since the NBN will be a new monopoly optical fibre network in Australia that will supersede the current copper access network, CCI believes it's vital to ensure appropriate economic and regulatory models are used to encourage competition, lower prices, and encourage product choice and innovation in the telecommunications sector. This model should seek to minimise government intervention in the long term and allow market forces to prevail.

CCI believes this is best achieved by ensuring the structural separation and independent ownership of the NBN's wholesale and retail infrastructure as demonstrated throughout developed economies. CCI believes that the benefits of structural separation of the NBN would outweigh the costs as it is an economic model that will reduce the need for long term government regulation, promote vigorous competition and allow industry to innovate in the retail market.



## Perth Airport

CCI understands there is increasing pressure on the road network that supports Perth Airport due to the rapid expansion of air services into Perth and the increasing industrial and residential activities around the area.

Perth Airport is the aviation gateway for Western Australia and provides important connectivity for Australia to aviation hubs in regional WA, Australia's east coast, Asia and the Middle East.

CCI understands that strong economic activity in WA, spurred by the State's mining and resource sectors, has put pressure on the infrastructure in and around Perth Airport. This has led to unprecedented growth in air services and greater road traffic around the Airport.

The increased passenger movement at Perth Airport has resulted in Westralia Airports Corporation's announcement to expand the Airport's domestic and international airport facilities. Nearly \$1 billion will be invested into the Airport's new facilities over the next five to seven years.

### Road Infrastructure

CCI, through its consultation with Westralia Airports Corporation, has found a number of roads in and around Perth Airport require either immediate extension or improvement or work over the next five to seven years to support the Airport's expansion.

The highest priority work that requires immediate attention includes an upgrade of: the Tonkin and Leach Highway intersection; the Tonkin Highway, Horrie Miller Drive and Kewdale Road intersection; and upgrade of the Great Eastern Highway, Fauntleroy Avenue intersection.

Other work that is required to be completed in the next three to five years includes the upgrade to six lanes of: the Great Eastern Highway (Graham Farmer Freeway to Fauntleroy Avenue 5-6km); and Tonkin Highway (Collier Road to Roe Highway). This is in addition to the upgrade of the left and right turning lanes at the Tonkin Highway and Boud Avenue intersection.

CCI welcomed the Commonwealth's commitment in the Federal Budget for 2008-09 to work with the State Government to develop a feasibility study for the development of an integrated transport plan for Perth Airport.

It follows that CCI recommends Infrastructure Australia fund the upgrades identified above to the road network and implement the outcomes of the feasibility study for an integrated transport plan for Perth Airport.



## Transport Infrastructure

Given Western Australia's geographic isolation and the remoteness of many of its resources projects, transport is critical to the WA economy. Ensuring efficient and effective transport linkages is critical to ensure Western Australia is seen to be a desirable place to invest and do business.

### Rail Infrastructure

The east-west Nullarbor rail link is a critical piece of infrastructure as the primary transport link between the east and west coasts of Australia. CCI is concerned that there have been a number of derailments on this line over the past 12 months.

Beyond derailments, other issues have also been identified as being problematic for this rail line, notably the Perth-Kalgoorlie section. These include:

- signalling difficulties,
- conflicts in prioritising bulk, passenger and freight services to meet Monday to Friday deadlines; and,
- insufficient passing loop lengths.

The potential for Infrastructure Australia to dedicate funds toward increasing the number of passing loops, as is currently being done between Melbourne and Brisbane, would be a timely and cost effective solution given the rising price of oil and the impact this could potentially have on the road transport industry.

Ensuring fair and reasonable access for all industry users to reliable rail services between the east and west coast will be critical, as more operators enter the rail market in the coming years.

### Road Infrastructure

CCI considers a number of critical roads that service Perth Airport should be considered for funding through the Infrastructure Australia process.

Information regarding these roads is included within this report under the section entitled, "Perth Airport".

### Port Infrastructure

CCI welcomed the recent decision to appoint a preferred developer of the new deep water port north of Geraldton at Oakajee, a key infrastructure priority for Western Australia. The Mid-West is an important hub of regional business and



export oriented activity, and is home to more than five thousand businesses. The local economy has grown strongly in recent years, recording growth in excess of 11 per cent over the past five years.

The need for a modern deep water port that is able to meet the needs of emerging business and industry is critical. It is estimated over a 25 year period that the expansion of the iron ore industry will bring \$7 billion in additional royalties to the State and Federal Governments and 1,300 jobs during construction, 4,000 during the period of expansion.

Geraldton Port is at capacity and there remains much work to be done if the deep water port is to be operational by 2012. Significant investment will be required to ensure that supporting infrastructure that will provide effective service links from the port to regional areas, are constructed. This will include, but not be limited to, road, rail, energy and telecommunications links.

The construction of a new port in the region has the potential to unlock the region's economic potential, especially in the resources sector, and open the local and national economy to new business opportunities, cementing the Mid-West as a major economic contributor to the Australian economy.

## Conclusion

CCI's Senior Adviser, Industry Policy, Andrew Canion is available to provide further information and can be contacted on (08) 9365 7688 or email [andrew.canion@cciwa.com](mailto:andrew.canion@cciwa.com).



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