



## Premier of Western Australia

Our ref : 6784818

The Hon Kevin Rudd MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister

### INFRASTRUCTURE PRIORITIES

Thank you for providing me with the opportunity to review Western Australia's submission to the National Infrastructure Audit to be undertaken by Infrastructure Australia.

Following a review of our infrastructure requirements, the following projects have been identified as priorities for the purposes of the National Infrastructure Audit:

1. Ord Stage 2;
2. Oakajee Port - Common Use Infrastructure;
3. Northbridge link;
4. Pilbara Housing and Indigenous Essential Services; and
5. Transport links around Perth Airport.

Attachment A provides further information on the above priorities. However, please note that further justification and analysis will be provided on all of the proposals as it becomes available. As you would appreciate, most of the proposals are in an early stage of development and therefore the necessary analysis is still required to be conducted.

I would welcome the opportunity to meet you, the Chairman of Infrastructure Australia or the Infrastructure Coordinator to further discuss the details of our priorities.

Yours sincerely

**Colin Barnett MLA**  
**PREMIER**

30 OCT 2008

## ORD STAGE 2

### Project Description

This project involves the expansion of irrigated agriculture in and around Kununurra and the development of associated and complementary social and economic infrastructure.

The total development area in the short to medium term is approximately 14,800ha, and consists of a mixture of soil types that would allow for varying farm sizes to cater for a range of crop options and a mix of investors.

The four areas available for development in the short to medium term include: West Weaber (8,000ha of the M2 area); Ord West Bank; Mantinea and Packsaddle.

The proposed staging of the project, which will commence in mid 2009, is as follows:

#### 2008-09:

- upgrade the M1 channel to service up to 16,000ha in the Weaber Plains area; and
- plan and commence the necessary upgrades to Kununurra airport.

#### 2009-10:

- commence road and associated infrastructure to the Ord West Bank;
- commence a pre-release of land in the Ord West Bank area;
- extend the M1 channel (October 2009); and
- commence the upgrade and expansion of the Kununurra District high school.

#### 2010-11:

- sell land in the Ord West Bank area;
- finalise the M1 channel extension to service the expansion of production into West Weaber;
- commence road and associated infrastructure to Mantinea and West Weaber (M2);
- pre-release land in West Weaber (M2) and Mantinea;
- commence upgrade of the Wyndham port;
- extend Kununurra airport runway; and
- finalise high school upgrade.

#### 2011-12:

- sell land in West Weaber (M2) and Mantinea;
- finalise upgrade of the Wyndham port;
- commence remaining social infrastructure in Kununurra; and
- commence infrastructure development of Packsaddle area for pre-release of land.

### **Project Justification**

The Ord River Irrigation Area offers substantial scope for new irrigated agriculture on a large scale in an area where the soils are well suited for food crops such as sugar and also cotton and other tropical and subtropical crops. This project will double the area currently being farmed; is significant on a world scale; can offer large volumes of highly reliable water and offers a politically stable site for export-focussed crops grown under best practice irrigation and environmental management.

The success of irrigated agriculture in the region has been varied since the 1960s but since the late 1980s and 1990s has stabilised due to increasing diversification and innovation by local farmers in adapting to the extreme conditions of the region. Recent problems in the region such as the closure of the sugar mill have been primarily a result of a lack of land available to produce viable quantities of the crop to support the upgrade and expansion of the mill.

There are also a number of key areas of social infrastructure that need to be addressed in the East Kimberley to ensure the expansion of the agricultural areas is successful and where families have access to adequate health and education facilities.

The project provides an opportunity for a systematic development, balancing social, environmental and economic values, in the context of climate change and increasing scarcity of water in other areas of Australia.

The financial and social wellbeing of the local Indigenous community is of prime concern to the State Government and the expansion project, by providing education and training, employment and direct ownership opportunities is seen as a way forward for a community that currently faces considerable social difficulties.

The impetus for this project is particularly relevant when the availability of viable, fertile land and abundant water supplies in the region is contrasted with other agricultural regions across Australia such as in the Murray Darling Basin where water allocations are at best, twenty percent of total entitlements and more often closer to zero.

### **Project Cost and Cashflow**

The total estimated cost of the project is \$391 million, including \$195 million to be provided by the State Government, with the balance leveraged from Commonwealth Government funding, land sales and private sector contributions (where possible). On the basis of the above the cashflow to the Commonwealth and State Governments would be as follows:

	2008-09 \$M	2009-10 \$M	2010-11 \$M	2011-12 \$M	2012-13 \$M
State	16.432	52.141	79.396	47.316	Nil
Commonwealth	16.432	52.141	79.396	47.316	Nil
<b>Total</b>	<b>32.864</b>	<b>104.282</b>	<b>158.792</b>	<b>94.632</b>	<b>Nil</b>

## OAKAJEE PORT - COMMON USE INFRASTRUCTURE

### Project Description

This project consists of the following components:

- Oakajee Port and Rail

The Oakajee port and rail project involves direct infrastructure spending of approximately \$3.5 billion.

This proposal involves the private sector financing private use infrastructure at the port, in addition to, if viable, the provision of rail infrastructure between mines at Jack Hills and the Weld Range and Mullewa. However, the Government, through State and Commonwealth sources, would fund common use infrastructure (ie. breakwater, channel and turning basin) at the port. The estimated cost of the Government component is estimated to be \$678 million, with the State and Commonwealth Governments each meeting half of this cost.

State Government funding of this component may be a mix of direct equity contributions and support for borrowings.

- Oakajee industrial estate

The Oakajee site was identified as a location for a world-class industrial estate in the 1990s and the previous Liberal Government purchased and re-zoned the land. Also, Seabed testing, port design, environmental approvals and re-zoning were all done at a cost of \$20 million. The site consists of a 1,134ha heavy industry core with 195ha zoned for general industry and a buffer zone comprising more than 4,000ha. The industrial estate has the potential to accommodate value-adding downstream processing of minerals and oil and gas sourced in the Mid West as well as the export of the products of the regions mines. The cost of this component is still to be determined.

- These industries will require major support services, which include power (substation, gas, gas fired power station), communications water supply (reticulated and/or desalination plant), wastewater management engineering fabrication, equipment hire, scaffolding and maintenance equipment.
- A 50 metre wide multi-user corridor has been acquired and connects to the widened Dampier Bunbury Natural Gas Pipeline corridor, just north of the Greenough River, and extends westwards to the Oakajee Industrial Estate, a distance of some 54 kilometres. The corridor provides an alignment for any future gas transmission pipelines developed by the private sector that may be required to service the industrial estate.

- **Infrastructure Corridor**

The corridor will provide the opportunity to develop a railway, road and services corridor to connect the existing narrow gauge rail system to the Oakajee Industrial Estate and port. It will also provide the opportunity for development of a road within the corridor, which could serve as an outer bypass of Geraldton and as a heavy road haulage connection between industrial land uses. The corridor would also provide a possible route for major trunk services to be connected into the Oakajee Industrial Estate. The cost of this component is still to be determined.

### **Project Justification**

For many years a proposal has existed to develop a new deepwater port at Oakajee. In this regard, the previous Liberal Government invested considerable resources in laying the foundations for such a development.

This project represents the creation of a world-class strategic asset to facilitate the nation's future economic development.

The Mid West region has the potential to become a major exporter of iron ore in the next few years. In this regard, increases in iron ore prices have made iron ore tenements in the Mid West Region economically more viable. Business analysts are suggesting that up to 80 million tonnes of iron ore could be exported from the region each year.

The magnitude of this increase can be gauged by the fact that iron ore exports from Geraldton's existing port have grown from their start-up in 2004 to 4.6 million tonnes in 2008 and a forecast 10 million tonnes by 2010. Despite significant deepening in recent years, large (Cape) sized ships best suited to carrying iron ore cannot dock at the port.

Draught (depth) limitations and limited land available for stockpiles constrain the ability of the existing Geraldton port to accommodate large-scale iron ore export activities.

The construction phase for the port will provide a variety of jobs for people living in Geraldton and the wider Mid West region. It is estimated that a peak workforce of up to 2,000 workers will be required in the construction of port and rail infrastructure and up to 300 port or rail workers required in the operational phase.

The creation of a new port together with rail infrastructure will make it more likely that other mining projects will become a reality. The attractiveness of the Oakajee Industrial Estate as a location of choice for other industry will also be enhanced. This will generate considerable additional revenue for the State and Commonwealth Governments in the future through royalties and taxes.

It is important that our Asian Pacific trading partners see the Oakajee development as supporting their objectives collectively - rather than individually. On a related matter, third party access to all infrastructure cannot be compromised.

The process for the procurement of the port and rail infrastructure was conducted by the previous government on the basis that a private infrastructure provider would be responsible for funding and constructing all of the initial port infrastructure with the Government retaining ownership of the port. The Infrastructure Provider in return would receive a 50-year lease over berth at Oakajee port for operating privately owned infrastructure for the loading of iron ore.

In July 2008 the previous Government announced that Oakajee Port and Rail Pty Ltd (OP&R) was the preferred respondent for the rights to build the port at Oakajee. The Department for Planning and Infrastructure (DPI) has since been negotiating with OP&R on behalf of the Government.

While there is no reason to alter the proposed financing of the rail infrastructure, there are a number of reasons to reconsider the financing arrangements for the Port. These include some risk related to the bankability of the investment for the preferred respondent and the need to support all of our Asian Pacific trade partners equally through open access to infrastructure.

On this basis, and in the interests ensuring that the development proceeds and is consistent with the State's long term strategic direction, it is proposed that the Government fund common use infrastructure (ie. breakwater, channel and turning basin) at the port, with the private sector continuing to fund private use infrastructure and rail infrastructure between the port and the mines.

In making this decision, the State and Commonwealth Governments should be aware that the port and associated infrastructure will need to be subsidised in the short to medium term – in the interests of longer term economic development.

#### **Project Cost and Cashflow**

The total estimated cost of the project is \$678 million, including \$339 million to be provided by the State Government (possibly through a mix of direct equity contributions and borrowings support), with the balance to be sought from the Commonwealth Government. On the basis of the above the cashflow to the Commonwealth and State Governments would be as follows:

	2009-10 \$M	2010-11 \$M	2011-12 \$M	2012-13 \$M
State	29.490	136.130	140.895	32.690
Commonwealth	29.490	136.130	140.895	32.690
<b>Total</b>	<b>58.970</b>	<b>272.260</b>	<b>281.790</b>	<b>65.380</b>

Footnote: The above does not include components, such as the Oakajee Industrial Estate and Infrastructure Corridor, which are, as yet, unable to be costed fully.

The above cashflows involve design of the infrastructure in 2009, with construction commencing in January 2010.



## **NORTHBRIDGE LINK**

### **Project Description**

The Northbridge Link project consists of the sinking of the central city section of the Perth-Fremantle railway with the aim of removing the barrier between the Perth CBD and Northbridge. This is a long-standing proposal that is required to remove a major constraint in the development of the city.

\$9 million of State funding has been committed to fund the first two stages of The Link project. Stage 1 consists of the construction of the Perth Arena and the adjoining forecourt. Stage 2 involves the redevelopment of the Perth Entertainment Centre site by its owner, Australian Capital Equity.

It is estimated that a further \$263 million will be required to sink the rail line up to the Entertainment Centre site.

It is proposed that the scope of the project will be further defined following a feasibility study to be conducted by the relevant State Government agencies. In this regard, it would be appropriate to initially seek funds of up to \$15 million to conduct the feasibility study and delivery planning.

If considered necessary, the Government has the option to consider the sinking of the existing bus station. This option is estimated to cost approximately \$205 million (or \$135 million if it is relocated to another site).

It is noted that, depending on the nature of the development above the rail line, revenue from land sales may offset part of the above costs.

### **Project Justification**

The Link project represents an unprecedented opportunity to bring investment, vitality and activity to central Perth, with the sinking of the railway, removing a blighted barrier and constraint to the city's growth that will allow the city to remain at the forefront of the economy. The project will also remove the congestion caused by traffic between the CBD and Northbridge and, at the same time, provide non-vehicular movement as a more efficient option for the movement of people between the areas.

The vibrancy of the central Perth area will also assist long term economic objectives by providing an environment which will attract additional numbers of skilled workers to the City.

The Building Australia Fund provides the perfect opportunity for the Federal Government to work with the State and private sector to deliver this critical piece of economic infrastructure for the city's future.

The project provides the option of a sustainable, transit-oriented development with a diversity of housing options, if desired.



The Link will provide opportunity and support for private investment, to create wider-spread economic benefits and drive the continued revitalisation of the city centre.

The development of The Link project will allow Perth to meet the challenge of positioning itself as the hub of the State and Australia's resource economy. The Link project is the natural progression of the central city.

The sinking of the railway is a key driver in allowing the city's public transport system to expand to meet the tremendous growth expected in the city centre over the coming decades. Perth needs to continue to build these key assets to avoid the traffic congestion and associated economic impacts that are a feature of other major Australian cities.

### **Project Cost and Cashflow**

The total estimated cost of the project is \$263 million, including \$132 million to be provided by the State Government, with the balance to be sought from the Commonwealth Government. On the basis of the above the cashflow to the Commonwealth and State Governments would be as follows:

	<b>2008-09 \$M</b>	<b>2009-10 \$M</b>	<b>2010-11 \$M</b>	<b>2011-12 \$M</b>	<b>2012-13 \$M</b>	<b>C/Over \$M</b>
State	4.457	13.247	23.559	37.283	39.221	13.740
Commonwealth	4.457	13.247	23.559	37.283	39.221	13.740
<b>Total</b>	<b>8.914</b>	<b>26.495</b>	<b>47.118</b>	<b>74.566</b>	<b>78.442</b>	<b>27.481</b>

Once funding is committed the infrastructure project can be completed over a five-year period.

## **PILBARA HOUSING AND INDIGENOUS ESSENTIAL SERVICES**

### **Project Description**

1. The provision of housing and related infrastructure for the Pilbara. Cost - \$500 million. The proposal will involve the implementation of innovative housing options, with the State Government to provide the required land for housing.
2. The regularisation of remote community essential services, including power and water supply. The estimated total cost of a ten-year program to regularise essential services is in the order of \$1.5 billion (including \$417 million capital upgrades and an average annual operational cost of approximately \$113 million per annum). In addition there are significant upgrades required to roads servicing indigenous communities. The estimated cost of roads is in the order of \$101 million, across a ten-year road-funding program.

### **Project Justification**

#### *Housing*

The justification for this project is to address accommodation shortages for workers and residents, which is critical in underpinning ongoing development of the resources sector (in particular iron ore and LNG industries). The Pilbara's resident population is expected to grow from 44,333 in 2006 to 50,000-55,000 by 2015.

In this regard, a number of forums with resource industry and non-government organisations and reports have identified a major obstacle hindering a move by mining and gas industry employed families into – or back into - the Pilbara region is the lack of housing supply, the poor quality of housing supply, and the lack of affordable housing to rent or purchase in the region.

Rentals for a standard house in Port Hedland, South Hedland and Karratha range from \$1,100 to \$2,000 per week – a level that is not consistent with maintaining viable communities and services.

One estimate of key worker (non-government or non-resource industry employee) purchase demand for affordable (30% of income) housing was 300 homes required for Port Hedland; with a further 1,000 homes required with rents set at affordable levels (25% of income). These figures are likely to be the same for the greater Karratha area. As much as 50 to 70% of applicants and their families on the waiting list for social housing in the Pilbara region are Indigenous.

It is also relevant to point out that a material and inappropriate portion of existing housing in the Pilbara region was mostly constructed in the 1960s and is in urgent need of repair. More specifically, the bulk of public rental housing stock (75%) is more than 20 years old, with more than a third of it (34%) 30 or more years old.

The specific requirements of this proposal will be informed by the Pilbara Housing Study which is soon to commence.

*Indigenous Remote Communities Essential Services*

There are 287 discrete Indigenous communities in Western Australia, which accommodate approximately 17,000 Indigenous people. These communities are generally located in remote areas of the State and are isolated from mainstream services and facilities.

In contemporary society, healthy and functional communities are underpinned by adequate physical infrastructure and an effective regulatory framework that promotes access to appropriate safety and service standards. This has historically been denied to the residents of Indigenous communities who exhibit rates of environmental related disease, injury and premature death similar to that of third world countries and comparable to that experienced in Australia and Europe prior to public health and sanitary reforms.

Improving the provision of essential services is fundamental to environmental health and is of significance in many types of excess mortality and morbidity among Aboriginal people. Sanitary deficiencies, more than any other factor, project an image of Aboriginal people living in third world conditions in the midst of an affluent society.

Key benefits of the proposal can be summarised as:

- improved safety, quality and reliability of water, power and waste water services to viable indigenous communities;
- closing the gap in service standards between mainstream and indigenous communities;
- improved health outcomes for indigenous residents;
- compliance with international human rights obligations, national drinking water standards and State regulations governing water source protection, water quality, energy safety and management of human waste; and
- reduced downstream costs associated with primary health care, housing maintenance and crisis interventions.

It is intended that regularised services will only be provided to communities that are sustainable under criteria agreed between the State and Commonwealth Governments.

This project will be further defined following the completion of an audit of remote indigenous communities – to be conducted by the Department of Housing and Works.

### Project Cost and Cashflow

The following table reflects that the State and Commonwealth Governments would share the cost of the housing initiative on an equal basis. All land required for housing will be provided by the State Government.

#### HOUSING

	2009-10 \$M	2010-11 \$M	2011-12 \$M	2012-13 \$M	C/Over \$M
State	50	50	50	50	50
Commonwealth	50	50	50	50	50
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Footnote: The above cashflow is a notional spread of expenditure that is subject to further planning by the Department of Housing and Works.

It is also noted that private investment in the financing of housing will be sought and, if successful, will reduce the impact on the Government.

#### ESSENTIAL SERVICES

It is considered that the Commonwealth Government should be requested to meet the full cost of the Remote Essential Services initiative. On this basis, the breakup of costs would be as follows:

	2009-10 \$M	2010-11 \$M	2011-12 \$M	2012-13 \$M	C/Over \$M
State	Nil	Nil	Nil	Nil	Nil
Commonwealth	150.0	150.0	150.0	150.0	900
<b>Total</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>	<b>900</b>

Footnote: The above cashflow is a notional spread of expenditure that is subject to further planning by the Department of Housing and Works.

## **TRANSPORT LINKS AROUND PERTH AIRPORT**

### **Project Description**

This proposal involves the development of a program of interrelated road network improvements, including:

- Roe/Tonkin freeway-freeway interchange (overall traffic management benefit);
- Tonkin Highway upgrade to freeway status (overall traffic management benefit);
- Boud Interchange (to fix Tonkin Highway North);
- Leach Interchange and Horrie Miller Drive/Kewdale ramps/flyover (for Leach and Kewdale, as well as Roe South in medium term);
- Upgrade Hudswell Road/Abernethy Road intersection
- Planning for the possible extension of Berkshire Road to Hudswell Road to facilitate a connection to Roe Highway in the long term
- Planning for the possible long term upgrade of the Grogan/Abernethy intersection and potential long term upgrade to Maida Vale (to fix the Abernethy and future Lloyd St demand)
- Orrong Road between Leach Highway and the Graham Farmer Freeway – recognising that the Leach Highway/Orrong Road route will become the most direct access to the city following the redevelopment at Perth Airport in the existing international precinct.

The preliminary estimate of the cost of the above projects is \$525 million, which is proposed to be shared between the State and Commonwealth Governments.

### **Project Justification**

In May 2008, West Australian Airports Corporation released its development plans for Perth Airport involving around \$1 billion of future investment over the next ten years which will see major changes to the terminal infrastructure which services all segments of the aviation industry in Western Australia. The major component is the relocation of the domestic terminal to the current international terminal site, so domestic and international aviation services will be collocated.

The scope of developments in the vicinity of and on the airport has lead to a situation where there is significant congestion on the Tonkin Highway. This will impede activities of airport users and surrounding businesses.

It is also noted that visitors arriving at Perth Airport, which accommodates 92% of travellers between Western Australia and other states, are required to travel to the city via Great Eastern Highway. As this journey does not reflect well as a first experience of our city, it is proposed to make the Leach Highway/Orrong Road route the most direct access to the city following the redevelopment at Perth Airport in the existing international precinct.

Key benefits of the above proposal include:

- a solution to current congestion problems in the area surrounding Perth Airport;
- ensuring the road network does not constrain the capacity of Perth Airport to deliver aviation services required for regional development and economic growth; and
- complementing the major investment in aviation infrastructure which the airport operator has commenced that will result in the consolidation of all large-scale air services into the current international precinct.

#### **Project Cost and Cashflow**

The cashflows for this proposal are not available. The following table reflects that the State and Commonwealth Governments would share the cost of this initiative on an equal basis.

	<b>Total Cost \$M</b>
State	263
Commonwealth	262
<b>Total</b>	<b>525</b>

It is expected that higher priority aspects of the proposal would be designed during 2009, with some construction commencing late in that year.