



REGIONAL INFRASTRUCTURE:

**NEW ECONOMIC DEVELOPMENT
OPPORTUNITIES FOR THE HUNTER,
ILLAWARRA AND WESTERN SYDNEY REGIONS**

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Particular thanks goes to the expert consultants who helped define and focus this ambitious study:

Graham Larcombe, then of National Economics

Denis Gastin of INSTATE

Pat Fensham of SGS Economics & Planning

Kevin Austin of Austin Thompson & Associates

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Finally, the Australian Business Foundation's appreciation goes to a key group of infrastructure planners, developers, analysts, managers and users who formed an Expert Reference Group that provided sound advice and guidance at critical points of the project's development.

Sincere thanks to all.

EXECUTIVE SUMMARY

The project

The Australian Business Foundation, an independent business think tank, conducted an action research project on infrastructure which asked the key question:

Could different approaches to current and future infrastructure lead to greater economic opportunities and benefits for three of Australia's most well-established industrial regions – the Hunter, the Illawarra and Western Sydney?

To answer this question, the Australian Business Foundation brought together key infrastructure managers, users and stakeholders.

In a series of facilitated workshops, backed by discussion papers and reports by three firms of consultants with expertise in infrastructure and economic development, these infrastructure stakeholders sought to identify a small number of strategic and potent areas, which, if acted on, would lead to better economic benefits from infrastructure investment in these and other Australian regions.

This report describes their thinking and conclusions for action on infrastructure to boost regional economic development.

The regions

The Hunter, Illawarra and Western Sydney regions were selected as the focus for this project because they represent a credible test bed. They are illustrative of regions with significant infrastructure investment over generations and all are experiencing the forces of change in terms of globalisation, new technology and shifts in employment and economic activity.

The common challenge faced by these three regions is to make the transition from investments of the industrial age to growth based on capturing opportunities from an increasingly connected, fast-paced and knowledge-based economy.

A wider angle on infrastructure

This caused the project to take a broad definition of infrastructure to cover the facilities and resources underlaying the movement of ideas, data and information as well as the movement of energy, people and goods and services in a regional economy. The project went beyond traditional physical infrastructure to look at the technology and knowledge infrastructure crucial to a region's ability to compete on the basis of innovation and learning.

New infrastructure insights and strategies

The infrastructure experts and stakeholders participating in this project, when challenged to think differently about how infrastructure could contribute more to regional prosperity, did not focus on technical or operational aspects of specific types of infrastructure. Rather, they highlighted issues about the "political economy" of infrastructure. For example:

- better coordination and collaboration between levels and functions of government;
- the need for leadership and vision in infrastructure planning;

- addressing community expectations and relationships;
- creating new productive partnerships between the public and private sectors;
- realigning infrastructure responsibilities between State Government and regions; and
- using infrastructure to build high performing industries, new capabilities and greater access to global markets for Australia's regions.

This resulted in the following four key strategies for more imaginative and potent ways for infrastructure to enhance the economic prospects of the Hunter, the Illawarra and Western Sydney regions, and be a model for other Australian regions.

1. Connecting regions

Priority attention should be given to infrastructure that connects people and places in and between regions and from the regions to global Sydney . Connectivity between regions and from the regions to global Sydney were seen as prerequisites for reaching out to new markets and capturing lucrative components of global value chains. This translates into a focus on upgrading physical transport and on fostering world class telecommunications.

2. Creating regions as knowledge hubs

Globalisation, the rise of online technologies and the increased transparency of product and market intelligence worldwide is transforming the business environment and the ways enterprises compete. The creation, use and transfer of knowledge has become decisive to successful business performance.

Industries and enterprises in the three regions must focus on innovation and increasing their ability to compete based on skills, distinctive know-how and fresh ideas that meet market needs. All of these attributes are dependent on the skills and learning capacities of individuals and organisations.

The creation of clusters of high performing industries, backed by a Learning Communities Program to lift the skills and employability of local citizens, are two infrastructure initiatives designed to turn regions into knowledge hubs well-placed for the new business environment.

3. Realigning State and regional infrastructure responsibilities

Despite conflicting prescriptions, project participants were of one mind in seeking greater collaboration and harmonisation on infrastructure between levels of government, together with more meaningful participation by local and regional communities in State level infrastructure decisions.

The recommended strategy is the concept of "place management" to focus on local customised infrastructure solutions, aligned with State Government targets, but which cross the functional boundaries of State Government. Specifically, actions are recommended on the development by regions of regional infrastructure plans as a prerequisite for accessing a proportion of the State Public Works budget for priority regional infrastructure projects.

4. Managing and financing infrastructure

The complexities and the level of resources required to meet infrastructure backlogs and to adequately prepare for the future requires action to build more effective partnerships for managing and financing infrastructure in the regions.

Two areas of action are suggested to strengthen the infrastructure investment capability of the regions and thereby to attract more resources and new partners in the financing task. These are better public private partnerships and initiatives to make the business case to attract superannuation funds investment to the regions.

Next steps

The Australian Business Foundation's project on regional infrastructure puts forward these strategies as the recipe for using infrastructure to create greater economic opportunity for the established industrial regions of the Hunter, Illawarra and Western Sydney.

These strategies have been drawn from the insights of a selected group of infrastructure managers, users, consultants and stakeholders.

This report and the thinking behind it are now open for others to comment, to debate and to offer more polished ideas or radically different alternatives.

Our aim is to foster new thinking on the better use of infrastructure for regional economic development across Australia. This is the starting point.

INTRODUCTION

This report is the story of what happens when you challenge a handful of infrastructure experts to come up with more imaginative and coherent approaches to infrastructure aimed at boosting the economic prosperity of three of Australia's most well-established industrial regions – the Hunter, the Illawarra and Western Sydney.

That was the task set by the Australian Business Foundation for its action research project on regional economic infrastructure conducted during 2001 and 2002.

The Australian Business Foundation is an independent, private sector research think-tank, founded and sponsored by the eminent industry organisation, Australian Business Limited, to conduct leading edge research and foster new thinking on Australia's competitiveness, prosperity and jobs. (For more details, visit the website at www.abfoundation.com.au).

The Australian Business Foundation was motivated to initiate this action research project because it had suspicions that the considerable infrastructure investment already made in the established industrial regions of the Hunter, Illawarra and Western Sydney was not being used to its optimum.

Could different approaches to current and future infrastructure lead to greater economic opportunities and benefits for these three important regions?

The Australian Business Foundation sought to research and answer this question by bringing together those that knew this infrastructure best – public and private sector infrastructure managers, users and other stakeholders.

In a series of facilitated workshops, backed by discussion papers and reports by three firms of consultants with expertise in infrastructure and economic development, these stakeholders sought to generate fresh ideas on how to harness, complement and realign infrastructure investment in the Hunter, Illawarra and Western Sydney for better economic outcomes.

The project sought not only to identify unrealised potential and opportunities for the three regions themselves, but to find solutions applicable to other Australian regions.

The Hunter, the Illawarra and Western Sydney regions represent a credible test bed. They have been the sites for significant infrastructure investment over generations, and all are experiencing the forces of change in terms of globalisation, new technology and shifts in employment and economic activity.

With a significant percentage of the population and the economy of Australia, they are illustrative, (though not representative), of Australia's regional economic landscape and so can provide a sound model for reconsidering approaches to infrastructure to boost economic development for other regional hubs around Australia.

The aim of the project was *not* a comprehensive analysis and improvement plan for regional economic infrastructure per se. Rather, it sought to identify a small number of strategic and potent areas, which if acted on would lead to better economic benefits from infrastructure investment in regions.

The end goal of the project was to advance knowledge about more innovative approaches to infrastructure to help make Australia a global economic force, to revitalise regions and to capture opportunities for Australia from an increasingly connected, speedy and knowledge-based economy.

To cut to the chase, the Australian Business Foundation's project concludes that four key areas need attention if optimal economic benefits are to flow from infrastructure investment in the Hunter, Illawarra and Western Sydney. These are:

- **Priority attention to infrastructure that connects people and places in and between regions.**
- **Infrastructure that turns regions into knowledge hubs, with high-performance industries.**
- **Better alignment of State and regional responsibilities for infrastructure planning and use.**
- **Actions to build effective partnerships for managing and financing infrastructure.**

This report traces the thinking that allowed the Australian Business Foundation's infrastructure experts, users, managers and other stakeholders to reach these conclusions. It also elaborates on these four strategies and how they can be implemented to unlock greater economic prosperity for the three regions studied and for the wider Australian community.

The Australian Business Foundation intends this report to provoke further debate and discussion on how infrastructure can contribute to the enhanced economic development of Australia's regions.

OUR STARTING POINT

Two background papers set the scene for the project's deliberations. One by Denis Gastin of INSTATE Pty Ltd, entitled ***Infrastructure for Economic Development – The Issues***,¹ was a framework paper to focus attention on the most crucial aspects of infrastructure as they affect contemporary economic development.

The other paper was produced by Graham Larcombe, then of National Economics, titled ***Economic Development Infrastructure in the Hunter, Illawarra and Western Sydney – A Status Report***.² It provided a summary of the state of play on infrastructure issues and developments in the three regions that were the subject of this action research project.

Both background papers served to focus our initial discussions on the most productive dimensions of the infrastructure and regional economic development debate.

Several threshold issues emerged as 'conversation-starters' and as focal questions for subsequent stakeholder workshops and interviews. These threshold issues can be summarised as follows.

Definitions of infrastructure

Graham Larcombe's background paper opened up the scope of the definition of infrastructure used in this project:

“Traditionally, infrastructure included the basic installations and facilities that underpin economies..... built infrastructure such as railways, roads, electricity and gas, water infrastructure and social infrastructure such as schools, hospitals and libraries.....

For the purposes of discussion, we need to emphasise the major issues that impact economic development. Here we are defining infrastructure as the foundations and resources that underlay the movement of ideas, data and information, energy, people and goods and services in a regional economy.”

In short, this project cast a wide net and defined in: traditional physical infrastructure, social and environmental infrastructure and technology and wider knowledge infrastructure to the extent that they materially contribute to the task of tapping unrealised economic development potential and missed opportunities in the three regions of our study.

Knowledge infrastructure

The new angle that the study factored in was the recognition that sustained business performance and economic prosperity is increasingly dependent on innovation and knowledge.

Success tends to be characterised by the growing knowledge–intensity of industries where there is more value in intellectual capital, eg design, skilled workers, market and customer intelligence and know-how, than in plant and equipment and the physical means of production.

Therefore, information and telecommunications technology and knowledge and learning infrastructure become an important element of our project. A focus on these aspects of infrastructure recognises the reality of the new knowledge economy.

¹ Gastin D. *Infrastructure for Economic Development – The Issues*. Australian Business Foundation May 2001

² Larcombe G. *Economic Development Infrastructure in the Hunter, Illawarra and Western Sydney – A Status Report*. Australian Business Foundation May 2001.

There is a challenge to make the transition from the investments of the industrial age to growth based on new intangible knowledge-based assets.

This, in turn, raised questions about how well infrastructure decisions aligned with the character and profile of established industry in the regions and with industries that the regions were seeking to attract. It led to consideration of whether infrastructure helps or hinders the increased competitiveness and growth of business enterprises and their ability to attract and employ highly skilled workforces.

Further, it highlighted the importance of the three regions being well-represented in high value added, knowledge-intensive industries where greatest growth, jobs and productivity are likely in the future. This requires a major commitment to knowledge infrastructure in the form of business networks, world class research and education institutions and programs, production facilities, technology parks, incubators, industry clusters and the like.

Proximity to global Sydney

The term “Global Sydney” features in the State of the Regions Report³ produced by economic researcher, National Economics, describing the 220 square kilometre slice of the greater metropolitan area stretching from technology-rich Macquarie Park in the north to Port Botany in the south, embracing twelve local government areas covering Ryde, Hunters Hill, Lane Cove, Willoughby, Mosman, the CBD, South Sydney and the Eastern Suburbs.

National Economics’ research ranks Global Sydney as Australia’s wealthiest region. Income, jobs and educational attainment are growing more rapidly in Global Sydney than in most other parts of Australia. International companies favour it as a base. It attracts most foreign investment. It is highly represented as a training centre for skilled ‘knowledge’ workers and for research and development. It offers more highly skilled jobs, including those for managers and professionals, than elsewhere. It features a unique combination of high tech industries, an active port and airport and an internationally competitive financial and business services centre.

Global Sydney is operating as an international globalised city and this has implications for the infrastructure choices and development opportunities available to the Hunter, Illawarra and Western Sydney regions, which are the focus of our study.

The Hunter, the Illawarra and Western Sydney have all been subjected to major economic and social changes over the last three decades – globalisation, restructuring of manufacturing industry, new technologies, trade liberalisation and so on. Their economic and employment patterns have changed, and continue to change, dramatically.

Consequently, all three regions are now seeking to share in the benefits of a more global economy. In relation to infrastructure, this means increased investment in “gateway” infrastructure such as ports, high capacity telecommunications and support for local businesses to become part of global supply chains, continually upgrading skills and tapping into new sources of learning.

Proximity of the Hunter, Illawarra and Western Sydney to ‘Global Sydney’ creates both opportunities and challenges for infrastructure and for economic development. How far does each region opt for its own strong unique regional identity and development path, and how far do they capitalise on their closeness to global Sydney and create economic alliances to better integrate into the global economy?

³ *State of the Regions Report 2001*. Australian Local Government Association and National Economics, Nov 2001.

A related, but wider, question arises from this. Efficient infrastructure outcomes often require greater scale and critical mass than a single region can provide. Attention therefore, must be given to the effectiveness of mechanisms for deciding and managing cross-regional infrastructure to support economic prosperity. Regional collaboration requires new forms of regional governance that cross levels and agencies of government.

Multiple challenges

The focus of this project is on boosting economic outcomes from a better approach to infrastructure. This, however, cannot be achieved without recognising other multiple, inter-related challenges as follows:

- **The population challenge** of accommodating the major proportion of the greater metropolitan area's growth in the next 20 years. Infrastructure planning must not only deal with the existing infrastructure backlog but also with the needs of a growing population and workforce.
- **The institutional and community challenge** of improving cooperation, coordination and collaboration between the plethora of government agencies, local governments and the private sector bodies with responsibility for economic infrastructure planning, development and maintenance. New partnerships and interaction between stakeholders are required, particularly in ensuring that community expectations and fears are recognised and dealt with.
- **The resource challenge** of improving effective returns and the efficiency of major infrastructure investments. Again, better coordination, cooperation and integration between agencies and innovative public-private partnerships are required.
- **The environment challenge** of managing natural resources and assets for current and future generations while enhancing economic outcomes. The principles of ecologically sustainable development are inextricably linked with the economic development of regions.

These challenges provide a context and backdrop for the project's examination of how infrastructure could be reconsidered as a force for regional economic development.

A NEW LOOK AT INFRASTRUCTURE

The central plank of the project's methodology was a series of three action research workshops, involving about 30 selected infrastructure and economic development decision-makers and stakeholders from the three regions and elsewhere. These workshops were expertly facilitated by Dr Kevin Austin of Austin Thompson and Associates, an international facilitator and management consultant largely in areas of customer value, strategic planning and service quality.

The action research workshops were based on the premise that those directly involved in infrastructure decision-making in the Hunter, Illawarra and Western Sydney were in the best position to understand the obstacles, opportunities, trade-offs and strategies to realign the system for better economic outcomes. What was missing were the mechanisms for sharing intelligence and acting collaboratively across regions and sectors and functions of government.

The workshops provided a neutral avenue to bring these stakeholders together to exchange knowledge and ideas and to explore imaginative solutions and actions for enhanced regional economic development opportunities from infrastructure.

The workshops' outcomes relied on the structured discussions and electronic voting techniques used by Austin Thompson and Associates to manage such a diffuse subject and the diversity of perspectives involved.

The stakeholders, through the action research workshops, identified twelve key issues, blockages or success factors which they believed needed to be addressed if better economic benefits were to flow from infrastructure to the three regions.⁴

From these twelve factors, four key focus areas were singled out as priority areas for attention. These four areas were identified by the workshop participants as follows:

Need for clear leadership and vision

This encompassed a plea for strategic, coherent, visionary big picture leadership, fuelled by a sense of urgency and the courage and boldness to champion fresh revolutionary infrastructure ideas and to do things differently.

It was also tempered with a recognition of the more mundane challenges of leadership:

- making and communicating tough decisions;
- doing the detailed homework on the costs and benefits of specific infrastructure projects and activities; and
- working a path through the politics, time horizons and decision-making processes of government.

⁴ Proceedings of the three workshops are documented in the following reports:

1. Austin Thompson & Associates. *Infrastructure Economic Development Workshop Report*. May 2001
2. Austin Thompson & Associates. *Infrastructure Economic Development Workshop 2 Report*. June 2001
3. Austin Thompson & Associates. *Economic Infrastructure Futures – the Way Forward*. September 2001

Knowledge formation and learning communities

The key themes emerging under this issue were:

- Recognising the significance of human capital and skills and rapidly available technical training as vital pieces of infrastructure.
- Creating new commercial opportunities from the generation and use of knowledge.
- A key priority for infrastructure should be the development of new skills for as yet uninvented jobs, and fostering knowledge creation, innovation, enterprise and learning communities.
- The ability to create, store and disseminate ideas and learning should be an infrastructure goal in the new knowledge economy, particularly for education infrastructure.

Effective collaboration, cooperation and co-ordination

This captured several related themes:

- The need for effective partnerships and alliances between government, the private sector and community interests for joint action and priority setting.
- Recognition of the lack of collaborative spirit, where egos and competing interests can outweigh any commonalities, both within and outside regions.
- Opportunities available for harnessing synergies for change and thereby creating new industries and capabilities, for example:
 - clustering of like industries for critical mass and global reach;
 - a network of complementary technology parks and incubators; or
 - strategic alliances for marketing the three regions as an international investment and business location.

Identifying and addressing self-interest

Overcoming parochialism and subverting entrenched fiefdoms and institutionalised self-interest were seen as vital for the three regions to make quantum leaps in economic development.

Redefining government as an enabler

The main themes raised by this key issue area cover:

- Re-engineering government mindsets from being risk averse, process-driven, regulatory and aloof to the effective management of outcomes and achievement of shared gains through trust and partnerships with the private sector.
- The ambiguity, inadequate coordination and lack of integrated governance at Federal, State, regional and local levels.

- The mismatch between political and electoral cycles on one hand and investment time frames for infrastructure developments on the other.
- Questions of political will and accountability and better understanding and satisfaction of community expectations by government decision-makers.

These priority areas from the stakeholder workshops were verified with others with expertise and interest in infrastructure in the Hunter, Illawarra and Western Sydney. Additional investigations and analyses were undertaken by the project's consultants, Graham Larcombe of National Economics and Pat Fensham of SGS Economics & Planning.

The aim was to expand knowledge of how the ideas emerging from the workshops translated into specific strategies and initiatives most likely to unleash new economic opportunities from infrastructure in the Hunter, Illawarra and Western Sydney regions.

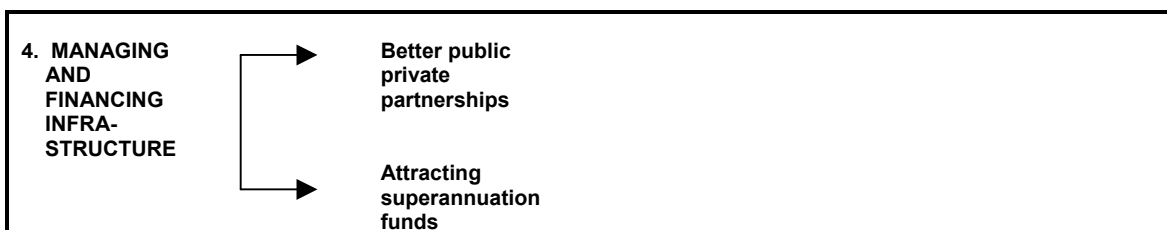
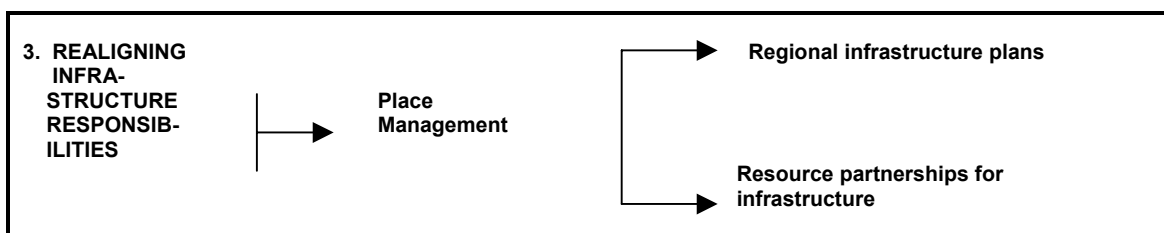
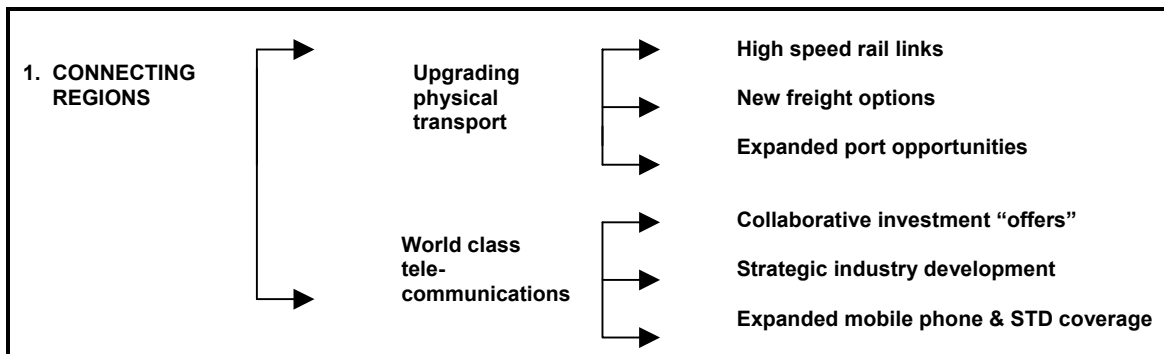
TOWARDS IMAGINATIVE STRATEGIES

Overview

The Australian Business Foundation's infrastructure stakeholders, informants and consultants concluded that the following four strategies were the most potent actions for boosting economic benefit from regional infrastructure.

They are summarised in the following table, together with some key initiatives being suggested as selected practical actions to take these four strategies forward.

Infrastructure Action for Regional Economic Development



1. CONNECTING REGIONS

Infrastructure's role in connecting the three regions to each other, to Sydney as a capital city and business hub and to global markets is central to the project's goal of enhancing infrastructure for greater economic benefit.

The greater the connectivity between the three regions and global Sydney, the greater their capacity to benefit from globalisation, particularly if strategies to connect people and places are combined with other strategies to stimulate the growth of high value added industries and jobs in the three regions. In particular, strategies for knowledge creation are all underpinned by the need for outstanding telecommunications infrastructure and for easy, cost effective and efficient movement of people and goods.

This means upgrading telecommunications links, and a far greater focus on fast public transport links than what has been contemplated in the past. It also means a smarter approach to managing the available capacity in the existing radial road network.

To fully capitalise on global opportunities and on their own competitive strengths, businesses in the three regions must be able to reach out to new markets. This involves good transport logistics and maximising the use of e-commerce to capture lucrative components of value chains. It also means good access to airports so that important personal contacts can be consolidated and supports the creation of new e-commerce links. So while the infrastructure for moving ideas is crucial to success in the new economy, efficient ports, road and rail links to the ports, and indeed, efficient cross town road networks remain as important as ever.

The capital costs of enhancing physical connectivity may be high, but the cost of doing nothing or making incremental infrastructure investments may be higher.

This leads to a focus on two types of infrastructure crucial to achieving these connections in and between regions:

- Transport.
- Telecommunications.

Upgrading physical transport

The recipe for improved transport infrastructure for Sydney as a whole and for each of the Hunter, Illawarra and Western Sydney regions has been the subject of considerable specialist expert analysis that far exceeds the scope of this infrastructure project.

To name just a few of the more recent contributions:

- Sustainable Transport in Sustainable Cities from the Warren Centre for Advanced Engineering.
- Multiple reports and analyses by the Greater Western Sydney Economic Development Board and the Western Sydney Regional Organisation of Councils.
- The 2001 Australian Infrastructure Report Card coordinated by the Institution of Engineers Australia.
- Transport Infrastructure Study for the Hunter, North & West Regions of NSW prepared by the Newcastle and Hunter Business Chamber.

- Submissions by the Port Kembla Port Corporation, the Illawarra Regional Development Board and the Illawarra Regional Coordination Program.
- The NSW Government's Action for Transport 2010.

There is active debate and continuing political engagement about the transport priorities for the Hunter, the Illawarra and Western Sydney. The various prescriptions compete with each other for scarce infrastructure resources and some of them are in direct conflict with others.

The angle taken by the Australian Business Foundation's project was to focus on the physical links between the three regions and central Sydney, leaving recommendations about the transport priorities within each region to local users and experts. This project focuses on those aspects of transport infrastructure most likely to enhance regional business development and access to new global markets. In particular, three specific initiatives were seen as decisive in achieving this goal:

- ❑ High speed rail links between Sydney and both Newcastle and Wollongong.
- ❑ New options for freight.
- ❑ Expanded port opportunities.

High speed rail

The current investment in the rail systems between the regions focuses on re-alignment to existing tracks. This results in upgrading one small piece of track at a time and achieving progressive track realignment over the next 25 years. These incremental approaches to upgrading rail infrastructure continue to constrain the regions. The viability of regional centres can be significantly strengthened by developing fast rail links that reduce travel times to under one hour to and from Sydney. Passengers must also be assured of reliability, safety and attractive fare settings. The current proposals to achieve time-savings of 15 minutes are insufficient and the vision is missing to make a catalytic jump to rail systems that effectively connect the three regions.

The development of such a high speed mass transit link between Wollongong and Sydney and between Newcastle and Sydney can be seen as providing opportunities in:

- ❑ Investment growth: injection of new capital that is considered to be a key driver of economic growth and expansion.
- ❑ Clusters: increased capacity to locate and develop concentrations of industry and people in hubs around stations and the main regional centres.
- ❑ Population and workforce: reduces travel times and encourages a modal shift, increases the attractiveness of these areas, and facilitates flows of "knowledge workers" who are attracted to the lifestyle of the Hunter and Illawarra regions.
- ❑ Improved access to an extended range of personal and advanced business services: particularly through access to the Sydney market and the business centre.

This is the argument for a fresh evaluation of high speed rail links between metropolitan Sydney and both the Illawarra and the Hunter and indeed, the Central Coast. It is also the argument for looking at the options for high speed rail links within metropolitan Sydney, particularly centering on Parramatta and connecting centres across Western Sydney as well as to Wollongong and Newcastle.

New freight options

Improved management and movement of freight is essential for keeping business costs to a minimum, especially for rural and regional NSW. This requires attention to both rail and road freight.

Managing capacity on the existing radial road network, rather than new road building, which only increases car dependency, is a well-recognised goal. However, it presents political and community leaders a considerable challenge in terms of an attitudinal shift and a change to urban development that reduces the need to travel for work.

To maximise the economic impact of existing road and freeway networks, demand management tools like congestion pricing and car parking costs will need to be considered. Similarly, better integration of land use planning and transport infrastructure is necessary, eg strategic employment lands that are high freight generators should be located on key arterial routes.

Upgrades to rail freight infrastructure are necessary to take pressure off the road network, currently used to transport about 75% of NSW's freight. The current freight strategy centres on assisting freight to get through the metropolitan network. This involves building dedicated freight tracks, making better use of trunk and feeder lines and examining the reopening of disused lines, and all this progressively implemented over the next 20 years.

The economic and environmental agenda (related to removing trucks from metropolitan streets) suggests that this program needs to be accelerated.

Expanded port opportunities

There is great debate about whether Sydney, the Hunter and the Illawarra can sustain three ports. While there are advocates for highly centralised port operations such as in Brisbane, in the Sydney context, others argue that congestion factors at Port Botany and Kingsford Smith Airport work against such centralisation. An alternative view segments ports by their specialisations and their best geographic reach, and allows for more diversification.

This lends itself to a planning framework for ports that evaluates expansion in capacity by measuring externalities associated with congestion, investigations of specialisations and complementaries, and detailed assessments of minimum economic scale. It also starts from the proposition of better utilisation of under-utilised sunk cost infrastructure. In an age of financial constraint and doing more with less, it is imperative to make assets work harder and look firstly at what we can do with what we've got. Such an approach has the potential to not only make the best use of Sydney's ports, but also to open up opportunities for Newcastle and Port Kembla to further develop high value added container terminals and links to international shipping companies.

In any event, a more rigorous and open debate about expanded port opportunities for Sydney, the Hunter and the Illawarra are warranted, with the end goal being a solution which optimises the economic benefits as a whole to three of Australia's great industrialised regions.

World class telecommunications

In the last decade, information technology and telecommunications have become essential in building successful businesses, industries, communities and regions. These technologies are seen by some to be transforming the very way business is being done, increasing the power of the consumer, opening up new markets and inventing entirely novel opportunities and business offerings.

Growth and deregulation of the telecommunications industry, together with exponential advances in computer and online technologies, means that to keep pace regional businesses and communities must have infrastructure and services equivalent to that in metropolitan centres and of a standard to allow them to compete globally.

The Hunter, Illawarra and Western Sydney regions are viewed as being “on the cusp” of significant telecommunications infrastructure investment, and where a return on investment can be achieved. For regions with aspirations to be globally competitive, this is not good enough.

Recent advances and existing telecommunications capacity must be developed so that it meets world class standards and is well-placed to take advantage of the ever-expanding frontier of new technologies.

Based on assessments of issues such as level of competition, price and speed of access, service levels and technology uptake in the three regions studied, the following three initiatives are seen as important ways to capitalise on telecommunications infrastructure as a driver of economic development.

Collaborative ‘offers’ to attract investment

The key concept is to create an environment for investment in information and telecommunications technologies, particularly by government agencies collectively producing an ‘offer’ to generate economic scale.

Information and telecommunications providers might point to the absence of sufficient user volumes to justify not investing in high capacity telecommunications infrastructure in the regions. Local government and State government agencies are significant consumers in the regions. Local governments and State government agencies in the three regions could prepare a joint proposal which constitutes a market offer to potential IT&T providers. The scale of potential usage – and the guarantee of an exclusive supplier agreement – may entice a provider to invest.

This is a particular example of demand aggregation that could further involve business groups and other organisations working together to access improved information technology and telecommunications services within their region.

Strategic industry development

State and local governments are called on to take an active role to foster information and telecommunications infrastructure as an integral element of their regional economic and industry development plans. This includes promotion of new business models based on online and electronic technologies, increased use and distribution of IT and telecommunications services, and a stronger emphasis on the development of technology skills.

Regional economic development today is less about attracting prize investments like car plants, and more about ensuring that local firms are participating in world wide value chains, leveraged by the local ‘knowledge base’ which comprises R&D, special design skills, clever business models, advanced risk assessment skills and the like. Local firms need to be ‘mentored’ to embrace e-commerce business models as a means to this end. Accelerated participation in these activities will spur demand nodes, which in turn will accelerate the commercial roll out of quality information and telecommunications infrastructure. The existence of this infrastructure will allow additional firms to operate globally online, creating more economic opportunities in a virtuous circle.

Expanded STD and mobile phone coverage

Most of the Illawarra and the Hunter continue to pay STD rates for calls to Sydney. This puts them at a serious trading disadvantage. The State could stand with the regions in advocating for an expansion of the Sydney STD area to encompass not only outer Western Sydney, the Illawarra and the Hunter, but also the Central Coast.

Mobile coverage has improved significantly in the regions in the past two years. However, a number of mobile phone coverage 'black spots' remain in each region. In particular, stakeholders in the Illawarra have identified the Princes Highway as having black spots. The State should be advocating on behalf of the regions to fill these black spots – particularly along major transport routes and links.

2. CREATING REGIONS AS KNOWLEDGE HUBS

As established industrial regions, the Hunter, Illawarra and Western Sydney regions need to make the transition from the old economy to the new economy. The major difference between the so-called “old” and “new” economy is the role played by knowledge and innovation in making firms, industries and regions more productive, globally competitive and capable of continually creating new products and services which are highly valued by customers.

There is a wealth of literature and scholarship on the rise of the knowledge-based economy, where intangible assets like know-how, skills, design and branding contribute more to sustained business performance than traditional physical assets like land, buildings, plant and equipment.

Successful regions create new opportunities because of the tacit knowledge possessed by local businesses, workers and development agencies. Linking, transmitting and harnessing this tacit knowledge is central to the productivity and performance of firms and industries. Consequently, knowledge and learning infrastructure are becoming increasingly important determinants of economic competitiveness of the three regions.

Shifting to a knowledge-based economy or becoming a learning region is not just about high tech jobs and dot.com start ups or the formal research and development or education and training systems —important as they are. It also involves improving the competitiveness and opportunities of existing industries through the better use of knowledge and innovation, and by continuous upgrading of the skills of the workforce, so that people are not only currently employed, but are highly employable in future.

To capture opportunities from the knowledge-based economy, the three regions must ensure:

- Strong clusters of high growth, high performance, value adding industries with global reach.
- Existing industries and enterprises focus on innovation and increasing their ability to compete on the basis of skills, know-how and fresh ideas that meet market needs.
- Residents and workers are engaged in continually acquiring new skills and competencies, and the formal education and training system is flexible enough to foster such learning to meet emerging skills needs.
- A capacity to meet the rapidly growing demand for technical and professional skills, particularly in areas requiring information technology competencies, and mechanisms to share insights about likely skills shortages and means to address these.

The knowledge-based economy places human capabilities at the centre of the development process. Entrepreneurial skills, technical skills, capacity to work in teams and partnerships, capacity to absorb new technology and ideas, adapt to change and to continually access knowledge are all attributes that individuals and organisations require at the regional level.

For the three regions, some of the indicators are quite good – growth in residents with tertiary qualifications, proportion of households involved in learning, and growth of high skilled jobs. The regions are also involved in initiatives to strengthen knowledge-based jobs. Examples include proposals to develop a science and technology precinct in Wollongong at Brandon Park linking Wollongong University and the Illawarra Institute of TAFE; initiatives by the Office of Western Sydney to strengthen IT clusters and Australia’s Bio-Hub at Westmead; the proposed Moorebank Technology Park in South West Sydney; and the relocation of CSIRO’s Energy Technology Division to the Hunter. The latter may create a catalyst for the development of new energy-efficient industries in the region.

Despite these successes, the gap in educational attainment and knowledge-based jobs in these regions compared to inner Sydney and other globally successful knowledge-based regions is widening. Most of the growth in knowledge based jobs over the past decade has occurred in the high tech crescent from North Ryde to Kingsford Smith Airport. The Hunter, Illawarra and Western Sydney are over-represented in routine production activities. The high proportion of routine production jobs results in higher job insecurity, lower incomes and higher unemployment.

Action to boost the effects of knowledge and learning infrastructure in the three regions should focus on:

- Fostering regional clusters of high-performing global industries.
- The creation of a Learning Communities Program to promote increased skills for citizens and increased competitiveness for business.

Regional industry clusters

Regional industry clusters or centres of excellence in high-performing industries, which match and build on the skills, strengths and capabilities of each region, must become a key focus of regional economic infrastructure decisions.

Centres of excellence can be developed around high technology parks, incubators and centres of higher learning, or they could be business hubs and clusters of competitive firms that co-locate, or operate virtually, but with benefits flowing back to the regions involved.

The most significant feature of centres of excellence is that knowledge flows and collaboration constantly create new opportunities for innovation and commercialisation of ideas, products and services. Strengthening linkages between regional research, institutions, development agencies and industries is an important pre-requisite.

The argument for industry clustering or centres of excellence in promoting innovation and competitiveness in firms, regions and nations owes much to Harvard Business School's Professor Michael Porter and his 1990 book on "The Competitive Advantage of Nations" and other later contributions.

Michael Porter pioneered the concept that competition and collaboration can co-exist to drive remarkable business productivity and performance because of the concentration of specialised skills and capabilities, institutions and rivals, related businesses and sophisticated customers. This forms an "eco-system" where companies acquire knowledge and turn it into new capabilities and fresh business offerings with high commercial value because of their connections and interplay with other firms and institutions.

Industry clustering of firms and supporting organisations (eg universities, trade associations, business service providers, development boards, etc) is seen as a potent tool for growing new business opportunities and industries, revitalising declining regions and fostering large scale competitiveness and innovation.

Centres of excellence are the focal point for firms to become part of globally competitive supply chains, continually upgrading skills and tapping into new sources of learning.

But, it is not enough just to recognise the natural connections in a geographic area between economic actors. These interactions must be harnessed to create distinctive capabilities that come to characterise the region and drive its economic prosperity.

Deliberate and disciplined efforts are required to encourage the collaboration that puts a region's enterprises in touch with the know-how, resources, technologies, skills and motivation that pushes them along an outward-looking, high growth path. The performance and productivity of such firms then serves to attract other investors, suppliers and competitor firms into a critical mass of business capability and community connections that becomes self-reinforcing.

The end result is a viable industry cluster (or more likely, multiple clusters), a high performing regional hub with global reach in high value-added, knowledge-intensive industries. The critical ingredient is the creation of a new type of knowledge infrastructure in the form of a systematic process of industry clustering.

An explicit knowledge infrastructure checklist should form part of regional economic development strategies. Each of the three regions has a plethora of economic development studies and plans produced over the years, and a range of public and private organisations tasked with the job of investment attraction and regional development. But, there has been significantly less attention given to the follow-through, to strategic alignment of plans with the region's distinctive capabilities, know-how and advantages. And even less recognition given to the potential for synergy with neighbouring regions, particularly global Sydney.

A quantum leap in the regions' economic development strategies are required to enable each of them to understand their own competencies, to leverage their specialisations with others and create high-performing global centres of excellence. Regions should seek to become a magnet for investment in high value-added industries that build new knowledge capabilities, skills and technologies that ultimately become self-sustaining.

Educational and research institutions are a crucial element of this knowledge infrastructure, as are business and training networks and technology diffusion services, the "soft" infrastructure required to support regional firms to improve competitiveness in a business climate where what you know is more important than what you own.

This knowledge infrastructure allows learning to take place within and between organisations, including exchanges between firms, competitors, suppliers, customers and educational institutions.

More resources need to be transferred from physical capital to knowledge infrastructure. For example, consideration should be given to providing incentives for increased funding to regional educational institutions that can demonstrate enhanced regional growth emanating from collaboration with industry and the community.

Learning Communities Program

Improving the knowledge and learning infrastructure of regions does not stop with efforts to boost the competitiveness of business and the region's economic growth. It also involves the opportunities and skills available to the wider community and the concept of promoting lifelong learning that strengthens social capital and cohesion of the regions.

Kurt Larsen of the OECD in a June 1999 article in the OECD Observer coined the concept of "the learning city or region" and demonstrated the interdependence of economic and social goals in the knowledge economy. To quote:

"What learning cities and regions have in common is an explicit commitment to placing innovation and learning at the core of development. All seek to sustain economy activity through various combinations of lifelong learning, innovation and creative uses of information and communication technologies....."

The challenge is to link individual learning to a larger environment in which institutions also are aware of the need to innovate and learn, and are capable of doing so....."

.....learning cities (and regions).....create globally competitive knowledge-intensive industrial and service activities and base their work on the local capacity for learning, innovation and change.”

To give practical expression to this concept, our regional infrastructure study suggests a pilot Learning Communities Program. This Program would allow local councils to take a lead, together with regional education providers, firms and households to help communities make a successful transition to the knowledge-based economy.

The aim of the Learning Communities Program is fostering active community-based learning initiatives so that the people of the Hunter, Illawarra and Western Sydney regions are technologically literate and are well-placed to successfully compete for knowledge-based jobs.

Elements of the Learning Communities Program could include:

- Fostering learning partnerships and technology sharing arrangements between local schools and libraries and the wider community.
- Supporting community initiatives to upgrade the IT skills of residents.
- Community-based business skills and networking programs.
- Creating local electronic and online networks accessible to the community providing internet and electronic bill payment services.

Resources to support these activities can be harnessed from existing Federal and State programs, eg telecentres, or from entrepreneurial and mutually beneficial partnerships with the private sector.

3. REALIGNING STATE & REGIONAL RESPONSIBILITIES

Participants in this regional economic infrastructure project were of one mind in seeking greater collaboration and harmonisation of activities between local, State and to a lesser extent, Federal governments. There was considerable unanimity also about the need for regional and local communities to have a greater say (or even control) in the planning and infrastructure decisions that affect them.

However, there was no consensus about how this should be done, nor which organisations and institutions should take the lead role in this. The circumstances in which regional solutions are preferable, the forms such regional governance should take and the respective roles of local government and various regional organisations were particularly problematic.

This picture was further muddled by differing concepts of regional autonomy and identity and the value of linkages between the Hunter, the Illawarra and Western Sydney and between any of these regions and mainstream or 'Global' Sydney. There are dilemmas between:

- each region operating as a cohesive, identifiable but outward-looking entity to receive adequate resources and effective political attention, charting their own autonomous path; or
- the Hunter, Illawarra and Western Sydney regions making common cause and reaching a consensus on a single infrastructure wish list to meet their shared needs and to redress the perceived bias towards investment in established metropolitan Sydney; or
- the three regions each capitalising on their proximity to mainstream Sydney, arguably Australia's premier global city and coupling their infrastructure choices with Sydney's to attract a critical mass of resources and economic opportunities.

A unifying theme, however, was an aspiration for better alignment between State and regional infrastructure responsibilities in order to unlock more jobs, educational opportunities and sustainable high growth industries and business enterprises in the three regions.

Place management

Some of the most contemporary thinking about achieving alignment between different functional responsibilities and levels of government is summarised in the term "place management".

Place management is used to reflect a shift in focus in public policy making towards geographic communities and generating customised solutions to local needs and problems, usually in concert with those most affected by decisions. It presupposes a "whole of government" focus on the needs of these geographic areas, rather than priority attention to different functional responsibilities of government like transport, health or education.

It recognises the role of the State to set overall goals, policies and targets, but it allows for diverse approaches best suited to local circumstances in how such outcomes are achieved.

Within these State-nominated outcomes, 'place management' devolves decision-making and resource allocation to the regional and local levels, with appropriate accountability for the achievement of results.

It is argued that, paradoxically, 'place management' approaches are particularly relevant in times of increasing globalisation, where the movement of ideas, capital and skills worldwide often occurs at the click of a mouse. Distinctive, specialist and localised responses are a competitive answer to globalisation.

In fact, globalisation enhances the significance of local and regional economies. This is due to, amongst other factors, the growing importance of industry clusters and networks in enhancing competitiveness, greater regional specialisation, the utilisation of “tacit” local knowledge and the need to promote flexibility and adaptation when confronted with uncertainty and constant change in the economic environment.

Consequently, it is possible to identify two broad related initiatives to advance this aspiration under the banner of 'place management':

- Regional infrastructure plans.
- Resource partnerships for infrastructure.

Regional infrastructure plans

A prerequisite for regions to have more influence over infrastructure priorities, trade-offs and resources, are concerted efforts by government and non-government interests regionally to specify their infrastructure needs linked to their particular and immediate economic development strategies.

In this context, the intention is that State Government sets clear policy objectives and nominates what it sees as State level priorities with regards to population and settlement, economic development and environmental management. Regional communities however would then be left to respond to this agenda and set their own priorities in the form of regional infrastructure plans.

Regional infrastructure plans would address issues like:

- How employment lands should be distributed across the region to maximise economic development and meet other planning objectives.
- The type of infrastructure and land use controls that foster the development of high-performance industrial clusters.
- How the quality of the built environment can be improved to encourage investment.
- Securing a sufficient supply of employment lands serviced by transport infrastructure.
- The type of infrastructure required to support employment, social and environmental outcomes.
- The appropriate balance of investment in different infrastructure across the region to support regional employment, social and environmental outcomes.

Much action on land use, transport and other economic planning is already underway by existing Regional Development Boards and the other regional planning bodies, by State Government agencies, by local government and in some cases, by community and business interest groups. What is missing is a vehicle for translating existing regional economic development strategies and specialist plans into a feasible, costed, integrated and staged set of infrastructure projects.

Why has this not happened to date? In short, there is no particular incentive or mandate for disparate groups at regional level to turn their focus from their own specific interests to champion regional infrastructure plans and priority projects.

This could change if there was a prospect of accessing resources to support those infrastructure plans. Hence, the second initiative recommended is a resource partnership, where an allocation of a proportion of State Public Works funds are devolved for regional infrastructure projects, subject to the region having in place a mechanism for sign-off on a substantiated regional infrastructure plan by all affected communities and stakeholders.

Resource partnerships for infrastructure

This redirection of a percentage of the State Public Works budget could form a Strategic Regional Infrastructure Fund.

The Infrastructure Coordination Council established by the NSW Premier could be the vehicle to oversight this process. Political accountability for the allocation of these resources from the State Budget earmarked as the Strategic Regional Infrastructure Fund could be assigned to Ministers representing Western Sydney, the Hunter and the Illawarra, where they exist, or can be so designated.

There was no consensus as to the precise nature of the regional governance mechanisms for ensuring greater devolution of decision-making regarding the use of the Strategic Regional Infrastructure Fund to regional and local levels. But, as a minimum, they would need to allow local governments, regional organisations and relevant non-government interests a greater capacity for applying their local knowledge, addressing community aspirations and concerns, and making the case for the most beneficial and feasible set of regional infrastructure projects.

The argument for a greater devolution of responsibilities and resource allocation is premised on the need to be flexible, adaptive and innovative in quickly securing the infrastructure the regions need to capitalise on emerging new economic opportunities.

4. MANAGING & FINANCING INFRASTRUCTURE

An enduring theme from the stakeholders participating in the Australian Business Foundation's examination of new approaches to infrastructure in the Hunter, Illawarra and Western Sydney was the challenge of simply attracting more resources for regional infrastructure.

More infrastructure investment is a simple goal, but it is underpinned by a host of complex issues which require resolution. For example:

- Does infrastructure provision drive economic development in a region, or is a necessary baseline of economic activity and demand a prerequisite to make infrastructure investment feasible?
- There are likely to be different answers to this question depending on different types of infrastructure. For example, land release prior to the provision of sound housing and transport infrastructure is widely regarded as an error, while providing information technology and telecommunications infrastructure in advance of development is a crucial catalyst for the emergence of new industry and employment opportunities in regions, eg international call centres or back office processing centres for financial institutions.
- The sustainability challenge to restrict population growth in metropolitan Sydney suggests that infrastructure priorities should be skewed towards urban consolidation policies, rather than increased investment in roads, rail and other utilities to address backlogs or further expansion.
- An alternative approach to holding the line on Sydney's population growth and infrastructure expansion is to encourage the level of population density necessary to sustain and pay for reliable infrastructure without detracting from amenity and quality of life.
- The importance of an integrated approach to infrastructure planning, management and resourcing both across functional portfolios of government and between the public and the private sectors, is seen as crucial for better economic returns from infrastructure investment. While the importance of such integration and partnerships are universally recognised, the difficulty in actually achieving and implementing them is often seen as insurmountable.
- The timeframes for infrastructure investment and operation need to be speeded up to match the volatility and pace of change of economic decision-making at both enterprise level and in relation to global competition.
- Despite good intentions, best practice public private partnerships are still to be realised. On one hand, there is often a community expectation that infrastructure is a "free good" to be equitably distributed in all locations. This is at odds with private sector expectations and the commercial reality of investment decisions and risk management and rate of return requirements.
- The mindset of the public financing system limits the resources available for infrastructure investment.

The economic reform agenda for the past two decades has focused on microreform, deregulation and reduction of tax and of government expenditures. To maintain the confidence of the financial markets and rating agencies, governments have concentrated heavily on debt reduction and elimination. The NSW Government strategy is underpinned by legislation, the General Government Debt Elimination Act. This Act sets out short, medium and long-term targets to reduce and eliminate debt, increase net worth and encourage business investment through tax restraint.

While sound financial management is the centrepiece of good governance, there is concern that this emphasis on debt reduction is overriding evaluation of investment in long term infrastructure projects. The reluctance to evaluate economic infrastructure projects is because of their capital-intensive nature and the borrowings required to finance them. It is also because a high proportion of costs are borne up front while benefits can flow across generations.

Given these issues, two areas of action are suggested to strengthen the infrastructure investment capability of the regions and thereby, attracting more resources and new partners in the financing task. These are:

- Better public private partnerships.
- Attracting superannuation funds.

Better public private partnerships

The concept of “place management” discussed earlier and the strategy of regions identifying clear regional infrastructure plans as the basis for a greater say in attracting and allocating resources for regional infrastructure priorities is also crucial for better public private partnerships.

The earmarking of a proportion of the State Public Works Budget into a Strategic Regional Infrastructure Fund available to regions provides a platform for more effective partnerships between the public and private sectors.

Despite major infrastructure backlogs in the three regions, industrial restructuring and pressures for growth, the private sector is not a major participant in regional infrastructure. Effective partnerships recognise that governments can't act alone. Partnerships are required to lever more capital for infrastructure, expediting strategically important projects and improved allocation of risks between the public and private sectors.

The quality of information regarding infrastructure priorities and projects in the regions, and the scale of potential investment projects, has also been a barrier to public-private partnerships at the regional level. Again the public private partnership program has tended to be centralised, with radial freeways and rail lines serving the central city being prominent. The Western Sydney Orbital will break this mould but it is a ‘mega project’ that serves to prove the point about the importance of projects with scale.

New ways of informing the market regarding opportunities and ‘packaging’ projects to realise scale economies are required. Clarity with regard to the allocation of risk is critical to removing uncertainty for partners. Project evaluation procedures where the economic return (encompassing both private and public good perspectives), evaluated across generations, is a central assessment criteria that also needs to be in place.

The NSW Government’s *Working With Government* White Paper provides a framework for evaluating and delivering privately financed projects. These guidelines and more recent publications like the State Infrastructure Strategic Plan 2002 go some way to addressing a number of the ‘roadblocks’ to more effective partnerships. These roadblocks, and possible responses, include:

Roadblocks' to effective public-private partnerships

Possible responses

- Lack of certainty about associated government investment and development directions.
 - Lack of information about projects.
 - Lack of understanding re risk sharing.
 - Lack of scale in projects (particularly in regions).
 - Lack of tax incentives/Structure of tax system.
- Publicising the regional development plan with its infrastructure investment priorities.
 - Conduct formal and regular briefings with infrastructure/construction/finance sector regarding regional opportunities.
 - Reviewing the range of experience with PPP's and establishing model provisions which clarify the risk allocation; clarifying the establishment and application of the public sector 'comparator' or benchmark.
 - Utilise the Strategic Regional Infrastructure Fund to offer scale; 'bundle' packages together where appropriate.
 - Make the case to the Commonwealth to review its treatment of private sector infrastructure financing.

The regions should provide the information regarding potential partnership projects to the market, and commit to a program of review of the 'roadblocks' in partnership with the State Government and with potential private sector partners.

Attracting superannuation funds

Lack of capital does not constrain investment in the three regions. The rapid growth of superannuation funds in Australia – just over \$500 billion as at March 2002 – has the potential to have a major impact on economic development in the three regions. Workers in the three regions are contributing around \$2 billion per year to superannuation funds.

The prime objectives of super fund management are to maximise returns to employees and to manage their funds prudently. In a number of countries, super funds have also been used as a major vehicle to accelerate economic development opportunities, including Singapore, Sweden, Canada and Taiwan.

Superannuation funds are attracted to big city property markets, particularly Sydney, where there are good prospects for capital gains. Increasingly, super funds are looking towards overseas markets because of lack of investment opportunities in Australia. Currently, 20% of Australian funds are invested offshore, with forecasts that the share will increase to 30% over the next three years.

One option would be to follow the Canadian legislation and limit offshore investments by super funds to 20%. Another option would be to provide a further tax incentive for super funds that are invested in longer term higher risk regional investment projects – say a deduction in the tax rate from 15% to 10%. Alternatively, a special structure could be established for superannuation funds investments in regional infrastructure projects.

These options require more detailed analysis and assessment, which should be undertaken in concert with the Commonwealth Government, given its responsibility for the regulation of superannuation.

Despite the infrastructure backlogs in the three regions, investors and funds managers are not queuing up to participate in projects in the three regions.

Firstly, investors lack good information about economic opportunities and infrastructure projects in the three regions.

Secondly, innovative ways of identifying projects and managing risk need to be developed in the three regions. For example, the risk of one institutional investor investing in an office complex in Wollongong may be considered too high as a stand-alone project. If on the other hand, this could be packaged together with other institutional investments in a high tech park, a public-private partnership for high speed rail links to Sydney and a new hotel-shopping complex in the CBD, then the economies of scale would make additional projects more attractive. It is often the role of government to be a catalyst or seed investor. The Federal Better Cities Program, for example, initiated the Honeysuckle project in inner Newcastle. This is a long-term project designed to create new commercial, residential and recreational opportunities in central Newcastle.

A series of initiatives should be undertaken to build relationships and increase the dialogue and understanding of the interests and requirements of superannuation funds and regions. This includes preparing more detailed briefings of promising investment projects, building on DUAP's Living Centres program to identify feasible potential projects, and running a series of collaborative regional forums on economic futures for the three regions.

A coherent regional voice with a strong appreciation of the needs of super funds and a portfolio of projects that "stack up" would be a powerful means of convincing governments and institutional investors of the enormous potential in the Hunter, Illawarra and Western Sydney.

WHERE TO NOW?

In the spirit of an action research project, the findings summarised in this report are just a starting point.

The four strategies presented as our recipe for more imaginative and potent approaches to infrastructure for the Hunter, Illawarra and Western Sydney regions are:

- Priority attention to infrastructure that connects people and places in and between regions. Our focus is on transport and telecommunications.
- Infrastructure that turns regions into knowledge hubs, with high performance industries.
- Better alignment of State and regional responsibilities for infrastructure planning and use, emphasising the concept of “place management”.
- Actions to build effective partnerships for managing and financing infrastructure.

These strategies and initiatives are based on the thinking of a mix of infrastructure experts, users and other stakeholders who turned their minds to identifying different ways infrastructure could create greater economic opportunity for the established industrial regions of the Hunter, the Illawarra and Western Sydney.

Our ideas will not necessarily receive universal acclaim. But they are thoughtful recommendations put forward in an effort to foster informed and fruitful debate, and hopefully, to build a consensus for immediate and practical action to enhance regional infrastructure’s ability to general economic benefits.

The Australian Business Foundation hopes this report of our project on regional infrastructure will be a lightning rod for better, more polished ideas. We hope that it will generate debate and provoke argument.

We hope that it will engage those responsible for making infrastructure decisions and those directly affected by them. We hope that it extends its reach beyond the three regions that were the focus of this study and strikes a chord with regions across Australia.

Comments, alternative suggestions or other fresh ideas on the better use of infrastructure for economic development are warmly welcomed. Please contact us as follows:

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APPENDIX

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