

Forum Focus: Construction & Infrastructure



Knowledge Influence Support

CHAMBER OF COMMERCE
AND INDUSTRY
WESTERN AUSTRALIA



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Chairman's Message *from Ray Sputore, Managing Director - Decmil Australia Ltd*

Welcome to the June edition of CCI Forum Focus: Construction & Infrastructure.

As we enter winter, the good news is that the CCI Construction and Infrastructure Forum continues to grow in membership. The Forum now has over 30 representatives of CCI member companies involved in the construction and infrastructure sectors.

In this edition of Forum Focus, CCI provides analysis and commentary on the 2011-12 Federal and State Budgets. At a key time in the nation's and State's economies, CCI is continuing to advocate on the key issues that can be impacted by management of government finances.

The CCI and WA Business News Cost of Doing Business survey gives the first coherent picture of costs to business in WA in the areas of labour, regulation, taxes and charges. Some readers have probably taken part in the survey. Some of the initial survey results are in this Forum Focus for your attention.

Also in this edition are articles on the WA Government's Directions 2031 Strategy, the Vasse Coal Project, and Productivity Commission report on climate change.

Directions 2031

At its last meeting on May 30 the CCI Construction and Infrastructure Forum received a briefing from the Department of Planning on the WA Government's Directions 2031 and Beyond Strategy.

Directions 2031 and Beyond is the State Government's new planning vision for Perth and Peel that will guide the planning of the city to 2031 and beyond to shape the pattern of development and the density, design and mix of land uses. Directions 2031 replaces all previous metropolitan strategic plans for the metropolitan Perth and Peel region.

One of the important goals of Directions 2031 is to improve housing affordability in the Perth and Peel regions over the long-term.

Back in June 2008, CCI released a discussion paper into the vibrancy of the Perth metropolitan area. The paper noted that Perth needed to improve its infrastructure and liveability if WA is to retain its status as an economic powerhouse in the decades to come. Furthermore Perth needs to be seen as a city of choice if it is to attract people to fill critical skills shortages that exist in WA.

CCI is supportive of the Directions 2031 as it provides a unified framework for planning in the Perth and Peel regions. It provides an opportunity to address issues including housing, infrastructure and the environment in a coherent manner that will assist with the metropolitan area's overall development.

CCI is continuing to consult with the Department of Planning over Directions 2031 and will continue to provide updates to members on this key initiative.

[Click here](#) to view a copy of the directions 2031.

Fast Fact: Directions 2031 predicts that by 2031 the population of the Perth and Peel regions to have grown by 35 to 40 per cent on 2010 levels to be 2.2 million people.

Concerns over Margaret River coal mining decision

The CCI recently lodged an appeal on the Environmental Protection Authority's (EPA) decision to block the development of the Vasse Coal Project by LD Operations Ltd. The project is located 15km north east of Margaret River. The project has been the focus of considerable debate and attention since it was first proposed.

Fast Fact: Mining is an important economic sector in the South West worth more than \$1.68 billion in 2009-10 comprised of production of commodities including alumina, coal, mineral sands, tin and tantalum.

The CCI Appeal is not on the grounds as to whether the project should proceed or not. Rather it reflects CCI's concerns about the State project approvals process. In particular a need for transparency and fair process.

The matter is currently being reviewed by the Office of the Appeals Convenor.

Survey shows labour cost challenges

Over the past month, CCI conducted a survey of the WA business community along with WA Business News as part of our aim to tackle the high cost of doing business in WA. The preliminary results reveal the type and extent of cost pressures on WA businesses.

Overall, 90% of respondents said their business' total costs are higher over the past year and, on average, the survey showed an increase in business costs of one-third over the past 5 years.

Fast Fact: The CCI-WA Business News Survey showed that respondents were unable to pass on higher costs to customers, with 80% saying that higher costs had impacted upon their bottom line.

In terms of what issues were having the largest cost impacts on businesses, labour costs were foremost - ahead of issues such as regulatory compliance or input price inflation. On average, respondents estimated their staffing costs had risen by 36% over the past 5 years and pointed to salaries and wages as the main driver (selected by 91%), followed by training (35%).

More importantly, higher labour costs have not been matched by productivity gains with almost 70% of businesses saying that their workforces' productivity had remained the same or decreased over the past 5 years.

The full results of the survey will be presented in CCI's research paper into the Cost of Doing Business in the next few months.

Productivity Commission report on Carbon Emission Policies

Both major federal political parties have committed to reducing Australia's greenhouse gas emissions by at least 5% of 2000 levels by 2020. The Productivity Commission's recently released report on Carbon Emissions Policies in Key Economies sheds some light on how this goal could be achieved cost effectively.

The Commission found that direct carbon pricing mechanisms will generally deliver any given amount of abatement at least cost, irrespective of action in other countries. They therefore safeguard countries' economic competitiveness better than other approaches.

However, no country currently imposes an economy-wide tax on greenhouse gas emissions or has in place an economy-wide ETS. Of the countries studied, the United Kingdom, Germany, some parts of the United States and New Zealand have emissions trading schemes operating but these apply only to particular sectors, such as electricity generation.

In some cases the imposition of generous caps, combined with the impacts of economic recession have meant that, at least in the early years, the caps have not been binding to any great extent and prices of emission permits have been low (for example, the Regional Greenhouse Gas Initiative in the United States). The Commission did not suggest a starting price for carbon if an emissions trading scheme is implemented.

CCI recognises that many of its members need assistance to understand and prepare for climate change related issues. CCI will be running four Industry Intelligence and Networking workshops for manufacturing SMEs on carbon pricing and climate change in July and August.

For further information please contact Margaret Gollagher, Senior Policy Adviser Climate Change and Environment, on (08) 9365 7539 or margaret.gollagher@cciwa.com.

State and Federal Budget Analysis

The Federal government failed to live up to its threat to hand down a tough budget on 10 May. The identified savings of \$22 billion in the budget amount to savings of just over one per cent. Instead, the return to surplus is reliant on increased revenue from a mining led resurgence in the economy.

Budget 2011 had a clear focus on the need to increase the size and productivity of the local workforce. However, the workforce development initiatives included in the budget won't be enough to meet the needs of WA employers, let alone those across the nation.

[Click here](#) for CCI's analysis of the 2011-12 Federal Budget.

The 2011-12 State Budget, handed down on May 19, provided little relief to businesses. The budget is financially responsible, in that it maintains the AAA credit rating and strong surpluses through the out years despite the revenue challenges.

The centrepiece of the budget was a significant funding boost for the community and social services sector. However, many other key policy areas were not addressed. Notably, funding was not allocated in the Budget to implement Skilling WA or the Strategic Energy Initiative.

[Click here](#) for CCI's analysis of the 2011-12 State Budget.

Fast Fact: WA Government spending is expected to grow by 7.9 per cent in 2011-12 to \$24.8 billion.

Recent CCI Policy Papers

Key submissions and discussion papers that CCI has recently completed, or is currently working on, in its advocacy capacity include:

Completed

- Submission to Department of Education, Employment, Workplace Relations (DEEWR) on Review of Education Funding
- Submission to DEEWR on National Adult Foundations Skills Strategy
- Submission to Office of Energy on Strategic Energy Initiative Directions Paper
- Submission to Infrastructure Australia on National Land Freight Strategy
- Submission to the 2011 Fair Work Australia Minimum Wage Review
- Submission to Australian Building and Construction Commission Inquiry into Sham Contracting
- Submission to the 2011 Fair Work Australia Minimum Wage Review
- CCI Discussion Paper, Industrial Relations for Modern Enterprises

Near Complete

- Submission to the 2011 WA State Wage Review
- Submission to the WA Government on Review into WA Industrial Relations System
- Background briefing on Climate Change Issues relevant to SMEs

Commenced

- CCI Discussion Paper on Labour shortages in non-resource industries
- CCI Discussion Paper on Reducing the Cost of Doing Business in WA
- CCI Discussion Paper on Water Issues in Western Australia
- CCI Discussion Paper on Tax Reform
- Background Scoping Paper on Social Policy