



## **They're on a road to nowhere ...**

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TENSION between Canberra and the states has long been a feature of Australia's federation but the issue has descended to a level that is causing serious concern.

Canberra has gradually been widening its area of influence but, even in areas like road funding that have always required a joint approach, the situation has deteriorated.

The whole issue of infrastructure provision provides a clear illustration of the unproductive stand-off between the Howard government and the Gallop Government.

When it comes to infrastructure for major resource projects, the two governments approach the task from fundamentally different perspectives.

The Gallop Government advocates common user infra-structure developed independently of specific projects.

For instance, it spent \$184 million on common user infrastructure on the Burrup Peninsula to foster gas processing projects.

The Commonwealth's preferred approach is to tie the development of common user infrastructure to specific projects.

In the case of the Burrup, it worked with three project proponents – Syntroleum, Methanex and GTL Resources – but in each the projects did not proceed.

The end result is that the Commonwealth has not made any contribution to infrastructure development on the Burrup, despite benefiting indirectly through higher tax revenue.

State Treasurer Eric Ripper says the Commonwealth approach is akin to trying to 'pick winners', with all of the inherent risks that involves.

In contrast, Industry Minister Ian Macfarlane says the Howard Government makes no apologies for going out of its way to lock down footloose projects for Australia.

He cites the construction of the world's largest alumina refinery in Queensland as a win for the Commonwealth's approach.

Whichever policy approach is better, clearly they don't mesh effectively.

As Eric Ripper noted in a speech last week, the absence of a transparent and firm commitment from the Commonwealth meant the state was forced to develop scenario plans for the Burrup with and without Commonwealth assistance.

The development of infrastructure to support the Ravensthorpe nickel project proceeded only after a bitter stoush.

Looking ahead, the likely development of the giant Browse Basin gas fields, off the Kimberley coast, will create much bigger planning challenges.

As an offshore project, royalties will flow to Canberra, which adds another layer of complication.

Browse holds the potential of being another North West Shelf, supporting extra jobs, taxes and royalties, and is far too important to get bogged down by fighting between Canberra and Perth.

The current stand-off over the Peel Deviation road project is not encouraging.

The Commonwealth has offered to partially fund the project under its Auslink program.

The State Government has long complained that WA gets only 7 per cent of national Auslink funding, well below its 10 per cent share of population.

Now it is frustrated by the Commonwealth's unwillingness to lift its funding, following a big increase in the project's cost from \$340 million to \$450 million.

The dispute is characterised by claim and counter-claim.

Federal Roads Minister Jim Lloyd says the Commonwealth offer was always capped at \$170 million.

State Planning Minister Alannah MacTiernan says the deal was based on a 50/50 split.

She has refused to sign the Auslink funding deal, and Jim Lloyd is now threatening to take \$600 million of federal funding away from WA.

It's not an edifying sight when government leaders engage in this kind of fighting.

Robust debate between levels of government is one thing.

Slanging matches are quite another.

What is most important is getting results. In seeking results, parochial Western Australians shouldn't forget that NSW and Victoria routinely complain they subsidise other states through the Grants Commission process.

We aren't the only ones complaining to Canberra.