

SUBMISSION

PROPOSED CAPITAL CONTRIBUTION PAYMENTS FOR SWIN HEADWORKS

BREMER BAY AREA

The following submission is related to residential development proposals and their associated power requirements for the Bremer Bay area on behalf of Mr. W.M. Wellstead for the Peppermint Grazing Company Mr. P.A. Ashbolt for Bremer Bay Developments Pty. Ltd.

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Bremer Bay , like many other coastal areas within the Great Southern region has undergone rapid transformation over the last five to ten years from a little contemplated backwater rural fishing community into an exciting new area for both tourist and investor alike. Increasing emphasis and awareness is being placed on the region due to a wide and diverse range of people are going further afield searching for alternatives to increasingly crowded destinations such as Cape Naturaliste. This is in tandem with mining interests are the primary reasons for increased power requirements from Walpole through to Esperance.

Bremer Bay though is a unique case in this equation.

The surrounding region of Bremer contains the internationally renowned Fitzgerald River National Park biosphere and is a major drawcard to many interstate and international visitors. This enhances and underlines the importance and further potential of the region in and around Bremer Bay.

Due to the current energy supply shortage the location's development has almost been completely arrested and subsequently impeding the enormous potential it has to offer. The inability of both government and Western Power to coordinate timely answers to these challenges has all but brought all forms of development and thus growth for the region to a halt.

This critical energy supply problem represents part of a bigger challenge for the whole Great Southern region. The Albany to Esperance corridor's power requirements , in particular , needs urgently addressing as this region represents , as described , an area of both significant environmental and economic importance. Despite the fact that energy shortfalls had been anticipated for many years now we as pioneering developers find ourselves in an environment of indecision and procrastination. Promises and commitments from Western Power have continually been delayed , changed or simply shelved. Both existing projects and those in the planning stage are being held up causing intolerable delays and financial loss to some parties. These unsatisfactory management procedures are holding up the dynamic regional potential that will provide new opportunities for the government , private enterprise and ultimately the people of W.A. It is well beyond time that answers to these challenges not only be addressed , but solved – urgently

BACKGROUND

From the advent the resources boom of the 1970's , successive West Australian Governments have been searching for ways to develop regional areas of the state. The desired objective has been to realise the full potential for economic development and the benefits that this development provides to those remote communities and the State as a whole.

The current unprecedented resource based boom is now providing the opportunity for this long held vision to become a reality. International resource demand primarily from China and India is creating the opportunity for the State to broaden its economic base through mineral exploitation and tourism. This once in a generation opportunity should be seized. The sheer size of the geographical area of Jerramungup Shire covering over 645,000 Hectares brings to light the challenge being represented. As such , these critical infrastructure issues can only be achieved through leadership from the State Government by addressing the realities on the ground and assisting through legislation and funding the required infrastructure to be put in place to project these communities into the future and beyond.

UPGRADING AND ENHANCEMENT OF EXISTING SERVICES

It is obvious that regional areas cannot successfully develop their potential without energy requirements being met to underpin this development. Continued inaction both at a State and industry level will only exacerbate a delay of the opportunities that now exist.

Importantly , it must be pointed out that Bremer Bay currently , due to its remoteness and very small permanent population base , a very expensive for the land developer to operate out of due to economies of scale which requires the majority of planning and expertise to come from outside of the immediate community. Premiums are already being paid for development to take place. The notion of being saddled with yet more costs by way of proposed headwork contribution costs would make development prohibitively expensive if that were to occur.

As the majority of new developments , current and planned are being undertaken by local groups or companies who do not have the same resources or competitive cost structures as larger city based developers , the energy supply challenge is well outside of these individuals and companies capacity to solve them.

It is essential that Government support and facilitate infrastructure costs in the case of Bremer Bay as it is in its infancy of its development potential. It is strongly felt that these major issues should fall to government in tandem with Western Power and any cost burden should be borne by these larger and stronger entities.

Although the subject of the social responsibilities of government is not within the terms of reference of this discussion it nevertheless cannot be ignored.

The current discussion centres around Western Power , a government endorsed monopoly , in cooperation with the State Government wanting to pass a percentage of line upgrade costs onto private developers. This methodology is fundamentally flawed and does not equate when analysed , particularly in the case of Bremer Bay. This is for reasons described above - i.e. individuals whom are putting in place the basis for future prosperity of the area already struggling to overcome the tyranny of distance and the fact that the benefits derived from such developments are not solely those of the developer. Closer analysis of this point makes it clear who the proportional beneficiaries are. (See - 'Who Does Benefit ?')

According to published discussion documents , State Government (Office of Energy) and Western Power are examining the feasibility for head works costs to be effectively underwritten by developers. This is not a viable option as development of the area would be severely impeded. As stated previously , land development costs are already bordering on prohibitive. The net result of a policy of this sort would be reduced development potential which would result in less income for the state and therefore a loss of potential prosperity for all.

One can pose the question that under this idea currently being canvassed , shall the land developers , as proposed financiers for power infrastructure (headworks) also share in the income streams that the utility provider will enjoy well into the future ? Of course not and therefore the notion is ridiculous.

The current power monopoly in W.A. held by Western Power , which is an enormous corporation , exercises a 'take it or leave it ' attitude within that company and by implication , the State Government is complicit this attitude. The size of both these entities are intimidating in relationship to the scale of development that is taking place today in Bremer Bay. There is a distinct sense of "buck passing" emanating out of this discussion. It seems because the land developers , in the Bremer Bay case , are in the weakest position to object and therefore the softest target for these leviathans. It is simply not acceptable and reeks of jungle law being imposed on the weaker party.

The authors of this submission feel that normal commercial practices should be adhered to and this implies that the beneficiaries of the line upgrades should be liable on a pro rata basis to make contributions to it. Therefore , the central question that must be asked is 'who benefits'.

WHO DOES BENEFIT ?

In the scenario of power infrastructure upgrades relating to headworks the stakeholders who benefit are :

1. State Government
2. Federal Government
3. Local Government
4. Western Power
5. Land Development Companies
6. Other Business Enterprise Generated From Development

If we are to take these stakeholders one by one to analyse the specific benefits of land development for each we can define the following specific benefits :

STATE GOVERNMENT BENEFITS

- a) Stamp Duty from Land Sales
- b) GST From Land Sales
- c) GST Income from Increased Economic Activity

FEDERAL GOVERNMENT BENEFITS

- a) Company Tax from Profit of Land Sales
- b) Personal Tax from Wages paid from Company Activity

LOCAL GOVERNMENT

- a) Increased Rates

WESTERN POWER

- a) Ongoing Long Term Income (20-30 Years +)

DEVELOPMENT COMPANIES

- a) One of Capital Gain Shared with Government (See Tax Collection)

OTHER BUSINESS GENERATED

Profits from the carrying out of normal business

From this breakdown , we can clearly see that the main beneficiary of development by way of power supply is the State and Federal Governments through tax revenue followed closely by long term income streams for the utility provider. In the case of developers there is a one off capital gain which is shared both by the developers and the Federal and State Government (by way of taxes) The developers are but a small fractional beneficiary in the overall scheme of things relating to short and long term income breakdown. It must also be noted that the developers are liable for full energy supply costs within the scope of their individual projects.

We can also see that benefits for the Local Authority , the Shire of Jerramungup are also minimal due to the services that need to be provided to support the subsequent development and growth of the community by way of service provision. As has already been illustrated , we find that they are struggling to service the existing obligations of the vast area that the Shire covers. The authorities would be well advised to remind themselves of the geographical size of the Shire and the miniscule budgets they are operating within.

In a nutshell , existing funding at all local levels is lacking.

ENVIRONMENTAL BENEFITS OF EXPEDITIOUS DECISION MAKING AND UPGRADE IMPLEMENTATION

Very importantly and relating directly to delays now being experienced through the missing of deadlines for power upgrade solutions is the issue of the environment.

Relating specifically to the Bremer Bay region , there is a rapidly growing amount of tourist activity together with an increasing local population which is placing mounting pressure on the environment. Increased public infrastructure is desperately needed to avoid further degradation of the pristine environment that now exists but without the income streams that development provides , further degradation will occur. There are , in fact several bodies within and outside of the government that can make financial contributions in tandem with developers for foreshore development and the like but again are impeded by the lack of resolve on the energy issue which is delaying these downstream decisions being made.

This underlines the need for timely intervention by the decision makers for the provision of power to the area to generate economic activity to pay for this important infrastructure that protects the environment. Indecision between the statutory bodies does not achieve this often forgotten , but important outcome.

CONCLUSIONS

We as developers and locals of the Bremer Bay area feel that the main points relating to the cost of headworks are :

DECISIVE AND URGENT RESOLUTION AND IMPLEMENTATION OF INCREASED POWER SUPPLY INTO THE AREA

STATUTORY AWARENESS OF WHO REALLY BENEFITS ECONOMICALLY FROM UPGRADES

HEADWORK COSTS TO BE SHOULDERED BY GOVERNMENT AND SERVICE PROVIDER

DEVELOPERS NOT TO BE LIABLE FOR HEADWORKS COSTS DUE TO ALREADY BURGEONING DEVELOPMENT COSTS DUE TO REMOTENESS

ENVIRONMENTAL IMPERATIVES ASSOCIATED WITH UPGRADING OF SYSTEM