



Western Australia

auditor general's report



# Improving Resource Project Approvals

Serving the Public Interest

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Report 5  
October 2008

# AUDITOR GENERAL'S REPORT

## PERFORMANCE EXAMINATION

### **Improving Resource Project Approvals**

Report 5  
October 2008



**AUDITOR GENERAL  
FOR WESTERN AUSTRALIA**

**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

**PERFORMANCE EXAMINATION – IMPROVING RESOURCE PROJECT APPROVALS**

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Performance Examinations are an integral part of the overall Performance Auditing program and seek to provide Parliament with assessments of the effectiveness and efficiency of public sector programs and activities thereby identifying opportunities for improved performance.

The information provided through this approach will, I am sure, assist Parliament in better evaluating agency performance and enhance Parliamentary decision-making to the benefit of all Western Australians.

A handwritten signature in black ink, appearing to read 'C. Murphy'.

COLIN MURPHY  
AUDITOR GENERAL  
7 October 2008

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## Auditor General's Overview

In the long term, what matters most about an approvals process is the outcome.

There are examples around the world of resource projects that have had devastating consequences for communities and the environment. These highlight the importance of having rigorous and well defined approval processes.

Proponents have seen Western Australia as a desirable location for resource development, but challenges remain. The investment decision by a proponent on whether to proceed with a resource project is surrounded by uncertainties related to the global economy as well as local conditions. It is proponents that initiate and drive the approvals process. While an approvals process that is structured to serve the public interest cannot provide proponents with absolute certainty, the ways in which the process is administered by agencies can affect the degree of certainty it provides.

In 2003 the Government committed to improving the approvals process and providing greater certainty for proponents. It gave agencies resources to do this, and agencies have implemented key initiatives, but so far these have not delivered the intended results.

To deliver the intended improvements agencies will need to reconsider their current approaches, and address the limited use of regional planning. Of particular concern to me, is the need for greater transparency of the criteria used by agencies to determine which projects get special assistance with the approvals process and how much assistance is provided.

# Executive Summary

Western Australia has experienced a significant expansion of the resources sector. In 2007, the value of sales of Western Australia's resources was over \$53 billion, an increase of 87 per cent since 2004, and accounted for 30 per cent of the Gross State Product. In 2006-07, Government spent around \$83 million assessing and regulating development projects to protect the State's environment and cultural heritage, and to ensure social and economic benefits flow to the community in general.

Development approval processes, which culminated in decisions about whether or not a resource development goes ahead, are complex, time consuming and costly. The outcomes of these decisions will impact the State for many years. Project proponents generally accept that these approvals are necessary, but they have asked for improvements to the process – better integration of the processes across government, and more certainty about timelines and requirements.

In 2003, just prior to the current growth in the sector, Government agreed to improve the approvals process for resource developments. While making it clear that there would be no weakening in standards, Government committed to agencies streamlining the approvals process and providing greater certainty about what is required and how long the process will take.

Between 2003 and 2005 Government allocated funding to agencies to deliver on its commitments. We examined whether improvements have been made to the resource development approvals process as a result of agencies' actions, and whether there are opportunities for further improvements.

This examination assessed the development approval processes for resource projects and their associated infrastructure, with a focus on the following key agencies:

- Department of Industry and Resources (DoIR)
- Department of Environment and Conservation (DEC)
- Department of Indigenous Affairs (DIA)
- Department for Planning and Infrastructure (DPI)
- the Office of Development Approvals Coordination (ODAC) within the Department of the Premier and Cabinet (DPC).

### Key Findings

To deliver on its commitment to improve coordination and certainty about the approvals process, Government allocated \$37.4 million to agencies, for the six years ending 2009-10. We reviewed agencies' actions and identified three key initiatives that agencies have implemented to improve the approvals process.

These are:

- approval agencies agreeing on set times for their processes and reporting on their compliance with them
- developing and implementing the Integrated Project Approvals System (IPAS), a project scoping framework
- establishing ODAC to coordinate the approvals process for certain projects and to oversee the improvements to the approvals process.

We found:

- *Agencies have implemented the key initiatives, but so far they have not resulted in the intended improvements.*
- *Resource projects cannot be tracked across government and agencies do not report on the time taken for the whole approvals process. Because of this, it is not possible to determine if overall timelines have improved.*
  - *Agencies are only required to report on set times for distinct parts of the process. They do not routinely measure overall timelines and where delays may be occurring in other parts of the process.*
  - *It was expected that agencies compliance with set times would improve as a result of ODAC monitoring them, but this has not been the case. Only DoIR's compliance with environmental mining approvals has improved. DEC's compliance has remained the same (87 per cent completed within set time), while DIA's heritage approvals and DoIR's petroleum approvals have worsened.*
  - *Agencies do not analyse the time data that is reported to identify opportunities for improving their processes or to assist Ministers to understand where improvements are needed.*

- *The Integrated Project Approvals System has not delivered the intended outcome of streamlining the approvals process and improving certainty.*
  - *The IPAS model relies on proponents improving their proposals rather than agencies improving their processes.*
  - *IPAS implementation has not been supported by sufficient awareness raising, or training for proponents and relevant agency staff.*
  - *IPAS aimed to streamline multi-agency approvals through scheduling simultaneous assessment – parallel processing, but this seldom happens in practice because agencies and proponents are reluctant to commit resources prior to environmental approvals being finalised.*
- *Neither ODAC nor DoIR have clear criteria for the special assistance they provide some proponents with the approvals process, and this creates a risk of real and perceived inequity.*
- *Agencies have not altered the way they conduct their approval processes in response to the workload and resourcing challenges created by the high level of activity in the resources sector. Streamlining the approvals process will not happen unless agencies introduce new ways of conducting their work.*
- *There has been limited forward planning that identifies and clarifies the State's strategic resource development priorities and provides guidance to the resource approvals process. However, in response to increased development activity, agencies have begun developing regional plans.*
- *There are no criteria or processes for assessing the social and economic impacts of resource projects, adding to uncertainty for proponents about government priorities. However, DoIR does consider social and economic impacts as part of its facilitation of major projects.*

### Recommendations

- Agencies should determine a way to uniquely identify each proposal so that it can be tracked across government.
- Agencies should measure and report on the timelines for all parts of the process, including the project scoping phase and advisory and consultation activities.
- Agencies should implement exception reporting and analysis to determine causes for delays and potential improvements to processes.
- Agencies should reconsider the objectives of IPAS, its effectiveness to date and its capacity to deliver on intended outcomes.
- DPC and DoIR should develop and publish criteria for the assistance they provide proponents with the approvals process.
- Agencies should consider new ways of working, including:
  - Using data and management systems more effectively to manage processes
  - Introducing outcomes-based conditions to better manage workloads
  - Using fees and charges to recover costs and to encourage more efficient practices
  - Developing proponent-focused guidance and training materials to improve the quality of proposals and proponents' understanding of the approvals process.
- To ease staffing pressures, agencies should reconsider employing accredited consultants, using proponent-funded certified assessors, and establishing expert panels, as previously endorsed by Government.
- Agencies, and in particular DIA, should review and revise their staff recruitment and retention strategies to help curtail the loss of experienced staff.
- Agencies should continue to develop further regional plans and consider more systematic strategic approaches for doing this.
- DoIR should make transparent the Government policy and factors it takes into account when facilitating approvals of new projects or project expansions on behalf of the State.

# Responses from Agencies to the Report

## **The Department of Industry and Resources (DoIR)**

DoIR acknowledges the additional funding it has received to implement the recommendations from the Keating Review in 2002. Since then there has been a quantum leap in resource development which has dramatically increased the demand for DoIR's services. This unprecedented and sustained growth has put enormous pressure on DoIR's resources and its capacity to retain experienced staff in competition with industry.

Despite these demands, the current approvals system has largely met the challenges of unprecedented growth, delivering significant long term benefits to the State and the resources industry. Government decision-making must continue to ensure a thorough assessment of all relevant perspectives, as well as being timely.

DoIR will continue to strive to improve the transparency, certainty and timeliness of the approval process. In doing so it will consider the Auditor General's recommendations.

## **The Department of Environment and Conservation (DEC)**

With respect to the comment in the report about agency capacity, DEC has emphasised throughout the conduct of this examination, that the provision of additional resources has been crucial to its ability to maintain the support and timeliness of the Environmental Protection Authority's assessment process.

The report indicates that DEC has maintained its performance on timelines for its management of the EPA's environmental impact assessment process. The Department is pleased with the acknowledgement of its performance. The report also expresses the view that the workloads have not changed substantially. While the statistics may not yet show an increase, there is an increasing level of contact and guidance being given to proponents to assist in the better management of the environmental impact assessment process. This is not reflected in the statistics, but is fundamental to being able to maintain this service level.

## **The Department of Indigenous Affairs (DIA)**

The findings indicate that there has been limited improvement in the way that DIA assesses and approves applications in relation to performance for this project. However, DIA believe it is now more accountable in relation to the provision of advice to its clients. In particular, DIA now requires documentation for any changes to mapped Aboriginal sites in its Aboriginal Site Register. Also, the Aboriginal Heritage Management System has been created to better capture site information, including determinations of the Aboriginal Cultural Material Committee, Heritage Surveys, section 18 applications and Registry Status. DIA has sought further funding to progress and implement the Aboriginal Heritage E-Lodgement Project, having completed the design phase.

Across government staff retention is an ongoing issue. A number of temporary positions were created to assist the resource project approvals. Due to the resources boom a number of staff have been offered higher incomes and longer term employment with mining companies. This has impacted on DIA's ability to recruit and retain appropriately qualified staff.

### **The Department for Planning and Infrastructure (DPI)**

DPI raises no objection to the general findings and recommendations contained in the report. DPI understands more work needs to be done across government in respect of regional planning, IPAS reporting, proponent guidance, and staff training and retention. However, DPI wishes to draw attention to its position on certain recommendations.

With regard to the recommendation that agencies should measure and report on all parts of the approvals process, DPI is costing the development of a 'time activated' electronic tracking system. In response to the recommendations about considering new ways of working, DPI adopted in December 2007, an internal regime for managing projects coordinated under IPAS. With regard to continuing the development of regional plans, DPI advises that a regional planning synopsis prepared by Macroplan consultants has been reported to the Western Australian Planning Commission.

### **The Department of the Premier and Cabinet**

In general terms the key recommendations in the report are agreed as their adoption would serve to further improve the current situation regarding project approvals. It is contended however, that the key findings do not reflect the fact that despite the unprecedented level of development activity that has occurred during the period under review, there has been steady progress in a whole-of-government approach to achieving approvals for responsible development within reasonable timeframes.

In addition to 'process issues', difficulties caused by planning and policy shortcomings affecting approvals have also contributed to the problem of certainty for proponents, and while there has been improved certainty, there remains a way to go.

# Government committed to improving the resource approvals process

## Resource projects are important to the State's economy

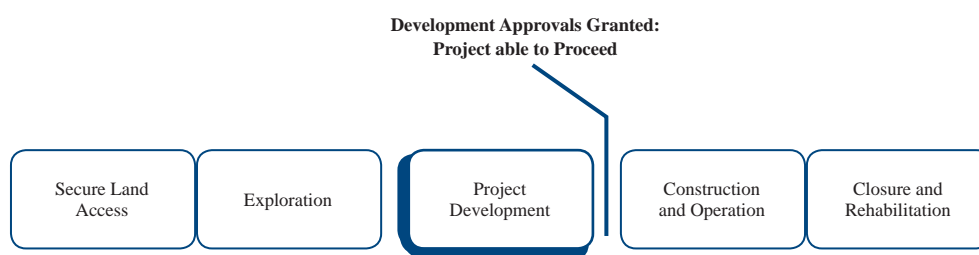
In 2007, the value of sale of Western Australia's resources (mineral and petroleum) was over \$53 billion, an increase of 87 per cent since 2004. Resource projects provided royalties of more than \$2 billion, and accounted for 30 per cent of the Gross State Product and around 17 per cent of the State's employment. In 2006-07, Government spent around \$83 million assessing and regulating development projects to protect the State's environment and its cultural heritage, and to ensure social and economic benefits flow to the community at large.

Obtaining the required approvals for resource developments is a complex, time consuming and costly business for project proponents and approval agencies. Government sets the approval conditions required for a resource project to proceed, and that ensure environmental and cultural heritage protection standards are met. Project proponents generally accept that these approvals are necessary, but they have asked for greater certainty about the process. In particular, proponents need more predictable assessment timelines and better inter-agency coordination so as to inform their project planning and reduce costs.

In 2001, Government commissioned an independent review of the resource development approvals process, the Keating Review. The review called for 'a more seamless system' (or an integrated approvals process) that delivers 'the necessary approvals within a reasonable timeframe at reasonable cost'. It recommended the improved coordination of processes across government and greater certainty of approvals timelines, requirements and costs for proponents, while taking into account the public interest. Between 2003 and 2005, Government approved and funded a multi-agency response to the review's recommendations.

## Development approvals are key to a resource project going forward

Development approvals are particularly important for proponents because significant capital investment decisions, that is, the project’s ‘bankability’, are dependent upon them. These approvals enable project ‘go-ahead’ because they endorse the proponent’s development plans and set the conditions for the project proceeding (Figure 1).



**Figure 1: Stages of a Resource Project**

*Resource projects require approvals at every stage. Development approvals are important because they indicate from Government’s perspective that a project can proceed and determine the conditions under which this can happen.*

Source: OAG

By the time proponents have reached the development approval stage they will have already invested considerable time and money to obtain access to the land, and to explore its resource potential before deciding to seek development approvals for the identified resource. After project development approvals are obtained, further approvals, including licences and work permits, are needed to construct and operate the project.

There are four key development approvals required in Western Australia. These development approvals are managed by separate agencies, each administering specific legislation (Table 1). Each agency manages its own processes, but the final decision rests with the relevant Minister. The one exception is the approval of mining proposals and petroleum management plans which the Minister for Resources has delegated to the Director General of the Department of Industry and Resources (DoIR). For development approvals, the Department for Planning and Infrastructure (DPI) has a limited role and is only involved where there is a requirement to amend the town or regional planning scheme and this has occurred infrequently to date.

| Agency   | Role in the Overall Approvals Process   | Relevant Legislation  |
|--|---|---|
| Department of Industry and Resources (DoIR)      | Assesses and approves development proposals for mining and petroleum, including certain environmental approvals.<br><br>For State Agreement Acts development proposals, it assesses and recommends to the Minister. | <i>Mining Act 1978</i><br><i>Petroleum Act 1967</i><br><i>Petroleum Pipelines Act 1969</i><br><i>Petroleum (Submerged Lands) Act 1982</i><br><br>Various State Agreement Acts |
| Department of Environment and Conservation (DEC) | Advises on the level of environmental assessment, assesses applications and advises the Environmental Protection Authority (EPA), which makes recommendations to the Minister.                                      | <i>Environmental Protection Act 1986 (Part IV)</i>  |
| Department of Indigenous Affairs (DIA)           | Assesses and refers s18 applications to the Aboriginal Cultural Material Committee (ACMC), which makes recommendations to the Minister.   | <i>Aboriginal Heritage Act 1972 (section 18)</i>  |
| Department for Planning and Infrastructure (DPI) | Assesses applications for amendments to regional and town planning schemes and advises WA Planning Commission (WAPC), which makes recommendations to the Minister.  | <i>Planning and Development Act 2005</i>  |

**Table 1: The four agencies responsible for assessing development approvals in Western Australia, their roles and supporting legislation**

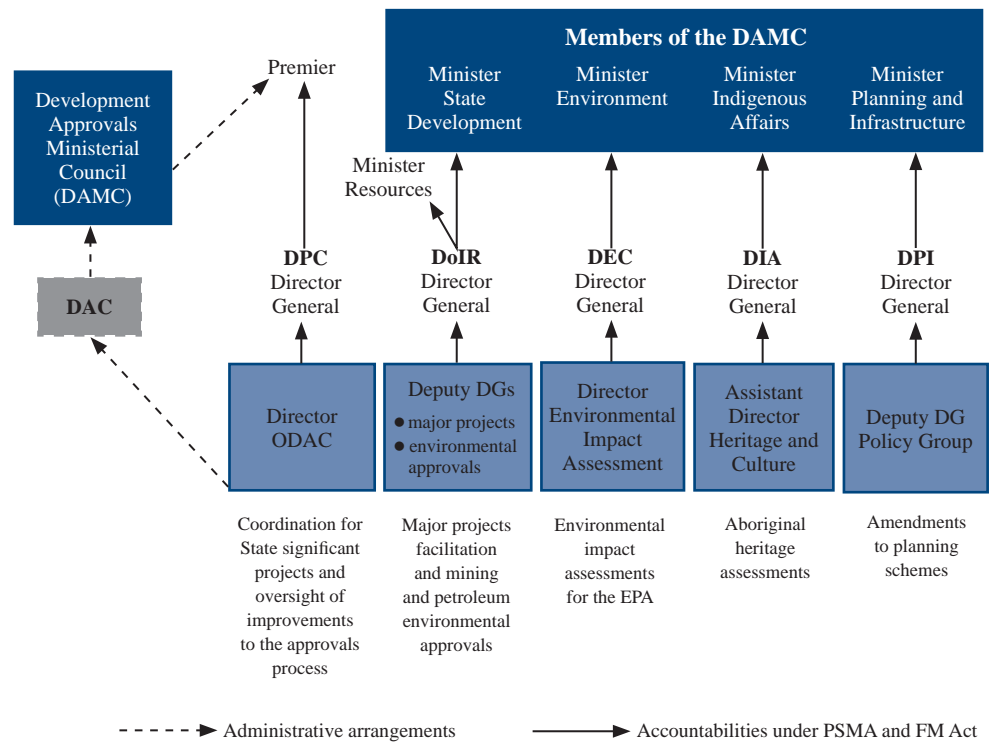
*Proponents need to secure all or some of the four development approvals before the proposed project can proceed.*

Source: Agencies' Annual Reports and OAG

In addition to conducting approval processes, DoIR provides a facilitation role for major projects (including those under State Agreement Acts), and negotiates social and economic benefits for recommendation to the Minister for State Development.

In October 2005, Government appointed a Development Approvals Coordinator (DAC) to coordinate these approvals and to oversee the improvements to the approvals process. The DAC is employed under a ministerial contract and reports to the Premier, via the Development Approvals Coordination Ministerial Council, in theory. In practice, the DAC reports directly to the Premier. The Ministerial Council has met only once. The DAC leads the Office of Development Approvals Coordination (ODAC) in the Department of the Premier and Cabinet (DPC). However, the Director, ODAC is responsible to the Director General, DPC.

Figure 2 shows the resource approvals governance framework currently in place, with the reporting lines for the DAC, ODAC and the agencies responsible for assessing and managing the key development approval processes, as well as the responsible Ministers.



**Figure 2: Governance framework for the development approvals process**

Four agencies are responsible for assessing and managing development approval processes. The DAC, supported by ODAC, is responsible for coordinating approvals across government for certain projects and for overseeing the reforms to the approvals process.

Source: OAG

## Examination Focus and Approach

This examination considered whether improvements have been made to the development approvals process as a result of agencies' actions, and whether there are opportunities for further improvements. More specifically, we asked:

- Has the action taken to deliver Government's commitments resulted in improved certainty for proponents about overall timelines, assessment requirements and costs?
- Are approval agencies' processes and work practices effective and likely to be sustainable into the future?
- Is there whole of government strategic policy and planning in place to support the approvals process?

With regard to improved certainty, we expected to find:

- Predictable timelines for the overall approvals process.
- Information about the approvals process steps and their sequence.
- Guidance material about the detail and content of information that is required for each assessment process.
- A framework for resource development in the State.

### Focus

This examination focuses on the development approval processes that signal 'project go-ahead' for resource projects, that is, mining, petroleum and gas projects and their related infrastructure, such as associated processing, storage and export facilities.

We examined the following key agencies responsible for development approvals:

- Department of Industry and Resources (DoIR)
- Department of Environment and Conservation (DEC)
- Department of Indigenous Affairs (DIA)
- Department for Planning and Infrastructure (DPI)

For the purposes of this report, the services provided by the above agencies as their part of the approvals processes are described generically as 'assessment' processes. Our use of the terms 'assessment' and 'assess' should not be seen as describing the role of agencies in a legal context. For example, DEC provides a service to the Environmental Protection Authority (EPA). We reviewed DEC's delivery of this service and describe it as an assessment process, even though under the *Environmental Protection Act*, it is the EPA that assesses proposals, and DEC assists the EPA to do this.

We also examined ODAC within the Department of the Premier and Cabinet. ODAC does not have responsibility for processing or granting approvals, but does have a coordination role and an oversight role in relation to the overall approvals process and its reform.

We did not review specific processes for individual proposals at any agency. Neither did we assess the recommendations of the Aboriginal Cultural Material Committee (ACMC) or the advice or recommendations given by the EPA.

We did not examine the land access approvals (including Native Title) that are required for resource development proposals going forward. Neither have we directly examined operational approvals (licences and work permits) such as those issued under Part V of the *Environmental Protection Act*. Approvals to clear land under the Environmental Protection (Clearing of Native Vegetation) Regulations 2004, the formation of or compliance with State Agreement Acts, and the management of mineral titles were subject to earlier Auditor General's reports and not dealt with in this examination.

### Our approach

Our approach included:

- examination of agency files
- analysis of data from agencies' systems for recording approval times and tracking steps in approval processes
- review of key documents, including: Cabinet submissions and decisions, the 2002 Review of the Project Development Approvals System (Keating Review), the 2007 Development Approvals Coordinator's Progress Report, agency implementation papers in response to the Keating Review recommendations, and agencies' approval process guidance materials
- interviews with key senior officers in agencies, responsible for the oversight of the approval processes, and peak stakeholder groups
- review of approval processes in other jurisdictions

To assess agency practices in relation to approval processes, we used criteria from the Australian National Audit Office's Better Practice Guide on Administering Regulation.

# Agencies have acted on Government's commitment, but this has not delivered the intended improvements

## Findings

- *Agencies undertook a number of actions to meet Government's commitment to improve the approval process. We identified three key initiatives that were the focus of agencies efforts. These are:*
  - *agencies agreeing on set times for their processes and reporting on their compliance with them*
  - *the development and implementation of the Integrated Project Approvals System (IPAS), a project scoping framework*
  - *the establishment of ODAC to coordinate the approvals for certain projects and to oversee the improvements to the approvals process.*
- *Government allocated \$37.4 million to agencies for the six year period ending 2009-10 for the improvement of the approvals process.*
- *Agencies have implemented the key initiatives, but so far they have not resulted in the intended improvements.*
- *Resource projects cannot be tracked across government. Because of this, it is not possible to determine if overall approval timelines have improved.*
  - *Agencies are only required to report on set times for distinct parts of the process. This says little about overall timelines and where delays may be occurring in other parts of the process.*
  - *It was expected that agencies compliance with set times would improve as a result of ODAC monitoring them, but this has not been the case. Only DoIR's compliance with environmental mining approvals has improved. DEC's compliance has remained the same (87 per cent completed within set time), while DIA's heritage approvals and DoIR's petroleum approvals have worsened.*
  - *Agencies do not analyse the set time data that is reported to identify opportunities for improving their processes or to assist Ministers to understand where improvements are needed.*
- *IPAS has not delivered the intended outcome of streamlining the approvals process and improving certainty.*
  - *The IPAS model relies on proponents improving their proposals rather than agencies improving their processes.*

- *IPAS implementation has not been supported by sufficient awareness raising, and training for proponents and relevant agency staff.*
- *IPAS aimed to streamline multi-agency approvals through scheduling simultaneous assessment – parallel processing, but this seldom happens in practice because agencies and proponents are reluctant to commit resources prior to environmental approvals being finalised.*
- *Neither ODAC nor DoIR have clear criteria for the assistance they provide proponents with the approvals process, and this creates a risk of real and perceived inequity.*

### Recommendations

- Agencies should determine a way to uniquely identify each proposal so that it can be tracked across government.
- Agencies should measure and report on the time taken for all parts of the process, including the project scoping phase and advisory and consultation activities.
- Agencies should implement exception reporting and analysis to determine causes for delays and to identify potential improvements to processes.
- Agencies should reconsider the objectives of IPAS, its effectiveness to date and its capacity to deliver on intended outcomes.
- DPC and DoIR should develop and publish criteria for the assistance they provide proponents with the approvals process.

### Agencies have taken a number of actions, including three key initiatives, to improve the approvals process

In 2003 and 2005, Government endorsed and funded a multi-agency response to the Keating Review to improve the approvals process. Government's commitment focused on improving certainty about processes, requirements and timelines, across agency coordination and reducing overlap and duplication. Three initiatives in particular were the focus of agency activity. Together these were meant to streamline the approvals process, that is, make it simpler and faster. Government's intention and agencies' key actions to deliver on them are summarised in Table 2.

**Government intended to improve certainty about approval processes, the requirements and overall timelines**

- In 2005, agencies introduced IPAS which focuses on project scoping and stakeholder consultation.
- Since 2006, agencies have measured and reported compliance on set times.
- Agencies continue to develop new and to revise existing guidance material and provide it online.
- Agencies are developing some regional plans, such as the Strategic Review of the Banded Iron Formation Ranges of the MidWest and Goldfields, and the Northern Development Taskforce’s plan for a gas infrastructure hub.

**Government intended to improve across agency coordination of approval processes**

In November 2005:

- the Premier appointed a Development Approvals Coordinator (DAC) to coordinate approvals for certain projects and to oversee the improvements to the approvals process.
- Government established ODAC in DPC to support the DAC, including monitoring agency compliance with set times and leading the implementation of IPAS.

**Government intended to reduce overlap and duplication of approval processes**

- Agencies assisted the review and amendment of relevant legislation – such as, the *Planning and Development Act 2005*, and amendments to the *Mining Act 1978*.
- Agencies mapped their own processes against legislation to ensure no unnecessary overlap or duplication exists – and none was found.
- Agencies have reduced some overlaps of internal processes – DEC has revised the requirements for some operational licenses so that they can be assessed at the same time as the environmental assessment.
- Agencies considered the relationship between EPA’s environmental approvals and other approvals to ensure consistency of condition setting.
- The Premier directed agencies to review any new approvals introduced to assess their fit with existing approvals.

**Table 2: Government’s intentions for improving the approval process (shaded boxes) and agencies’ key actions to deliver on them**

*Agencies have taken action aimed to improve certainty and coordination, and to reduce duplication.*

Source: OAG

Between 2003 and 2005, Cabinet allocated \$37.4 million to agencies for the improvement of the approvals process (Appendix 1). This funding was allocated for the six year period 2004-05 to 2009-10. So far agencies have spent approximately 70 per cent of these funds on increasing staffing levels and coordinating agencies' actions.

We reviewed what agencies have done, and identified three initiatives which have been the focal point for improvements. These are:

- agreeing on set times for approval processes and reporting on their compliance with them
- developing and implementing the Integrated Project Approvals System (IPAS), a project scoping framework
- establishing ODAC to coordinate the approvals for certain projects and to oversee the improvements to the approvals process.

These initiatives are examined in the following sections.

### **The overall timeline for the approvals process is not measured, so it is not possible to determine whether it has improved**

In October 2005, Government required agencies to agree on and comply with set times for their approval processes, with the expectation that this would lead to an improved overall timeline.

In response, agencies set times for completing the parts of the process over which they have control. However, no process was established to measure the overall timeline for obtaining all necessary government approvals. Efforts we made to measure the overall timeline were prevented by difficulties in tracking projects across agencies. In particular, agencies do not use a common identifier for each proposal.

Similarly, no process has been established to measure the time taken for the whole process at each agency, from initial contact with proponents through to finalising the approval, even though we found that agencies do hold some of this information.

We requested data from agencies for approvals completed in 2007. The data requested and analysed was from the time the agency accepted the development proposal to the date of finalising the approval. The analysis of the data provided by DEC and DoIR is shown in Table 3. DPI data was not included as it had no relevant development approvals in 2007. DIA was not able to provide the relevant data. We determined the median time taken as well as the time within which 90 per cent of approvals were completed. These measurements give proponents a useful indication of the length of time they can expect to be involved with each agency including the relevant Minister.

| Agency | Type of Assessment (number finalised in 2007)   | Median time taken to finalise approvals in 2007 | Period within which 90% of approvals were finalised in 2007 |
|--------|---|---|---|
| DEC    | Environmental Impact Assessment (18)            | 5.5 months                                      | 40 months   |
| DoIR   | Approval of mining proposals (177)              | 41 days   | 168 days (5.5 months)                                       |
|        | Approval of petroleum environmental plans (155) | 15 days   | 64 days (2.1 months)  |

Note: Agency results are not comparable as each reflects a substantially different process.

**Table 3: Median time taken and time taken for 90 per cent of approvals completed in 2007 using data provided by DEC and DoIR**

We analysed the available agency data to determine the median time and the time taken to complete their approval processes for nine out of 10 cases.

Source: DEC, DoIR and OAG

Currently, agencies are required to report to ODAC their compliance with set times for their parts of the process. However, DoIR and DIA do not include ‘stop the clock’ events in their reporting to ODAC. For example, agencies stop measuring the time while they are waiting for:

- proponents to re-submit project proposals considered to be incomplete or inadequate and not yet ready for assessment. Proponents may choose to delay providing information to agencies for commercial reasons, such as a change in commodity prices.
- proponents to respond to agencies’ requests for additional information during the formal assessment phase
- government advice or policy development to enable agencies to make an assessment.

Other parts of the approvals process that contribute to the overall timelines are also not measured. These are the:

- project scoping phase which is proponent-driven and occurs before agencies start measuring their processes. The scoping phase can take several years to complete and involves agency as well as proponent time.
- time taken by recommending authorities and Ministers to make their determinations, as well as appeal processes. (In the case of environmental impact assessments, the EPA publishes this information on its website).

In his October 2007 report on progress of the reforms, the Development Approvals Coordinator advised that in future ODAC intends to pursue opportunities to measure other parts of the approvals process with a view to reducing the overall timelines. At 30 July 2008 this had not commenced.

Reflecting on the business maxim, ‘what gets measured gets managed’ and Government’s intention to streamline the approvals process, there needs to be better measurement of all parts of the approvals process. Table 4 outlines a possible set of measures that could provide more comprehensive information about how long the approvals process takes. This could assist agencies to understand where delays are occurring, so that they can better manage their processes and identify opportunities to modify them.

| Possible measures   | For what purpose?   |
|---|---|
| The overall time taken for all development approvals across government  | Provides inter-agency and across government information about the approvals process         |
| The time taken at each agency for all phases of the assessment process, from initial contact with proponent to the final approval | Provides whole of process information for each agency including proponent’s time            |
| The set times for agency assessment processes   | Provides divisional and operational information about parts of the process for each project |

**Table 4: A possible set of measures for the approvals process**

*The table shows a possible set of measures that could be used to better understand the time taken for the approvals process. Currently only one of these, the set times for agency assessment processes, is measured.*

Source: OAG

### Agencies and ODAC do not sufficiently analyse the data that is reported

Neither reporting agencies nor ODAC analyse and use the set time data that is collected to drive process improvement.

Agencies report to ODAC the total number of completed approvals for each month and the number of these completed within the target time. ODAC collates the information and reports it quarterly to the Development Approvals Ministerial Council. ODAC’s function includes monitoring agency compliance with set times with a view to reducing overall timelines of the approvals process. However, it has not investigated or reported to Ministers the reasons for agencies’ variable performance. Nor has it examined opportunities to improve compliance with agency set times and so improve the overall timelines.

Our analysis of the quarterly reports to the Council between December 2005 and March 2008 shows that:

- DEC's performance has been generally consistent. DEC's set time is up to 12.5 months depending on the level of assessment. They completed 85 environmental impact assessments and 87 per cent of these were completed within the set time. DEC compliance reporting to ODAC for the first quarter of 2008 was not available when we did the analysis.
- DoIR completed 291 approvals of petroleum environmental plans, and 93 per cent of these were completed within the set time of 42 days. For the first five quarters, the set time was met for all approvals, and has declined to 79 per cent in the first quarter of 2008.
- DoIR also completed 519 environmental approvals of mining proposals, and for the first five quarters 65 per cent of these were completed within the set time of 42 days. For the four quarters from April 2007, this increased to 90 per cent of approvals.
- DIA completed 21 Aboriginal heritage assessments, and 62 per cent of these were completed within the set time, 60 days. In the first quarter 2008 only 33 per cent of assessments were completed within the target time.

In October 2007, the DAC reported that as of June 2007 'with a few exceptions, agency compliance with [set times] has been high, and has improved since we began monitoring.' Our analysis, which includes further data up to March 2008, indicates that this is no longer the case for DIA or DoIR's petroleum environmental plan approvals. DEC data for the first quarter 2008 was not analysed.

We found problems with the way agencies currently report to ODAC, and with ODAC's reporting of this information to the Ministerial Council:

- the agency's set time is not clearly defined in reports, or not stated at all (ie. *what exactly is being measured and what is the agreed set time?*)
- no explanation of the actual time achieved or analysis of variance from the set time (*how much shorter or longer and why?*)
- no analysis of the trends on a quarterly or yearly basis (*is the actual time increasing or decreasing? What are the contributing factors?*)
- limited or no reporting on workload or backlogs (*what is the big picture?*)  
We noted that some workload information is provided by DoIR for petroleum environmental plan approvals, but this was not included in ODAC's quarterly reports to Ministers.
- although agencies report the number of times an approval process is stopped for longer than one week, ODAC does not further analyse this information or report it to Ministers. In October 2005, Cabinet instructed Directors General to report all occurrences of 'stop-the-clocks' to relevant Ministers.

ODAC and agencies should implement exception reporting and analysis to determine causes for delays and to identify potential improvements to processes.

### **The Integrated Project Approvals System has not streamlined the overall process or improved certainty for proponents**

One of the key initiatives to improve the approvals process was the project scoping framework endorsed by Cabinet in 2004, and evolved into the Integrated Project Approval System (IPAS). So far IPAS has not yet achieved its objective to streamline the approvals process and improve certainty.

IPAS is a process supported by guidelines that explain the roles and activities for agencies and proponents to follow during the approvals process. IPAS is intended for all proponents. It proposes to streamline the approvals process by better project scoping and stakeholder consultation to:

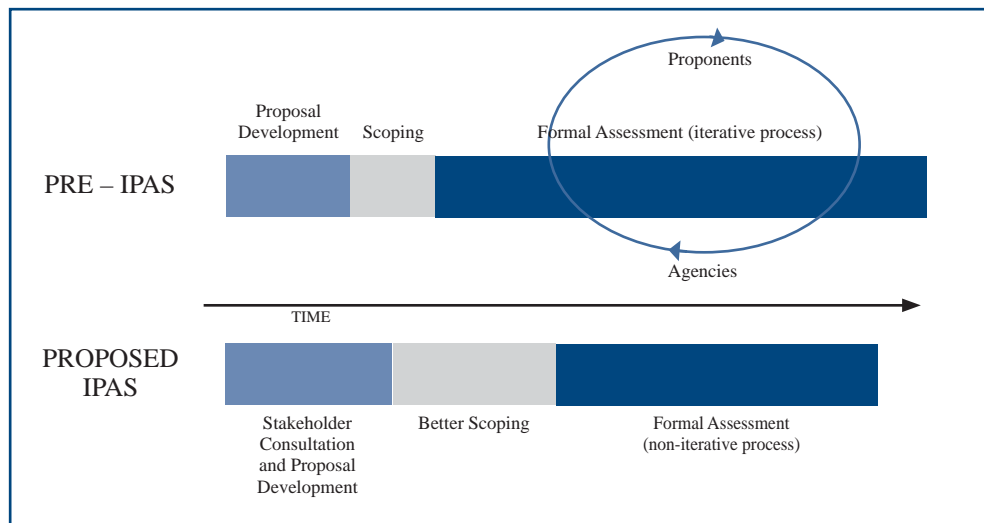
- identify and clarify issues to be addressed prior to formal assessment to assist proponents developing more comprehensive and complete proposals
- clarify information requirements as early as possible, including the potential need for lengthy studies (for example, flora and fauna research and archaeological surveys for heritage sites)
- identify whether multiple approvals are needed, coordinate these across government and identify opportunities for simultaneous assessment by relevant agencies – parallel processing.

A key outcome of the scoping phase is an agreement between the proponent and the relevant government agencies about the information required from them and the timeframe for each process. This is intended to give greater certainty to proponents about the approvals requirements and the overall timeline.

### **IPAS has not delivered the intended outcomes; it has not improved certainty about timelines or information requirements**

There are several possible reasons for IPAS not delivering the intended outcomes, including that it relies on proponents' taking up of the initiative and agencies' capacity to support the scoping process and meet agreed timelines.

Before the introduction of IPAS, inefficiencies in project scoping resulted in proponents submitting proposals that needed further scoping during formal assessment. The IPAS model relies on proponents improving their proposals rather than agencies improving their processes. The thinking underpinning IPAS is that more thorough and earlier project scoping would result in better proposals that reduce the occurrence of agencies raising issues and requiring further information from proponents during the formal assessment phase, and potentially improve the overall timeline for approvals (Figure 3). As reported earlier, it is not possible to determine for certain if the overall timelines for the approvals process have changed. However, agencies and proponents advise that there has been no noticeable improvement to overall timelines or the quality of proposals.



**Figure 3: The proposal development, scoping and assessment stages: pre-IPAS and proposed IPAS**

*The intention of the IPAS is to improve consultation between agencies and proponents at the earlier proposal development and scoping stages. This would improve the quality of proposals and reduce the amount of further information requested by agencies during the formal assessment stage, and so streamline the assessment process and reduce overall timelines.*

Source: ODAC and OAG

The project definition document prepared by proponents as an outcome of the scoping process for complex projects was meant to bring together all the information required by agencies into one document, thereby reducing the requirement on proponents to duplicate the same information in various formats for each approval process. It was also meant to document the negotiated timelines for each agency assessment and proponent requirements.

A survey commissioned by ODAC in March 2008 found that 69 per cent of the proponents surveyed said that they now undertake more effective stakeholder consultation than they did in the past. In spite of this, 73 per cent of proponents were dissatisfied with the approvals process overall. Moreover, the majority do not agree that IPAS has delivered the intended benefits. The survey results for proponents showed that only:

- 22 per cent agree that IPAS has delivered improved certainty through set timelines and information requirements
- 34 per cent agree that IPAS has succeeded in providing a whole of government approach for project approvals
- 27 per cent agree that they have a thorough understanding of IPAS and 15 per cent agree that they have received adequate training about IPAS.

The ODAC survey results indicated that agencies view IPAS more favourably than proponents; 47 per cent of agencies surveyed were satisfied with the approvals system overall. The majority (61 per cent) of agency respondents agree that IPAS does help agencies and proponents work together. Agencies also advised us that IPAS has given them a better understanding of other agencies' approval processes.

### Agencies are reluctant to use parallel processing

Achieving the shortest possible timeline requires agencies to simultaneously process their approval assessments for a particular project. The opportunity to do this should ideally be identified in the early project scoping of a proposal and is referred to as 'parallel processing'. While theoretically possible, parallel processing does not happen in practice.

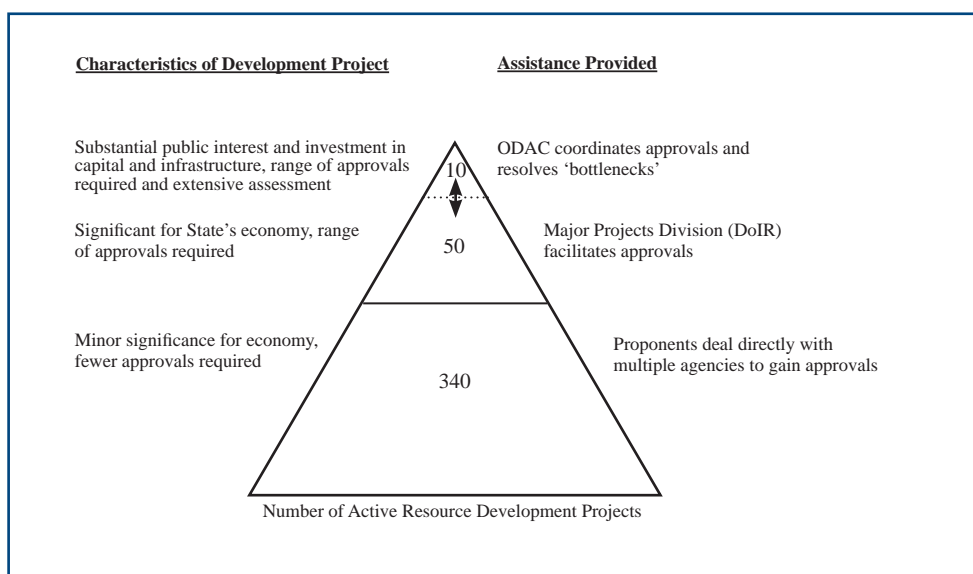
One factor affecting this is the legislative primacy of the *Environmental Protection Act*. It requires that the Minister's environmental approval be finalised before other Ministers' approvals are granted. This does not stop agencies from assessing proposals or progressing their processes up to the point of being finalised by the Minister. However, in practice, agencies and proponents are hesitant to commit resources to assessing proposals that may not receive the environmental approval as framed in the original proposal. Nevertheless, there is scope for agencies to time their processes to better coincide with finalising of the environmental impact assessment process and encourage proponents to plan for this, rather than waiting for the environmental approval to be completed before starting.

DEC acknowledges that part of their assessment process includes negotiating with proponents to modify the original proposal so as to ensure it meets the environmental requirements. This means that the proposal submitted to DEC at the beginning of the assessment process is not identical to the proposal that is finally approved. As a result, this can have consequences for other agencies that may have commenced parallel processing using the original proposal.

### There are no clear criteria for ODAC or DoIR assistance with the approvals process

In addition to overseeing the improvements to the approvals process, ODAC was established to coordinate approvals and to resolve 'bottlenecks' for proponents with very large or complex proposals. Up to July 2008, ODAC had assisted 10 projects with coordination of the approvals process. These projects had also received assistance from the Major Projects Division in DoIR, a role the division has provided since its earlier incarnation in the former Department of Resource Development. ODAC does not have clear criteria and transparent processes for determining who gets its assistance. Similarly, DoIR does not have clear criteria or transparent processes for determining the level or extent of facilitation provided to the projects they assist.

During the first half of 2008, DoIR was processing approximately 400 resource development projects. Of these, DoIR's Major Projects Division was facilitating approximately 60 of the more complex projects. DoIR's facilitation includes liaising with DEC, DIA and other divisions of DoIR to assist proponents to secure necessary approvals and to help proponents to develop scoping documents. DoIR advise that they respond to all requests for assistance. The level of assistance provided ranges from directing proponents to another agency or website to allocating dedicated staff for several months to proactively facilitate a proponent's project. Ten of these 60 projects were also receiving assistance from ODAC (Figure 4).



**Figure 4: The number and characteristics of resource development projects and the assistance provided to them by agencies**

*Proponents of the majority of resource development projects deal directly with agencies in seeking development approvals. During the first half of 2008, DOIR's Major Projects Division provided special assistance to around 15 per cent of projects while three per cent were also assisted by ODAC.*

Source: ODAC, DoIR and OAG

The IPAS coordinated pathway was developed to provide assistance to very complex projects. The IPAS has not changed the approvals process, but ODAC coordination and Major Projects Division facilitation can result in agency resources being redirected and workloads being re-prioritised to ensure that approval processes happen more quickly for assisted projects. Without this assistance, multiple approval processes would be difficult to organise and would take longer to obtain.

ODAC does not have explicit, written processes and criteria for determining which proponents will receive assistance to obtain the necessary approvals across government. ODAC reports on its website which projects are receiving assistance, but not the basis for offering or granting assistance. Neither does DOIR publicly report the basis for determining the level or extent of facilitation provided by its Major Projects Division. DoIR does provide a summary in its annual report for some projects that received assistance during the previous year.

Better practice suggests that there should be clear criteria for decisions that ultimately guide the direction of public resources to a particular project. The criteria and decision-making process should be transparent and available on ODAC and DoIR websites. In some other jurisdictions the process is more transparent. For instance, projects in South Australia and Queensland receive special attention if designated as being of State significance after meeting published criteria and having been endorsed by Government.

Whether or not a project's complexity warrants DOIR or ODAC assistance is negotiated with proponents and stakeholder agencies. The decision to provide any ODAC assistance is also made with input of an inter-agency group, the IPAS Management Group. The Development Approvals Coordinator then decides whether to offer the assistance and the proponent may accept the offer or not.

So far only one ODAC coordinated project has completed the approvals process – the Pluto Liquefied Natural Gas Development on the Burrup Peninsula. To date, Pluto has been reported as being the first large development proposal to obtain all the necessary approvals (subject to conditions) within 18 months.

In November 2007, ODAC, proponent representatives and agencies reviewed the approvals process for Pluto to consider what worked and what could be improved about IPAS and the approvals process. They concluded that the coordinating arrangements did assist the project to obtain its development approvals more quickly than most.

While there were some lessons learned about coordination between agencies, and between Commonwealth and State processes, the Pluto experience has not resulted in any improvements to existing approval processes. Agencies participating in the Pluto review unanimously agreed that the experience would be difficult to replicate as the shorter than usual timeline was achieved by re-prioritising agency resources. Agencies advise that the effect of prioritising Pluto approval processes was that other development proposals were delayed.

# The approvals process is unlikely to improve unless agencies alter the way they conduct their work

## Findings

- *Agencies have not altered the way they conduct their approval processes in response to the workload and resourcing challenges created by the high level of activity in the resources sector. Streamlining the approvals process will not happen unless agencies introduce new ways of conducting their work.*
- *Agencies are losing experienced staff, which affects their efficiency. To date, attraction and retention strategies have had limited success.*
- *Resource development approvals cannot be separated from agencies' total workload and this is affecting agencies' capacity to improve their processes for assessing resource proposals.*

## Recommendations

- **Agencies should consider implementing new ways of working, including:**
  - using data and management systems more effectively to manage processes
  - introducing outcomes-based conditions to better manage workloads
  - using fees and charges to recover costs and to encourage more efficient practices
  - developing proponent-focused guidance and training materials to improve the quality of proposals and proponents' understanding of the approvals process.
- **To ease staffing pressures, agencies should reconsider employing accredited consultants, using proponent-funded certified assessors, and establishing expert panels, as previously endorsed by Government.**
- **Agencies, and in particular DIA, should review and revise their staff recruitment and retention strategies to help curtail the loss of experienced staff.**

## Agencies have not effectively responded to workload and resource challenges

In spite of ongoing staffing issues and increases in workload, there has been minimal change to the way in which agencies conduct their assessment processes. Changes to date, such as promoting better project scoping and improving guidance materials, have only refined existing processes and do not directly address agencies' workload and staffing challenges.

Our assessment of current practice compared with better practice indicates that there are opportunities to improve the way approval processes are managed. Some of the potential improvements include:

- using data and management systems more effectively to manage processes
- introducing outcomes-based conditions to better manage workloads
- using fees and charges to recover costs and to encourage more efficient practices
- developing proponent-focused guidance and training materials to improve the quality of proposals and proponents' understanding of the approvals process.

We discuss these four opportunities below.

### **Managing processes and using systems more effectively**

Agencies have not been using their information systems to manage workloads or to improve processes. They were not able to easily provide current or historical workload data when requested. We found that agencies used manual filing systems to record progress and actions during the assessment process, and relied heavily on knowledge held by individual staff for conducting assessments. Information about a single project could be placed on several files. This makes sharing information and tracking progress of projects through the approval processes time consuming and inefficient.

Agencies are beginning to address these issues by documenting processes and developing electronic systems to support their work. DoIR is implementing a new database which will provide better information about the status of projects, including recording the time taken for all parts of its mining and petroleum environmental assessments, as well as the time taken by the proponent and other agencies. DEC has completed the planning phase for development of a new data management system to support the environmental impact assessment process. DIA received funds to upgrade its system and update its data for recording geographic coordinates for heritage sites, and is developing an electronic lodgement system for approvals.

Agencies should make it a priority to progress development and implementation of their electronic systems to more effectively manage their approval processes and workloads.

### **Using outcome-based conditions to better manage workloads**

Using outcome-based conditions was one of the recommendations of the 2002 Keating Review. Outcome-based conditions were recently introduced in South Australia and has been recognised as better practice in other Australian jurisdictions and internationally. It is currently being considered as part of the EPA's review of environmental impact assessment processes conducted by DEC.

Using an outcome based approach to assessments and condition setting has the potential for decreasing approvals workloads in the long term and shifting the focus of agency's work to monitoring proponents' performance against agreed outcomes (Table 5).

| Condition/Issue   | Prescriptive approach  | Outcome-based approach  |
|---|--|---|
| <p>The proposed mining development must not affect air quality.</p> | <p><i>Is the method appropriate to control air quality in this situation?</i></p> <p>Examine details of technical methods for controlling air quality for particular operation, and compare to best practice or accepted practice.</p> <p>Requires technical knowledge and expertise to make judgements. Agency at risk if assessment is incorrect.</p> <p>Agency monitors regularly to determine if the control is adequate and meeting compliance requirements.</p> <p>Over reliance on technical expertise of agency staff.</p> | <p><i>Is the proponent capable of meeting the air quality standard?</i></p> <p>Set standard to be achieved (eg at internationally accepted levels) and require that it be met as a condition of approval. Assess capability and track record of proponent to comply.</p> <p>Transfers risk and compliance responsibility to proponent (who will implement the most cost effective and technically sound solution).</p> <p>Frequency of agency monitoring is based on proponent's riskiness. Penalties imposed for non-compliance.</p> <p>Paradigm shift to audit focus and more collaborative approaches with proponents.</p> |

**Table 5: Prescriptive and outcome-based approaches to setting conditions for approvals**

*Using an outcome-based approach could help to better manage workloads.*

Source: OAG

While implementing an outcome-based approach is likely to take significant effort and time to establish initially, it needs to be considered.

### **Using fees and charges to recover costs and to encourage efficient practices**

Currently, DEC and DIA do not charge fees for the approvals process even though fees and charges can recover some of the agencies' costs, as well as encourage more efficient practices.

In October 2005, Cabinet directed agencies to 'cost recover from industry' and requested agencies to investigate options for increasing (in DoIR's case) or charging fees to provide additional revenue of up to \$1.5 million per annum from 2008-09. In a submission to Government in early 2008, DoIR advised against increasing its existing fees or introducing new fees. DPI and DIA explained that setting fees and charges would require legislative change and would not be feasible due to the cost of establishing and administering fee collection. DEC was not party to the submission. At 30 June 2008, agencies had not yet implemented the directive to recover costs and Government was still considering the matter.

The setting of fees and charges should not only be considered in the context of cost recovery, but also for its potential to encourage more efficient practices. There is a potential for a suitably designed fee structure to help address identified issues with the quality of proposals. Implementing such a fee structure would need to be done in a manner that ensures the integrity of the approvals process and eliminates any appearance of proponents paying for approvals.

For example, agencies could consider a fee structure which charges a fee for proponent-initiated variations to proposals or a rejection fee for incomplete proposals. This could be an incentive for proponents to get things right the first time and potentially lead to improved quality of submissions and shorter assessment timelines. There is also potential to use fees to allow proponents to 'fast track' the assessment of urgent proposals. For example, Landgate allows for the 'fast tracking' of urgent processing requests in certain cases for an additional fee.

### **Developing proponent focused guidance and training materials to improve the quality of proposals**

Agencies have made progress in documenting and updating guidance materials for proponents, but it is not evident that this has resulted in improved quality of proposals. Although a recent ODAC survey of proponents and consultants indicated that they are very satisfied with agencies' guidance materials and information about the approvals process, agencies advise that the quality of proposals submitted for assessment still do not meet acceptable standards. Furthermore, the ODAC survey found that proponents did not have an understanding of IPAS, which is a key improvement strategy, nor had they received adequate training about it. Both industry and agencies would benefit by working collaboratively to develop proponent-focused, plain English guidance and training materials.

The DoIR website hosts approvals process information and also directs proponents to more detailed information on other approval agencies' websites. Agencies have developed and reviewed their approvals process maps and guidance material and acknowledge that this information could be further improved. Agencies have developed a manual to use 'for training purposes and as a process guide within agencies to introduce officers to the IPAS process. However, more needs to be done.

Agencies should continue to revise and improve their guidance materials, as well as provide regular training to proponents and consultants about the approvals process, including IPAS. These activities should be informed by regular feedback from industry peak bodies and individual proponents.

## **Agencies are losing experienced staff and initiatives to address attraction and retention issues have had limited success to date**

Due to the tight labour market and strong competition from the private sector for the same skills sets, agencies are faced with high turnover rates and the loss of experienced staff. To date, attraction and retention strategies have not resolved the problem.

Government provided funding in 2004-05 to increase staffing levels specifically to address the backlogs of approvals within agencies (Appendix 1). In late 2005, Government allocated further funding to increase staffing to address problems with the approvals process (Appendix 1, Table 7).

During 2006-07, DoIR reported a 20 per cent turnover rate in relevant assessment branches. There were advertised vacancies for 10 out of 48 positions in the division responsible for conducting environmental assessment of mining proposals, and eight advertised vacancies out of 40 positions in the petroleum branch. Whilst a 20 per cent turnover is not unusual amongst government agencies in the current economic climate, the impact is significant when the staff who leave are amongst the most experienced and when workloads are increasing.

For the last two years, DIA employed three senior heritage officers to conduct the *s18 Aboriginal Heritage Act* assessments. These temporary positions were funded through the approvals reform initiatives. This funding ended in July 2008 and DIA will no longer be retaining these positions.

The Environmental Impact Assessment Service Unit within DEC was fully staffed with 46 full time employees (FTEs) at May 2008. This was the result of a concerted recruitment campaign targeting universities. However, some of these are on short term contracts and the majority of the new employees have less than one year's practical experience. Consequently, DEC is reliant on its few remaining experienced staff to advise proponents and to train new recruits. In the 2008-09 budget, DEC received funding for a further 19 FTEs for two years, and intends to recruit from overseas.

DoIR has implemented a number of strategies, including introducing attraction and retention benefits to eligible staff, graduated retirement options to retain experienced senior staff, and mentoring and knowledge retention programs to capture and retain corporate and business knowledge. DEC has developed an attraction and retention action plan which includes similar strategies to DoIR. DIA has not developed staffing strategies to date, and is awaiting the outcome of its functional review.

In 2005, Government endorsed agencies' recommendations to employ accredited consultants, use proponent-funded certified assessors, and establish expert panels to supplement agency staff. As yet, agencies have not taken up these options. Agencies should consider implementing these options to ease their staffing pressures.

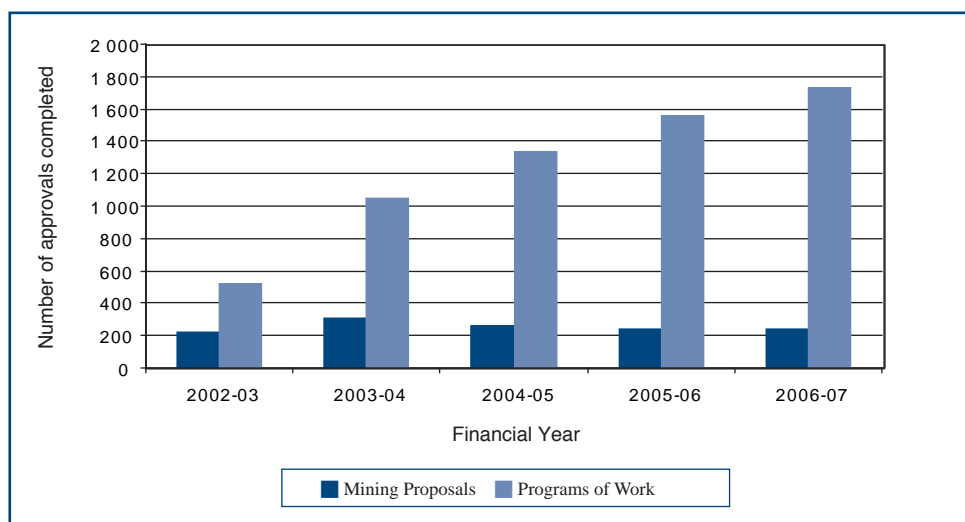
### **Resource development approvals are only part of agencies' workloads**

The capacity for agencies to respond in a timely manner to resource project approvals is not simple and cannot be viewed in isolation of other workload demands. Agencies advise that their workload demands have increased significantly in recent years. For example, in addition to assessing development approvals, DoIR are approving substantial numbers of programs of work related to exploration, DEC are providing environmental advice to other agencies, and DIA are assessing cultural heritage matters for mining and non-mining projects.

Nevertheless, based on data provided to us by agencies the number of completed mining proposals (DoIR), environmental assessments (DEC) and cultural heritage assessments for mining projects (DIA), has remained relatively steady since 2002-03 (Figures 5, 6 and 7). However, this data does not give any weighting to reflect the relative complexity of proposals or the degree of agency resource required. Therefore, comparing data from year to year may not accurately show changes to agencies' workloads.

#### **DoIR**

DoIR's Environment Division is also responsible for approving programs of work, which are approvals related to exploration activities. Although the number of approved mining proposals has remained relatively steady over the last five years (between 200 and 300 per year), approvals required for programs of work have more than tripled (Figure 5).



**Figure 5: Number of mining proposals and programs of work approved by DoIR between 2002-03 and 2006-07**

*While the number of mining approvals has remained relatively steady, the number of programs of work has more than tripled since 2002-03.*

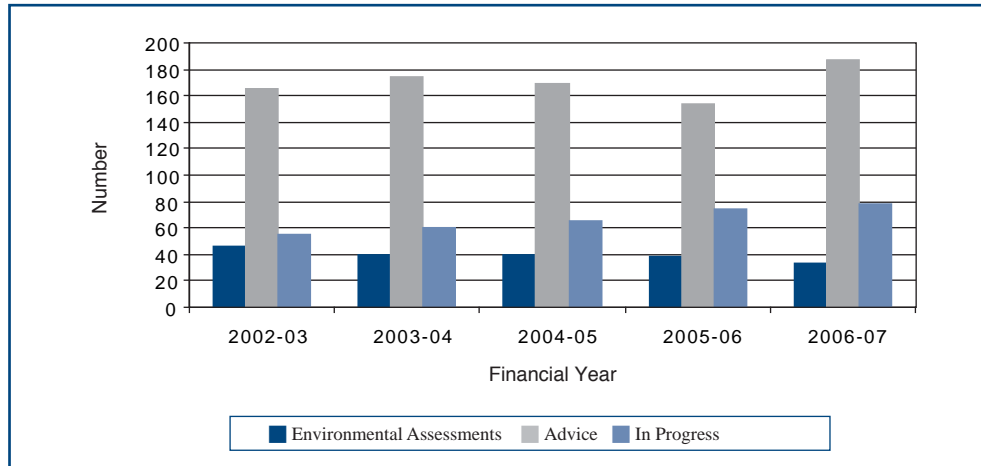
Source: DoIR

## DEC

We found that in 2006-07 resource development proposals accounted for about 40 per cent of the environmental approvals completed by DEC (13 of 33). In terms of numbers, DEC assesses fewer proposals than DoIR. This is due to DEC only assessing proposals likely to have a significant effect on the environment. Most proposals are assessed by DoIR under mining and petroleum legislation, with DoIR referring proposals having a significant environmental impact to DEC under a Memorandum of Understanding.

The majority of environmental assessments are coming from residential land release, housing and related infrastructure arising out of the current investment and economic conditions in the resource sector. DEC's data shows that the number of environmental assessments completed and other advice provided on proposals has remained relatively steady since 2002-03. While the number of assessments in progress has levelled in the last two years, there has been an increase of over 40 per cent since 2002-03 (Figure 6).

The approvals process is unlikely to improve unless agencies alter the way they conduct their work (continued)



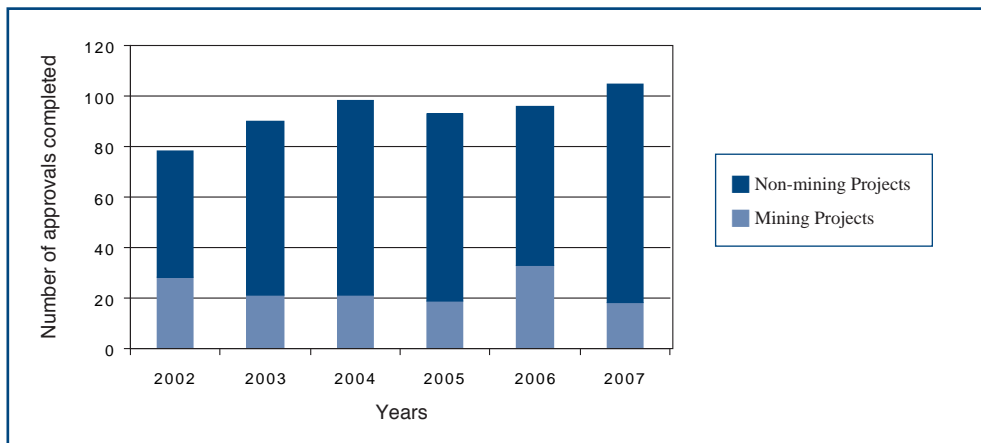
**Figure 6: Number of completed environmental impact assessments, advice provided and assessments in progress in 2002-03 to 2006-07**

The number of environmental assessments completed and other advice provided has remained relatively steady over the past five years.

Source: DEC and OAG

## DIA

As well as processing mining approvals under the Aboriginal Heritage Act, DIA assesses commercial, residential and industrial development approvals. This overall workload has grown steadily (34 per cent) over the past five years (Figure 7).



**Figure 7: Number of cultural heritage assessments for mining projects and other types of projects from 2002 to 2007**

For DIA, the overall assessment workload has increased by 34 per cent since 2002, while the number of 18 Aboriginal Heritage assessments relating to mining projects has slightly decreased.

Source: DIA

# Limited forward planning and no clear criteria or process for addressing social impacts adds to uncertainty

## Findings

- *There has been limited forward planning that identifies and clarifies the State's strategic resource development priorities and provides guidance to the resource approvals process. However, in response to increased development activity, agencies have begun developing regional plans.*
- *There are no criteria or processes for assessing the social and economic impacts of resource projects, adding to uncertainty for proponents about government priorities. However, DoIR does consider social and economic impacts as part of its facilitation of major projects.*

## Recommendations

- **Agencies should continue to develop further regional plans and consider more systematic strategic approaches for doing this.**
- **DoIR should make transparent the Government policy and factors it takes into account when facilitating approvals of new projects or project expansions on behalf of the State.**

## There has been limited forward planning to guide the approvals process

The current approvals process assesses proposals project by project without reference to a comprehensive plan for regional or State-wide development. This adds to uncertainty for proponents and agencies.

A forward plan would anticipate resource development and clarify regional and State development priorities. The plan would provide guidance to proponents and agencies when considering potential environmental, economic and social impact on a specific region.

A State Sustainability Strategy was being developed around the time of the 2002 Keating Review. The Keating reviewers anticipated that Government would adopt a policy framework based on sustainability principles and triple-bottom line considerations, and that this would underpin reforms to the approvals process in relation to assessments of major projects. This has not occurred.

A Government commissioned, Green Paper in 2006 considered infrastructure planning for major projects. It identified a need for 'Government ready' responses to support major resource developments, to address the 'considerable uncertainty surrounding when and where large-scale projects will proceed.' A State Infrastructure Strategy was released in June 2008. While not a comprehensive forward plan for resource development, this policy will go some way toward improving certainty for proponents regarding supporting infrastructure.

### **In response to increased development activity, agencies have begun developing regional plans**

Agencies have begun to develop regional plans in response to resource development demand in particular areas and for particular purposes, such as expansion of iron ore development in the Mid-West, and the demand for a gas processing complex in the Kimberley. Agencies should continue developing regional plans and consider more systematic strategic approaches to this, as well as responding to immediate demand.

In 2007, DEC and DoIR developed a regional policy, later endorsed by Government, in response to demand for development in the environmentally sensitive banded iron formation ranges in the State's Mid-West and Goldfields. It provided clear guidance regarding which sites the Government favoured for development and which areas Government would set aside for conservation purposes. This gives proponents and agencies certainty about acceptable development in this particular region in terms of environmental and mining approvals. This policy does not address the Aboriginal heritage values of the area.

In June 2007, the Northern Development Taskforce, comprising DoIR, DEC, DPI, DIA and Commonwealth and other State agencies, began developing a regional plan to address environmental, cultural and infrastructure issues arising from resource proposals in the West Kimberley and the Burrup Peninsula. Initially, the taskforce is working to identify a suitable location for a gas-processing complex – an industrial hub to service the region, and is expected to select a site by October 2008. The Taskforce is setting 'the framework for how the State will protect and manage the important Aboriginal heritage, environment and tourism values of the Kimberley while facilitating structured industrial development'. Once completed, this plan should provide greater certainty for approvals agencies and proponents with regard to infrastructure development in this region.

In October 2007, the Standing Inter Agency Committee of Chief Executive Officers, comprising Directors General from agencies responsible for the approvals process and led by the DG, DoIR, amended its Terms of Reference to include 'strategic oversight of planning for locations and interaction of projects to maximise synergies and overall benefits to the State'.

### **There are no clear criteria or processes for assessing social and economic impacts**

There are formal legislated processes for assessing and addressing environmental and cultural heritage impacts of resource projects, but this is not the case for assessing social and economic impacts. This issue has been previously raised by the Keating Review which stated, 'the handling of social impacts is a substantial weakness in [the approvals process]...social issues are dealt with

in an ad hoc fashion that is not integrated or at all transparent to the public or the proponent.’ Given its facilitation role for major projects and its role in negotiating State Agreements, DoIR is well positioned to improve certainty by providing better guidance to proponents about Government’s policies and priorities.

Social and economic issues can be considered when finalising decisions under the EP Act. Section 45(1) of the EP Act requires that the Minister for the Environment consult with other relevant Ministers and agree on whether a proposal may be implemented and under what conditions. However, there are no requirements for accompanying criteria or assessment processes at an agency level.

For major projects under a State Agreement, DoIR negotiates with proponents on behalf of the Minister for State Development, and recommends to the Minister the rights and obligations of government and the proponent. Negotiations are sometimes formalised in a contract, deed, letter or memorandum between the Minister for State Development and the proponent. This was the case for the memorandum covering the Ravensthorpe Nickel Project signed in 2004. The memorandum included the Government providing a new primary school, upgrading the wastewater treatment plant and releasing residential land. Under the memorandum the proponent committed to establishing a local workforce rather than relying on fly-in fly-out workers. Other arrangements have included the application of the WA Government Policy on Securing Domestic Gas Supplies (DomGas) for Liquefied Natural Gas producers. Major project proponents are also encouraged to comply with State local content policies, which support and develop the local economies.

DoIR advises that for State Agreements it has a guiding framework for facilitating resource development and achieving benefits (including social and economic benefits) which reflects Government policy and broadly takes into account the following factors:

- royalties
- indigenous employment, training and business
- regional development
- local government rates
- social and economic infrastructure (including power generation)
- third party access to infrastructure
- local content
- environment and heritage
- domestic gas reservation

This information does not exist in any consolidated form.

DoIR advises that it is currently in the process of reviewing the framework, and that the Department carries out regular reviews in line with changes in Government policy.

This lack of transparent criteria and process for assessing the social and economic impacts adds to proponents' uncertainty about Government's requirements for these important issues. In the absence of any formal processes for assessing social and economic impacts of resource developments, DoIR should make transparent the Government policy and factors it takes into account when facilitating approvals of new projects or project expansions on behalf of the State.

# Appendix 1

## The Government allocated \$37 million over six years to improve the approvals process

Between 2003 and 2005, Cabinet allocated \$37.4 million to the improvement of the approvals process. The funding comprised:

- \$9.6 million for inter-agency coordination including the funding of ODAC and its predecessor, PACU, and some small agency based projects
- \$27.8 million to increase staffing for approval processes, primarily in DEC and DOIR. Three-quarters of these funds (\$21 million) is allocated to improving the environmental approval processes. With about \$7 million allocated to improving the non-environmental approval processes, such as Aboriginal heritage approvals and planning related approvals.

Not included in the \$37.4 million is a further \$3.6 million in 'peak period' funding that was allocated in 2004-05 to help reduce the backlogs of approvals within agencies.

Table 7 shows the date of the funding decision for the \$37.4 million, the amount allocated and its intended purpose for 2004-05 to 2009-10. Cabinet indicated that additional recurrent funding of about \$4 million per year would be provided beyond 2009-10. The exact amount of this additional funding was to be based on a further review planned for completion in 2006. The review has not yet been undertaken.

| Funding Date                            | Purpose of Funds   | Amount (\$m)       |
|---|--|--------------------|
| 27/05/03                                | Funding of the Approvals Review Team (ART) within DoIR to coordinate Government's response to Keating  | 1.3                |
| 21/06/04                                | Funding of the Inter-Agency Implementation Group (IAIG) to coordinate and develop position papers to address Keating recommendations<br>Small agency based projects to improve information for proponents  | 2.8                |
| 06/12/04                                | Funding of the Project Approvals Coordination Unit (PACU) to coordinate project scoping framework<br>Staffing increases for environmental approval processes   | 1.4<br>8.4         |
| 25/10/05                                | Appointment of DAC to oversee further reforms and funding of ODAC – replacing PACU to coordinate implementation of agencies' actions<br>Staffing increases for environmental approval processes<br>Staffing increases for non-environmental approval processes | 4.1<br>12.6<br>6.8 |
| <b>Total Funding 2004-05 to 2009-10</b> |  | <b>37.4</b>        |

**Table 7: Funding allocation for improving the approvals process for the six-year period 2004-05 to 2009-10**

*Government allocated most of the funding (\$23.5 million) in October 2005. The primary purpose of the funds was for coordination, that is, funding of ART, IAIG, PACU and ODAC, and for staffing the environmental approval processes.*

Source: DTF and OAG

Of the \$37.4 million, 49 per cent of the funds were allocated to DEC (\$18.4 million) reflecting their role in environmental approval processes. Table 8 shows the allocation of funds for each agency.

| Funding Allocation by Agency   | Amount (\$m) |
|--|--------------|
| Department of Environment and Conservation                                     | 18.4         |
| Department of Industry and Resources   | 7.2          |
| Department of the Premier and Cabinet – ODAC (including its predecessor, PACU) | 5.9          |
| Department for Planning and Infrastructure                                     | 2.4          |
| Department of Indigenous Affairs   | 2.3          |
| Appeals Convenor (in relation to environmental appeals)                        | 1.2          |
| <b>Total Funding 2004-05 to 2009-10</b>  | <b>37.4</b>  |

**Table 8: Allocation of funding by agency for 2004-05 to 2009-10**

*Government allocated the majority of the funding to DEC and DoIR with DEC receiving half of the funding.*

Source: OAG

For 2006-07, the additional funding for improving approval processes represents an average increase of just over four per cent of the 2006-07 cost of the relevant services within agencies. The cost of services shown in Table 9 include functions other than the approvals processes reviewed in this report.

| Agency                 | Funding Increases for Approval Processes 2006-07 (%) | Cost of Services as per 2006-07 Annual Reports (\$m) |
|------------------------|--|--|
| DEC                    | 29.2 %   | 15   |
| DIA                    | 9.3 %  | 7  |
| DoIR                   | 4.8 %  | 77   |
| DPC (ODAC)             | 1.4 %  | 77 <sup>1</sup>                                      |
| DPI                    | 1.3 %  | 48   |
| <b>Across Agencies</b> | <b>4.3%</b>  | <b>224</b>   |

Note 1: The \$77 million represents the total budget allocation for the relevant service in DPC. In 2006-07 and 2007-08, the 1.4% allocation represented the entire cost of ODAC. From 2008-09, ODAC will be funded from DPC's existing budget for the relevant service.

**Table 9: Additional funding for approval processes as a percentage of the cost of relevant services within agencies for 2006-07**

*Government's funding to improve approval processes represents an overall increase of around four per cent of the funding for relevant services within agencies, but a much more substantial increase for DEC and DIA.*

Source: Agencies' Annual Reports, DPC and OAG

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