



WORKING PAPER

ITLS-WP-13-07

**A new planning system for NSW:
Comments and review of green
paper.**

**By
Alastair Stone¹**

¹ Chair, ITLS Board of Advice

April 2013

ISSN 1832-570X

**INSTITUTE of TRANSPORT and
LOGISTICS STUDIES**

The Australian Key Centre in
Transport and Logistics Management

The University of Sydney

Established under the Australian Research Council's Key Centre Program.

NUMBER: Working Paper ITLS-WP-13-07

TITLE: **A new planning system for NSW: Comments and review of green paper.**

ABSTRACT: The comments and review of the NSW Planning Green Paper in this paper use the perspective of a development economist such as from the World Bank. This contrasts with the Green Paper's legalistic point of view. The paper begins by partly reframing the Green Paper's stated objectives of planning. It then analyses the roles and power of the stakeholders that the Green Paper would have participate in the planning decision process describing in turn: individuals, political representatives, special interest groups, private sector industry representatives and finally the role and powers of expert professions. The next section highlights the natural, regulatory, and financial constraints that operate on decisions in the planning process. It then describes the outcomes of planning by the government, focussing on land use and the provision of public infrastructure services. Then the mechanisms of planning are discussed with emphasis on the needed analytical resources, namely data, modelling, sector analysis, and benefit cost analysis, subjects barely covered in the green paper. The implementation instruments used to achieve the objectives of the planning process are then discussed divided into physical and financial instruments. Finally there is discussion of the necessary institutional arrangements and governance structures. The emphasis is on the decision making process and how it can be characterized by subject, type and scale. Highlighted here are the characteristics that that distinguish an efficient market from competitive tendering. Financing plans are briefly described and finally the paper comments upon the structure and decision control applicable to the process elements of strategy, plans and projects.

KEY WORDS: *Planning, economic development, welfare economics, value, utility, political representatives, special interest groups, expert professions, community consultation, decision making process, constraints, land use, public infrastructure services, data, modelling, sector analysis, cost benefit analysis, planning instruments, markets, institutional arrangements, decision control, transaction costs, strategy, plans, projects.*

AUTHORS: Stone

CONTACT: INSTITUTE of TRANSPORT and LOGISTICS STUDIES (C13)
The Australian Key Centre in Transport and Logistics Management

The University of Sydney NSW 2006 Australia

Telephone: +612 9114 1824
Facsimile: +612 9114 1722
E-mail: business.itlsinfo@sydney.edu.au
Internet: <http://sydney.edu.au/business/itls>

DATE: April 2013

1. Introduction

The Green Paper is a big advance in moving the State's planning towards a more rational efficient process. Its strength is that it introduces elements such as merit based planning to the process but its weakness is that the proposed changes are inevitably grounded in current practice with its potpourri of principles when the opportunity to express clear fundamentals existed to move the dialogue to a higher level.

There appear to be two major thrusts of the Green Paper. Firstly, a move which is to be applauded, to drive planning from a longer term strategic perspective into which, project investments are obliged to fit rather than the opposite approach where strategic planning is driven by projects. Second is the expansion of community and special interest consultation into planning decision making, which has legal implications that need to be broadly and clearly analysed and discussed in society.

In both producing and reviewing the proposed new planning system for NSW participants will bring their own perspective, as is evident from the submissions and reports that supplied input for the Green Paper. The comments provided in the following submission after reviewing the Green Paper come from a Development Banker perspective that could be characterized as seeking an answer to the question: "Would the planning system proposed in the Green Paper produce projects that could be financed by independent resource supplier – say a World Bank?"

The short answer and a gross simplification of the content of the Green Paper is that the combination of a "strategic" planning approach combined with community consultation and representation in the governance/control structure would **NOT** produce an acceptable plan for resource allocation or investments by the likes of a World Bank.

The framework used in the Green Paper can be characterized as a combination of discussion of hot topics by "experts" (with a distinctive legal flavour) and their associated political imperatives. Using international planning legal best practice as the major mechanism of analysis for the Green Paper puts legal implementation frameworks ahead of the more usual political, economic/financial, social and environmental analytical theories and practice. And sadly using international (read non-Australian) best practice shows the intellectual cringe is alive and well.

The hot topics given separate chapters in the Green Paper include:

1. Objectives
2. Community and stakeholder engagements
3. Strategic Planning
4. Development Assessment and Compliance
5. Infrastructure Planning and Coordination.

The critical framework in this paper uses and augments these topics as a series of "development banker" questions for resolution as follows:

1. What are the objectives?
2. Who are the stakeholder entities and what are their roles and powers?
3. What are the subjects to be dealt with by the planning system?
4. What are the appropriate analytical mechanisms and implementation instruments of planning?
5. What are the desired Institutional Arrangements and Governance Structures?

2. Objectives

The listing of purpose and objectives in the Green Paper is comprehensive and familiar covering economic development, social and environmental issues mixed in with exhortations about how such purposes and objectives should be met. But then there is a listing of “Principles for reform” that jumps straight to conclusions without making the case that a typical Green Paper requires. For example to state that “the community is entitled to relevant, timely and accurate data on which to **make decisions** on planning issues” and “communities value their neighbourhoods, heritage and local environment, and have a **right** to be involved in decisions that shape their community” preempts any analysis of respectively governance structures and legally supported rights.

In a similar vein references (in many parts of the Green Paper) to benchmarking as an end in itself denies the now well established objective (in “Lean” and “Six Sigma” disciplines) of continuous improvement in processes rather than a fixed objective that once attained allows all to relax.

Another opportunity that should be developed and enhanced in the subsequent “White Paper” is to state clearly that the characteristics of the objects of planning are dependant on community values that are dynamic in size, location, and over time. For example consider the different attitudes to decisions that impact, say your house compared with a remote regional port; or the increasing community appreciation of the value of public transport, or the environment. The proposed hierarchy of planning mechanisms at local, regional and state level goes some way towards accommodating this.

So from an objectives viewpoint there is little to quibble about. However references to the roles and powers of stakeholders need a more disciplined approach.

3. Stakeholder entities roles and power

The Green Paper’s discussion of community and stakeholder engagement places “participation” as the highest criteria whereas, given the objectives of the planning process, efficient economic social and environmental decision making should be centre stage. Hence institutional arrangements and governance of decision making driven by stakeholders with social/legal roles and powers coming from our representative democratic system should be at centre stage.

To approach the issue of institutional arrangements and governance structure, the rights and powers of the entities who are stakeholders need clear definition. The entities to be discussed are: individuals, political representatives, special interest groups, private sector industry groups, and professional experts.

3.1 *Individuals*

In our democratic political/economic system we grant rights and the power to deal with them to individuals. Through what can only be described as an anomaly in legal judgment (in fact reporting of legal judgement) that has now entered common law, corporate entities have also been given the legal status and rights of individuals, with the exception of the right to vote directly in the election of political representatives. Individuals have the role and power to exercise these rights legally through political representatives when it comes to public goods and directly in markets governed (regulated) by institutional arrangements created by political representatives.

3.2 *Political representatives*

In the Australian political system individuals elect representatives at the local, state and federal levels. These representatives exercise powers, some of which they may devolve to other groups such as public services, tribunals and government owned corporations, where it is efficient to do

so. The underlying principle for such devolution in Australia is known as subsidiarity which aims to place the decision making power and responsibility as close as possible to the individuals involved. Another critical feature of such devolution is that it is applied only when the value judgments applied are settled and stable and can be codified in administrative codes. Otherwise it should be up to the elected representatives to express the value judgement of the community in a particular case.

For example, where the value judgments are not settled and stable, as in say intersectoral allocations of tax money between, for example, defence and education, then the elected representatives are required to make them.

3.3 *Special interest groups*

Special interest groups take many forms and coalesce around issues at many scales from say local height restrictions on residential construction to international aid. They define their own role and exercise power only by influence over the political representatives by exhibiting their capacity to influence individuals that elect those representatives.

3.4 *Industry representatives (private sector)*

Industry representatives are a particular form of special interest group who warrant a special mention due to their capacity to influence large numbers of individuals in regard to the performance of elected representatives. Again it is important to note that the power of this influence is exercised through the political representatives.

3.5 *Expert professions*

The role and power of expert professions is to give advice to their community on factually complex issues that arise from alternative courses of action being considered by elected representatives, for example, in regard to investment in public infrastructure services. These groups are specially trained and experienced to deal with the factual complexity in their field (e.g. medicine, economics, and engineering) and to give advice on the feasibility of alternatives being considered by individuals or their elected representatives. Even where these professions are given legislative authority and responsibility that goes beyond the pervue of those seeking the advice, such as safety, their role and power is not one of decision maker over resources but advice giver.

In summary the stakeholders in planning are made up of **decision makers** in the form of individuals and their elected representatives; and **their advisers** in the form of *expert professions* in regard to **factual issues**, and **influencers** in the form of special interest groups who exert influence over individuals and their elected representatives on **value judgment** issues.

Given the goals of planning and the roles and powers of stakeholders or players in the decision making about resource allocations required to reach those goals, it is useful to keep in mind the subjects that the planning process deals with.

In this light, the range of participants and their powers in the proposed decision making structures, embodied in such mechanisms as Participation Charters, in the name of a call to “depoliticize” the process, is a fundamental flaw in the Green Paper. Legally it is possible to devolve powers to such entities but it goes in the opposite direction to the stated goal of making the planning process more responsive to *all* the people in the community, not just special interest groups.

4. **Elements of the planning process**

With the stated economic, social and environmental goals settled, the subjects of the analysis dealt with in the planning process can be divided into **defining the constraints** on the definition

of alternative courses of action, and the **products or investment outcomes** that result from planning. Given the goals of planning there are economic development, social and environmental dimensions to these constraints and products.

While the Green Paper is primarily focused on the planning process, the elements of the decision making inputs underlying that process should be address in the green paper. Choice in decision making in planning is, as elsewhere in the economy, a choice between alternatives. The current dialogue presupposes that all options can be considered but reality is that the set of alternatives is highly constrained, and this should be brought out in the interests of transparency and rationality. For the Green Paper Process to be effective in achieving change, it should limit the discussion to issues that need change by pointing out and exclude those that are settled or unchangeable.

4.1 Constraints

For most issues in planning, constraints can be divided into: - those that are natural; those that are regulated by legal instrument; and those that are financial (economic).

4.1.1 Natural

The natural constraints include topography, and ecological features such as air, soil and water resources, as well as flora and fauna. While all these constraints can be modified (overcome) with schemes to say bridge ravines, divert water courses, and relocation schemes, they require additional investment, that, by degrees act as limits on alternatives considered as planning outcomes. The strength of the constraint ranges from a social consensus that the constraint is absolute, such as the habitat of a unique species, to constraints that can be overcome at reasonable cost, such as say substituting one public open space for another in another location.

4.1.2 Regulatory

Regulatory constraints include performance standards that are embodied in legal requirements, for example, air quality. They include legal dimensional limits ranging from height limits to the limits to agricultural use rights verses mining rights. They also include legal administrative processes that must be fulfilled prior to the granting of approval of a proposed action such as the opening of a mine or construction of a building.

Collectively they are embodied in Institutional arrangements that constrain actions of individuals to a politically agreed range of options. In general the objective of such institutional arrangements is to make investment decisions more efficient for the whole society by minimizing the transaction cost for all stakeholders from the proposer of the action to the community impacted. However short term expediency, has resulted in some regulatory constraints that do not reflect the long term strategic objectives of a society. A classic example is the noise regulations that limit the location of say an airport relative to housing.

4.1.3 Financial

Financial or budget constraints impose limits on individuals and communities to resolve conflicts between benefits and costs to different legal entities (individuals) in all their forms. A simple example is the use of compensation to a residential land owner for loss of utility or value as in when government compulsorily acquires land for say a road right of way. Or say a miner demands access to a mining site over agricultural land. In these cases many elements of cost such as in the residential case, acquiring and moving to another residence are not covered, apparently to minimize the cost to government. Compensation principles need discussion in the Green Paper.

If these general constraints namely natural, regulatory and financial tend to limit the alternatives considered for planning, then the following are the products or outcomes of planning that can be varied.

4.2 *Products or outcomes of planning*

Planning for all economic actions has many elements in common. However one-off projects such as a new mine or dam have their own unique set of considerations, and are of such a scale in terms of the resources to be committed and the likely impacts, to warrant separate consideration which can not be dealt with completely within the constraints of the general planning system. This distinction could have been reinforced in the Green Paper, to clarify the discussion as to which decisions should be devolved to which level of the process.

The focus of the following comments will be primarily on planning for urban development.

The decision making process that is the mechanism for defining planning outcomes is not only constrained in its consideration of alternatives by the natural, regulatory and financial elements discussed above, but in urban development, it results in only two categories of action, namely land use designations or zoning and requirements to provide public infrastructure services.

4.2.1 *Land use*

The historical approach to planning land use has been decidedly two dimensional focusing on designating permitted uses of defined areas. As noted, I leave aside discussion of the separation of rights to land use into surface and underground mining rights to be touched on in the later section 6 on institutional arrangements and governance structures and in particular the section 6.1 on subject or product type and scale.

Urban planning of land use also includes public spaces (parks, school, hospitals etcetera) and in particular rights of way for public infrastructure services. The current approach is generally characterized by absolute zoning by explicit and usually narrow designation of land use and similarly narrow detail specification of built form. This view arises from an approach characterized by a static equilibrium, final outcome approach to goal setting that may make the analysis required for planning practicable, but largely ignores the essentially dynamic process that operates in economic society. To accommodate the dynamics, planning has developed a contorted and unwieldy process and associated legal powers to rezone land use when new unforeseen demands need to be accommodated. A process well liked by the urban development industry. The Green Paper's proposed increase in the use of "merit based" assessment goes towards the goal of introducing flexibility.

The determination of land use is accompanied by the requirement to provide a range of public infrastructure services over a timeframe matched to the period of development to its final state.

4.2.2 *Public infrastructure services*

Public infrastructure services include:

- Transport
- Water
- Energy
- Communications
- Social

In the discussion of strategic planning, the Green Paper rightly calls for integration of services but leaves aside the controversial issue in the planning of urban areas of the integration of the *timing* of the provision of public infrastructure services with the realization of zoned use. The competing views range from leading the occupation by land users by providing all services immediately, to providing services after occupation.

However the issue is more complex. There are several elements to be planned that comprise these services. For each service there are fixed investment, operational and maintenance requirements.

These elements often include:

- the provision of land in the form of rights of way or sites,
- the provision of facilities on the land,
- the operation of such facilities and
- the associated end products or consumables such as water or energy that flow through these facilities.

The flexibility in the provision of each element to match zoned use varies. For example; facilities are relatively easier to expand compared with rights of way.

The Green Paper also raises the infrastructure procurement issue using the “contestable” criteria which has for so long been discussed in the economic literature. The settled outcome can be summarized that the efficiency available in the private sector from Public Private Partnerships, comes from existing open efficient markets with many participants rather than competition by itself. The Green Paper could introduce this reality to NSW infrastructure planning, rather than perpetuating the myth that a small number of entities competing for the same contract constitute an efficient market.

In summary, planning, contrary to its reputation as a complex issue that is difficult to resolve, operates on a significantly constrained set of alternatives and uses a small set of instruments or mechanisms in land use zoning, and infrastructure provision, to achieve its goals.

5. Mechanisms of planning

The perceived complexity of planning has come in part from the inadequacy in amount and sophistication of analytical resources applied and the highly prescriptive implementation instruments that are currently in use. The minimal discussion of alternatives to the existing practice for these issues in the Green Paper is a major gap that should be rectified. A suggested outline of such a discussion on each of these issues follows.

5.1 Analytical resources

As a general comment the quantity of financial and human resources allocated to the analysis of planning decisions is disproportionately low when compared to the size of resource allocations that planning influences, often to the point of controlling public and private investment. For example consider in an urban residential zone the public investment in roads and the private investment in houses.

The outline of issues of analysis will follow the familiar categories of: data gathering; modelling; sector analysis; and finally project analysis otherwise known as cost benefit analysis.

5.1.1 Data inventory

In resource planning, data comes in two broad categories; physical (Newtonian) and value based. The former, including topography, hydrology, flora and fauna etcetera, is relatively easy to collect while the latter, value of time, views, sunshine etcetera, is challenging and changes over time. The value/ taste data is either revealed by market and political choice for private and collective goods and services, or through choice experiments that take many forms to simulate the same choices.

In most planning analyses data gathering is a major expense in the costs of the analysis itself. A project centric approach in contrast to a strategic approach to planning means that data gathering is often a costly one-off snapshot of the particular part of the economy being analysed, even when other sectors may be impacted. For example, urban transport planning analysis and water supply planning analysis.

The data cost issue has been considerably reduced by the development of various digital sensing and storage devices that could automatically provide a real time inventory of current states.

The cost of data situation in planning analysis is exacerbated by the terms of access to data. Much data relevant to planning is collected by governments who under the fashionable corporatist model of public service see data as an asset to be sold to cover expenses. In contrast to this approach the information/computer sector is moving towards open source software and free access model where relevant data is considered a public good available to all rather than the corporatist's private good to be supplied at a cost covering fee.

The Green Paper should have covered these issues in depth.

5.1.2 *Modelling*

In parallel to the data issue is the way in which forecasts and projections of demand are made. In urban public infrastructure service planning, most modelling has effectively taken the form of projecting current activity to produce forecasts with the attainment of general equilibrium in the system operating as the major validation. The alternative projects selected for consideration are in general not explicitly formulated with the constraints discussed above in section 4.1 in mind. Nor are the projects divided into their constituent elements, for example, rights of way, facilities etcetera. And only recently have models been developed that consider location dynamics in response to infrastructure network changes. This is a fancy way of saying changes in location in response to changes in service are not normally properly considered.

One possible response to the shortcomings of the current approach is to change the institutional arrangements around decision making on investments to more closely match it to have "market like" attributes. This is further discussed below in section 6.

5.1.3 *Sector analysis*

A strategic approach to planning is required to consider, among other things, resource allocation or investment from many different viewpoints and coordinate multiple decisions to achieve the stated strategic goals. One such viewpoint that needs to be highlighted is colloquially known as Sector Analysis. Many sectors of the economy are relevant, including transport, water, housing etcetera, and such analysis allows consideration of how one decision, say on policy or investment impacts the whole sector. The Green Paper refers to sector analysis but the current interpretation in NSW is limited.

This sector planning approach has a long history in application by such as the World Bank particularly in regard to changes in policy arrangements for example, in finance and pricing, required to support investment in infrastructure services, and should be introduced as a part of the planning process that needs upgrading in NSW.

5.1.4 *Project prioritization analysis*

To attain the goals of planning, after sector analysis and allocation of budgets to each sector, ultimately we come to project appraisal to determine project investment. At this point the defining of alternatives and subsequently their ranking after cost benefit analysis (CBA) should follow. But currently there is a shift to defining a single, politically defined project to be subject to CBA to be justified on some absolute scale of net benefit. Hence we see the search for wider economic benefits (and occasionally costs) which ignores most of the established CBA process to rank alternatives using well established and verifiable costs and benefits plus an assumption that other (external) costs and benefits are the same for all alternatives. This distortion of CBA project appraisal process is magnified by the attribution of wondrous multiplier effects rarely supported by detailed input/output analysis.

The green paper needs to at least comment on this approach to project appraisal, and preferably provide a platform for a wider discussion to get the practice of micro economic appraisal back on course.

5.2 *Implementation instruments*

I now turn to discussion of the instruments available to implement plans that prescribe use of resources, primarily land. In general they fall into the two broad categories of physical instruments and financial instruments. The Green Paper adopts the status quo on instruments that would see the continuation of the highly prescribed control approach that is essentially static thereby setting the scene for the process beloved of developers to achieve change in these controls and the associated windfall benefits when controls such as zoning density or use are varied. The economic activities that planning seeks to guide are essentially dynamic. To accommodate this dynamism planning needs new approaches to controls and to the associated decision making processes to be discussed below in section 6.

5.2.1 *Physical*

Physical planning instruments can be divided into widely applicable fixed or prescribed single maximum allowable limits on measurable attributes as in pollution and noise controls, and into multidimensional controls as in built form controls. The single limits are often linked with financial instruments including tradable rights. This approach could be applied to multidimensional controls but such applications have yet to be formulated and applied. This is another area where more research is needed but in general it would be possible to start shifting controls from physical dimensional specification to outcome specification.

In many other parts of the economy where for efficiency, controls and standards are required, many years ago there was a shift from dimensional specification to performance specification. For example in engineering, bolts used to be specified for size, type of thread, material, and so forth. Now bolts (even more broadly fastenings) are specified for their required performance. This has allowed the emergence of innovation producing new fastenings, even the substituting of adhesives for bolts. Research in planning instruments is needed to move to this performance specification to permit private sector innovation and flexibility to achieve the desired outcomes of strategic planning. For example the required functionality of the local residential road system could be achieved in many different ways than the one size fits all approach mandated at present, and still meet say the emergency access requirements.

It is probably unreasonable to expect the Green Paper to propose innovation in this way but research into this area should be canvassed and supported as part of the move to a more strategic private sector and community responsive approach to planning in New South Wales.

5.2.2 *Financial*

The most significant planning instruments with financial implications for the cost of serviced land use include for example; contributions defined by zoning to say infrastructure headworks; and say substitution of one area for another to preserve habitat, and allocation of land for recreation and social services such as parks and schools. All these have a financial impact which is rarely sensitive to the needs of a particular local community and in particular how these needs have different temporal dimensions that could be satisfied with one set of facilities. For example, school facilities are a resource that has only recently been made widely available for broader community use.

This is an area where the value laden decision making that should reside with elected representatives has been passed to expert tribunals primarily in the name of independence and depoliticization. This is what elected representatives are elected to do. The Independent Pricing and Regulatory Tribunal of NSW is the most glaring example where politicians have passed the power of framing and making decisions on such issues as cross subsidies in the pricing of public services to so called "independent experts" to make value judgments on behalf of the community. This flies in the face of representative democratic principles.

It should also be noted that the (holding) costs imposed by the time required to gain approvals is a significant project cost. The cost of current approach including community involvement

(proposed for expansion in the Green Paper) should be carefully weighted against the benefits achieved.

In summary, the Green Paper, in line with its strategic objectives should call for research into planning instruments to make them; more responsive to functional objectives; to the temporal dynamics of economic use of land; and how a combination of market mechanisms and specified rights applied and traded at the appropriate scale could reduce cost.

6. Institutional arrangements and governance

To its credit and possibly a first in New South Wales, the Green paper at least approaches the issue of institutional arrangements and governance where, I would argue, most of the problems with current planning processes lie. The Green Paper should include a separate focus on institutional arrangements to gather together the many institutional proposals it covers in disparate parts of the document to provide clarity and transparency for the discussion.

This is a big complex topic and in response to the invitation for discussion provided by the Green Paper, only an outline of an approach follows. The outline begins to again make the plea to explicitly put decision making processes (DMPs) at the heart of the discussion of the planning process in NSW. Next the subject of each DMP needs to be defined by *type*, and *size* of resources involved and the *life* of the benefit/cost streams. Then, for each subject there is a need to discuss the alternate market supply mechanisms of (relatively) open markets and the more tightly regulated markets for public services, where DMPs are applied. Finally the structure of control of each DMP needs definition including the rights and power of each entity exercising discretion. The whole structure can be thought of as a multi dimensional matrix of actions covering strategy, plans, and projects in one dimension, and local, regional and national scale on another and sectoral focus on another.

6.1 Decision process by subject type and scale

At its core all planning is about deciding on actions to allocate valued resources. The generic decision making process leading to action by an entity takes inputs of the relevant value or utility involved, motivation to act, and resources over which it has rights and information about alternatives being considered. The alternatives being considered are chosen from within the set of feasible alternatives defined (preferably identified by experts in the field) by the constraints (see 4.1) operating thereon. These are inputs to a decision mechanism where the entity analyses and makes judgments regarding net benefit of alternatives in order to rank them. This process is used to select the best alternative for each subject or product (see 4) defined by the static and temporal scale of the cost and benefit value streams of resources involved. This is economic speak for arriving at an investment decision.

Clearly it is critical for economic development to apply such processes to the transactions where exchange of rights to resources takes place, which is not always the case in planning. For example, in transport planning the common reference unit is a trip whereas in fact most rights to transport service are secured when an entity gains the rights to occupy a given piece of land and the attached access rights to the transport services available.

6.2 Market supply: Open and regulated

In our version of representative democracy there exists a spectrum of mechanisms available for the transactions that result from the above decision making processes. They are at one end of the spectrum open competitive markets for a bunch of similar products such as breakfast cereal, and at the other end fully regulated market for a monopoly product such as water services. Politics determines the regulated framework and limits to how competitive market exchange occurs and also, where competitive markets do not or should not exist due to their monopoly characteristics. Politicians also make direct decisions regarding investment in the supply of public services.

This is well trodden territory in the economic literature but despite this there has been a growing misinterpretation of the context in which markets are efficient. The shift in the application of theories behind “privatization” of government entities where efficient market exist, into “corporatization” where competition can be applied as in competitive tendering, is a gross distortion of the underpinning economic theories.

6.3 *Financing plans*

Discussion of institutional arrangements and governance for planning must include financing plans. Financing plans require inclusion of both where the financial resources come from and how these resources are maintained either directly through various forms of user charges or indirectly through the various types of taxes. In turn these financial plans have or should have a direct bearing on how governance is arranged. Again the scale of the product and the public or private nature of the transaction should be influential. In private sector transactions each entity has its own DMPs including for finance. The place to determine appropriate public sector financing plans is in the relevant sector analysis (see section 5.1.3), and to bring them together in the state budget process. Again this is a topic that should be covered in the Green Paper.

6.4 *Structure and decision control of strategy, plans and projects*

To this point, commentary on the Green Paper on the Planning System has covered, the objectives; stakeholders rights and powers; elements including constraints and outcomes; mechanisms used in the planning process to analyze and instruments to implement outcomes; the decision making processes and mechanisms to allocate resources (or determine investments) to implement outcomes, and now finally how all of the above comes together to define the logical structure covering participants, their rights, and control of decisions over strategy, plans and projects.

The key element in framing structure and decision control is to match it to the size and life of the resource value streams that are the subject of planning. Already there are high scale resource decisions that have implications (costs and benefits) at local regional and national levels, for example, controls on air pollution. Equally there are low scale decisions that have only local implications (costs and benefits), say water supply within a contained catchment. Clearly the strategy setting, plan formulation and projects in the latter can be constrained to the community within that boundary, and the decision control arranged within said community. Whereas air pollution, has at least regional, and possibly national, and international community ramifications. The structure and decision control of the planning process should respond to this – and in part the Green Paper does this.

The proposed use of combinations of representatives from stakeholders including political, special interest, industry representatives, and relevant expert professions, heads in this direction. However as noted in section 3, such proposals should adhere to the legal principles of subsidiarity in a representative democracy rather than perhaps unwittingly seek to shift power over value laden decisions to special interests thereby disenfranchising other sections of the relevant community. For example, the proposed inclusion of special interest Non Government Organizations (NGOs), for example environmental groups, in all parts of the planning process from policy setting to project assessment, from a democratic perspective, breaks undesirable new ground.

Inherent in the argument for a rational approach to structure and decision control is the challenge of interpreting and expressing a multi-dimensional group of decision making considerations in what is most often two dimensional boundaries with variable time limits with stakeholder entities which themselves have variable rights and time limitations. The process is inherently complex and should not be simplified for convenience of decision making. Private rights have their own dimensionality which is transferrable through the actions of exchange, whereas political rights have different dimensions and most often a time limit of the duration

between elections which almost universally does not match the life of the resource value streams on which decisions are being made. So what to do?

Starting with what we have got; we have individuals making decisions on private rights and political representatives for public (aggregated private) rights at local, state and national level. Then we have expert professionals advising them and a variety of special interest groups influencing them.

Clearly while there is occasionally a match between the scale of some resource allocation decisions and the scale of these mechanisms, for example, local government community services, there is a mismatch between the scale of many projects and the existing decision making structure, for example, water supply from a major river system.

In sum, from the perspective of a Green Paper on Planning at the State level, the following axioms should apply to the formulation of change to the existing planning system:

1. Governance (control) of the decision making process in planning should rest with *individuals and their political representatives*.
2. Special interest groups including single issue, industry, and local community should only *influence* decision makers, and not *directly participate* in the decision making.
3. Expert professionals should be used to *help formulate alternatives* to be considered, including identifying constraints that restrict feasibility, but *not directly participate* in decision making.
4. Decision making governance structures are required at local, regional and, in the NSW case, State levels, with representation feeding up from local to regional to state scale and feedback coming back down.
5. These decision making structures should formulate appropriately detailed strategies, plans and projects that are integrated from local through regional to state level and that are fully integrated across sectors, for example transport infrastructure service.

Applying these axioms to the proposals of the Green Paper would bring more clarity and highlight issues that need further analysis and discussion before finalizing a White Paper.