

## Independent Review of Infrastructure Australia

### Submission by the Infrastructure Association of Queensland Inc (IAQ)

**Submission Date: 15 August 2022**

The Infrastructure Association of Queensland Inc (IAQ) is the peak body representing the infrastructure industry in Queensland fostering private sector investment in infrastructure and providing a deeper understanding between the public and private sectors. We are an independent, evidence based, non-partisan association influencing better outcomes for our members with timely engagement across policy issues. We work hard to create pathways to deliver on the economic enabling infrastructure the State needs to build a thriving future for Queenslanders.

As an overarching comment, IAQ strongly supports an independent infrastructure advisory body and commends Infrastructure Australia (IA) for its efforts and impact since its formation. IA has changed the infrastructure ecosystem by highlighting good practice and providing a greater level of accountability for infrastructure decision making, ultimately improving quality of life for Australians.

The IAQ appreciates the opportunity to submit a response to the Independent Review of Infrastructure Australia. We have structured our response in line with the Review's terms of reference.

### *Infrastructure Australia's (IA) role*

- 1. IA was established to advise the Australian government on nationally significant infrastructure matters including transport, energy, communications and water infrastructure.*

*Do you consider IA best placed to provide advice on nationally significant infrastructure and do you use IA's advice when considering infrastructure matters?*

- IAQ notes that governments tend to form their own view on the importance or otherwise of significant infrastructure investments that consider many elements beyond the underlying cost and impacts of the proposed investment. A statutory agency providing genuinely independent advice based on clear guidelines can play a positive role in providing advice on nationally significant infrastructure
- We note that IA strongly influences the requirements and policy for proposal development, even for projects not seeking Australian Government funding. IA's guidance and standards are essential for all proposed infrastructure projects. IA's standards publication and proposal review function against

these standards significantly the quality of infrastructure proposal development.

*How can IA best support infrastructure investment into the future?*

Improved decision making can be realised by better aligning some sector-specific guidelines with the Infrastructure Australia Assessment Framework (IAAF) where there is existing misalignment. We see the important role that IA can play in encouraging these sectors to update and improve their guidance.

*Are you aware of any global examples of best practice in infrastructure governance / advisory bodies?*

IAQ is of a view that key government institutions such as IA are members of an infrastructure ecosystem and that better infrastructure outcomes are made when the public and private sectors work together in a collaborative relationship.

## ***Effectiveness***

- 2. IA publishes a range of products including: the Australian Infrastructure Audit; the Infrastructure Priority List; Infrastructure Market Capacity reports; business case evaluation summaries; and other research reports as requested by the Government.*

*Which of IA's products is the most effective for your work or organisation, and why?*

- IAQ strongly supports clear guidelines for infrastructure proposals; this allows a level playing field and clear expectations from an equity point of view. Providing practical guidance for proponents (e.g. worked examples) is highly beneficial
- IAQ members note that recent updates to key IA products in 2021 are appropriate and match the objectives of many state projects (sustainability, resilience and quality of life, etc.). We also note that the recent alignment of IA gates better reflects state practice (service need, options assessment, detailed business case) and provides a solid basis of for investment decision-making in the future
- IAQ notes that the policy function responsible for the Infrastructure Audit and Australian Infrastructure Plan is important given number of cross-border projects. The IAQ sees an opportunity to better integrate this planning with state-based planning regimes based on a predictable update cycle.

*Which of IA's products is the least effective for your work or organisation, and why?*

IA's policy advice (i.e. Reform Series e.g. place-based planning) is important in advancing better practice however, there is an opportunity to harmonise these with state-based and private sector priorities to ensure buy-in across the ecosystem.

*Has any of IA's reports assisted with targeting specific priority areas?*

IA's reports, particularly on emerging issues such as market capacity, allow emerging issues to be accounted for in the infrastructure development process.

*3. IA is required to review infrastructure proposals where more than \$250million in Australian Government funding has been committed.*

*Do you think this is the right threshold? Why or why not?*

- IAQ supports targeting IA's limited resources towards areas where it can make the most difference. IAQ members note that sub-optimal infrastructure investment outcomes are often the result of infrastructure proposals that have the following characteristics:
  - highly reactive or based on short timeframes,
  - considered by only one level of government,
  - are more bespoke assets (so previous lessons are not incorporated), and/or
  - led by agencies that do not complete many business cases.
- IAQ supports in principle a relatively simple threshold that proponents and governments can use to see whether proposals need to be reviewed by IA
- Care should be taken not to encourage over-investment in infrastructure through the selection of thresholds, noting the decreasing marginal utility of most infrastructure investment and incentives created to push projects/programs of infrastructure investment to above \$500 million to secure Australian Government co-investment.

*What other considerations do you think are appropriate for IA to evaluate a business case?*

- Maturity / risk profile of the sector and jurisdiction
- Extent to which the investment locks in sunk costs or operational inefficiencies for the future.

*If you had the choice of seeking advice from IA on infrastructure proposals where more than \$250million in Australian Government funding has been committed, would request a review? Why or why not?*

- IAQ notes that where an IA review occurs after completing a significant body of work, the ability to revisit key assumptions and methods is expensive, time consuming and often challenging
- In our experience, a more collaborative approach is often successful where IA can set key parameters and methods upfront and target reviews of infrastructure proposals at key points in the proposal development.

*Where do you find the most value in IA assessment?*

The fact that IA will assess proposals provides a lot of power to infrastructure professionals to curb sub-optimal practices in decision-making as part of infrastructure proposal development.

*How effective has IA been in integrating the planning and investment decisions / approaches governments have taken for transport, energy, communications and utilities. What more needs to be done?*

To ensure that IA's reviews are efficient and promote value for money outcomes, there is an opportunity for IA to provide greater advice and project integration at the early stages of project development to ensure that emerging issues are dealt with as they arise. There are often instances where preliminary feedback or advice is sought from IA which is not forthcoming until final deliverables are issued, adding significant cost and complexity to project development.

## ***Governance***

- 4. IA was established as an independent body, to ensure the integrity of Commonwealth investment in infrastructure.*

*Is IA fulfilling this role?*

IAQ supports an independent infrastructure advisory body and believes promoting value for money decision-making is essential. It is important that IA continues to pursue true independence, operates with transparency, recognises emerging industry and sectoral practice and considers each decision based on merit.

*5. Part of IA's role is to ensure infrastructure investment is prioritised for nationally significant projects that deliver maximum benefits across Australia.*

*How could IA's role be changed or strengthened to ensure the most beneficial or transformative projects are identified and prioritised for investment?*

- IAQ notes that the most beneficial and transformative projects are unlikely to have high benefit-cost ratios as transformational changes are speculative and are typically not captured in BCRs
- IA's role could be changed to focus on benefits in dynamic systems (i.e. where infrastructure investment triggers land-use changes or other types of private sector co-investment) or emerging benefits of transformational infrastructure and ensure these can be captured
- Historically there has been a central focus on the economic case for large intergenerational projects, which often do not meet the desired thresholds for investment (with the exception of roads in particular) which intrinsically align better to socially acceptable desired future outcomes (desired ESG outcomes for instance) but are constrained by existing methodologies and approaches which do not account for these outcomes. Whilst it is recognised that the IAAF has progressed in its consideration of alternative benefits, there continues to be an opportunity to better advance the approaches and/or consideration of projects across sectors that have transformational intergenerational outcomes for all Australians.

*6. Since IA was established in 2008, most jurisdictions have established their own infrastructure body.*

*How has this changed IA's role over time?*

- IAQ notes that the scope and remit of non-IA infrastructure bodies is varied by jurisdiction
- The capacity of central agencies, line agencies, gateway review/assurance processes and industry maturity are also significant factors in the quality of infrastructure proposals.

*7. How can the IA Board be most valuable, and what experience, skills and expertise is needed?*

*Should the Board be completely independent, or should it have representatives from government or industry?*

The structure of the Board should reflect the core mission of the organisation. It should have both representatives from industry and government(s) that are incentivised to work towards outcomes that benefit all Australians as opposed to individual views.

### *Other functions*

*8. As part of the Government's six-point plan for cities policy, the Government has committed to the creation of an Australian Cities and Suburbs Unit (CSU).*

No submission response.

*9. IA is currently legislated to focus its work on nationally significant infrastructure, which is defined to include transport, energy, communications and water infrastructure categories.*

*What benefits might there be in including social infrastructure as an additional focus area for IA's work, where the Commonwealth is not generally involved in delivering or directly funding social infrastructure?*

- IAQ supports Infrastructure Australia taking a broader view of the Australian Government's role and consider how infrastructure funding works across sectors. Consideration should be given to all areas where the Australian government expends significant funds due to the nature and quality of infrastructure – for example, large tertiary hospitals are in large part funded by the Australian government through activity-based payments
- As an example, a \$500m capital cost hospital expansion may result in funding in the order of \$8billion of Australian Government operational expenditure over a 20-year evaluation period. The design and operational efficiency of these facilities should be of interest to the Australian government and appropriate assurance mechanisms to ensure key learnings from similar projects are put in place
- If IA continues to maintain planning documents (e.g. priority list, Infrastructure Plan) then IA must ensure it gives due attention to social infrastructure investment needs otherwise these investments may not be considered priorities for investment when they may derive greater overall benefits than investment in other sectors
- Ensuring that all benefits are captured is important for getting the right infrastructure for the future – for example, small additional expenditure on transport and land use changes in a transport project may have significant

health impacts. Similarly, the construction of appropriate schools will reduce the need for transport infrastructure. Without these inclusions, infrastructure will maximise measurable benefits in their own sector/silo without consideration of broader impacts. This is highly relevant to energy transition issues – e.g. investment decision making across all asset classes should consider energy supply strategy and options and resilience.

*Equally, are there reasons why IA should not examine social infrastructure?*

The bigger issue in IAQ members' experience as to whether a business case should meet IA's framework or not is whether there is a dedicated federal funding program. Without such funding programs, IA's remit in social infrastructure is academic as there is limited incentive to submit proposals for IA funding consideration. The same mechanism holds true for all sectors under IA's remit.

*10. Are there other areas of infrastructure that IA should assess, and why?*

- IAQ see a role that IA aligns frameworks from relevant sectors such as Australian Transport Assessment and Planning (ATAP) for transport and the Australian National Committee On Large Dams (ANCOLD)
- IA's existing guidance remains very focused on transport. The Australian Transportation Assessment and Planning (ATAP) guidelines provide a good basis for nationally consistent decision making in the transport space. We note that ATAP involved significant collaborative efforts and research between levels of government over many years and dedicated funding streams such as Austroads and the National Transport Commission as well as specialist agencies. Similar guidance should be considered for sectors such as health, bulk water infrastructure and education. We note that there is limited national published guidance on the process for assessing the impact of infrastructure in many sectors outside of transport. We also note significant alignment issues with national guidance in other sectors (such as the economic methodology in Australian National Committee On Large Dams) with the IAAF or ATAP frameworks. Some national guidelines trigger regulatory infrastructure upgrades where the measured benefits return less than 1c per \$1.00 invested. IAQ would suggest that in the future IA focuses its efforts on understanding areas in which infrastructure expenditure is not achieving maximum value and IA should use its influence to prioritise infrastructure investment to where it is most needed, noting that transport is arguably the most mature sector.

## *The future investment challenge*

### *11. How effective will the current IA role and responsibilities, and business approach be to handling the national investment challenges Australia faces in the coming decades?*

IAQ members see a key role for IA looking at future challenges and providing greater advice suggestions on how these can be assessed as part of infrastructure proposals – particularly for intergenerational projects, emerging technologies and developing positions on trends that are yet to materialise.

### *What role should IA take in integrating the national decarbonisation, energy transition, productivity and sustainable economy policies the Federal, state and local governments are pursuing?*

- As the national 2030 Net Zero interim target is set to change with the Australian government, Australian jurisdictions will need to follow in amending their own Net Zero trajectories. IAQ recognises the importance of IA appropriately considering these issues as part of any advice or decisions making framework. A high level statement on this, supporting the importance of resilient infrastructure and the need to prioritise infrastructure that both contributes to and is conceived / designed / delivered and / operated within local and global challenges and sustainable practices will be critical. Appropriate development guidance should shortly follow thereafter.
- IAQ supports IA reviewing and recommending how key government commitments such as sustainability and climate change are considered as part of infrastructure proposal development as a key part of any revised IA remit.

### *Is there a role for a national plan for investment which links and supports the economic re-structure required to transition the economy in the coming decade?*

IAQ would support IA being involved in visionary work to transition the economy.

### *If so, how does IA facilitate this with all national and state agencies involved?*

IAQ is strongly supportive of cross government collaboration; IAQ notes that there are successful models of federal structures that have been the basis for a lot of high-quality work to improve infrastructure investment and operations in the past which has informed much of the IAAF (as one example).

### *What is the most effective way in which IA can assist the various investment policies and projects required to achieve Australia's economic transition?*

- IAQ believes an economic transition requires a higher degree of risk appetite and clear direction from the government regarding the objectives sought through projects
- Currently, our system is geared to maximise monetisable benefits such as value of life, reduction in injuries, travel time savings. Typically, we currently take a conservative view on possible benefits from projects which may be considered economic 'transition'. Any effort to look at transformative projects will necessarily involve significant funds to allow appropriate investigation and understanding of the new benefits before they are used as a basis of significant government funding decisions
- IAQ is confident that IA can work with jurisdictions and industry to demonstrate which projects can best achieve the objectives set by governments.

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