
The Parliament of the Commonwealth of Australia

Planning, Procurement and Funding for Australia's Future Infrastructure

**Report on the Inquiry into Infrastructure Planning and
Procurement**

**House of Representatives
Standing Committee on Infrastructure and Communications**

December 2014
Canberra

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Foreword

- 1.1 The delivery of infrastructure to support a growing and demographically diverse population will drive productivity and improve living standards for all Australians. In assuring all stakeholders – the community, governments and business – that the nation’s future infrastructure needs can be met, it is incumbent upon all governments to ensure appropriate planning and procurement processes are developed and instituted. These should be complemented by value for money funding and finance mechanisms. The Committee was tasked with reviewing the Australian Government’s response, in an infrastructure sense, to a variety of factors including demographic change, increasing fuel costs and housing affordability. The Committee has heard some compelling evidence to suggest changes in the way the Government addresses infrastructure planning and funding are needed.
- 1.2 The Inquiry into planning and procurement received many submissions from a wide range of interested parties; from Government departments to peak industry bodies and advocacy groups. Many of these appeared as witnesses at the 12 public hearings overseen by the Committee and on behalf of the Committee I wish to thank them for their time and expertise
- 1.3 The Committee’s report examined the planning of infrastructure, recommending that improved coordination and harmonisation of Commonwealth, state and territory-based processes be undertaken. The way our Federation is framed can lead to duplication of services and this leads to duplication of process which is costly in both time and money. The Committee is mindful of the constitutional arrangements in our country but also believes greater effort in reducing duplication is needed. The Committee emphasised the importance of identifying a long term pipeline of infrastructure projects to provide certainty for stakeholders regarding future planning. In developing this pipeline, the Committee notes a recently announced expansion of Infrastructure Australia’s functions. The Committee further recommended that, where required,

relevant land corridors be identified and preserved to meet future infrastructure needs.

- 1.4 There are significant opportunities to encourage investment in infrastructure through various models. However, numerous submissions indicated there is limited technical capacity within Commonwealth departments, causing substantial increases in cost and risk to both taxpayers and investors. The Committee recommended that the Australian Government develop innovative financing and funding models for the development of public infrastructure, providing flexibility and the ability to respond to associated costs and inherent risks. In particular, closer consideration should be given to options including forward tax incentives, user charging, inverted bidding, infrastructure bonds and capital recycling.
- 1.5 The Committee also made recommendations for procurement reform. It called upon the Australian Government to consider innovative procurement practices including promoting the use of Building Information Modelling (BIM) and co-funding the design or purchase of intellectual property rights, particularly where they form part of an innovative infrastructure tender proposal. The recommendation also called for the streamlining and centralising of elements of the tender process and the de-bundling of project elements to allow greater competition between industry participants.
- 1.6 The Committee also made some recommendations aimed at Infrastructure Australia's involvement in the infrastructure procurement process including improving their technical capability and the appointment of a Chief Engineer. Having the technical capacity to determine the most appropriate infrastructure design, construction and procurement model on a case by case basis was considered critical when dealing with large projects. It was recommended that a methodology be developed and applied to evaluate the wider economic benefits of infrastructure projects receiving Commonwealth funding of over \$100 million. It was further recommended that the role of Infrastructure Australia as a specialist procurement agency be enhanced, allowing the provision of policy advice and support to government agencies undertaking infrastructure procurement.
- 1.7 The Committee was mindful of the recently released Productivity Commission report entitled Public Infrastructure and was careful not to duplicate the Commission's findings but rather identify ways those findings could be enhanced or expanded upon. An outline of the Commission's findings appears on pages 2 and 3 of this report and I recommend that they be read in conjunction with this report.

- 1.8 Finally, I would like to thank the individuals and organisations who made contributions to the inquiry both via submissions and through appearances at public hearings. The Committee has made ten recommendations we feel will progress the planning and procurement of critical infrastructure in Australia. As Chairman I wish to acknowledge Members of the Committee who brought their varied experience to bear during an inquiry that covered a number of complex matters. It is clear that there is a need for significant structural change to current processes in the planning, procurement and funding of infrastructure in Australia and it is hoped that the recommendations of this Committee contribute to further reform in this area. On behalf of the Committee I also wish to thank the Committee Secretariat for their hard work in supporting the Committee during this Inquiry.

Jane Prentice MP
Chairman



Membership of the Committee

Chairman Mrs Jane Prentice MP

Deputy Chair The Hon Matt Thistlethwaite MP

Members

The Hon Mal Brough MP (until 24.9.2014)	Mr Keith Pitt MP
Mr Andrew Giles MP (from 26.3.2014)	Ms Melissa Price MP
Mr Stephen Jones MP (until 26.3.2014)	Ms Michelle Rowland MP
Ms Nola Marino MP	Mr Bert van Manen MP (from 24.9.2014)
Mr Clive Palmer MP	Mrs Lucy Wicks MP

Supplementary Members

The Hon Ed Husic MP (from 18.3.2014)	The Hon Alannah MacTiernan MP (from 18.6.2014)
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Terms of reference

Australian Communities in urban and regional areas face increasing challenges in deciding where and how to build new infrastructure that will increase productivity and support our living standards. Population growth, demographic change, extreme weather events, increasing fuel costs, housing affordability, technological change, and resource limitations, make dealing with these challenges all the more difficult.

That the Committee consider:

1. What initiatives are operating around Australia at local and state government levels that might lower the cost of planning approvals and reduce timeframes for delivery of projects?
2. Of those initiatives that the Committee has considered, are any able or appropriate to be implemented on a broader basis, including at Federal level?
3. Are local, state and federal governments adequately considering the infrastructure challenges that they face and do they have long term plans in place to deal with those challenges?
4. For governments that are engaging in long term planning for future infrastructure investment, are they taking steps to protect the land and corridors that are needed to deliver those infrastructure projects in the future?
5. What is industry doing to reduce the regulatory and other costs that it faces in competing for infrastructure projects?
6. How can Australia increase or deepen the competitive market for infrastructure provision and funding in Australia?

List of abbreviations

ARA	Australasian Railway Association
AOFM	Australian Office of Financial Management
ATA	Australian Trucking Association
ATSE	Australian Academy of Technological Sciences and Engineering
BIM	Building Information Modelling
CCFWA	Civil Contractors Federation (WA Branch)
CME	Chamber of Minerals and Energy of Western Australia
COAG	Council of Australian Governments
GDP	Gross Domestic Product
GFC	Global Financial Crisis
IP	Intellectual property
IRR	Internal rate of return
NGAA	National Growth Areas Alliance
NSW	New South Wales
PPP	Public Private Partnerships
UDIA	Urban Development Institute of Australia
UK	United Kingdom



List of recommendations

1 Introduction

2 Planning

Recommendation 1

The Committee recommends that the Australian Government, through COAG, facilitate greater coordination of infrastructure identification planning between the Commonwealth, State, Territory and local governments, including harmonisation of planning regulations and processes, and reducing regulatory duplication between different levels of government.

Recommendation 2

The Committee recommends that the Australian Government continue to facilitate the development of a pipeline of public infrastructure projects, in conjunction with state and territory governments, to ensure long-term continuity of infrastructure investment and better promote the efficient and cost-effective use of resources by all stakeholders.

Recommendation 3

The Committee recommends that the Australian Government consider the adequacy of the fifteen year projection of the Infrastructure Plan to be developed and maintained by Infrastructure Australia taking into account the need for longer term forecasting of infrastructure decisions and the need for business certainty.

Recommendation 4

The Committee recommends that the Australian Government via COAG pursue designation of land corridors for the development of significant

infrastructure projects on the basis that these are integrated into the infrastructure planning process of relevant jurisdictions and are supplemented by a demonstration of future need.

Recommendation 5

The Committee recommends that the Australian Government, through COAG, pursue a national system for the registration of infrastructure-related professions including those in the construction and engineering sectors so as to provide and recognition of qualifications across Australia to better promote the efficient and cost-effective development of infrastructure.

3 Funding and financing

Recommendation 6

The Committee recommends that the Australian Government, through Infrastructure Australia, develop innovative financing and funding models for the development of public infrastructure with a view to making the financing and funding of public infrastructure more flexible and responsive to the actual costs and risks in the delivery and operation of that infrastructure. Options to consider and further develop include:

- User charging,
- Inverted bidding,
- Promotion of infrastructure bonds, and
- Capital recycling.

4 Procurement

Recommendation 7

The Committee recommends that the Australian Government propose to Infrastructure Australia that it develop innovative procurement practices for the tendering of public infrastructure with a view to making tender processes, more efficient, cost effective and flexible. Some of the options that should be considered include:

- 3D imaging of infrastructure and the need for regulation of the technology to be used;
- Promoting the use of Building Information Modelling;
- Co-funding design or purchase of intellectual property rights;
- The development of inverted bidding tender processes;
- Streamlining of tender processes and documentation;

- De-bundling projects;
- Centralising common elements of bids to make them more cost-effective; and
- Shortlisting of favoured tenders.

Recommendation 8

The Committee recommends that the Australian Government propose to Infrastructure Australia that it develop a methodology for evaluating the wider economic benefits of infrastructure projects with a view to applying this methodology to all major public infrastructure projects involving Commonwealth capital expenditure of more than \$100 million.

Recommendation 9

The Committee recommends that the Australian Government legislate to enhance the role of Infrastructure Australia as a specialist interdisciplinary procurement agency, with the capacity to provide high-level policy advice and direct support to government agencies undertaking infrastructure procurement, including development of best practice policies in finance, funding and procurement and benchmarking infrastructure procurement.

Recommendation 10

The Committee recommends that the Australian Government, through COAG, work with state and territory governments to develop better risk management strategies in infrastructure procurement, with a focus on greater collaboration between government and the private sector in the identification and allocation of risk in the design, construction and management of public infrastructure.

Labor Members' Dissenting Report

Appendix A – List of submissions

Appendix B – List of exhibits

Appendix C – List of public hearings and witnesses

