

On the Operations of existing and proposed toll roads in Australia (part 2)

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On financial arrangements of proposed private toll roads, and transparency and accountability

Infrastructure Australia, when involved, should review and quantify risk, and on a like for like basis.

Infrastructure Australia reviews proposed Federal Infrastructure Projects, and is supposed to provide information to allow the comparison of competing projects.

However, Infrastructure Australia, at least sometimes, allows project proponents to submit their own cost benefit assessments, which Infrastructure Australia does not critique. (This has been confirmed to me in a communication from Infrastructure Australia which I can provide if it is of interest)

Projects are free to use their own methodology to assess, for example, willingness to pay tolls, and benefit of time value saved. Infrastructure Australia requests, but does not require P50 and P90 estimates. Projects such as WestConnex, have been allowed to submit P50 instead of P90. (See for example, the attached review of WestConnex) This makes comparing the claimed BCR unreliable, because different assumptions will produce a different BCR for the same project.

Projects are not required to identify or quantify risk. Infrastructure Australia does attempt to identify risks, but does not quantify them. (Again, see for example the attached review of WestConnex, which notes that "Infrastructure Australia considers that there remain material risks" but Infrastructure Australia has still accepted the claimed BCR if 1.8:1). This makes comparing projects unreliable, because risk is not consistently accounted for, if at all. Further, Infrastructure Australia should report not just the most likely outcomes (P50, P90) but also the expected outcome, quantifying not just the probability of overrun, but also the likely potential size of overrun. As the Grattan Institute found, large projects are not just more likely to overrun, when they do overrun, those overruns are much larger both in percentage and absolute terms.

I would very much like to commend to the inquiry the Grattan Institute's excellent review Cost Overruns on Transport Infrastructure (attached), and particularly its Recommendations 1, 3, and 5.

Recommendation 1: Evaluate before spending

Governments should not be able to commit public money to transport infrastructure until a rigorous, independent like-for-like evaluation and the underlying business case have been tabled in the state or federal parliament.

Recommendation 3: Publish post-completion data

To enable learning from past experience, and to improve accountability:

- a) The Commonwealth Department of Infrastructure should be required to publish to data.gov.au the post-completion report it already requires from state governments as a condition of providing final milestone payments for transport infrastructure projects. Reports should detail any scope changes and their justification, agreed and actual construction start and finish dates, actual project costs, reasons for overruns or under-runs, and progress against performance indicators.
- b) Infrastructure Australia should be asked to provide the Joint Committee of Public Accounts and Audit with a post-completion appraisal of the benefits and costs of each infrastructure project that received Commonwealth funding of \$50 million or more.
- c) The Council of Australian Governments should add a new category of infrastructure services to the terms of reference for the annual Report on Government Services, produced by the Productivity Commission.

Recommendation 5: Improve risk measurement guidance

The Commonwealth should provide model guidelines that states and territories may adopt or adapt, that recommend a consistent approach to measuring and managing project risk, including a statement of seniority where specific guidelines would otherwise conflict with one another.

Recommendation 6: Compile Australian database of completed projects

The Commonwealth should seek cooperation from the states to create new benchmarking data to improve risk measurement in new project proposals and public accountability. They should do so using data collected through mechanisms described in Recommendation 3.

Further, based on my own experiences as a Project Manager, I would recommend that responsibility for assessing the technical merits of a project should be kept completely independent of the responsibility for choosing whether a project should proceed, and that the two roles should be given to independent parties.

Project approval should be allowed to consider factors other than technical merit, but project approval should not be allowed to interfere with the calculation of technical merit.

This does not prevent politics overriding technical merit, which is sometimes the correct outcome, but separating the two makes any such intervention more transparent.

Infrastructure Australia, when involved, review, identify and quantify risk, including likelihood and potential impact. It should to the extent possible do so on a like for like basis, and in such a way as to allow its own calculations and assumptions to be reviewed by the general public.

Thank you for the opportunity to contribute.