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Joint Committee of Public Accounts and Audit

Commonwealth Infrastructure Spending

Issue date: 22 June 2017

Doing the basics right in infrastructure spending

The [Joint Committee of Public Accounts and Audit](#) has tabled its report on Commonwealth Infrastructure Spending based on the Auditor-General's reports [No. 14 \(2015–16\) *Approval and Administration of Commonwealth Funding for the East West Link Project*](#) and [No. 38 \(2016–17\) *Approval and Administration of Commonwealth Funding for the WestConnex Project*](#).

The inquiry highlighted the important role Infrastructure Australia plays in assessing infrastructure projects and determined that departing from full assessments of the East West Link and WestConnex projects reduced the evidence bases for decision-making, including full business cases.

The Committee concluded this approach is best avoided given the scale of public funding and the risks involved in infrastructure projects.

The Commonwealth contributed \$1.5 billion in payments to both the East West Link and WestConnex projects as well as providing a \$2 billion concessional loan for WestConnex.

The Committee noted the Department of Infrastructure and Regional Development provided advice to the Government on various matters in the lead-up to funding decisions but was concerned at the Department's lack of consideration of some issues in designing and negotiating the WestConnex loan.

The Committee was also concerned about the Department's project payments and management of milestones.

Committee Chair Senator Dean Smith said the Department needed to give greater consideration to each of the concessions and risks involved in designing Commonwealth concessional loans and include this in its advice to decision-makers.

"The Department needs to better protect the Commonwealth's interests when managing milestones to provide genuine incentives for funding recipients to progress projects and reduce the likelihood of payments being made too far in advance of need and delivery," Senator Smith said.

The report makes five recommendations to the Department of Infrastructure and Regional Development, including:

- providing clear advice to Ministers on whether the requirements of land transport legislation have been met;



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- only making significant payments when they are required by a project and meet agreed milestones, and advising Ministers of any interest charges, other costs and risks arising from advance payment proposals;
- requiring loan proponents to identify alternative funding strategies and justify why a Commonwealth loan would be the best funding option;
- reviewing the Department's approach to drafting project approval instruments to identify relevant risks and incorporate mitigations; and
- reviewing the Department's infrastructure IT system to improve its recording of milestones, the quality of data it receives from project delivery agencies and capturing more specific expenditure data.

Two further recommendations made by the Committee include:

- the Auditor-General consider a follow-up audit of the Department of Infrastructure and Regional Development's administration of a concessional loan to the Sunshine Coast Airport expansion project; and
- Treasury review the funding recovery provision in the *Federal Financial Relations Act 2009* to consider the suitability of the current discretion applied to recover funding as well as the current inability to recover interest earned on unspent National Partnership payments.

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