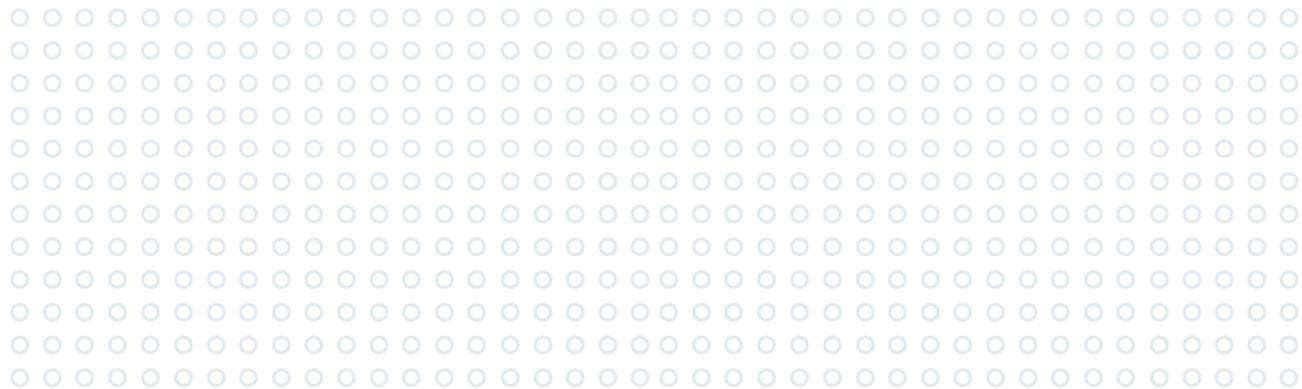


Business Council of Australia



Submission to the Senate Standing Committees on Rural and Regional Affairs and Transport Inquiry into Infrastructure Australia Amendment Bill 2013

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The Business Council of Australia (BCA) brings together the chief executives of more than 100 of Australia's leading companies, whose vision is for Australia to be the best place in the world in which to live, learn, work and do business.

About this submission

This is a submission to the Senate Standing Committees on Rural and Regional Affairs and Transport Inquiry into the Infrastructure Australia Amendment Bill 2013. The Bill amends the Infrastructure Australia Act 2008 to change:

- the governance arrangements of Infrastructure Australia (IA), notably by replacing the Infrastructure Australia Council and position of Infrastructure Coordinator with an Infrastructure Australia Board and Chief Executive Officer respectively, with board members appointed by the Minister for Infrastructure and Regional Development; and
- the functions of Infrastructure Australia, including by requiring: evidence based audits of Australia's infrastructure asset base every five years; the development of a 15-year infrastructure plan for Australia; preparation of a project pipeline and timeframes for bringing projects to market brought to market, and reviewing all projects seeking Commonwealth funding worth more than \$100 million (including transport, water, telecommunications, energy, health and education sectors and excluding defence projects) and publishing the reasons for decisions.

Key points

- ▶ The BCA supports IA having the independence and resources needed to provide governments with high quality, independent advice on Australia's national infrastructure priorities.
- ▶ Overall the Bill strengthens the governance arrangements for IA and enhances its role and is supported in the main.
- ▶ The BCA supports the passage of this Bill, subject to the amendments being made to, or the withdrawing of, provisions that give effect to:
 - Ministerial powers to direct IA not to evaluate certain 'classes of projects' where identified by the Minister (Section 5A)
 - The requirement that IA can publish project evaluations and other information only when it is directed to, in writing, by the Minister (Section 5D)
- ▶ IA should be empowered to provide independent advice to government in relation to the nation's infrastructure priorities. To fulfil this role they require the ability to evaluate all major infrastructure projects without interference (which is prevented by Section 5A).
- ▶ This advice should be publically available so the community can also be fully informed about Australia's infrastructure priorities for lifting economic growth and living standards and this means that IA's evaluations should be published as a matter of course, rather than only when directed to (as proposed under Section 5D).

Key recommendations

- IA should be unrestricted in its ability to evaluate all high-value infrastructure projects, as all projects are ultimately competing with each other for scarce investment dollars.
- Section 5A should be amended so that the Minister cannot direct IA not to evaluate certain proposals if the proposal 'is in a class of proposals determined by the Minister'.
- Infrastructure plans provided to the Minister in Section 5B should be made publically available.
- Section 5D should be amended so that the functions outlined in relation to publishing of material should not require the direction of the Minister. Material should only not be published in exceptional circumstances.

Comment

Substantial public investments in infrastructure will be required to keep pace with Australia's steadily growing economy and population. But with budgets constrained by health and other rising spending needs, Australia's governments must make well informed choices about the infrastructure projects that should receive public funding support to get best value for the community.

Public investments in infrastructure should be demonstrated to offer the highest economic and social returns to the community and made in projects where alternative private funding options are not feasible. Getting decision-making right is crucial. We cannot afford governments to under-invest or delay investments in much needed infrastructure. Nor can we afford for governments to waste scarce public money on low-priority projects or projects which will not provide positive returns.

Prioritising our future infrastructure needs will require effective long-term strategic planning in our cities and regions and, importantly, rigorous, evidence-based evaluation of the costs and benefits of competing infrastructure investments to ensure projects are prioritised according to their positive impacts on productivity and quality of life.

IA was established in 2008 with an explicit role to provide Australia's governments with high quality, independent advice on Australia's national infrastructure priorities. IA now provides a national infrastructure priority list annually and has made a strong contribution to the policy reform debate by commissioning research publications on topical issues, for example, on opportunities for recycling capital and its promotion of the benefits of user charging for infrastructure.

However the BCA has been critical of limitations around IA's role, in particular where it has not been tasked with initiating project evaluations on its own and where it has effectively been excluded from evaluating some specific major projects, such as the National Broadband Network. Detailed evaluations of significant infrastructure projects have not been published.

We therefore see IA's role developing further in these ways:

- Consolidate its position as Australia's primary independent adviser on infrastructure priorities and staffed with relevant experts with industry experience.
- IA should form its own view on new infrastructure projects and policies it considers to be of national significance, in addition to evaluating project proposals from the states. The types of projects that IA should consider should include high-value infrastructure projects that may be politically sensitive, projects that cross state borders, and projects that are in regional areas that might not be as high a priority for a state but which would substantially lift national output.
- IA should work with the state and federal governments to include its recommendations in a comprehensive list of national infrastructure priorities that is also made publicly available.
- IA should ensure a rigorous and published cost-benefit analysis is provided for projects recommended for federal funding support, with competitiveness and productivity criteria prioritised. The evaluations should be published wherever possible.

A welcome feature of this Bill is that IA will enhance its role to identify new infrastructure projects within the context of a 15 year national infrastructure plan, and it is vital that IA is given an independent role to evaluate and propose any infrastructure projects that it considers to be of importance to the national interest. Governments can make their own decisions about whether to accept or reject IA's advice, but what is important is that IA is able to undertake the rigorous, transparent and independent analysis needed to inform governments and the community of the infrastructure project (and policy) priorities needed for growing productivity and wealth. IA's advice can give governments the strong arguments needed to make what may be, at times, difficult decisions to proceed with a project.

The BCA supports the Bill overall for strengthening the governance and functions of IA. However because of the importance of independent advice and transparency discussed above, there are two sections of the current proposal that should be either withdrawn or amended.

First, section 5A titled “Functions—evaluating infrastructure proposals” includes a subsection (2) which states that “...Infrastructure Australia must not evaluate a proposal ... if the proposal is in a class of proposals determined by the Minister.”

All major infrastructure projects should be within the remit of IA to evaluate. The ability to undertake this evaluation without interference is critical to the effective operation of an independent and empowered IA. It is unclear why there should be a need for a power to carve out ‘classes of projects’. Ultimately, all projects are competing with each other for scarce investment dollars. Good planning should prioritise any infrastructure projects of the highest economic and social value and not differentiate by project class. For instance, developing our major cities to accommodate a 60 per cent population increase by 2050 will require long-term, integrated planning and investment in all parts of the transport system, among other infrastructure needs, which means all classes of infrastructure projects will need to be considered and evaluated.

Secondly, section 5D titled “Functions only performed when directed by the Minister” includes a requirement that IA only publish project evaluations where directed by the Minister, in writing.

It is critical to public confidence in the decisions made by government that wherever possible these evaluations are made public, and a huge component of public disclosure is the publication of these reports. Our preference is that the publication of evaluations and supporting evidence should be published as a matter of course rather than the current proposal under which evaluations are only published at the Minister’s discretion.

Confidentiality may be understandable in some cases, for example where there may be commercial sensitivities or other legal issues. However, these issues can be adequately addressed in the Bill through the provisions outlined in section 5D(2)(b) rather than by only allowing publication at the Minister’s direction.

It would be a concern if evaluations are not published because the demonstrated economic or social value is at odds with a decision by government about whether or not to support a particular investment. Publication of evaluations should be the norm except where there is a justifiable reason not to do so.

Should the Government ultimately decide to proceed with the amendments as currently proposed the provisions should seek to clarify and provide assurances that the Ministerial powers in the Bill will not diminish IA’s effectiveness as an independent advisor.

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