



ARA Submission

Independent Review of Infrastructure Australia

Department of Infrastructure, Transport, Regional Development,
Communications and the Arts

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The ARA

The Australasian Railway Association (ARA) is the peak body for the rail sector in Australia and New Zealand, and advocates for more than 170 member organisations across the industry.

Our membership covers every aspect of the rail industry, including:

- The passenger and freight operators that keep essential rail services moving;
- The track owners, managers and contractors that deliver a safe and efficient rail infrastructure network; and
- The suppliers, manufacturers and consultants that drive innovation, productivity and efficiency in the rail industry.

Our members are driven to support vibrant, sustainable and connected communities through greater use of rail across Australia and New Zealand. We bring together industry and government to help achieve this ambition.

Our advocacy is informed by an extensive research program to ensure we offer solutions that are grounded in evidence and focused on delivering tangible value in our daily lives.

We believe the rail industry has a crucial role to play in the region's sustainable development and growth, and know that the industry offers meaningful and rewarding careers for tens of thousands of people in the regions.

Our significant program of work is focused on supporting a strong advocacy agenda, and creating opportunities for the rail industry to network, collaborate and share information, and maximise the benefits we have to offer the wider community.

The ARA thanks the Australian Government for the opportunity to provide a submission to the *Independent review of Infrastructure Australia*. We look forward to engaging further with both Mr Mike Mrdak AO and Ms Nicole Lockwood as part of the stakeholder consultation process.

Any questions regarding this submission should be directed to Simon Bourke, General Manager – Policy and Government Relations via [REDACTED] or [REDACTED].

Introduction

The rail network in Australia is much more than stand-alone transport infrastructure, it supports an entire industry made up of over 900 businesses that support more than 165,000 jobs, which contribute \$30 billion to the Australian economy¹. The rail industry in Australia is also currently experiencing an unprecedented level of infrastructure investment, with over \$155 billion forecast to be invested in rail over the next 15 years.

As the Australian economy has begun emerging from the impacts of the COVID pandemic, much of the new activity has been related to infrastructure investment as a means of helping stimulate the economy. As a result, we have seen a very significant pipeline of infrastructure projects emerge (funded by both federal and state governments), which include not only rail projects, but a large number of other infrastructure investments across all major sectors. This is also a trend that has been adopted globally and as a result, the delivery of this pipeline is coming under considerable pressure.

Recent global events have exacerbated supply chain issues that were already being disrupted from COVID impacts, which has seen supplies reduce and costs increase for many of the essential materials required to deliver infrastructure projects. The supply chain issues have also been coupled with a significant skills shortage across many sectors, with rail in Australia being one of the hardest hit, due to our reliance on skilled international workers and the significant skills shortages that were already present prior to the pandemic.

With Australia embarking upon such a significant infrastructure project pipeline, while also facing major supply chain and skills shortage challenges impacting project delivery, the role of Infrastructure Australia has never been more important.

The ARA believes that it will be critical to ensure that Infrastructure Australia continues to be strengthened to enable it to provide sound and independent advice to the Commonwealth Government. This advice must be given appropriate consideration to ensure infrastructure investment is targeted where it is needed most, not only to address the future needs of the nation but to support and strengthen our economy and community.

¹ ARA Value of Rail, Deloitte Access Economics, 2020

Infrastructure Australia Review

The following section outlines the ARA's position on the major themes for the independent review of Infrastructure Australia.

Infrastructure Australia's role

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

The ARA believes that Infrastructure Australia (IA), as the nation's pre-eminent and independent infrastructure advisory body, is the best placed organisation to continue providing advice to the Australian Government on nationally significant infrastructure matters.

IA has been able to demonstrate that it has the capability, expertise, and evidence base to provide advice that assesses infrastructure projects on their merits, as well as prioritising projects based on the needs of the nation. This advice is developed with a view to ensuring that Government can make well-informed and targeted infrastructure investment decisions.

However, in recent years it is the ARA's view that the advice provided by IA to Government has not necessarily been given the level of consideration it deserves. As the nation's independent infrastructure advisory body, IA has developed a suite of very important documentation (e.g. Infrastructure Priority List, Australian Infrastructure Plan, Market Capacity Report) that would assist Government in more appropriately targeting infrastructure investment to meet the needs of the nation and ensure a sustainable and manageable project pipeline.

Unfortunately, the ARA believes this important advisory material has not always been appropriately utilised or considered by Government prior to making infrastructure investment decisions. There have been several instances where Government has made major infrastructure investment announcements for projects that were not even on the Infrastructure Priority List and had not been assessed by IA.

How can IA best support infrastructure investment into the future?

The ARA believes that the Government could benefit considerably by ensuring that IA plays a stronger role in guiding infrastructure investment decisions. This could be achieved by introducing a new requirement for IA to evaluate and assess the merits of any new nationally significant infrastructure project, prior to the Australian Government determining whether to fund the project.

This would be a significant shift in the way the Australian Government makes infrastructure investment decisions, and would also require ongoing consultation between IA, state/local governments, and industry to refine the project assessment and evaluation methodology.

However, applying a more robust and evidence-based decision framework around infrastructure investment would ultimately result in a more targeted, manageable and sustainable pipeline of projects. This approach would deliver better value for money for governments and reduce unnecessary pressure on industry in the delivery of the infrastructure project pipeline.

Is there a role for a national investment plan, and if so, what role should IA take in this?

The ARA believes the concept of a national investment plan, focussed on delivering a nationally coordinated infrastructure investment pipeline, would be very valuable. Such an initiative would provide clarity and enable forward planning for both industry and governments.

If the development of a national investment plan allowed for the coordination of the project pipeline across jurisdictions, it would greatly improve industry's capacity to deliver, given supply chain constraints and current skills shortages (particularly in key specialised skill roles).

It is widely recognised that the unpredictability of government infrastructure investment inhibits private sector investment in long term capacity. The [ARA's Australian Rail Supply Chain report](#) published in 2020 highlighted the importance of this issue, recommending that infrastructure pipelines be regularly reviewed and published well before procurement phases commence. This would ensure local firms have adequate time to prepare and invest to meet the forecast demand.

This issue is broader than just having a visible long-term pipeline of work. The promise of work is not enough. The supply chain cannot make commercial decisions to invest in specific capacity and capability until they are contracted to a project. Therefore, delays in the procurement process and the execution of contracts can be an impediment to timely delivery of project milestones. In the absence of a national coordinating body, state governments should regularly review and re-publish their rail investment pipelines, as well as committing to the priority project recommendations of Infrastructure Australia.

Existing investment and procurement processes are highly fragmented, with each state's planning and policy developed in isolation from the other states. Most firms in the Australian rail industry operate across state borders and are therefore in direct competition with other local firms over human and capital resources, a situation which is exacerbated by uncoordinated local content policies, indigenous and workforce requirements, and social requirements. This poses risks to both the number of tenderers, delivery timeframes and quality of supply to Australian rail projects, as well as the growth and sustainability of local firms and jobs.

Ensuring that individual pipelines are developed in recognition of other investment plans allows Australian rail firms to plan, prepare, and coordinate several projects in multiple jurisdictions. Coordination of the project pipeline would also better support industry's capacity to efficiently deliver against government project milestones.

Rail construction activity in Australia increased to \$8 billion per annum between FY15 and FY20, with activity expected to nearly double again over the next five years reaching around \$14 billion by FY23.

Given the current significant levels of investment, it is vital that the rail investment pipeline is transparent, has long lead times for major projects, and provides sustainability to encourage private investment in capacity and capability building.

The ARA believes that IA would be well positioned to develop a national investment plan, noting that it would be able to draw upon all of the information and data in its existing reports, as well as resources such as the Australia and New Zealand Infrastructure Pipeline known as ANZIP developed by Infrastructure Partnerships Australia.

However, developing a national investment plan that coordinated infrastructure investment across jurisdictions would be a significant undertaking, requiring consultation with all government and industry stakeholders to ensure that the plan meets the infrastructure needs of the nation (and each jurisdiction), as well as ensuring the industry has the necessary capacity to deliver.

Recommendation:

That IA is best placed to continue to operate as the nation's pre-eminent and independent infrastructure advisory body, providing advice to the Australian Government on nationally significant infrastructure matters.
The Australian Government introduce a new requirement for IA to evaluate and assess the merits of any new nationally significant infrastructure project, prior to the Government determining whether to fund the project.
The Australian Government engage with government and industry stakeholders to determine the appropriate framework and processes for the development of a national investment plan through IA.

Effectiveness

*Which of IA's products is the most effective for your work or organisation, and why?
Has any of IA's reports assisted with targeting specific priority areas?*

The ARA believes the publications and tools currently produced by IA provide both governments and industry an independent, robust, and practical insight into Australia's infrastructure priorities, as well as its capacity to deliver.

The ARA has been particularly supportive of the Australian Infrastructure Plan (most recently updated in 2021) and the Infrastructure Market Capacity report (also recently updated in 2021).

The 2021 Australian Infrastructure Plan provided a vision and roadmap to progress some critical reforms to ensure that Government and industry can deliver better infrastructure outcomes for Australian communities.

The Plan included important recommendations for reforms in areas such as sustainability, industry productivity and innovation, as well as critical sectors such as transport. The ARA welcomed this Plan, as did many other industry bodies closely involved in the delivery of infrastructure across the country.

Unfortunately, the previous Government did not issue its response to the Australian Infrastructure Plan released in September 2021. The ARA has recently co-signed a joint industry letter to the Federal Minister for Infrastructure, Transport, Regional Development and Local Government requesting the consideration and implementation of the recommendations outlined in the 2021 Australian Infrastructure Plan.

It is also important to note the 2021 Ernst & Young report, commissioned by Infrastructure Australia (Progress since the 2016 Australian Infrastructure Plan), confirmed the urgent need for the Australian Government to lead a coordinated reform program. The report highlights the lack of progress in improving sector productivity and implementing market-based reform, noting there is no suitable federal body established to financially incentivise the states and territories. As stated in that report, there has been “no sustained and holistic approach to the provision of reform incentives”, despite this being a high-priority recommendation.

A key recommendation from the 2021 Australian Infrastructure Plan that will help begin resolving many of the issues facing the infrastructure sector is the creation of a federally led government and industry collaborative leadership group.

A collaborative approach between federal and state governments and industry can result in a more coherent implementation of reforms through sharing and adoption of best practice. While industry and some state governments are already taking steps to achieve best-practice reforms, a consistent and coordinated approach by all jurisdictions and industry sectors will maximise benefits to all parties. The Australian Government is best placed to facilitate such an outcome, which could be managed through a clear process agreed to by the Infrastructure and Transport Ministers Meeting (ITMM).

The ARA believes this new government and industry forum could share insights and innovations, and collectively consider best-practice principles to bring about positive reform in the sector. This would help expedite the productivity enhancing reforms outlined in the Australian Infrastructure Plan.

An equally important product released by IA in October last year was the Infrastructure Market Capacity report, which included an infrastructure workforce and skills supply report.

These reports confirmed urgent action is needed to meet an infrastructure skills crisis that is set to worsen over the next three years. While looming skills shortages are complex to solve, an immediate focus on education and training to meet short and medium term needs will be an essential part of the solution.

The report found that in 2023, skills demand will be 48 per cent higher than supply, with the transport infrastructure sector set to be one of the hardest hit. This is an issue that the ARA has been focussed on for some time, with the findings in the IA reports aligning with the [2018 Rail Skills Capability Study](#) commissioned by ARA, which also predicted significant shortages in key rail roles.

The ARA supported the recommendations from IA to remove unnecessary barriers such as aged caps to skilled migration to meet immediate demand, noting that this should be delivered alongside sustained investment in the local skills base.

The Infrastructure Market Capacity report has been critical in highlighting the need for continued collaboration between government and industry to address areas of shortage and target training to where it is needed most. The ARA has been encouraged by the Government's recent steps to begin addressing this issue through its upcoming Jobs and Skills Summit, and we are actively engaging in industry roundtable discussions to provide input into the Summit.

IA is required to review infrastructure proposals where more than \$250 million in Australian Government funding has been committed. Do you think this is the right threshold? Why or why not?

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

The ARA believes that there would be value in the Australian Government considering lowering the current \$250 million threshold, or alternatively consider other factors (beyond cost alone) to determine whether a project is of national significance.

For industries such as rail, that operate across multiple jurisdictions with a significant and varied asset base, there may be projects (particularly in regional areas) that are arguably nationally significant but may not reach the \$250 million threshold.

As an example, recent extreme weather events across Australia have resulted in some significant impacts on rail infrastructure, particularly impacting rail freight services. In these situations, we have seen critical freight services disrupted for extended periods of time, which has resulted in significant supply chain disruptions, most notably on the east-west corridor, as well as in NSW and QLD.

The ARA is currently working with several of its members on identifying rail projects and initiatives that could benefit from additional Government funding to greatly improve the resilience of the rail freight network in specific locations across the country. While costings are still being determined, these individual projects will not likely meet the \$250 million threshold, however the benefit they would provide Australia should certainly be considered nationally significant.

The ARA believes for individual projects such as these (or a combination of similar projects), there should be a mechanism for IA to consider additional direct and indirect factors that could contribute to the national significance assessment, such as community and economic impacts. This would allow for IA to assess these projects accordingly and deem them to be of national significance, and in turn ensure they can be appropriately reflected on the Infrastructure Priority List.

Recommendation:

IA continue developing valuable publications such as the Australian Infrastructure Plan and Infrastructure Market Capacity report, with the Australian Government to consider the findings and recommendations and respond accordingly.
The Australian Government consider lowering the \$250 million threshold for IA assessment of proposals and allow for additional factors to be considered to determine the national significance of project proposals.

Governance

Part of IA's role is to ensure infrastructure investment is prioritised for nationally significant projects that deliver maximum benefits for Australia. What do you think should be added to IA's role into the future?

The ARA believes that there would be benefit in IA playing a stronger role in conducting Post Completion Reviews (PCRs) following the completion and delivery of projects of national significance.

We recognise that in IA's current assessment framework, Stage 4 deals with PCRs. However, as is the case with the other stages of the assessment framework, it is simply a best-practice guide that explains the IA requirements and processes for assessing proposals.

Currently Stage 4 relies on proponents or delivery agencies voluntarily conducting the PCR themselves and then submitting it to IA for consideration. The ARA believes there would be benefit in the Post Completion Review process being a substantive requirement for all projects of national significance, with IA taking a more active role in the review process.

By ensuring that PCRs become a compulsory component of the assessment of projects of national significance, it would ensure that both governments and industry would be able to better understand what processes worked well and what processes require improvement.

The learnings from conducting these reviews on major projects could ultimately result in significant cost savings for future infrastructure projects, as well as improved productivity and efficiency in the delivery of projects. The ARA would support the findings and recommendations of these PCRs being made publicly available (as deemed appropriate) to increase transparency and accountability, as well as ensure the learnings are widely shared.

Since IA was established in 2008, most jurisdictions have established their own infrastructure body. How has this changed IA's role over time?

While several jurisdictions have established their own infrastructure bodies, the ARA believes IA still has a critical role in providing the Australian Government with a national perspective. The various state infrastructure bodies are only focussed on providing advice to their respective state governments on that jurisdiction's pipeline of projects. By their very nature, these bodies are quite limited in the insights they provide on the prioritisation and delivery of the national infrastructure pipeline.

The ARA believes that IA now has an important coordination role to play in working collaboratively with each of the jurisdictional infrastructure bodies, particularly in relation to any projects that may be deemed to be of national significance.

It is essential that IA is able to undertake this coordination role effectively to ensure that we minimise any duplication of work between IA and state bodies, as well as ensuring that IA is able to provide holistic and well-informed advice to the Australian Government.

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

The ARA believes it is essential that the Australian Government review the membership of the IA Board to ensure it can fulfill its role as the country's expert independent infrastructure advisory body.

It is the ARA's view that the membership of the Board must be comprised of highly respected leaders, with a wealth of experience and knowledge from all aspects of the infrastructure sector, both here in Australia and internationally.

The Australian Government would benefit from identifying high-calibre individuals from both industry and government, who have led large organisations responsible for delivering and operating significant critical infrastructure. Potential IA Board candidates should have a wealth of experience and knowledge that would help drive the strategies and objectives of IA. Ensuring the membership of the IA Board is reflective of the importance of its functions, will ensure it has the appropriate level of strategic leadership to ensure the organisation can be strengthened to help deliver better infrastructure outcomes for Australia.

Given the significance of the transport infrastructure sector in Australia, the ARA believes the IA Board would benefit from members with significant experience in this sector, particularly rail. The ARA would also welcome the opportunity to put forward potential IA Board candidates for consideration by the Australian Government.

Recommendation:

The Australian Government consider mandating the requirement for Post Completion Reviews for infrastructure projects of national significance, with IA to take an active role in the assessment process and ensure the learnings are shared.

IA actively coordinates and collaborates with jurisdictional infrastructure bodies on their programs of work, particularly on projects deemed to be of national significance,

The Australian Government ensure that the IA Board is comprised of high calibre and well-respected leaders, with a wealth of experience and knowledge in major infrastructure sectors, in particular transport/rail infrastructure.

Other functions

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

While IA has traditionally focussed on the development on new infrastructure, the ARA believes there would be value in IA more closely considering the issues associated with maintaining/improving existing infrastructure.

For the rail industry, one of the major challenges it faces (which is common across almost all jurisdictions) is maintaining and operating ageing infrastructure. For many rail networks across the country, particularly those in regional locations, the below-rail infrastructure in some instances can be more than 100 years old. Upgrading ageing infrastructure such as this would not only improve the efficiency of the network, but would provide an opportunity to improve the sustainability outcomes of transport operations.

While rail is experiencing unprecedented infrastructure investment, all of this investment is in new infrastructure. While this new investment is critically important, it is only growing the overall rail asset base that needs to be maintained, which in many cases is not seeing an appropriate increase in funding to undertake those maintenance activities.

The ARA is currently finalising a new research report that begins to explore the issue of ageing infrastructure across the rail network and we will share its findings with all key stakeholders. However, the ARA believes this is also an issue that IA could consider when assessing new proposals (to ensure maintenance of the asset is accounted for) and prioritising infrastructure investment in existing ageing assets.

For industries like rail, with large and wide-ranging infrastructure assets, the ARA believes there would be benefit in IA considering how we may be able to prioritise and target investment into existing nationally significant infrastructure to ensure that is able to operate to its full potential and eliminate bottlenecks to improve productivity.

Recommendation:

The Australian Government consider expanding the remit of IA to consider issues associated with maintaining nationally significant existing/ageing infrastructure, with a view to enabling targeted investment that improves infrastructure productivity and performance.

The future investment challenge

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? 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?

One of the big opportunities for IA moving forward is to take a national leadership role in helping to further embed environmental sustainability into infrastructure projects.

This is a focus area that the ARA has begun taking an active role in progressing for the rail industry, with many of our members across the industry becoming increasingly focussed on the importance of decarbonisation and sustainability more broadly.

The ARA commenced its sustainability journey last year with the release of the first [Sustainability Strategy](#) for the rail industry. The strategy sets out a three-year action plan to be implemented across the themes of leadership, people, carbon and energy, environment, resource efficiency and resilience.

This has more recently been followed up by a joint research initiative between the ARA, Roads Australia, and the Infrastructure Sustainability Council to develop the [Journey to Net-Zero report](#), which calls for industry transformation to accelerate the transport infrastructure sector's journey to net-zero and support Australia's sustainable future.

The report sets out a series of actions for government and industry to support a focus on place making, drive emissions reduction, support investment in renewables and innovation, and promote engagement and collaboration.

The ARA believes there would be benefit in the Australian Government considering what role IA can play in embedding decarbonisation and sustainability into infrastructure project proposals. For example, the Journey to Net Zero report calls for all new infrastructure projects to incorporate net-zero emissions targets, and to consider climate resilience and climate impacts in their design and operation. The report also calls for circular economy approaches to be used to inform business planning and design as part of a whole of life approach to transport infrastructure development. These are examples of requirements that IA could embed into its assessment and prioritisation processes.

The recommendations outlined in the Net Zero report are timely given the Climate Change (Consequential Amendments) Bill 2022 currently being considered by the Australian Parliament includes amendments to allow for emissions reductions targets to be taken into account when IA conducts audits of nationally significant infrastructure, developing plans, and exercising advisory functions.



Recommendation:

The Australian Government consider what role IA can play in embedding decarbonisation and sustainability into its assessment and prioritisation of infrastructure project proposals.

Summary of Recommendations

The following section provides a summary of the key recommendations for consideration.

1. That IA is best placed to continue to operate as the nation's pre-eminent and independent infrastructure advisory body, providing advice to the Australian Government on nationally significant infrastructure matters.
2. The Australian Government introduce a new requirement for IA to evaluate and assess the merits of any new nationally significant infrastructure project, prior to the Government determining whether to fund the project.
3. The Australian Government engage with government and industry stakeholders to determine the appropriate framework and processes for the development of a national investment plan through IA.
4. IA continue developing valuable publications such as the Australian Infrastructure Plan and Infrastructure Market Capacity report, with the Australian Government to consider the findings and recommendations and respond accordingly.
5. The Australian Government consider lowering the \$250 million threshold for IA assessment of proposals and allow for additional factors to be considered to determine the national significance of project proposals.
6. The Australian Government consider mandating the requirement for Post Completion Reviews for infrastructure projects of national significance, with IA to take an active role in the assessment process and ensure the learnings are shared.
7. IA actively coordinates and collaborates with jurisdictional infrastructure bodies on their programs of work, particularly on projects deemed to be of national significance,
8. The Australian Government ensure that the IA Board is comprised of high calibre and well-respected leaders, with a wealth of experience and knowledge in major infrastructure sectors, in particular transport/rail infrastructure.
9. The Australian Government consider expanding the remit of IA to consider issues associated with maintaining nationally significant existing/ageing infrastructure, with a view to enabling targeted investment that improves infrastructure productivity and performance.
10. The Australian Government consider what role IA can play in embedding decarbonisation and sustainability into its assessment and prioritisation of infrastructure project proposals.