

BCA

Business Council of Australia

Submission to the Review of Infrastructure Australia

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1. About this submission

The Business Council of Australia welcomes the opportunity to provide a submission to the independent review of Infrastructure Australia. Our membership includes many of the largest employers and businesses in the nation, including firms directly involved in the planning, design, finance, and delivery of infrastructure, and more broadly the users and beneficiaries of infrastructure investment.

Australia is currently in the midst of a historic period of government infrastructure investment and delivery. The Business Council acknowledges how central good quality infrastructure is to the functioning of the economy, and its importance in providing the underlying foundations for successful communities.

Many of the projects currently underway will no doubt transform the country for the better, and there are many more opportunities for economically productive infrastructure investment still to be tapped. Yet the large scale of the nation's current infrastructure pipeline is pushing against supply and capability constraints. At the same time governments' ability to fund projects has diminished given the deterioration in their debt metrics over the last few years.

In this context, Infrastructure Australia has an important role in advising the Federal Government to ensure that the most economically productive, well considered projects receive Australian taxpayer dollars and draw on the nation's limited delivery resources.

A renewed Infrastructure Australia must be a source of trusted advice for the Australian Government. It should be providing advice on the framework for the selection of projects, and the assessment of projects that form part of a Federal Investment Pipeline. It should be able to provide expert advice directly to the decision-making bodies of the Government on its infrastructure program (such as the Cabinet or Expenditure Review Committee), independent from sponsoring agencies or ministers. In its policy and research work, it must have deference to the priorities of government, while still ensuring its advice and recommendations are independent. The Government, through the Minister for Infrastructure, should also be required to receive that advice, and either adopt or amend it.

Infrastructure Australia must also build further trust with the States, so that it can lead coordination across the country on project sequencing considering the capacity of the market, and on ensuring projects are understood within their broader system context. It should continue to be capable of providing detailed and expert advice on matters of national significance as tasked by the Federal government, such as it has done in respect to infrastructure market capacity. These underlying principles and approach will be further expanded upon in this submission.

2. Recommendations

Recommendation 1

A Federal Investment Pipeline should be established. Infrastructure Australia should develop a new Framework for the selection of projects, which considers the national productivity benefit, strategic fit, place based and industry specific context, and market capacity. Only projects supported by the relevant jurisdiction and then endorsed by the Federal Government would be placed on the Pipeline.

Project proponents should put forward requests to the Federal Government for a project's inclusion in the Pipeline based on this Framework. A Federal minister should sponsor a proposal onto the Pipeline via a Cabinet process, at which point independent advice from Infrastructure Australia should be provided.

Recommendation 2

The Federal Government should establish a minimum forward funding envelope for infrastructure projects that is project agnostic. This should then be used to fund projects from the Federal Investment Pipeline as they reach appropriate maturity.

Recommendation 3

Infrastructure Australia should provide independent expert advice to the Federal Cabinet or the relevant Cabinet Committee prior to their consideration of a proponent's submission for adding a project to the Federal Investment Pipeline. This will ensure the Government is fully apprised of the advice of the independent adviser. This advice should be against the Framework identified in Recommendation 1.

Recommendation 4

Infrastructure Australia should produce guidance on project announcements, reflecting the different stages of maturity of information in the project lifecycle (adapting the Infrastructure NSW guide for Timely Information on Infrastructure Projects for Federal use). The Federal Government should commit to following this guidance.

Recommendation 5

Infrastructure Australia should have a gateway review function for major Federally funded projects. Where the Federal Government is delivering the project or it is a major cross-border project, Infrastructure Australia should lead this work. Where a state or territory is the proponent, then Infrastructure Australia should seek to participate in the review as an observer. This assurance work should form the basis of updates to the Federal Government on projects as they progress through the project lifecycle.

Recommendation 6

Infrastructure Australia should continue to have a role in providing detailed policy work on infrastructure matters. This should be done at the request or with the endorsement of the Federal Government or National Cabinet. Infrastructure Australia should also have a role in development of specific infrastructure plans for the Federal Government. This work should be provided to the Minister for consideration, and endorsement or amendment before being adopted as Government policy.

Recommendation 7

Infrastructure Australia should provide input and advice in the development of the guidelines for infrastructure grant programs, which would then be signed off by the Minister. It should then have the role of certifying that the selected projects best meet the guidelines, at arm's length from the Minister.

Recommendation 8

Infrastructure Australia should have responsibility for facilitating the coordination of major project procurements across the country, by providing decision-makers with up-to-date information on expected tendering and delivery timing for all significant projects occurring in Australia.

Recommendation 9

Existing infrastructure knowledge sharing networks should be maintained and enhanced.

Recommendation 10

Infrastructure Australia will need to balance the need to establish a trusted relationship with government and the provision of independent advice. Government priorities should guide what policy and research work is being undertaken. Where states and territories have produced mature and well considered strategic plans these should be central to advice produced by Infrastructure Australia in those areas.

Recommendation 11

Business case and project summaries should continue to be produced but should be secondary to the task of providing trusted advice on infrastructure decisions to the Government.

Recommendation 12

There should be consideration to broadening the approach to the projects which require Infrastructure Australia advice, while not diminishing certainty for other jurisdictions as to when Infrastructure Australia needs to be involved.

Recommendation 13

The structure of the Board should be revised, with consideration to a structure that maintains independence where that is important, while also providing links to the broader Federal public service.

Recommendation 14

The selection process for Board members should be reformed to place it at arm's length from the Minister. There should be selection criteria for Board members that ensure they possess a high-level of relevant expertise.

Recommendation 15

Infrastructure Australia should remain a small agile organisation, able to bring onboard external expertise as required to deal with the challenges of the day.

Recommendation 16

The Federal Government has a constructive role to play in the collaborative development of cities and suburbs, as well as regions, but it must not create uncertainties for business and the community with alternative plans that conflict with existing approaches at state/territory or local level.

Recommendation 17

If the Federal Government intends to fund social infrastructure projects, then it is appropriate for Infrastructure Australia to have an assurance role for these projects. Additionally, where the Government is involved in a place-based investment, for example in the development of an industry precinct, then the supporting social infrastructure could also fall under Infrastructure Australia's remit.

Recommendation 18

Completing and releasing the second phase of Infrastructure Australia's Market Capacity work should be an immediate priority.

Recommendation 19

Infrastructure Australia should work to identify opportunities to make better use of existing assets, in partnership with asset owners.

Recommendation 20

Infrastructure Australia should work with the states and territories to develop a practical and nationally consistent approach to tackling the issue of carbon emissions in the infrastructure space.

3. Infrastructure Australia's Role

The functions of Infrastructure Australia reflected in the *Infrastructure Australia Act 2008* need to be revisited in the context of today's environment. Each state and territory government now has an infrastructure adviser (or 'i-body'), and the nation's infrastructure investment has reached record highs. Many of the states and territories have developed significant expertise and maturity in the planning and delivery of infrastructure.

Business wants to see clear points of responsibility and clear decision making, so that there is confidence in where investment will occur and when. This means there must be a clear understanding of the domain of the Federal Government and the domain of the states and territories. There should not be processes that see competing plans developed at different levels of government. Governments and their respective agencies should refrain from undermining infrastructure decisions made by other governments. Conversely, changes in government should ideally not result in the cancelling of committed projects for political reasons.

Strategic plans should guide the planning of major investments, and investment decisions must be based on robust analysis. It should be the responsibility of Infrastructure Australia to inform the decisions taken by the Federal Government on infrastructure, as in turn the relevant i-body at state or territory level should be advising their own government.

Beyond this, Infrastructure Australia also has a special role to play in national coordination, and in responding to issues that are cross-border or nation-wide. It must maintain positive working relationships with each of the state and territory public services to allow it to do so effectively.

In more specific terms, this means Infrastructure Australia should:

- As adviser to the Federal Government:
 - Have responsibility for maintaining a Federal Infrastructure Investment Pipeline, including setting the framework or criteria for project inclusion.
 - Be the independent adviser on which projects meet the criteria for inclusion in the Federal Investment Pipeline.
 - Provide or participate in assurance on projects that the Federal Government has invested in.
 - Provide expert advice on infrastructure issues that impact the nation, as requested by the Federal Government or by the National Cabinet, and undertake forward strategic planning for Federal infrastructure responsibilities.
 - Oversight the decision-making process for infrastructure grant programs, at arm's length from the Federal minister.
- As a facilitator of coordination across the country:
 - Provide the mechanism to facilitate the coordination of procurement across Australia's infrastructure pipeline.
 - Facilitate the sharing of learnings and best practice between all the states and territories.

In this context, functions currently ascribed in the *Infrastructure Australia Act* need to be reconsidered and revised.

3.1 A Federal Infrastructure Investment Pipeline

For the long-term sustainability of the industry, we believe that the Federal Government should develop a pipeline of projects that will be realistically considered for Federal investment. A visible pipeline of opportunities is important to inform the industry's planning and skills development.

This should not simply be a rebranding of the current Infrastructure Priority List. The current list serves a different purpose, providing a 'menu' of projects that are available for investment which have been assessed by Infrastructure Australia but not necessarily endorsed by relevant governments. The Pipeline should essentially sit below this, containing only the subset of projects that the Federal Government has also endorsed, and are therefore more likely to be funded.

The new Federal Investment Pipeline should be focused on nationally significant infrastructure and major projects that the Federal Government supports for future investment. Projects must be supported by the relevant state jurisdiction (if it is a project in a state's area of responsibility) before they are considered by the Federal Government for inclusion in the Pipeline. This will ensure that business can have the confidence that every project on the Pipeline has the backing of the relevant governments, with a high chance of progressing to delivery.

Infrastructure Australia should develop a new Framework (or criteria) for how projects are considered for inclusion in the Pipeline. This should include:

- Projects should provide some nationally significant benefit, with a focus on potential productivity benefits (which should be a codified and clear criterion).
- The importance of strategic fit should be paramount, as well as consideration of related place-based or industry specific context (such as whether the infrastructure forms part of a broader plan or precinct in a specific area or region, or whether there are government industry-policy goals that are being enabled).
- While Benefit Cost Analysis may form part of the process (depending on level of project maturity, if early in the project lifecycle this may not be available), this should not be the overriding measure.
- Finally, capacity constraints of the market should also be taken into consideration. This should not necessarily prevent a project being added to the Pipeline, but rather inform its timing within the Pipeline.

Project proponents (including state governments and Federal entities seeking future Federal infrastructure funding) should have the responsibility of developing project submissions for inclusion on the Pipeline based on this framework, for decision by the Federal Government. A relevant Federal minister (typically the Minister for Infrastructure) should have responsibility for sponsoring a proposal onto the Pipeline through a Cabinet process.

Infrastructure Australia could assist in coordinating this process but would also provide independent advice to the Cabinet against the Framework in consideration of a proponent's submission (see 3.2 below). Projects that are placed on the Pipeline should not be removed for political reasons.

Recommendation 1

A Federal Investment Pipeline should be established. Infrastructure Australia should develop a new Framework for the selection of projects, which considers the national productivity benefit, strategic fit, place based and industry specific context, and market capacity. Only projects supported by the relevant jurisdiction and then endorsed by the Federal Government would be placed on the Pipeline.

Project proponents should put forward requests to the Federal Government for a project's inclusion in the Pipeline based on this Framework. A Federal minister should sponsor a proposal onto the Pipeline via a Cabinet process, at which point independent advice from Infrastructure Australia should be provided.

To support this approach, the Federal Government must consider outlining a forward funding envelope for infrastructure that is project agnostic. This should be a baseline that gives industry confidence that Government investment in infrastructure will continue at a minimum level.

The envelope could be allocated to specific areas of expenditure (e.g. urban transport, water, etc). This split should be guided by Infrastructure Australia advice. As projects in the pipeline mature, they should be considered for funding through an allocation from this investment envelope. This should only occur following proper decision making and business case processes.

Recommendation 2

The Federal Government should establish a minimum forward funding envelope for infrastructure projects that is project agnostic. This should then be used to fund projects from the Federal Investment Pipeline as they reach appropriate maturity.

3.2 Independent adviser to Cabinet on the Pipeline

It is critical that the Federal Government receives and hears the best independent advice before a project is added to the Federal Investment Pipeline.

This should be reflective of the proposed framework discussed in Recommendation 1. Infrastructure Australia should have the ability to provide this advice directly to the Cabinet or relevant Cabinet Committee. Decisions on adding an infrastructure project to the Federal Investment Pipeline should not be made without consideration of this advice by decision makers, but ultimately Infrastructure Australia is not the final arbiter; that is the role of the elected government.

Infrastructure Australia's independence must be maintained from project champions (departments and ministers). Its advice should be frank and tailored for decision makers, and subject to Cabinet confidentiality. The intention of this is to develop the relationship between the Government and Infrastructure Australia, whereby the Government can receive trusted independent advice in confidence.

This is important for two reasons:

- The elected government is the ultimate arbiter of how tax dollars are spent. But it must make these decisions in the context of high quality, clear eyed independent infrastructure advice. For Infrastructure Australia to be a trusted expert adviser to the Government, it must have the Government's confidence.
- A large proportion of projects assessed for Federal investment are put forward by the States and Territories. Publicising critical opinions about these projects will create a trust gap that will hinder cooperation, and reduce willingness to work with the Federal Government. At the same time, the Federal Government must be fully informed about the strategic fit, benefits, costs, risks, and readiness of a project for investment independent of the proponent's assessment. By bringing this within the Cabinet process, it provides for this opportunity.

Recommendation 3

Infrastructure Australia should provide independent expert advice to the Federal Cabinet or the relevant Cabinet Committee prior to their consideration of a proponent's submission for adding a project to the Federal Investment Pipeline. This will ensure the Government is fully apprised of the advice of the independent adviser. This advice should be against the Framework identified in Recommendation 1.

Further to this, it is important that Federal Government announcements do not pre-empt proper process for project development. This can lead to the wrong projects being funded by undermining options development or result in immature costs or timeframes being adopted.

Infrastructure NSW has released a 'Guide document for Timely Information On Infrastructure Projects' which is intended to address this issue. It provides guidance on the appropriate level of information that should be contained in an infrastructure announcement depending on the maturity of the project.

Infrastructure Australia should be tasked with adapting this guidance for the Federal Government. The guide should be adopted by the Government on all projects in which it is involved with as a best practice standard.

Recommendation 4

Infrastructure Australia should produce guidance on project announcements, reflecting the different stages of maturity of information in the project lifecycle (adapting the Infrastructure NSW guide for Timely Information on Infrastructure Projects for Federal use). The Federal Government should commit to following this guidance.

3.3 Provide assurance throughout the project lifecycle

Infrastructure Australia should not solely review a project prior to adding it to the Federal Investment Pipeline. It should have a broader 'assurance' mandate that goes on into the tendering and delivery process. Essentially, Infrastructure Australia should become part of an independent 'gateway review' process. It should provide updates to the Federal Government on that basis.

These processes are intended to both assist the project team in lifting the standard of their work through external independent review; but also providing feedback to the investors (governments) on the readiness of the project to proceed. At business case stage this can include both confirming the project is sufficiently scoped and developed to proceed, but also the robustness of the economic and broader productivity analysis and alignment with strategic priorities. Infrastructure Australia must also consider how projects deliver against the national benefit (rather than solely a state-based approach). It is important that these reviews are kept confidential to ensure they can be totally frank, and that conversely project teams can be confident in completely exposing the project to scrutiny without broader stakeholder blowback. There may be iterations of the review as project teams seek to respond to constructive criticism from the gateway review process. Beyond the business case stage, these reviews assess the approach to tender, evaluate the outcomes of the tender process before award, track the status of the project during delivery, evaluate the readiness to enter service, and ensure lessons learnt are captured at conclusion. As a significant investor in a project, the Federal Government should take interest in this entire project lifecycle.

This is not to say that Infrastructure Australia should duplicate existing state-based gateway processes. Instead, for projects with major Federal funding or seeking major Federal funding, the Business Council proposes:

- **If the project is delivered by a Federal entity, or if it is a project of national significance that crosses borders:** Infrastructure Australia should play the role of assurance agency; and run the gateway assurance process. This should include major projects being delivered by Government owned corporations such as the ARTC, WSA Co, or NBN Co.
- **If the project is being developed and delivered by a state or territory with a mature review process:** then Infrastructure Australia should seek to participate in this review process as an observer; or if the review has occurred, to rely on this documentation to support its reporting to the Federal Cabinet in the first instance. There must be a relationship of trust developed for this to occur successfully.
- **If a state or territory's review process is judged to need further development and are not sufficiently mature or independent:** Infrastructure Australia should work to lift the maturity of the process, and be more proactively involved in the process as a precondition to Federal funding.

The benefits of participating in these processes is that it allows Infrastructure Australia to view and understand the actual advice being given to project teams and to other governments as projects progress. By participating in these gateway reviews, there is an opportunity to ensure timely updates are produced and available to decision makers at a Federal level. Infrastructure Australia should report back to the Federal Government (ideally via a regular Cabinet process) on emerging risks or issues for projects, as part of its remit.

Recommendation 5

Infrastructure Australia should have a gateway review function for major Federally funded projects. Where the Federal Government is delivering the project or it is a major cross-border project, Infrastructure Australia should lead this work. Where a state or territory is the proponent, then Infrastructure Australia should seek to participate in the review as an observer. This assurance work should form the basis of updates to the Federal Government on projects as they progress through the project lifecycle.

3.4 Expert advice as requested by the Government or National Cabinet

Infrastructure Australia should continue to be tasked with providing its expertise on issues identified by the Federal Government or the National Cabinet. The recent Market Capacity work undertaken by Infrastructure Australia at the request of the National Cabinet is a good example of this type of request.

The focus of Infrastructure Australia's policy work should prioritise requests by the Government or National Cabinet. This would help ensure that the work produced will be relevant to government priorities, and will therefore be more likely to gain traction and use.

The Government should consider tasking Infrastructure Australia with developing plans for infrastructure in its remit, for example, an investment plan for the national rail freight network. Infrastructure Australia should not prepare this work in isolation, it should engage with deliverers and asset managers (the ARTC in the rail example).

Infrastructure Australia should also engage with industry and the states and territories to identify other policy priorities. Examples of this could include specific policy work on low emission construction materials and material standards, or emerging digital technologies that should be considered to help improve utilisation of existing assets. Infrastructure Australia should however also seek the Minister's support before proceeding with this kind of work, to ensure it is of interest for the Government.

All of this type of policy work, where recommendations or actions are proposed, should be presented to the Minister and Government for endorsement and approval, or amendment, so that the final product has standing with Government.

Recommendation 6

Infrastructure Australia should continue to have a role in providing detailed policy work on infrastructure matters. This should be done at the request or with the endorsement of the Federal Government or National Cabinet. Infrastructure Australia should also have a role in development of specific infrastructure plans for the Federal Government. This work should be provided to the Minister for consideration, and endorsement or amendment before being adopted as Government policy.

3.5 Arm's length review of infrastructure grants programs

Grants programs for smaller scale projects are a large component of Federal infrastructure funding. These have also been the subject of significant media and public criticism. A new approach to these programs is needed, which gives Infrastructure Australia a role in this process to ensure taxpayer funds are not being wasted.

In establishing a new grants program, the Minister should develop the objective and guidelines with the input and advice from Infrastructure Australia. This should be with a focus on ensuring guidelines are targeted at supporting the most economically and/or socially productive projects being funded.

Once guidelines are set, the relevant department has run the application and assessment process and the list of grants finalised, Infrastructure Australia should have the role of reviewing or overseeing proposed grants. This

should occur at arm's length from the Minister, after the final list of grants has been proposed. The desired result is that the Government will have set the specific areas of investment and guidelines (with support of expert advice), on which the individual projects are selected by the department. Infrastructure Australia will essentially certify that the process has appropriately selected the best projects as per the guidelines, and also ensure that political considerations have not altered the process.

It is not proposed that Infrastructure Australia be responsible for overseeing the administration of grants programs once decisions on successful grants are made. The contracting and regular oversight of these small-scale projects should remain with the relevant department.

Recommendation 7

Infrastructure Australia should provide input and advice in the development of the guidelines for infrastructure grant programs, which would then be signed off by the Minister. It should then have the role of certifying that the selected projects best meet the guidelines, at arm's length from the Minister.

3.6 Facilitating coordination of procurement across the country

The infrastructure market in Australia shares many specialist resources and firms to deliver on behalf of governments. Given this, especially with such a significant pipeline of major projects underway across the nation, the coordination of approaches to market should be considered. Private sector resourcing is limited, and companies are being forced to choose between projects if schedules clash, particularly if there are multiple large-scale projects in the market at any one time. This reduces competition for the government client and reduces the opportunities for the full participation of the market.

Ultimately, it is up to each project team and their respective governments to determine the appropriate timing for their projects. There are multiple factors at play, including the practical, the financial, and the political.

There may be a role however for Infrastructure Australia to facilitate information sharing, so that conscious decisions can be made by project teams in terms of market timing, based on a complete understanding of what is happening across the country. The Business Council recognises that this is happening more informally across the country already. Formalising this function will assist in the coordination of delivery of Australia's infrastructure and allow decision makers in each jurisdiction to be better informed when making timing decisions.

Recommendation 8

Infrastructure Australia should have responsibility for facilitating the coordination of major project procurements across the country, by providing decision-makers with up-to-date information on expected tendering and delivery timing for all significant projects occurring in Australia.

3.7 Knowledge sharing

With such a significant amount of work occurring across multiple jurisdictions, there are continual lessons to be learnt on the good management of projects. Infrastructure Australia already facilitates the discussion of the 'i-bodies' network across the nation, including this type of information sharing.

This collaborative sharing between governments must be maintained, and potentially further enhanced.

Recommendation 9

Existing infrastructure knowledge sharing networks should be maintained and enhanced.

4. Effectiveness

To be effective, Infrastructure Australia needs to be heard and listened to by the Federal Government. It is not clear that has been the case in recent years. To change this, Infrastructure Australia must be undertaking work that is relevant and reflective of the policy thinking and objectives of the Government. It must also be trusted by the Federal Government as an expert adviser, while still maintaining its independence.

4.1 Infrastructure Australia's strategic products

The strategic plans and similar policy and research products produced by Infrastructure Australia should be focused on areas that will achieve positive policy change and have a good chance of government buy-in. Arguably, some of these products in the past have cast their net too broadly, with too many recommendations for too many disparate parties to achieve traction.

As highlighted in section 3.4, Infrastructure Australia should:

- Undertake strategic planning on areas that the Federal Government has control over (such as the National Rail Freight Network), at the direction of the Minister.
- Research and policy work should be undertaken in areas of national significance, at the direction of the Federal Government or the National Cabinet, or with their support for issues that are proposed by Infrastructure Australia. The Infrastructure Market Capacity work undertaken at the request of National Cabinet is an example of where work has been timely in addressing an emerging issue, has been informative for policy makers and industry alike, and has been well received.

In areas beyond the remit of the Federal Government, Infrastructure Australia should continue to draw upon the strategic work already undertaken by the states and territories to guide their own decisions and investments. The Infrastructure Audit, if it is to continue, needs to be reflective of this work while acknowledging where there are gaps that would limit the confidence of Federal Government investment.

Recommendation 10

Infrastructure Australia will need to balance the need to establish a trusted relationship with government and the provision of independent advice. Government priorities should guide what policy and research work is being undertaken. Where states and territories have produced mature and well considered strategic plans these should be central to advice produced by Infrastructure Australia in those areas.

4.2 Business case and project summaries

Business case and project summaries are useful to maintain transparency in decisions. As such, the production of public summaries should continue.

It is important however that Infrastructure Australia's primary focus should be to provide trusted advice that is heard by decision makers before project decisions or commitments are made. These public project summaries should be secondary to this task, and not undermine the ability for Infrastructure Australia to continue to succeed in this role.

These summaries should be fact based, with more limited commentary on the cost benefit analysis, broader context of the decision, and the strategic and other merits or concerns regarding a project, as observed by Infrastructure Australia. They should also talk to how the proposed infrastructure fits with the agenda of lifting national productivity, and where relevant should give due recognition to wider place-based development programs in which this infrastructure is being delivered. The more recent project summaries released by Infrastructure Australia are beginning to strike this balance well.

Recommendation 11

Business case and project summaries should continue to be produced but should be secondary to the task of providing trusted advice on infrastructure decisions to the Government.

4.3 Level of investment where advice should be provided

Infrastructure Australia currently provides advice on projects above \$250 million in funding. As already argued in 3.6, the Business Council is of the view that Infrastructure Australia has a role to play in grant programs, which may be well under this threshold.

Other 'i-bodies' have developed a more sophisticated, risk-based approach to determine what level of scrutiny or advice they provide on a project. The tiered approach of the NSW Infrastructure Investor Framework is one such example. It would be important to balance this approach with providing certainty to jurisdictions on the level of engagement necessary with Infrastructure Australia on their project.

Consideration could be given to reserving a more sophisticated criteria for projects delivered by Federal entities, while applying a more certain and less complex approach for those delivered by other jurisdictions.

There should also be some thought to whether the percentage of Federal funding should also be taken into account for projects under \$250 million. For example, a project under \$250 million but with 80% federal funding may still warrant a level of Federal oversight given any cost increase may be disproportionately borne by the Federal Government.

Recommendation 12

There should be consideration to broadening the approach to the projects which require Infrastructure Australia advice, while not diminishing certainty for other jurisdictions as to when Infrastructure Australia needs to be involved.

5. Governance

A strong governance model for Infrastructure Australia is essential to achieving the vision of an independent adviser that the Government trusts and listens to. This includes the structure and makeup of the Board, as well as the general functioning of the organisation.

5.1 The Board

Infrastructure Australia needs to maintain its independence, while also having due regard and linkages back to the Federal Government given the need for its work to be relevant to the Government's priorities. To achieve this, the Board of Infrastructure Australia should be reformed.

One possibility for reform could be the splitting of the Board's functions:

- A board of directors with fiduciary responsibility for oversight of the organisation, independent of government.
- An advisory board/committee with a focus on policy and research that includes senior public servants, as well as industry and business representatives.
- An advisory board/committee with a focus on project and investment advice, which is independent of government and has economic, technical, and delivery expertise.

This structure is proposed so that functions that must be independent of government (such as how the organisation is run, and its project advice) can remain so, while functions that would benefit from government input (such as policy and research priorities) can receive that.

Recommendation 13

The structure of the Board should be revised, with consideration to a structure that maintains independence where that is important, while also providing links to the broader Federal public service.

There has been public and industry perception that the make-up of the Board has been influenced by political considerations and is no longer best placed to provide the highest levels of independent expert advice. This should not be taken as a criticism of the current Board, but it is an important perception issue that must be managed.

A revised process to select Board members should be considered to resolve this perception, which is separate from direction from the Minister. This could involve a process run by senior representatives of the public service, or that draws on recommendations from the state and territory 'i-bodies'. There should be criteria set for members of the Board that define an expected level of experience to ensure that highly skilled experts in infrastructure are sought out and appointed.

Recommendation 14

The selection process for Board members should be reformed to place it at arm's length from the Minister. There should be selection criteria for Board members that ensure they possess a high-level of relevant expertise.

5.2 Staffing and expertise

Infrastructure is a varied and broad space. To do its role well, Infrastructure Australia not only needs the expertise to comment on the strategic and high level, but also on the detail of various projects.

This means drawing on expertise across various infrastructure fields (road, rail, water, airports, digital connectivity etc), but also on various aspects of a project (development, financing, tendering and commercials, delivery, commissioning etc).

Infrastructure Australia must be an agile organisation that is able to respond to the challenges presented to it and deliver advice that is not only expert in nature but also timely and independent.

It is important that Infrastructure Australia remain a small but flexible organisation, able to engage external expertise as required to complete tasks before it today, and then move quickly to respond to the next challenge.

Recommendation 15

Infrastructure Australia should remain a small agile organisation, able to bring onboard external expertise as required to deal with the challenges of the day.

6. Other Functions

The terms of reference for the review also identify questions around the proposed Australian Cities and Suburbs Unit, and the role of Infrastructure Australia in the social infrastructure space. These are discussed below.

6.1 Australian Cities and Suburbs Unit

The Federal Government has an important role to play in the development of cities, given their importance for the productivity of the nation. The Business Council is a strong supporter of the concept of place-based investment. This includes City Deals and Regional Deals, which bring together the three levels of government towards achieving the same goals in terms of the economic development of an area. We also believe that the Federal Government should be playing a funding and incentivising role in the delivery of infrastructure that supports city development and housing supply, and that industry precincts can be used to deliver positive job and economic outcomes. This should not solely be focused on the capital cities, but also on regional areas that have endowments of national economic significance.

It is critical however that the Federal Government does not make competing or alternative plans for cities that conflict or deviate from existing plans that may be in place at a state/territory or local level. The business community wants confidence in the plans being produced, that they will be supported and delivered, rather than creating argument or friction between different levels of government.

If an Australia Cities and Suburbs Unit was created in Infrastructure Australia, it should have a limited remit on advising the Federal Government how it is best to support the development of cities and regions, without directly intervening and possibly derailing the work of other governments. Such policy work could include:

- Identifying potential industry clusters or city and regional deals that should receive infrastructure support from the Federal Government and engaging with the relevant jurisdiction to develop this proposal.
- Nation-wide analysis of the planning systems of each jurisdiction, to identify and champion best practice that should be adopted. This could then be backed by Federal incentive payments administered by Infrastructure Australia.
- Producing policy insights into global best practices for urban development and renewal, with advocacy for programs such as Transit Oriented Development.
- Identifying the priority areas for Federal investment that would allow state/territory and local governments to lift the living quality in our cities, suburbs, and regions, to feed and inform Infrastructure Australia's advice on the Federal Infrastructure Pipeline.

Recommendation 16

The Federal Government has a constructive role to play in the collaborative development of cities and suburbs, as well as regions, but it must not create uncertainties for business and the community with alternative plans that conflict with existing approaches at state/territory or local level.

6.2 Social infrastructure

Social infrastructure, such as hospitals, schools, public housing, prisons and the like are all essential to the functioning of the country. If the Federal Government is an active participant in this space, then it would be reasonable for Infrastructure Australia to also have some oversight, if only from an assurance perspective.

Previous federal governments have funded school infrastructure programs and new hospital builds. These investments deserve as much scrutiny as any other infrastructure (as appropriate to their scale and complexity).

Many of the same processes and safeguards in terms of project assurance should apply to social infrastructure projects.

Additionally, with a place-based approach to infrastructure investment, both economic and social infrastructure in a location may be planned together, with interdependencies that require coordination for the success of a precinct. This is another area where Infrastructure Australia may have a special interest in social infrastructure.

Recommendation 17

If the Federal Government intends to fund social infrastructure projects, then it is appropriate for Infrastructure Australia to have an assurance role for these projects. Additionally, where the Government is involved in a place-based investment, for example in the development of an industry precinct, then the supporting social infrastructure could also fall under Infrastructure Australia's remit.

7. The Future Investment Challenge

Governments across the country face a number of major challenges in terms of the delivery of infrastructure. Some of these include:

- The capacity and skills available in the market to deliver the current pipeline of projects.
- The significant debt levels of most governments, prompting the need to make better use of existing assets rather than embark on new builds.
- Transition to net-zero carbon emissions, and how the infrastructure sector will support this.

7.1 Market capacity and skills

Infrastructure Australia is already leading some of the work that is addressing this issue. The Business Council looks forward to the second phase of the Market Capacity work from Infrastructure Australia, with solutions for the Government to consider and implement.

It is also notable that given the current level of government debt, there may be a natural tendency for the project pipeline to shrink in coming years, exacerbated by rising costs which reduce affordability. This may naturally diminish demand side pressures currently evident.

Recommendation 18

Completing and releasing the second phase of Infrastructure Australia's Market Capacity work should be an immediate priority.

7.2 Better use of existing assets

Australia has an extensive stockpile of existing assets. Much more needs to be done to utilise these assets to their full potential before new builds are commissioned, particularly given current fiscal constraints on the Nation's governments. The emergence of improved digital systems presents new opportunities in this space.

Some of these approaches are already being implemented in Australia, such as:

- Managed Motorway or Smart Motorway projects that improve traffic flow and allow increased capacity and resilience for existing roads.
- New and upgraded rail signalling systems that allow an increase in capacity on existing lines.
- Demand management approaches to moderating usage peaks, including in the electricity sector, and in public transport ticketing.
- Intelligent traffic control systems that coordinate traffic lights across a road network, including implementing the optimal response to traffic incidents.
- Maintenance programs that intelligently identify future areas of breakdown or other service disruption and allow them to be rectified before problems disrupt service.

Infrastructure Australia has a role to play in the identification and promotion of opportunities in this space, in concert with asset owners. This is particularly so given that these approaches often yield much higher cost benefit returns than new builds. They do this by delivering beneficial outcomes at significantly lower costs.

Recommendation 19

Infrastructure Australia should work to identify opportunities to make better use of existing assets, in partnership with asset owners.

7.3 A national approach to managing infrastructure emissions

As Australia moves towards net-zero by 2050 and a 43% emission reduction by 2030, all sectors of the economy will need to play a role. In the infrastructure space, this means targeting both operational emissions and embedded carbon from materials and construction methods.

Some of the tasks that are necessary here include:

- A nationally consistent process for the measurement of embedded emissions, that can be included as part of the project development process.
- Identification and understanding of emerging low carbon materials, and developing an approach for their incorporation into future infrastructure standards.
- Business case guidance and approaches for inclusion of carbon emissions in project and options assessment.

Some of this work is already underway, including at the state and territory level. It will be important for there to be a nationally recognised and consistent approach. Infrastructure Australia has a role in ensuring this is achieved.

Recommendation 20

Infrastructure Australia should work with the states and territories to develop a practical and nationally consistent approach to tackling the issue of carbon emissions in the infrastructure space.

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