



Infrastructure Sustainability Council

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Dear Nicole and Mike,

INFRASTRUCTURE AUSTRALIA REVIEW

The opportunity to provide a submission on this important review is greatly appreciated. Infrastructure Australia provides a critical role in advising on infrastructure and enabling our nation to thrive.

Infrastructure Sustainability Council

Our submission has been collated based on discussion and contemplation by the Infrastructure Sustainability Council Board and Senior Leadership Team.

The Infrastructure Sustainability Council (IS Council) is member-based not-for-profit operating in Australia and Aotearoa New Zealand. Our purpose is to ensure that all infrastructure delivers social, cultural, environmental, and economic benefits. We create impact by measuring what matters using the Infrastructure Sustainability Rating Scheme. The Scheme is mandated by delivery agencies and asset operators across Australia and New Zealand with over \$220 billion infrastructure assets under rating. Working with our member base, +200 of the largest and most engaged organisations in the sector, our strategy is to embed sustainability into decision making by empowering the infrastructure sector to be ambitious, skilled and connected.

Our submission responds to those questions which relates directly to the work we do, and where we have the expertise to respond with credibility. Our responses includes six (6) recommendations and are attached under the following headings,

- Infrastructure Australia that is fit for a purpose
- Strong foundations from which to grow, with prioritisation and coordinated action
- An interconnected infrastructure system, while IA is independent, success is interdependent
- Sustainability and resilience at the heart of decision making

We look forward to engaging directly on your items for clarification, and wish you every success for this rapid necessary review.

Yours sincerely

A handwritten signature in black ink, appearing to read "Laura Harkins-Small".

Laura Harkins-Small

General Manager: Advocacy
Infrastructure Sustainability Council



INFRASTRUCTURE SUSTAINABILITY COUNCIL SUBMISSION

Infrastructure Australia's Role | Infrastructure Australia that is fit for a purpose

The purpose and objectives of Infrastructure Australia (IA) need to be simple, compelling and focussed on intergenerational outcomes. This purpose needs to be one shared by both Government (s) and industry for it to be meaningful. This will ensure IA, and its workplan, is well defined and aligned with key stakeholders needs.

Infrastructure is a key enabler of our communities, societies and economies. IA's purpose should focus on and beyond the sector to include the outcomes it delivers for communities. For example; "Enabling decarbonised, resilient infrastructure for a productive and thriving Australia". This purpose, if shared, will combine the efforts, investment and outcomes of the whole sector – both across supply chains and jurisdictions, for many generations to come.

Formally Infrastructure Australia has many functionalities; broadly its role is to provide "advice to governments, industry and the community on the investments and reforms needed to deliver better infrastructure for all Australians."¹ More specifically, the Infrastructure Australia Act² calls out a specific responsibilities including to *conduct audits*; to *develop lists* (known as Infrastructure Priority Lists), and, to *provide advice* on infrastructure to the Minister, Commonwealth, State, Territory and local governments, investors in infrastructure and owners of infrastructure on matters relating to infrastructure.² At present, the legislation is silent on the purpose, goal or objective of the audits, lists and advice. This would be a valuable addition. For example, objectives that seek to be "innovative and productive" will deliver different outcomes to one that is focussed on 'sustainability and equity'.

"The kind of infrastructure we prioritise ought to reflect what kind of nation we want to be" – Industry Leader, *Advance our nations fair, World Class Infrastructure for Thriving Nations*³

The *Australian Infrastructure Plan* and *Delivering Outcomes* roadmap are excellent at articulating the type of industry we might aspire to be. Further work is required to ensure this industry is delivering the outcomes to Australian communities, including specifying the role infrastructure needs to play in

¹ (Infrastructure Australia, 2022)

² (Infrastructure Australia Act, 2014)

³ (Urbis & Infrastructure Sustainability Council, 2022)



leading and enabling our nation's approach to some of the critical issues of our time including climate action, resilience, and delivering on economic and social recovery during and post pandemic.

A Thriving Nation takes collective commitment

Example: Estonia is one of the newest countries in the world; despite being an independent nation for only 31 years. Tiigrihüpe (e-Estonia) is the digital strategy initiated in 1996 to enhance the country's global standing and national welfare. The Strategy was developed to catalyse the transition of Estonia from a former Soviet State to a liberal democracy with a high performance modern economy and has led to Estonia being the most advanced digital society in the world today. Objectively, this success can be understood through changes in key data points between 1991-2021:

- GDP per capita growth by 644%,
- High school completion rates rising to 90%
- Life expectancy rising by ten years
- CO2 emissions per capita more than halving
- Estonia reported the highest level of education throughout Europe in 2018, as well as the third highest in the world.

Estonia decided to take a leapfrog approach creating its own path towards a unique definition of national success. Under its overarching National Development Strategy, Estonia invested heavily in digital infrastructure with the ascendant aim of eliminating social inequality, improving the wellbeing of Estonian citizens and creating competitive advantage amongst global counterparts.

Economic reform and strong sustained investment in people have built human capital and encouraged foreign direct investment. Key directions included creating digital infrastructure that enabled digital identities, education and training, facilitated increased interaction with government. High education levels have led to the proliferation of knowledge and information service growth including global excellence in e-commerce and cyber security. Moreover, streamlining public services has meant that Estonia's healthcare spend per person has been reduced to below half of other European countries despite average life expectancy increasing by 8 years over the same time frame.

Estonia's progress highlights that those that thrive do not necessarily need massive wealth, resource or development advantage, just a collective and inclusive purpose to live by and strive towards every day

Figure 1 Case study of a thriving nation – Estonia. Source ((Urbis & Infrastructure Sustainability Council, 2022)

Recommendation 1: That IA's purpose, its definition of success, be co-defined through this review to reflect Governments and industry stakeholders needs - the work and effort of not just IA but the industry and stakeholders which it works with.

This is particularly critical because of the number of priorities currently before industry, the capability and resource restraints, and the short time in which we have to deliver. Everyone needs to be pulling in the same direction and Infrastructure Australia can continue with greater influence with its purpose well defined.

Effectiveness | Strong foundations from which to grow, with prioritisation and coordinated action

Over the last three years we have seen a step-change in the way IA works. It is more collaborative and its internal capability more robust, which can inform policy development at every level of



government. This has helped deliver a more wholistic approach to understanding the value delivered by Australia infrastructure. Critically, it sets-up intergenerational outcomes at the heart of decision making, with the focus on sustainability and resilience in way that has not occurred before.

The knowledge base, insights and recommendations developed by IA are broadly sound and represent the diverse view of industry. The Australian Infrastructure Plan, Market Capability Report, Delivering Outcomes Roadmap and Regional Strengths and Gaps all provide a strong foundation from which to build.

Over 5,500 stakeholders were involved in the development of the Australian Infrastructure Plan. Seven hundred and thirty-five (735) stakeholders involved in the Regional Gaps and Opportunities Report and dozens more in the Delivering Outcomes Roadmap. These works do not just represent the investment and time of IA but all those stakeholders who contributed and invested in the process, including the ISC. These outputs are widely supported by the sector's key stakeholders.

IA listened. Now, a significant challenge is presented in mapping out the 'what's next'. The *Australian Infrastructure Plan* produced over 1300 actions. *Delivering Outcomes Roadmap* produced a further 117 recommendations. *Regional Strengths and Gaps* produce a further 67 pages of infrastructure "gaps" at regional level across Australia. Overwhelming, IA identified that the progress of these actions largely sits with other stakeholders.

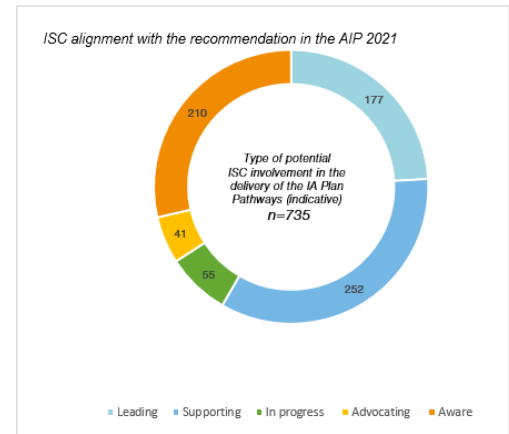
This important work made clear that there are many priorities. Infrastructure is a sector which is already operating beyond capacity⁴, with high-levels of volatility, uncertainty, complexity, and ambiguity. Australia needs all parts of the system to be operating in a way which supports the delivery of common purpose and objectives. This can only be achieved with adequate co-design, co-investment and appropriate capability and capacity. Looking at global examples, such as Estonia, phenomenal outcomes can be achieved for the nation, people, communities and economies.

Recommendation 2: A formal response from the Federal Government to IAs recommendations, the key priorities and proposed way forward on these is necessary. This action will demonstrate the authority, credibility and influence intended for IA as an independent adviser.

⁴ (Infrastructure Australia, 2021)



This endorsement then charts the course for detailed multi-year implementation plans must occur next. Focus should be placed on rationalising and operationalising the various recommendations and actions in collaboration with industry. These plans need a common purpose and clear set of objectives, along with provisioning the appropriate funding, adequate allocation of the capability and capacity to deliver the task. The lead organisations must have the authority and resources “to do” not just “advise and recommend”. Industry will be critical in bringing the recommendations and reform agenda into reality.



As previously shared the ISC is willing and able to be a collaborative partner to achieve this – not just as a peak body, but as the leading ESG assurance provider for the infrastructure sector, driving and verifying outcomes across asset classes and life stages from planning to operations.

Governance | IA operates in a network of integrated systems while independent, it’s success is interdependent

IA operates in an integrated system, and as such any review of roles, functions and responsibilities needs to look at the whole system to address gaps, misalignment, overlap and duplication.

With the fundamental challenges facing our nation, and our sector in the coming decades we need every stakeholder clear on their roles and contribution, how they interact with others and most importantly that they have the capability and capacity to play to their strengths.

IA has an important role, not delivered elsewhere in the strategic planning, governance and informed investment decision-making for infrastructure. These need to work in an integrated but independent way with other functions including policy, delivery, performance assurance and auditing of benefits realisation.

Infrastructure is a complex sector which involves multiple functions and jurisdictions, asset classes, value chain and sectors. When IA was first introduced there was a strong focus within its remit on governance and investment, with much of its work to create harmonisation and efficiency across the jurisdictions and asset classes.⁵ This is critical work with much to be done and an independent, federal agency strongly positioned to achieve this. Long-term infrastructure planning and investment strategy should sit outside of the short-term election cycles to create certainty and stability for the entire sector, and the stakeholders serves.

⁵ (Department of Parliamentary Services , 2005)



The original Infrastructure Australia Bill Digest in 2008 raised potential gaps in how IA was going to work with other agencies and departments with potential for overlap and duplication⁶. While this was one of the key aspirations of establishing IA, there still is work to be done. A decade later, there is greater risk of misalignment between advisors, decision-makings and delivery authorities. IA's governance and advisory role helps inform good policy; so that it is consistent and harmonised. Policy belongs within departments across all levels of Government, with these stakeholders accountable and responsible for developing the policy objectives and frameworks for infrastructure. This would not preclude departments or ministers commissioning specific research or independent advice from IA on a particular topic they were best placed to deliver.

Recommendation 3 : IA be given authority to progress national harmonisation for strategic planning, governance and informed investment decision-making for infrastructure; with local needs, delivery and implementation led by state and local levels of Government.

The Future Investment Challenge | Sustainability and resilience at the heart of decision making

IA remain best placed to independently assess infrastructure of national significance and progress the Infrastructure Priority List. While \$250 million may be useful proxy for national significance – it is not always the case, particularly now mega projects have become almost business as usual, and inequality in infrastructure is rising, coupled with an ageing infrastructure portfolio. Broader outcomes need to be considered which extend beyond traditional risk and capex value metrics. IA's sustainability principles if incorporated as essential requirements, rather than good practice in the business case requirements and templates, will ensure social, cultural, environmental and economic benefits are realised from all infrastructure.

Recommendation: National significance be defined by a multi-criteria approach that considers risk, cost and intergenerational impact across the quadruple bottom line.

Of extreme importance is the governance and assessment role IA has in climate action; with 70% of Australia's emissions enabled by infrastructure, more informed decision-making must take into account the emissions profile of proposed infrastructure and its role in achieving net zero by 2050.

The ISC supports the Climate Change (Consequential Amendments) Bill 2022 which embeds the achievement of national emissions targets into the work and decision-making of IA, with the intent that carbon will be considered at planning, business-case and investment stage. There will be much work to do build the capability of IA to be able to do this effectively. It is our recommendation that IA continue to collaborate with others to not just create efficiency and capability, but also ensure that all outputs align across the system and the life cycle (e.g. through metrics and pathways). We would welcome IA into the national Infrastructure Net Zero Accord to facilitate this outcome. The Infrastructure Net Zero Accord is a collective of partners working in infrastructure to advance

⁶ (Department of Parliamentary Services , 2005)



common goals and targets, align on the pathways to progress and accelerate policy and practice to decarbonise Australia’s infrastructure.

Recommendation 4: The Assessment Framework incorporates sustainability and resilience as essential elements of any business case, along with forecast carbon baselines.

While reforming industry standards and decision-making mechanisms can be slow work, one exception to this is the ISC’s IS Rating Scheme. The Scheme has been leveraged through policy, procurement and planning approvals. Infrastructure Impact is being delivered as a result, primarily in the delivery stage. The Scheme demonstrates how an independently defined, implemented and

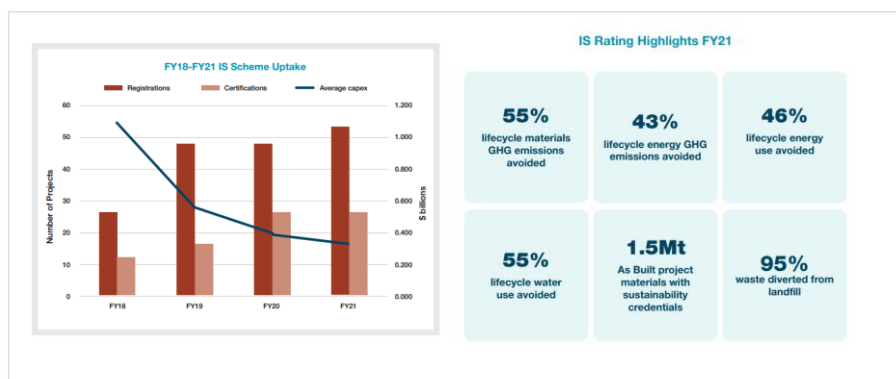


Figure 2 Summary of IS Ratings Performance Data FY21. Source (Infrastructure Sustainability Council, 2021)

assured benchmark, backed by policy, investment, planning and procurement practices can create national harmonisation. In this case, in a span of ten years taking the industry from no common standards in sustainability performance to over \$220 billion of infrastructure under rating across three levels of government. The standard is now being applied to the

planning, delivery and operational phases of assets. This has not just led Australian industry operating to a national harmonised benchmark driving best practice, but also beginning to perform at world-class level in terms of sustainability. This can extend to our ageing infrastructure portfolio and must start earlier in the asset life cycle.

Recommendation 5: IA post completion reviews of projects and initiatives funded include data on benefits realisation across the quadruple bottom line as well as delivery against the Government’s policies of the day.

Recommendation 6: ESG is a business imperative and core skill set which needs representation as well as support at the Board level. The IA Board needs to be representative of the sector it serves. Having transparent governance processes will assist in withstanding challenge.

