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Dear Ms Lockwood and Mr Mrdak

INDEPENDENT REVIEW OF INFRASTRUCTURE AUSTRALIA

Thank you for the opportunity to provide input into the independent review of Infrastructure Australia.

Please find attached Infrastructure WA's submission which includes feedback to the guiding questions attached to your letter.

Should there be any questions regarding Infrastructure WA's submission, please contact Phil Helberg, Chief Executive Officer, on [REDACTED]

Yours sincerely

Phil Helberg
Chief Executive Officer
Infrastructure WA

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Introduction

Infrastructure Australia (IA) plays a vital role in providing the federal government with independent advice and assurance on infrastructure policy and proposals that support Australia's sustainable growth and transformation. Strengthening IA's position as a respected and influential independent advisor, and moving toward a "federated I-body model" in which IA and state infrastructure bodies (I-bodies) work more closely together to strategise and guide investment, will be critical to positioning Australia to successfully navigate key challenges and capitalise on strategic opportunities over the next 20 years and beyond.

IA's strong leadership and guidance has been instrumental in building capability and capacity across Australia's infrastructure sector to an international standard. Established in 2008, IA is Australia's longest standing I-body. Since that time several states such as Victoria, New South Wales and Western Australia have established their own I-bodies. New Zealand and the United Kingdom have also taken Australia's lead to establish I-bodies of their own.

Infrastructure WA (IWA) has appreciated IA's considerable support in helping the agency to find its feet, including during development of WA's first State Infrastructure Strategy (Strategy) and guidelines for its Major Infrastructure Proposal Assessment (MIPA) function. IA's role in identifying national challenges and opportunities as well as drawing attention to WA's needs and priorities, for example through the Infrastructure Priority List (IPL), is highly beneficial as it supports IWA's strategic direction and helps guide and influence decisions on federal investment in the state.

The review of IA is timely considering the significant change and emergence of state I-bodies that has occurred since 2008. It will be important for the review to consider how IA's role should evolve in this new environment, and leverage the I-body network to respond in a timely fashion to complex cross-jurisdictional opportunities and challenges so Australia does not fall behind.

It will be important for the review to consider:

- measures to strengthen IA's independence and relevance to government while making it more difficult for government to circumvent its advice on proposed infrastructure investments, for example by requiring agencies to align with IA advice to the extent it is accepted by government.
- the role and focus of IA in relation to state I-bodies and how they work together to complement each other in their respective federal and state roles and responsibilities, for example IA could:
 - undertake a stronger "top down" approach on national issues while states focus on a "bottom up" approach to avoid duplication.
 - perform a stronger coordination role across I-bodies under the principal of a federated model with a particular focus on national policy and strategic opportunities and challenges facing multiple jurisdictions, as well as sharing of information and data and promoting best practice.

Examples of common challenges include climate change, hydrogen, urban densification, economic diversification, regional transition, housing, healthcare reform and defence.

IWA would like to compliment the way IA has recently performed its role and consistently undertaken its work to a very high standard. There is no doubt that since its inception IA has helped shape Australia's infrastructure governance, policy and investment landscape for the better. Ensuring that IA is able to continue driving an independent and evidence based view on what constitutes good public infrastructure policy and investment is in the national interest, and essential for informed debate and decision making across government and other sectors.

IA's role

National investment plan

As there is currently little detail in the letter on what the design of the national investment plan (NIP) might constitute, IWA is unable to provide meaningful comment at this stage and would be grateful for more background on the idea.

However, the notion of a plan which sets out longer term national infrastructure investment needs and priorities has strong merit and should be explored as part of the IA review. Rather than providing a comprehensive view across all sectors, the NIP could focus on Australia's national strategic objectives, opportunities and challenges and provide direction on federal and state infrastructure policy and investment priorities. IA's input could primarily be top down, addressing areas of Commonwealth responsibility or national significance, with state I-bodies providing bottom up input from their state infrastructure plans and programs where relevant to national strategic objectives, opportunities and challenges. Synchronising national and state planning cycles could also be explored to strengthen alignment, integration and implementation.

Assuming a component of the NIP is intended to provide a summarised longer-term view of key national infrastructure investment priorities, IWA envisages that this could potentially play a similar role to the annual 10-year WA State Infrastructure Programme (SIP) required under IWA's legislation. IWA is currently working with key responsible WA agencies to design how this might operate, noting the first SIP is only due for publication in 2023, and could provide a potential case study for IA's consideration.

Effectiveness

IA's products

Australian Infrastructure Audit

The Australian Infrastructure Audit (AIA) provides a sound evidence-based approach to assessing nationally significant infrastructure needs. The AIA is informative and provides a good summary of the challenges and opportunities experienced across a range of infrastructure sectors. It was a valuable input to the development of IWA's Strategy.

Australian Infrastructure Plan

IA's AIP is an important evidence-based document which helps to identify policy and non-build responses to infrastructure related challenges. The draft AIP and relevant evidence and analysis was a useful input to the development of IWA's Strategy. Implementation challenges have limited the AIP's impact, with often complex reforms requiring coordinated action across jurisdictions and/or application in policy areas without primary Commonwealth responsibility.

Part of the solution to this implementation challenge could relate to the aforementioned priority to strengthen IA's role in focusing on areas of Commonwealth policy responsibility and facilitating cross-jurisdictional collaboration on problems of national significance. Introducing mechanisms that require agencies to align with IA advice and considering ways that state I-bodies could embed complementary recommendations in their state infrastructure plans, to the extent they are accepted by government, could also assist implementation.

Infrastructure Priority List

The IPL provides a level of assurance that the development of infrastructure proposals has followed good practice, enables public scrutiny of investment decisions, and helps identify nationally significant infrastructure challenges. The reintroduction of social infrastructure to IA's remit would provide a more comprehensive understanding of nationally significant infrastructure challenges and opportunities, reflect the strategic significance and interdependencies of key social infrastructure needs within the broader infrastructure sector, and provide an important assurance process for large scale social infrastructure investments.

Market Capacity

IA's 2021 Infrastructure Market Capacity report has been very useful in demonstrating current infrastructure market capacity constraints and risks to the delivery of infrastructure programs across Australia. It provides advice which can inform nationally coordinated responses to address delivery challenges and infrastructure sector productivity. Continued work by IA in this space, including in a stronger national coordination role, would assist states in developing specific, evidence-based practical reforms, noting some of the challenges around implementation.

Regional Strengths and Infrastructure Gaps

It is important that IA has an understanding of regional needs across Australia to be able to effectively conduct its role. However, IA analysis may duplicate work already being undertaken by state I-bodies. The review should consider opportunities to streamline work, with state I-bodies undertaking the regional analysis and IA knitting it together to provide a national picture.

Infrastructure proposals

Threshold

Consideration should be given to expanding the assessment threshold to more than just monetary value, for example taking into account strategic merits, complexity and risk. Significant social infrastructure for example, which IA should explore, may not achieve the \$250 million threshold.

Setting the monetary threshold at a project level rather than a federal funding level should also be considered. The current criterion results in regional and metropolitan projects qualifying for assessment at different project cost thresholds due to varying commonwealth/state funding splits. Any changes to the criteria will need to balance continuing to provide certainty to proponents on which projects require IA assessment, as well as balancing assessment rigour with efficiency.

Assessment framework

IA's Assessment Framework (IAAF) provides a robust and transparent approach to large scale infrastructure project development and assessment. IWA has incorporated elements of this framework into its interim MIPA guidelines, as key principles in this framework are closely aligned to WA's Strategic Asset Management Framework.

There is an opportunity for IA to continue to mature the IAAF through the application of a triple bottom line approach. This would continue to allow for consideration of broader outcomes as part of proposals, which are particularly important for investments in regional communities. The use of sustainability or Environmental, Social and Governance (ESG) frameworks at a governance (board) and corporate level are also discussed further below.

It might also be beneficial for IA to focus only on conducting public assessments for proposals not subject to state-based public and independent assurance processes to avoid duplication (in states where they exist and where IA has confidence in the complimentary processes).

Programs

The IA review should consider the approach to assessment of and current definitions around program level business cases. The current guidance is useful but can disincentivise some legitimate program approaches. In many cases individual major initiatives are part of, or would benefit from, a broader understanding of complementary works from a program perspective.

The current approach does not adequately account for large scale or long-term infrastructure programs which require or would be more effectively implemented using staged funding decisions. For projects not immediately seeking full program funding, IA requires the assessment of investments at a program level, followed by a reassessment of the investment case at an individual project level. IWA considers that if a robust case for investment in a program of works has been established, further assessments at a project level and/or at the time of seeking a staged funding commitment should be limited to reviewing earlier assumptions and assessing project deliverability.

Governance

Board integrity

The relevance and independence of IA is key to its ongoing success as an organisation. If IA is viewed as operating as a transparent, respected, influential and credible organisation, this will allow for smooth delivery and high regard for its evidence-based advice and outputs.

Composition of the IA board is a crucial element to achieving this outcome. Consideration should be given to appointing a minority of ex-officio board members, which would allow IA to speak directly to government and include government insight in its decision making. As a key stakeholder this is an invaluable mechanism for influencing and understanding government's position.

Another contributing factor to achieving relevance and credibility is the holistic skills of the board and its members. It is noted that section 8(2)(a) of the *Infrastructure Australia Act 2008* requires that "...each member has knowledge of, or experience in, a field relevant to Infrastructure Australia's functions", however this is a broad definition. The review should encourage the Minister to consider the holistic skills base of the board when considering new members, to ensure an appropriate mix. This may necessitate more specific definition of the required skills and clarification on any role IA may play in providing advice on the skills it may need at the board table.

Complementary roles including coordination

As previously noted the review should consider IA's role in the broader national I-body network, including its relationship with other I-bodies, roles and responsibilities and the potential for a federated model to foster improved cross-jurisdictional collaboration, with IA playing an overarching coordination role to drive issues of national significance or Commonwealth responsibility. Some examples of complex issues that span state and/or federal responsibilities and require national leadership include social and affordable housing, net zero buildings, road user charging and healthcare.

IA could play an important role in formulating advice where a joint approach is required to address an infrastructure challenge with federal and state dimensions, for example if a state(s) is struggling to gain traction at a federal level or there is a lack of clarity on an appropriate way forward. Pursuing a federated I-body model could also help to leverage synergies, foster a more cohesive approach to infrastructure policy and investment, and minimise duplication of effort.

The IA review could also explore how I-bodies collaborate in practice, for example mirroring the way federal and state governments engage through Infrastructure and Transport Minister meetings which report into National Cabinet. The review may also need to explore the interrelationship and allocation of roles and responsibilities between IA and the federal infrastructure agency.

Place focus

As part of IA's independent policy view, it will be important to apply a geographic lens to target the needs of different areas across Australia. Applying a place-based approach is important to reflect the diversity and unique attributes of Australia's urban and regional areas and provide a common basis to align policy, strategic planning and infrastructure provision. Infrastructure often takes a sectoral approach; however, a place-based focus is important to overcome silos and support more integrated, relevant and effective outcomes on the ground.

The IA review should also explore the potential for IA to identify places of national significance and target specific locations for investment to drive economic, social and/or environmental outcomes. For example, this could target central city areas, innovation and knowledge-based clusters, nationally significant industrial precincts such as hydrogen hubs, international transport gateways (ports and airport) or communities undergoing economic transition. It could also target areas of Commonwealth responsibility and leadership such as the economy, aboriginal communities or major social infrastructure gaps.

Sustainability frameworks

To support application of a triple bottom line approach to assessments, IA could explore the use of sustainability or ESG frameworks at a governance or corporate level. These frameworks can focus IA and its board on globally agreed targets and the value the organisation provides in the context of these targets. Through using these frameworks, IA's board can embed transparency, accountability and focus on the long term, beyond political cycles. IA will need to determine the right sustainability framework

appropriate for the entity's focus. Examples include the Global Reporting Initiative, Integrated Reporting Framework, and the UN Sustainable Development Goals.

Other functions

Australian cities and suburbs unit

As there is little detail on the intended role and function of an Australian Cities and Suburbs (ACS) unit IWA is unable to comment at this time and would be grateful for more background on the concept.

As outlined above, it is important that IA takes an independent policy view which would inform the rationale for an ACS unit. IWA acknowledges that cities are major economic engines and focal points for infrastructure, particularly in fast growing areas. However regional and remote areas of Australia such as the Pilbara are also important, and can have needs of national significance.

Social infrastructure

IWA welcomed the inclusion of social infrastructure in the 2021 AIA, as it is critical to supporting quality of life outcomes for the whole community, including across WA. It is also critical to supporting long term economic outcomes, especially in regional and remote communities.

IWA notes comments that the Australian Government is generally not involved in delivering and directly funding all social infrastructure. However, the Australian Government has responsibilities in a range of areas requiring social infrastructure such as primary healthcare, aged care, childcare and Aboriginal communities. There may also be places where gaps in social infrastructure are being exacerbated by national policy settings or undermining the Australian Government's policy objectives. As such the review should consider its re-inclusion in IA's remit.

The future investment challenge

Integrating and coordinating national policies and investment

As previously noted there is a significant role for IA in working with and helping to coordinate the national network of I-bodies, which will help to ensure integrated and coordinated national policy and investment outcomes and capitalise on strategic opportunities over the coming decades.

Issues such as climate change, economic diversification, regional transition and defence will require place-based and multi-sectoral approaches as well as enabling infrastructure to drive transformation. From a public investment viewpoint, this is highly complex work requiring strategic oversight to ensure governments are provided with clarity and confidence to act decisively. Given the role IA and I-bodies already play in working with stakeholders to identify investment priorities, they are well placed to undertake this task.

Decarbonisation is a good case study which will involve significant government and industry collaboration. In the last year, there has been a major shift in climate policy with net zero targets set across states and at a national level, and establishment of a Safeguard Mechanism. The Australian Industry Energy Transition Initiative¹ has highlighted a range of actions needed to decarbonise hard-to-abate industries in industrial locations such as the Pilbara and Kwinana in WA. Multiple WA agencies are working on hydrogen projects, energy networks and sectoral reduction strategies. Coordinating policy, programs and projects with Federal Government adds to this complexity. In this situation, IA and the state I-bodies could provide invaluable investment advice by working together to make sense of the many concurrent activities and distilling infrastructure needs and investment priorities to enable Australia to respond in a timely and coordinated manner and secure an international position in the emerging hydrogen market.

The review would need to explore changes to IA's current role and responsibilities and business approach, as outlined above, to achieve this coordinated approach.

¹ Source: [Setting-up-industrial-regions-for-net-zero-Australian-Industry-ETI-report-JUNE-2022.pdf](https://energytransitionsinitiative.org/setting-up-industrial-regions-for-net-zero-australian-industry-eti-report-june-2022.pdf) (energytransitionsinitiative.org)