

Independent Review of Infrastructure Australia - Victorian Government Submission

The Victorian Government (Victoria) thanks the *Department of Infrastructure, Transport, Regional Development, Communications and the Arts* for the opportunity to provide a submission to the independent review of Infrastructure Australia (IA) (the Review).

Victoria supports the need for an independent national infrastructure body to provide advice to the Commonwealth on national infrastructure priorities and welcomes IA's approach to fostering collaboration between state and territory governments.

Since IA was set up in 2008, there have been changes to how Victoria plans and delivers infrastructure. Central to this has been the establishment of Infrastructure Victoria in 2015, tasked with developing a long-term infrastructure strategy and providing advice to the state government. Further, the Office of Projects Victoria was subsequently established in 2016 to provide independent advice and project assurance through monitoring and oversight.

Victoria has also taken steps to streamline infrastructure approvals while embedding quality assurance mechanisms such as the *High Value High Risk Framework* and *Gateway Review* processes. Victoria has also built considerable capability and expertise in these areas over the last decade.

In our view, some elements of IA's current remit overlaps and duplicates this state-based effort.

Opportunities for Reform

Victoria's priorities for consideration as part of the Review are set out below in four thematic areas.

1. Governance

The IA Board has a key role in determining the strategic objectives and operations for IA and Victoria suggests that the skills profile of the Board be explicitly considered in this Review.

In addition to relevant skills and experience, the Board should reflect diversity, strong industry and community connections and better geographic representation to support a contemporary understanding of infrastructure challenges and opportunities across the country.

It is also important for IA to understand the role and function of states and territories. Appointing at least one Board member with relevant senior executive infrastructure experience in a state or territory government (potentially on a rotational basis to help manage any potential conflicts) would support this deeper understanding.

The process and associated timeframes for IA Board approval of business cases should be considered, as the existing arrangements can delay the release of Commonwealth funding to states and territories, and subsequently delay project delivery. More frequent Board meetings or out-of-session Board consideration of business case assessments where projects are on a critical path to delivery would improve the ability to progress projects to market in a timely manner.

2. Business Case Reviews and Assessment Framework

Victoria recognises and welcomes the refinements already made to the Assessment Framework and IA processes more broadly. To support the continued evolution of the Assessment Framework, Victoria considers that IA should:

- *Focus on infrastructure projects and programs that are of genuine national importance.* These include projects such as:

- Cross-jurisdictional projects (for example, inland rail connections between states).
- Large-scale mega projects, which require substantial investment from the Commonwealth.
- *Increase the threshold for the assessment of business cases to \$500 million in Commonwealth funding.* This would reduce the number of business cases in the pipeline that require IA assessment, allowing IA to focus its finite resources on the most important projects of national significance.
- *Focus on complementing state and territory government processes.* The current Framework is not well integrated with state and territory processes for project due diligence, development and funding decisions. Integration and complementarity of processes will mitigate against duplication of effort and risks of project delays and cost escalation.
- *Further streamlining of assessment processes.* The timing and process for IA business case assessments have improved in recent times, however further improvements should be explored. For example, IA's assessment processes need to be adaptable to accommodate expedited approvals where projects are already fully funded or moving through to market and delivery.
- *Acknowledge it is not a one-size-fits-all approach.* The IA assessment process has historically been too narrow and constrained in its ability to recognise broader city shaping and regional development objectives of governments. IA has traditionally taken a one-size-fits-all approach to assessing projects that is not fit for purpose in considering infrastructure-led economic and land-use development. In recent times, IA has become more flexible in its assessments but further enhancements are needed to enable more tailored evaluations that better acknowledge that governments prioritise and invest in transport projects for varying reasons, including to unlock precinct and/or broader corridor land use outcomes.
- *Give greater consideration to wider economic and non-economic benefits.* Recent changes at IA that seek to move "beyond BCR" are welcomed and should be further explored. Victoria notes the catalytic nature of some large infrastructure projects that enable wider transformational and city-shaping outcomes, for example, heavy rail projects such as the Melbourne Metro Project. Indeed, rail projects generally tend to have catalytic and considerably wider economic benefits than road projects. Projects may also yield non-economic benefits including social, environmental, resilience and broader network benefits which could be taken into account. Victoria proposes that IA should consider modernising its assessment framework to properly account for these catalytic and wider benefits and continue working with jurisdictions on discount rates.
- *Place a greater emphasis on post-completion evaluations of projects and programs.* For example, IA could use actual costs and benefits to provide lessons learned and guidance for future business case development and assessment.

3. Infrastructure Priority List (IPL)

The IPL is currently a disparate list of infrastructure projects which vary in scale and importance, proposed by a diverse group of proponents, including non-government entities.

If the IPL is to be retained, a review of the process and mechanism by which the projects on the IPL are identified and assessed would be beneficial. Victoria proposes that the IPL should be focused on problems and issues of national significance. The selection criteria should include clear connections to state strategic infrastructure investment and land use frameworks and plans.

Clearer linkages between the reforms and policy recommendations of the Australian Infrastructure Plan and the capital projects in the IPL would provide a more consistent message to stakeholders regarding national infrastructure priorities.

4. Research and Collaboration

IA's research and reports have assisted Victoria's understanding of emerging challenges and opportunities. Future activity, including reports and research, should focus on challenges at the national and cross-jurisdictional level and could be guided by the priorities and work plan of the Infrastructure and Transport Ministers' Meeting and other relevant intergovernmental forums.

IA could also consider a contribution on important issues that require national coordination and leadership, such as:

- Providing advice on making infrastructure more resilient to the impact of climate change and extreme weather events, and on the positive role infrastructure can play in contributing to resilience.
- Analysing market dynamics and options to address supply chain challenges, cost escalation and skills shortages in the infrastructure sector.
- Providing benchmarking and reporting on Commonwealth investment, based on a range of equity and economic measures in addition to population.

IA could also consider more comprehensive engagement with other global infrastructure bodies, particularly for sharing lessons learned.

On behalf of the Victorian Government, Mr Jeremi Moule, Secretary, Department of Premier and Cabinet (Vic), together with other senior officials, would welcome the opportunity to meet with the Review team and discuss in more detail the points made in this submission.