# **Independent review of Infrastructure Australia**

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## List of acronyms

Acronym	Definition			
AAO	Administrative Arrangements Order			
ALP	Australian Labor Party			
ARENA	Australian Renewable Energy Agency			
ASL	Average Staffing Level			
CEFC	Clean Energy Finance Corporation			
CEO	Chief Executive Officer			
CIS	Capital Intentions Statement			
CSU	Cities and Suburbs Unit			
DCA	Delivery Confidence Assessment			
DITRDCA	Department of Infrastructure, Transport, Regional Development, Communications and the Arts			
IA	Infrastructure Australia			
IA Act	Infrastructure Australia Act 2008 (Cth)			
I-bodies	Infrastructure bodies			
ICA	Infrastructure and Commercial Advisory Office			
IID	Infrastructure Investment Division			
IPL	Infrastructure Priority List			
NAIF Northern Australia Infrastructure Facility				
OECD	Organisation for Economic and Co-operative Development			
PC	Productivity Commission			
PCR	Post Completion Review			
PM&C	Department of the Prime Minister and Cabinet			
RDA	Regional Development Australia			
SoE	Statement of Expectations			
SPIDO	Significant Projects Investment Delivery Office			
UK IPA	United Kingdom Infrastructure and Projects Authority			
UK NIC	United Kingdom National Infrastructure Commission			

## Executive summary, findings and recommendations

## **Executive summary**

On 22 July 2022, the Australian Government announced an independent review of Infrastructure Australia (the Review). The Review was commissioned to consider Infrastructure Australia's role as an independent advisor to the Australian Government on nationally significant infrastructure priorities and advise on what changes may be needed to enhance Infrastructure Australia's focus, priorities and, if necessary, legislation. The purpose of the Review is to ensure Infrastructure Australia is positioned to achieve its core purpose – to provide quality, independent cross sectoral advice to the Australian Government on nationally significant infrastructure that supports the economy, builds the nation and addresses the challenges and opportunities of the future.

The formation of Infrastructure Australia in 2008 was a significant national investment reform which, in combination with successive Australian Governments' investment strategies, has seen a significant improvement in Australia's national planning and investment assessment processes. The Infrastructure Australia model continues to be well regarded as international best practice in national infrastructure strategic planning, project assessment and assurance processes. Since 2011, the states and territories have all moved to put in place more effective and transparent investment plans, business cases, and project development and project assurance processes.

The next two decades will require another significant lift in the performance of our national investment planning and project selection, as investment capital will be more constrained and the challenges that will have to be met become more complex. The Australian Government has committed to a multi-decade structural economic reform program to meet the nation's climate, jobs, investment and productive capacity targets, which will require both large amounts of new capital investment and significant changes to how investment across utility sectors will need to take place. This cannot be met based on the current product suite of Infrastructure Australia and its operations.

The key issue the Review has acknowledged is getting the balance right between the independence of expert investment advice to the Government, and the influence of that advice in government decision making processes, given the range of public bodies now advising the Commonwealth on investments.

The Review heard strong support for the Australian Government having access to the expert analysis and advice Infrastructure Australia can, and should, provide. However, Infrastructure Australia has, in the past few years, been undervalued, poorly tasked and directed by government. This had made the organisation not as effective and influential as it should have been in terms of getting the right investments in place for the nation.

The Review found a clear mandate is required to strengthen Infrastructure Australia's role in the Commonwealth infrastructure eco-system. Infrastructure Australia's mandate should be defined as the Australian Government's national advisor on infrastructure investment planning and prioritisation.

In recommending a clear mandate for Infrastructure Australia moving forward, the Review found a revision of Infrastructure Australia's core roles was required. In positioning Infrastructure Australia as the expert advisor and coordinator of national infrastructure investment planning and investment analysis, the Review recommended Infrastructure Australia's core roles be revised as follows:

- An improved product suite that directly addresses government infrastructure investment objectives.
- An improved assurance and project assessment process for Commonwealth investments that supports
  the nation's long-term objectives, while acknowledging state and territory infrastructure assessment
  expertise and capabilities.

Independent review of Infrastructure Australia

<sup>&</sup>lt;sup>1</sup> C King, <u>Independent review to rejuvenate Infrastructure Australia</u> [media release], Australian Government, 22 July 2022, accessed 22 July 2022.

- Timely prioritisation of the right projects that the nation needs.
- Empowerment to undertake independent research and inquiries into specific topics (at the request of the Australian Government or self-initiation) as it relates to infrastructure, and having regard to the infrastructure investment objectives of the Australian Government.

### **Key findings**

The Review made five key findings, as outlined below.

**Key finding 1**: Infrastructure Australia requires a clear mandate and must be empowered to carry out that mandate.

**Key finding 2**: Infrastructure Australia's assurance role and assessment responsibilities must also be revised in order to recognise and enhance its value as the national advisor to the Australian Government. This includes a reconsideration of what is regarded as 'nationally significant' infrastructure.

**Key finding 3**: To carry out its mandate, Infrastructure Australia requires a strong governance framework to realise its full value and potential.

**Key finding 4**: Infrastructure Australia's revised mandate will require a rethink of the responsibilities of other Commonwealth agencies also involved in infrastructure planning, project funding and financing, and project advice.

**Key finding 5**: Infrastructure Australia has been sidelined by governments in recent times. Accordingly, its ability to inform and influence the Government on infrastructure matters has waned.

#### Recommendations

From these key findings, the Review made 16 recommendations and one comment for the Government's consideration:

#### **Recommendation 1**

The Review recommends Infrastructure Australia's mandate be defined as 'the Australian Government's national advisor on national infrastructure investment planning and project prioritisation'. This should include advising the Australian Government on its strategies and priorities to invest in transport, water, communications, energy, social and economic infrastructure.

The Review recommends this mandate be defined in the IA Act.

#### Recommendation 2

The Review recommends that to support Infrastructure Australia's mandate, the Australian Government formally issues a Charter of Infrastructure Investment Objectives, which outlines the Government's national infrastructure investment objectives and intended performance standards. To provide long-term certainty and guidance, the Review recommends this Charter be issued on a five yearly basis ahead of the refresh of the Infrastructure Plan.

The Review recommends the requirement for this Charter be formalised in the IA Act.

#### Recommendation 3

The Review recommends that Infrastructure Australia's existing product suite be refined to better support government infrastructure investment objectives and to inform the budget process.

#### Recommendation 4

The Review recommends that Infrastructure Australia also provides two new annual statements to the Australian Government to inform the annual budget process on infrastructure investment, and report on the performance outcomes being achieved from the investment program and the existing project initiatives.

The Review recommends that the Government consider tabling these annual products in the interests of transparency and accountability.

#### **Recommendation 5**

The Review recommends that there is a requirement within the IA Act that the Australian Government must formally, and publicly, respond to Infrastructure Australia's advice, findings and recommendations within six months.

#### **Recommendation 6**

The Review recommends that Infrastructure Australia's remit be expanded to include social infrastructure (where it is relevant to the infrastructure investment project, or place and precinct in question) as well as future investment challenges where Infrastructure Australia's position as the national advisor best enables it to incorporate those challenges in its advice and analysis.

#### **Recommendation 7**

The Review recommends that Infrastructure Australia develops a national planning and assessment framework, providing uniform guidelines based on best practice to support national consistency and coordination in infrastructure assessment. This work must have regard to and build in the broader government infrastructure objectives as outlined in the Charter and the Plan.

#### **Recommendation 8**

The Review recommends that Infrastructure Australia's role in the project assessment context becomes one of accreditation or peer-review, acknowledging that many state and territories have developed their own project assessment capabilities. Such arrangements should apply across all projects, including those involving Commonwealth investments of over \$250 million or recognised as 'nationally significant'.

Where a state or territory framework does not provide the necessary assurance or have not been accredited and the project involves Commonwealth investments of over \$250 million or is recognised as 'nationally significant', Infrastructure Australia will undertake a full assessment. Infrastructure Australia's assessment must be against the Charter objectives and strategies as outlined in the Plan.

#### **Recommendation 9**

The Review also recommends that, reflecting Infrastructure Australia's role as the national advisor, it adopts a much more active role in the post-completion stage through having a clear national evaluation and assurance role against the Charter and Plan.

#### **Recommendation 10**

The Review recommends the formation of an I-bodies council to enable better collaboration and coordination between Infrastructure Australia and state and territories. This formation could be formalised in the IA Act or be made a sub-committee of the Board (see also 'An appropriate Board and governance model').

#### **Recommendation 11**

The Review recommends the definition of 'national significance', in the context of project assessment, is revised to include both the \$250 million monetary threshold figure as well as a list of non-monetary metrics, including factors as outlined in the five yearly Charter and/or a supplementary SoE.

#### **Recommendation 12**

The Review recommends that Infrastructure Australia be provided powers to undertake formal inquiries into national infrastructure investment topics, and supporting powers to enable it to carry out such inquiries. Matters may be referred by the Minister or may be undertaken by Infrastructure Australia, on its own initiative and in line with its Charter.

The IA Act should be amended to include similar provisions such as those in Parts 2, 3 and 4 of the *Productivity Commission Act 1998* (Cth) outlining the formal inquiry role and necessary functions and powers required perform this function.

In performing its commission and inquiry functions, Infrastructure Australia should have regard to matters including 'national significance', infrastructure investment, collaboration and coordination with state and territory projects and I-bodies, and engagement with the private sector.

A copy of the Infrastructure Australia inquiry report should be tabled in each House of Parliament within 25 sitting days of that House, and after the day the Minister has received the report.

The Government must formally respond to the report and findings of Infrastructure Australia.

#### **Recommendation 13**

The Review recommends the Government consider the three structure governance model options as discussed above to strengthen the role and influence of Infrastructure Australia through its governance framework. The Review notes its preferred model is that of a **commission model** (option 2). The commission would be formed to lead the agency as well as have power to undertake inquiries on topics, as discussed in the section on Infrastructure Australia inquiry powers.

#### **Recommendation 14**

The Review recommends the establishment of a Cities and Suburbs Unit within Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA).

#### **Recommendation 15**

The Review recommends that the Government clearly delineate the roles and responsibilities of Infrastructure Australia vis-a-vis other Commonwealth infrastructure bodies, including Infrastructure and Commercial Advisory Office and DITRDCA (Infrastructure Investment Division and Significant Projects Investment Delivery Office). This should include investigating options for closer collaboration to provide each other mutual support in carrying out their respective roles, as advisors on infrastructure matters to the Australian Government.

#### **Recommendation 16**

The Review recommends that Infrastructure Australia be placed within either Department of Prime Minister and Cabinet or the Department of Treasury, through changes to the Administrative Arrangements Order.

Should the Government decide not to support Recommendation 16, the Review strongly urges the Government to consider the option of including the Secretaries of these two central agencies on the Infrastructure Australia Board as ex officio members, as discussed in 'An appropriate Board and governance model'.

#### For government consideration

The Review urges the Australian Government consider, especially from the asset maintenance, management and resilience building perspective, how to utilise the existing Regional Development Australia structure to enhance coordination and collaboration with local government and support their program delivery responsibilities.

## Background: independent review of Infrastructure Australia

On 22 July 2022, the Australian Government announced an independent review of Infrastructure Australia (the Review). The Review was commissioned to consider Infrastructure Australia's role as an independent advisor to the Australian Government on nationally significant infrastructure priorities and advise on what changes may be needed to enhance Infrastructure Australia's focus, priorities and, if necessary, legislation. The purpose of the Review is to ensure that Infrastructure Australia is positioned to achieve its core purpose – to provide quality, independent cross sectoral advice to the Australian Government on nationally significant infrastructure that supports the economy, builds the nation and addresses the challenges and opportunities of the future.

#### Terms of Reference for the Review

- 1. The Review will examine Infrastructure Australia's role as an independent advisor to the Australian Government on nationally significant infrastructure priorities, and its capacity to deliver on this role.
- 2. The Review will make recommendations on reforms that may be required to ensure Infrastructure Australia is able to fully deliver on its responsibilities, including but not limited to:
  - a. Functions
    - i. the advice and products for which Infrastructure Australia is responsible, and whether these remain fit-for purpose
    - ii. how Infrastructure Australia's work relates to the work of state-level infrastructure bodies, and
    - iii. how Infrastructure Australia's work addresses the priorities and requirements of the Australian Government.
  - b. Governance and administration
    - i. the optimal size, mandate, responsibilities, and composition of the Infrastructure Australia Board, including the experience, skills, and expertise of members
    - ii. whether Infrastructure Australia's administrative arrangements are appropriate to support delivery of its role and functions, and
    - iii. Infrastructure Australia's relationship with the responsible Minister.
  - c. Legislation
    - i. any legislative changes that may be required.
- 3. The Review will be conducted by independent Reviewers and supported by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts.
- 4. The Review will provide a report to the Minister for Infrastructure, Transport, Regional Development and Local Government.

<sup>&</sup>lt;sup>2</sup> C King, *Independent review to rejuvenate Infrastructure Australia* [media release], Australian Government, 22 July 2022, accessed 22 July 2022.

#### Reviewers

The Australian Government appointed Ms Nicole Lockwood and Mr Mike Mrdak AO to lead the Review. Both Ms Lockwood and Mr Mrdak have strong backgrounds in the infrastructure sector, with complementary skill sets and a range of perspectives developed through the private and public sectors respectively.

#### **Nicole Lockwood**

Ms Lockwood is the Chair of Infrastructure Western Australia, a previous board member of Infrastructure Australia, and is currently a member of a number of social and infrastructure boards including NBN Co.

#### Mike Mrdak AO

Mr Mrdak is Executive Chair of NEC Australia and New Zealand and Chair of Airport Development Group Pty Ltd. He is a former Secretary of the Department of Infrastructure and Regional Development, and of the Department of Communications and the Arts.

#### Consultation

As part of the consultation process, submissions were sought from key stakeholders in the infrastructure sector to understand views, experience and expectations for the future of Infrastructure Australia. Submissions were also open to all persons with an interest in the Review, with a dedicated Review page on the Department of Infrastructure, Transport, Regional Development, Communications and the Arts' (DITRDCA) website.<sup>3</sup> A set of guiding questions were provided to assist in the consultation process.<sup>4</sup> The Reviewers developed the questions to initiate discussion, and welcomed all feedback, including on matters not covered in the questions.

The Review received 59 submissions. Submissions will be published on DITRDCA's website in due course, unless authors requested otherwise. As a result of the feedback received in submissions, the Review facilitated a series of one on one and group workshop sessions in order to explore the feedback and test ideas for reform. Forty meetings were held, with approximately 140 participants across government and industry.

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<sup>&</sup>lt;sup>3</sup> Department of Infrastructure, Transport, Regional Development, Communications and the Arts (DITRDCA), <u>Independent</u> Review of Infrastructure Australia, DITRDCA website, n.d., accessed 1 August 2022.

<sup>&</sup>lt;sup>4</sup> DITRDCA, <u>Infrastructure Australia Review Guiding Questions</u>, Independent Review of Infrastructure Australia, n.d., accessed 1 August 2022.

## Infrastructure Australia: history and current state of play

### Original purpose and establishment

In the lead up to the 2007 election, the Australian Labor Party (ALP) committed to establishing a national body, Infrastructure Australia, to develop a coordinated and objective approach to longer-term planning of nationally significant infrastructure. Infrastructure Australia would be responsible for developing a strategic blueprint for Australia's infrastructure needs and facilitating its implementation, in partnership with the states and territories, local government, and the private sector.

Following the ALP's election in November 2007, the Infrastructure Australia Bill was introduced to Parliament in February 2008 by the then Minister for Infrastructure, Transport, Regional Development and Local Government, the Hon Anthony Albanese MP. In his Second Reading speech, the Minister made the following comments:<sup>6</sup>

- Nation-building requires the cooperation of all Australian governments particularly in a federal political system like ours, with its divided responsibilities as well as the involvement of all sectors of the economy, both public and private. Put simply, nation-building requires coordinated solutions.
- Industry and the investment community need the certainty in planning and evaluation that guarantees good returns, both in profits and the benefits delivered to the community.
- Infrastructure investment needs to be determined objectively and according to long-term need, not short-term political interests, thereby creating an environment conducive to greater private investment in public infrastructure.

The Infrastructure Australia Bill was passed by the Parliament and Infrastructure Australia was established in April 2008 by the *Infrastructure Australia Act 2008* (IA Act).

The IA Act established Infrastructure Australia as a statutory advisory council (Infrastructure Australia Council) with 12 members drawn from industry and government, and appointed by the responsible Minister. Infrastructure Australia was tasked with developing long-term solutions for infrastructure bottlenecks and investment in the nation's transport, water, energy and communication assets.

The IA Act also established a new statutory office of the Infrastructure Coordinator within the then Department of Infrastructure, Transport, Regional Development and Local Government, supported by a secretariat comprised of departmental employees. The Infrastructure Coordinator was also appointed by the Minister on a full-time basis for a period not exceeding five years. The Infrastructure Coordinator and secretariat supported the Infrastructure Australia Council in performing its functions.

Infrastructure Australia was required to:

- conduct audits of nationally significant infrastructure
- develop an Infrastructure Priority List (IPL) to guide public and private investment
- provide advice on regulatory reforms that would improve the utilisation of infrastructure networks.

Infrastructure Australia released its first IPL in May 2009, after assessing more than 1000 possible infrastructure projects. That IPL was released within a document titled <u>National Infrastructure Priorities:</u>

Infrastructure for an economically, socially and environmentally sustainable future.<sup>7</sup>

<sup>&</sup>lt;sup>5</sup> Australian Labor Party, National Platform and Constitution 2007, April 2007.

<sup>&</sup>lt;sup>6</sup> Minister for Infrastructure, Transport, Regional Development and Local Government, Infrastructure Australia Bill 2008, Second Reading Speech, House of Representatives, 21 February 2008.

<sup>&</sup>lt;sup>7</sup> Infrastructure Australia, <u>National Infrastructure Priorities: Infrastructure for an economically, socially and environmentally sustainable future, Infrastructure Australia</u>, May 2009, accessed 30 September 2022.

### Governance, structure and functions

In 2014, amendments to the IA Act re-established Infrastructure Australia as a Corporate Commonwealth Entity under the *Commonwealth Authorities and Companies Act 1997*, which made it legally and financially separate from the Commonwealth. The amendments created a Chief Executive Officer (CEO) position that reports to a 12 person Board, effectively replacing the Infrastructure Coordinator role and the Infrastructure Australia Council.

The IA Act sets out Infrastructure Australia's functions and appointment requirements for the Board and CEO. Under the IA Act, the Infrastructure Australia Board comprises 12 members, including a Chair, appointed by the responsible Minister by written instrument. Nine members, including the Chair, are nominated by the Australian Government, and three members are nominated by agreement between the states and territories.

The IA Act requires Board members to have knowledge of, or experience in, a field relevant to Infrastructure Australia's functions. At least five members, including the Chair, must have relevant private sector experience, and at least one member must have acquired experience in local government.

The functions of the Infrastructure Australia Board are:

- to decide the objectives, strategies and policies to be followed by Infrastructure Australia
- to ensure the proper, efficient and effective performance of Infrastructure Australia's functions
- any other functions conferred on the Board by the IA Act.

The CEO is appointed by the Board. Similar to other government boards, the CEO position is responsible for implementing the Board's strategic objectives. Remuneration for Board members and the CEO is determined by the Remuneration Tribunal.

At the time of writing, Infrastructure Australia has an Average Staffing Level (ASL) of 29 and is seeking to recruit an additional 10 positions. Staffing numbers fluctuate to accommodate key tasks such as the Australian Infrastructure Audit (the Audit) and the Australian Infrastructure Plan (the Plan) utilising consultants and contract staff. Staff may be engaged under the *Public Service Act 1999* (Cth) or by written agreements. Infrastructure Australia may also engage consultants to assist in the performance of its functions.

Section 5 of the IA Act sets out Infrastructure Australia's functions, including to:

- conduct infrastructure audits of nationally significant infrastructure
- develop Infrastructure Priority Lists that prioritise Australia's infrastructure needs
- evaluate proposals for investment in, or enhancements, to nationally significant infrastructure
- develop long-term Infrastructure Plans
- provide advice to the Minister, Australian Government, state, territory and local governments, investors
  in infrastructure and owners of infrastructure on matters relating to infrastructure.

In addition, the responsible Minister may give written directions to Infrastructure Australia about the performance of its functions. Directions must be of a general nature, and must not be about the content of any audit, list, evaluation, plan or advice to be provided by Infrastructure Australia.

It has been a long-standing government practice that the responsible Minister issues a Statement of Expectations (SoE) to statutory agencies. The SoE provides greater clarity about government policies and objectives relevant to Infrastructure Australia, including the policies and priorities it is expected to observe in conducting its operations. The SoE recognises Infrastructure Australia's independence and is not a direction, as defined by the IA Act.

### **Operating context**

Since Infrastructure Australia was first established in 2008, the infrastructure policy environment has changed substantially, with a growing number of bodies providing advice on infrastructure matters to all levels of government. Over the last decade, the Australian Government and state and territory governments have invested significantly in building their infrastructure investment planning and development capabilities.

Beginning with Infrastructure NSW in 2011, most state and territory governments have now established their own infrastructure advisory bodies, or I-bodies. These I-bodies vary in terms of their structure, governance and remit, but many perform similar functions to Infrastructure Australia, such as developing long-term infrastructure strategies and plans, assessing business cases, and providing policy and investment advice on infrastructure matters in their respective jurisdiction (see <a href="Appendix A">Appendix A</a> for a comparison of current state and territory I-bodies).

At the federal level, a number of bodies have been established whose functions now overlap with some of the initial work envisaged in the original Infrastructure Australia model. The Infrastructure and Commercial Advisory Office (ICA) was established on 1 July 2017 to assist in the identification, development and assessment of innovative financing options for investment in major infrastructure projects. ICA provides federal agencies with commercial and financial advisory services across all phases of a project's lifecycle, from business case to procurement and delivery. ICA is a distinct office within the Commonwealth Department of the Treasury.

At the 2021–22 Federal Budget, the Significant Projects Investment Delivery Office (SPIDO) was established within DITRDCA to support the delivery of nationally significant infrastructure projects. SPIDO collaborates with state and territory governments, industry bodies and businesses to identify, coordinate and drive projects that are complex and require an innovative approach, are more than \$1 billion dollars and/or have the potential for positive revenue generation across the lifecycle.

The Australian Government has committed to a large investment program over the next 10 years with the objective of lifting national performance and productivity, and improving services to communities. Additionally, the Commonwealth has a large multi-year defence and national security infrastructure investment program which has significant place and regions impacts on market skills, capacity and capability. Such impacts may be enhanced with concerning effects if these programs are not aligned effectively with state and local planning and investment programs, especially in housing, social infrastructure and utilities provisioning required to support defence investment. The Review was advised by a number of parties that the defence civil investment program needs to be better strategically planned and coordinated with governments' broader infrastructure investment programs, to ensure effective delivery and alignment in market capacity and value for money investment.

The Australian Government has also formed a number of specific investment planning and investment delivery agencies, including substantial investment funding agencies. These include the Australian Renewable Energy Agency (ARENA), Clean Energy Finance Corporation (CEFC) and the Northern Australia Infrastructure Facility (NAIF) which have a mandate for national infrastructure investment and dedicated funding programs and investment funds. These agencies and funding programs are not within an integrated national planning, investment and project decision making process or a coordinated project assurance process.

Importantly, the Australian Government has committed to a multi-decade structural economic reform program to meet the nation's climate and productive capacity targets, which will require both large amounts of new capital investment and significant changes to how investment across utility sectors will need to take place.

During the course of the Review, the Australian Government introduced the *Climate Change (Consequential Amendments) Act 2022*, along with the *Climate Change Act 2022*, which makes consequential amendments to 14 Acts, including the IA Act. The *Climate Change (Consequential Amendments) Act 2022* embeds Australia's greenhouse gas emissions reduction targets into the functions of a range of Commonwealth agencies and schemes, ensuring those agencies and schemes help deliver on the targets. Consequential amendments made

to the IA Act by the *Climate Change (Consequential Amendments) Act 2022* took effect from 14 September 2022 and require Australia's greenhouse gas emissions reduction targets to be considered by Infrastructure Australia when conducting audits of nationally significant infrastructure, developing plans, and in exercising advisory functions.

## Infrastructure Australia: mandate and core roles

Key finding: Infrastructure Australia requires a clear mandate and must be empowered to carry out that mandate.

The Review heard strong support for Infrastructure Australia remaining as an independent national advisor to the Australian Government, and the importance of the Australian Government having access to the expert analysis and advice of this body.

The key issue is to get the balance right between the independence of expert investment advice to government, and the influence of that advice in government decision making processes, given the range of public bodies now advising the Commonwealth on investments.

An equally strong concern was that the current purpose of Infrastructure Australia was unclear, especially with the creation and development of capabilities and expertise of state and territory I-bodies. Infrastructure Australia was described as a 'passive assessor', and a 'reactive agency' whose advice to government has not been appropriately considered and applied by government before making infrastructure investment decisions. There was concern about the lack of genuine influence that Infrastructure Australia had, and that the balance may have tipped too much in favour of independence, leaving Infrastructure Australia assessing relatively minor project proposals, being disconnected, and generally at the periphery of government investment planning and decision making.

A clear mandate is required to strengthen Infrastructure Australia's role in the Commonwealth infrastructure eco-system. Infrastructure Australia's mandate should be defined as 'the Australian Government's national advisor on national infrastructure investment planning and project prioritisation'. To achieve this, Infrastructure Australia should adopt a top down, high-level view in preparing its advice, considering and responding to issues that are cross-jurisdictional, cross-sectoral and of 'national significance' (see discussion on 'nationally significant'). Infrastructure Australia's core role should reflect a national, integrated view (supported by state and territory I-bodies), and focus on linkages and analysis across sectors and jurisdictions, to ensure the Commonwealth's infrastructure priorities are delivered and decision-making structures operate effectively. This should include an expanded future role in coordinated cross-sector planning and investment advice; for the Australian Government to address national priorities in meeting carbon reduction targets, energy transformation, the circular economy, resilience and national infrastructure systems performance.

#### Recommendation 1

The Review recommends Infrastructure Australia's mandate be defined as 'the Australian Government's national advisor on national infrastructure investment planning and project prioritisation'. This should include advising the Australian Government on its strategies and priorities to invest in transport, water, communications, energy, social and economic infrastructure.

The Review recommends this mandate be defined in the IA Act.

Figure 1: Infrastructure Australia mandate and core roles



As part of redefining its mandate as the national infrastructure advisor, the Review recommends Infrastructure Australia's broad responsibilities focus on two areas: advice and <u>assurance</u>.

## Advice: an improved product suite to support Australian Government infrastructure investment objectives

Whilst valuable to those with day-to-day resources in which to comprehend them, these reports tend to be more observational rather than advocacy documents. Put another way, [Infrastructure Australia] presents a snapshot of important industry insights for the future of Australia's infrastructure industry, but rarely impacts on the outcomes of ultimate market transactions.

**Australian Owned Contractors** 

The IA Act outlines the functions of Infrastructure Australia, including a core set of products and publications to be delivered. Section 5 of the IA Act states that Infrastructure Australia is to conduct **audits** to determine the adequacy, capacity and condition of nationally significant infrastructure; to develop an **Infrastructure Priority List** based on these audits; and to develop **Infrastructure Plans**. Section 5B of the IA Act outlines that the Infrastructure Plans must specify priorities for nationally significant infrastructure for a period of 15 years from when they are prepared, and outline productivity gains and a cost benefit analysis (amongst other things). An Infrastructure Plan must be prepared every five years and must be published on Infrastructure Australia's website within 14 days of the Plan being given to the Minister.

A further current core function for Infrastructure Australia is to evaluate infrastructure proposals, in accordance with section 5A of the IA Act. In practice, this serves two purposes, to assess the potential for proposals to be added to the IPL for future investment and to assess projects as part of an Australian Government funding approvals process. The latter assurance role is applied through the Minister's SoE to Infrastructure Australia, and comes about through requirements under the National Partnership Agreement on Land Transport Infrastructure Projects and other funding agreements with the states and territories where more than \$250 million is sought from the Australian Government. The output is an evaluation summary that is used to inform final funding decisions by the Australian Government. DITRDCA identified to the Review that it performs its own project evaluation as part of the funding approval process. The Infrastructure Australia evaluation ensures there is independent assurance for high value investments by the Australian Government.

While the Review heard favourable views about the Audit and the Plan development processes and its recent key pieces of analysis for governments (e.g. Infrastructure Australia's 2021 Market Capacity Report), the remainder of the Infrastructure Australia product suite (in its current state) was not as well received or utilised by stakeholders. Most concerningly, many stakeholders did not understand the purpose of these products. The IPL was frequently criticised, with stakeholders noting it was disconnected from Infrastructure Australia's other products; described as a 'menu' of options for the Australian Government without any prioritisation; and a 'dumping ground' for projects where proponents were simply seeking to bid for federal funding. Feedback on the Audit and the Plan indicated they were mostly thematic observations for further investigation and commentary, rather than providing any clear objectives, intended outcomes or recommended proposals or projects.

More generally, Infrastructure Australia products lacked sufficient prioritisation in their advice and were quite large and complex to navigate, thereby making accessibility and usability of the contents an issue. Submissions also observed that infrastructure investment advice from Infrastructure Australia to the Australian Government had not been properly considered or utilised in recent years in government decision making processes. Submissions, on balance, argued for improving the influence of Infrastructure Australia as an expert national advisor and improving the suite of its work and products to influence government decision making.

The Review concludes that Infrastructure Australia's products are no longer aligned to their intended purpose as outlined in the IA Act. To ensure that future Infrastructure Australia products have the most impact and relevance, the Review recommends an updated product suite framework, developed in the following sequence.

Figure 2: Infrastructure Australia's revised product suite as recommended by the Review



## Setting the context: an Australian Government Charter of Infrastructure Investment Objectives

The breadth of the provisions in the IA Act, in its current state, gives significant discretion to the Board on the scope of Infrastructure Australia's work and advice. Without guidance from the Australian Government on what the national objectives are and what should be prioritised, there is a risk that Infrastructure Australia will continue to devote its resources to work that serves little value for the Government. Global best practice is that an infrastructure planning process needs to be built on clearly defined objectives which cannot be too narrow, and which must set out the system-wide outcomes being sought.

This is not to say that infrastructure practices and processes in Australia are lacking in quality. Indeed, in their 2019 'G20 Compendium of Good Practices for Promoting Transparency in Infrastructure Development', the Organisation for Economic Co-operation and Development (OECD) highlighted existing best practices in Australia; such as inter-jurisdictional coordination and agreement of infrastructure policy, transparent decision-making and management of conflict of interests in tender and procurement settings, and a clear process in determining Public-Private Partnership models and allocation of risks.

Under current arrangements, the Australian Government seeks to provide guidance to Infrastructure Australia about the Government's priorities for its work through an SoE, issued by the responsible Minister either annually or as required. While it is a valuable means to communicate the Government's near-term priorities, it becomes problematic where the overall direction for Infrastructure Australia changes with each new SoE.

Infrastructure Australia has identified that frequent changes in strategic priorities and direction have caused confusion about its role and have required time and resources to settle the workplan and reprioritise activities. Likewise, a significant number of submissions to the Review also pointed out that government and/or ministerial objectives should guide Infrastructure Australia's policy and research work. The current SoE does not achieve this.

The Review recommends there be an **Australian Government Charter of Infrastructure Investment Objectives** (the Charter), which outlines the Government's national infrastructure investment objectives and intended performance standards. The Charter would be issued on a five yearly basis in advance of the five yearly refresh of the Plan (discussed below). Such an arrangement provides greater long-term certainty and guidance over the Government's priorities for national investment outcomes and sets a clearer purpose and relationship between Infrastructure Australia and the Government.

The Minister should develop the Charter in consultation with jurisdictions and the Infrastructure Australia Board, to ensure it represents the Government's position on future infrastructure investment objectives and considers nation-wide objectives and system needs, market influences and the economic environment. The Charter should have a statutory life and only be varied at set periods, however there would need to be a provision for the Charter to be varied in extraordinary circumstances, which are to be defined.

The Review anticipates the Charter would replace the SoE. Alternatively, the Government may wish to consider issuing a revised SoE as a supplement to the Charter. The SoE would have a shorter term focus, inviting specific pieces of advice pertinent to the challenges and opportunities for the year ahead to support the longer term objectives as outlined in the Charter. Broader strategic and infrastructure investment directions should be confined to the Charter. While different in scope, the Review observes that the United Kingdom National Infrastructure Commission (UK NIC) is guided by a Charter. For the UK NIC, the Charter is supplemented by public remit letters, to provide specific guidance on the activities to be undertaken, and a Framework Document that further details the working relationship.

A requirement could be inserted into the IA Act that there is to be a Charter, making it a statutory instrument. As well as empowering Infrastructure Australia's mandate, a legislative requirement for a Charter also encourages accountability and provides certainty for potential proponents, both public and private.

If the development of a national investment plan allowed for the coordination of the project pipeline across jurisdictions, it would greatly improve industry's capacity to deliver, given supply chain constraints and current skills shortages. It is widely recognised that the unpredictability of government infrastructure investment inhibits private sector investment in long term capacity.

Australasian Railway Association

#### **Recommendation 2**

The Review recommends that to support Infrastructure Australia's mandate, the Australian Government formally issues a Charter of Infrastructure Investment Objectives, which outlines the Government's national infrastructure investment objectives and intended performance standards. To provide long-term certainty and guidance, the Review recommends this Charter be issued on a five yearly basis ahead of the refresh of the Infrastructure Plan.

The Review recommends the requirement for this Charter be formalised in the IA Act.

## The Plan: to meet the Charter objectives requires collaboration with states, territories and proponents

The Review recommends that the first core product from Infrastructure Australia be the **Plan**, developed to reflect the Charter objectives by identifying investment gaps and outlining a specific pathway or strategy towards achieving these objectives.

The Plan would be informed by both the Charter as well as a revised **Audit**, also developed by Infrastructure Australia as part of the Plan drafting process. The Review recommends that the revised Audit be structured as a national top-down review of existing state and territory plans, strategies and projects. As well as presenting the landscape of current strategies and projects across the country and understanding existing work from a jurisdictional and/or sectoral perspective, the Audit should also recognise the expertise and capabilities of state and territory I-bodies and present an opportunity for close collaboration between Infrastructure Australia and its jurisdictional counterparts. The Audit and the Plan can then best identify national investment needs and priorities.

To allow for a balance of certainty and timely advice but also flexibility in case priorities change, the Review recommends that the Plan continue to be developed for a 15 year period and be refreshed on a five year cycle. The Plan should chart a course for the Government to deliver on the priorities and objectives set out in the five year Charter, focusing on whole of system reforms and projects which cut across the infrastructure sub-sectors.

#### Improving investment decisions: a meaningful IPL

The Review recommends the second core product from Infrastructure Australia would be a revised, meaningful **IPL**. As part of developing the IPL, the Review recommends Infrastructure Australia should develop a standing expression of interest (EOI) process, inviting proponents to submit projects and programs that address the Charter and Plan outcome priority areas.

The IPL would be comprised of projects responding to this EOI that Infrastructure Australia identifies as satisfying the threshold test of meeting the Charter outcomes and objectives, and the revised definition of 'nationally significant' (see 'nationally significant' infrastructure), ranked in order of priority. The IPL should also reflect the findings from the Audit and recommendations from the Plan.

Overall, this should result in a sustainable, targeted pipeline of infrastructure investment projects for forward planning, as informed by the Government's objectives and supported by robust coordination and analysis and evidence-based advice from Infrastructure Australia. This would also ensure that government expenditure on future projects is prudent, efficient and, most importantly, achieves the intended infrastructure investment objectives as outlined in the Charter.

#### **Unassessed Government announcements and commitments**

The Review identified concerns and challenges initiating from the Government announcing or committing to a project prior to receiving advice or an assessment from Infrastructure Australia, particularly in the election and budget contexts. It is anticipated that the revised product suite from Infrastructure Australia as outlined above, and further recommendations on the Infrastructure Australia assessment framework as described below, will assist in mitigating associated risks of such announcements in the future.

#### Improved influence and value: input into the budget process and annual updates

To fully utilise the value of Infrastructure Australia and its core products, the Review recommends that Infrastructure Australia has an express a role in informing and supporting the budget process and outcomes. Stakeholders were supportive of this, noting it would assist with greater transparency in funding allocations, budget commitments and project expenditures.

Infrastructure Australia's 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. 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 advisor to the Government, it must have the Government's confidence. ... [T]he 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.

Business Council of Australia

The Review recommends that as part of its core product suite, Infrastructure Australia produce two annual products towards informing the Government and input into the Commonwealth budget process: an **Annual Investment Advice Report** and an **Annual Performance Statement**. Both products would be informed by, and result from, the Charter, the Plan and the List.

#### **Annual Investment Advice Report**

The Review recommends that Infrastructure Australia provides an Annual Investment Advice Report, to the Minister and Treasurer by 1 December each year ahead of the budget process, to feed into the next budget process.

This Report would include advice from Infrastructure Australia on the prioritisation of projects from the IPL that Infrastructure Australia considers best meet the objectives of the Charter and the Plan for Commonwealth investment in the next five year period.

A similar product, which Infrastructure Australia may have regard to, is the annual <u>Capital Intentions</u> <u>Statement</u> (CIS) from Infrastructure South Australia. The CIS operates as a five-year rolling annual plan that identifies specific major infrastructure projects or programs which, in Infrastructure South Australia's assessment, should be given specific consideration or implemented in South Australia as a priority within the next five years. More relevantly, the annual CIS assessment and recommendations are 'designed to assist the South Australian Government to prioritise infrastructure and **efficiently allocate capital through the Budget process**'. The CIS focuses on projects that are:

- limited to those submitted to Infrastructure South Australia for assessment by state agencies or local councils
- generally over \$50 million in value
- contingent upon South Australian government funding (it does not include projects that are already funded in the budget).

While the Review looks favourably upon the content and purpose of the Infrastructure South Australia's CIS, the Review suggests that a more appropriate timeframe would be a 10 year rolling annual plan, similar to that of Infrastructure Western Australia's annual 10 year State Infrastructure Program.

#### **Annual Performance Statement**

The Review also recommends that Infrastructure Australia publishes an Annual Performance Statement, which reports the progress and performance of investments approved on the basis of meeting the Charter objectives, and measures the performance of these projects against the relevant objective. Options for Infrastructure Australia to refer to when drafting the Annual Performance Statement (with adjustments to reflect Infrastructure Australia's specific duties) include:

• Infrastructure NSW <u>2021 Progress Report</u>. The report draws on data from 40 major infrastructure projects across New South Wales, representing a total value of over \$23 billion, and outlines progress against the NSW 10 Point Commitment to the Construction Sector Government Action Plan.

• United Kingdom Infrastructure and Projects Authority (UK IPA) Government Major Projects Portfolio Delivery Confidence Assessment (DCA). The UK IPA arranges and manages independent assurance reviews of major government projects on a yearly basis. In its <u>Annual Report on Major Projects</u>, the UK IPA includes a DCA that assesses the likelihood of a project delivering its objectives to time and cost. Ratings are categorised into three groups ranging from 'red' to 'green', with each providing an indication of likelihood of successful delivery and level of associated risks. As the 2021–22 Report explains: DCAs are not a comprehensive reflection of project performance, but reflect a project's likelihood of success at a specific snapshot in time if issues and risks are left unaddressed. DCAs change depending on the challenges projects are facing, the results of focused independent assurance reviews and actions taken by projects. By taking the right steps following reviews and managing delivery challenges effectively, DCAs are often improved over time. 9

The Review recommends that the Government consider tabling these annual products in the interests of transparency and accountability.

#### **Recommendation 3**

The Review recommends that Infrastructure Australia's existing product suite be refined to better support government infrastructure investment objectives and to inform the budget process.

#### **Recommendation 4**

The Review recommends that Infrastructure Australia also provides two new annual statements to the Australian Government to inform the annual budget process on infrastructure investment, and report on the performance outcomes being achieved from the investment program and the existing project initiatives.

The Review recommends that the Government consider tabling these annual products in the interests of transparency and accountability.

#### Improved accountability: Government response

During consultation with state agencies and I-bodies, stakeholders identified several occasions in the past five years where Infrastructure Australia's work had not been formally considered or in any way responded to by former governments. Stakeholders particularly lamented the failure of the Australian Government to respond or implement one of the few key recommendations from the 2021 Australia Infrastructure Plan to deliver improved infrastructure outcomes for Australia.

A formal response from the Federal Government to IA's 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 advisor.

Infrastructure Sustainability Council

To strengthen Infrastructure Australia's influence in advising the Government, and ensure its products and advice have been appropriately considered prior to a decision, the Review recommends a formal requirement be introduced in the IA Act that the Australian Government must respond to the advice, findings and recommendations of Infrastructure Australia resulting from its core roles and products within a recommended timeframe of six months.

<sup>&</sup>lt;sup>8</sup> UK Infrastructure and Projects Authority, <u>Annual Report on Major Projects 2021-22</u>, UK Infrastructure and Projects Authority, July 2022, accessed 30 September 2022.

<sup>&</sup>lt;sup>9</sup> UK Infrastructure and Projects Authority, <u>Annual Report on Major Projects 2021-22</u>, UK Infrastructure and Projects Authority, July 2022, accessed 30 September 2022.

#### Recommendation 5

The Review recommends that there is a requirement within the IA Act that the Australian Government must formally, and publicly, respond to Infrastructure Australia's advice, findings and recommendations within six months.

## Infrastructure Australia, social infrastructure and future investment challenges

Reflecting its role as national advisor, the Review believes that Infrastructure Australia is in a strong position to identify policy and investment linkages between different infrastructure sectors, including that of social infrastructure. Under current legislation, Infrastructure Australia is to consider investment opportunities across the transport, energy, communications and water infrastructure sectors (under the umbrella of 'nationally significant' infrastructure). The Review heard strong support from stakeholders that Infrastructure Australia's advice and assurance responsibilities should extend to include that of social infrastructure, especially where it involves precincts or place-based investments, or will have an impact on the core roles and functions of Infrastructure Australia.

The reintroduction of social infrastructure to Infrastructure Australia'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.

Infrastructure Western Australia

[Infrastructure Australia should] broaden their scope into all aspects and classes of infrastructure – including social infrastructure – and recognise the importance of the spatial planning context of infrastructure projects and programs. Programs and projects should address revealed community needs and achieve joined up results for supply chains, industries, cities or places.

Planning Institute of Australia

Given its ability to undertake a broader oversight and national coordination, there was also strong support for Infrastructure Australia's work to consider and integrate the future investment challenges such as national decarbonisation, productivity and sustainability.

Infrastructure Australia can be the driving force behind Australia's net zero infrastructure future, by playing a leading role in determining what Australia's asset portfolio and pipeline should look like to accelerate and achieve the transition to net zero. Through the guidance and assessments it provides, Infrastructure Australia shapes the infrastructure future of Australia from the very start of the infrastructure lifecycle. In doing so, Infrastructure Australia has the opportunity to ensure all projects submitted effectively contribute and do not endanger Australia's greenhouse gas emissions reduction targets. Climateworks Centre

As part of considering how to integrate these challenges in its work moving forward, Infrastructure Australia may wish to consider the UK IPA <u>Transforming Infrastructure Performance: Roadmap to 2030</u> report. The report identifies five focus areas (including place-based regeneration and delivery, social infrastructure and achieving net zero greenhouse gas emissions) to change interventions in the built environment and apply a whole system view to decision making.

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<sup>&</sup>lt;sup>10</sup> Section 3, Infrastructure Australia Act 2008 (Cth).

#### Recommendation 6

The Review recommends that Infrastructure Australia's remit be expanded to include social infrastructure (where it is relevant to the infrastructure investment project, or place and precinct in question) as well as future investment challenges where Infrastructure Australia's position as the national advisor best enables it to incorporate those challenges in its advice and analysis.

### **Engagement with local governments**

Throughout the Review, there were references to the work of local governments and the importance of Infrastructure Australia's engagement with governments at the local level. The Review heard concerns about the lack of national focus and attention on local government infrastructure, including asset management and investing and maintaining the large asset base which local government has responsibility for. Examples were provided of the need for national strategies on asset management, maintenance, resilience building and the significant task of reconstruction after climatic events, which often leave local governments to struggle with multi-billion dollars' worth of infrastructure backlog.

The Review acknowledges the vital work of local governments and agrees that that there must be a refocus on local government infrastructure responsibilities. However, the Review also notes the existing role of Regional Development Australia (RDA), administered by DITRDCA, to work with all levels of government to support, amongst other topics, local procurement, strategic regional planning and inform government programs and infrastructure investments to support the development of regional Australia. The Review supports the need for a stronger focus on and prioritisation of local government infrastructure responsibilities, especially where such programs address the Charter objectives or meet the national significance criteria. Accordingly, the Review strongly urges the Australian Government to consider, especially from the asset maintenance, management and resilience building perspective, how to utilise the existing RDA structure to enhance coordination and collaboration in regions with local government and support their program delivery responsibilities.

#### For government consideration

The Review urges the Australian Government consider, especially from the asset maintenance, management and resilience building perspective, how to utilise the existing RDA structure to enhance coordination and collaboration with local government and support their program delivery responsibilities.

## Recognising the value of Infrastructure Australia

Key finding: Infrastructure Australia's assurance role and assessment responsibilities must also be revised in order to recognise and enhance its value as the national advisor to the Australian Government. This includes a reconsideration of what is regarded as 'nationally significant' infrastructure.

From the above discussion of Infrastructure Australia's core roles, the Review also considered how to best realise the value of Infrastructure Australia, including enhancing its assurance role and assessment responsibilities.

## Assurance: Infrastructure Australia's role in the assessment process

There has been a significant improvement in the national infrastructure planning and project selection processes across the country since Infrastructure Australia was established in 2008.

As discussed earlier, with the maturity of state and territory infrastructure bodies and state and territories undertaking their own long-term strategic planning and project assessments, there is a legitimate question about the role of Infrastructure Australia in project assessment on behalf of the Australian Government. As noted in the discussion of Infrastructure Australia's core role, the Australian Government requires, through certain funding agreements, that project business cases be evaluated by Infrastructure Australia.

The assessment framework used by Infrastructure Australia to evaluate the merit of projects is based on the best practice Australian Transport Assessment and Planning (ATAP) Guidelines, which is also used by state and territory I-bodies to design their own frameworks. Infrastructure Australia advises it has sought to align its framework with these as far as possible. The assessment framework considers the strategic fit of projects with announced infrastructure plans and objectives, their societal impact and deliverability. The Review heard deliverability assessment is particularly valuable for informing the Australian Government's final funding assessment, given Infrastructure Australia's ability to get different insights. The deliverability assessment considers the maturity of project design and costs, market capability and capacity, risks, governance, procurement models, and funding and financing.

A number of submissions, particularly from those jurisdictions whose infrastructure bodies had an active role in business case assessment, called for a readjustment to Infrastructure Australia's role in the assessment of projects to avoid duplication of state and territory efforts and potential competing interests, and for Infrastructure Australia to focus on projects of national significance. State agencies and I-bodies identified several areas of overlap between Infrastructure Australia's functions and their own remit, which has led to duplication of effort and work. As well as states and territories having their own respective strategies and plans, another area of concern was assurance processes for infrastructure project proposals. As states now have their own established assurance processes, submitting proposals for further review by Infrastructure Australia was viewed as unnecessarily burdensome by some stakeholders. The expertise that now exists across Australia's infrastructure sector provides opportunities for Infrastructure Australia and I-bodies to leverage each other's work, and take advantage of each other's respective strengths.

States have established their own infrastructure bodies to provide expert advice on investment programs, including project selection, infrastructure policy, and project procurement and delivery, grounded in local market knowledge. States have developed strong rigour and routines for investment decision-making. Infrastructure NSW regularly engages with similar agencies in other countries which has proven useful but also revealed that Australian bodies are among leaders in infrastructure advice.

New South Wales Government

Businesses want to see clear points of responsibility and clear decision making so 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 be no 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.

Business Council of Australia

The Review met with state and territory I-bodies, who described their roles in project assessment varying from having their own self-sufficient assessment processes, to not being involved in project assessment at all (see <a href="Appendix A">Appendix A</a> for a comparison of the state and territory I-body functions). In reflecting on Infrastructure Australia's mandate, the Review recommends that Infrastructure Australia's role in the assessment framework be readjusted to that of an 'accreditor', either leveraging off existing state or territory-based assessment frameworks, or guiding states and territories to develop best practice assessment frameworks. The Review also recommends Infrastructure Australia adopt a much more active role in the post completion review (PCR) process.

Any evaluation work that remains with Infrastructure Australia must be assessed and measured against the Charter and the Plan, not as individual audits of projects.

#### Assurance, accreditation and peer review

In recognition of where state and territory I-bodies have their own assessment processes that meet the national assessment processes, the Review recommends that Infrastructure Australia's role in project assessment be clarified as follows:

- Development of a national planning and assessment framework and uniform guidelines based on best practice to support national consistency and coordination in infrastructure assessment. This work must also have regard to and build in the broader government infrastructure objectives as outlined in the Charter and the Plan.
- Leverage existing state and territory assessment frameworks through an accreditation process or bilateral arrangement where Infrastructure Australia recognises the state and territory assessment framework.
- Adopt a peer review role of state and territory assessment work as part of broader project assurance.
- Where a state or territory framework does not provide the necessary assurance or have not been accredited and the project involves Commonwealth investments of over \$250 million or is recognised as 'nationally significant' Infrastructure Australia will undertake a full assessment. Infrastructure Australia's assessment must be against the Charter objectives and strategies as outlined in the Plan.

Infrastructure Australia's accreditation and peer review arrangements should apply across all projects, including those involving Commonwealth investments of over \$250 million or recognised as 'nationally significant'.

In recognising and formally accrediting a state or territory assessment framework, the Review anticipates this will encourage general infrastructure body capability and upskilling, so that I-bodies with existing frameworks are encouraged to undertake improvement and those that do not, develop one. The proposed approach also reduces Infrastructure Australia's workload, allowing it to take on a primary focus on projects that are the subject of significant Commonwealth investment and a secondary role for proposals where a state or territory-based assurance process is sufficient.

#### Assurance in post completion reviews

Under the current Infrastructure Australia Assessment Framework, Stage 4 provides for a PCR. The process is voluntary and relies on proponents conducting their own PCR and submitting their findings to Infrastructure Australia. Stage 4 considers whether the project achieved its intended objectives, whether it delivered the benefits as described in the business case and whether the outcomes could have been achieved in a more effective and efficient way.

The Review heard significant support for Infrastructure Australia playing a stronger and more active role in conducting regular national evaluations and PCRs following the completion and delivery of projects to provide lessons learned and guidance for future project development, assessment and delivery. Submissions also supported PCRs becoming a compulsory component of the assessment process, with findings and recommendations of Infrastructure Australia being published to increase transparency and accountability as well as sharing the national 'lessons learnt'. PCR findings from Infrastructure Australia should also include an assessment decision of delivery against the Government's policies or objectives of the day.

The Review agrees with these observations, noting that such a role would be consistent with Infrastructure Australia's core role of integrated coordination, oversight of the national infrastructure eco-system and assessment against the broader national infrastructure objectives and the Plan. Such an arrangement would provide Infrastructure Australia a richer and more complete picture and data set than each jurisdiction completing their own, piecemeal review on a voluntary basis. A more active role in the post-completion stage also allows Infrastructure Australia to provide national oversight of lessons learnt, including from an investment perspective (e.g. where there is a material change in estimated costs for major infrastructure projects). While there may be sensitivities to Infrastructure Australia identifying lessons learnt in the projects of jurisdictions, the Review believes that the benefits from this work are worthwhile and that any sensitivities can be managed by focusing on system level themes.

The learnings from conducting these reviews on major projects could ultimately result in significant cost savings for future infrastructure projects, as well as improved productivity and efficiency in the delivery of projects.

Australasian Railway Association

Stakeholders suggested that as part of improving its post-completion review responsibility, Infrastructure Australia have regard to the UK IPA's <u>Project Routemap</u>. Project Routemap is the UK IPA's support tool for novel or complex major projects that helps proponents understand capabilities required to set up projects for success, capturing best practice and learning about project failures and successes from over £300 billion of capital programs. The Routemap's intended audience includes proponents and teams wanting to learn from other projects and sectors to improve delivery.

#### **Recommendation 7**

The Review recommends that Infrastructure Australia develops a national planning and assessment framework, providing uniform guidelines based on best practice to support national consistency and coordination in infrastructure assessment. This work must have regard to and build in the broader government infrastructure objectives as outlined in the Charter and the Plan.

#### **Recommendation 8**

The Review recommends that Infrastructure Australia's role in the project assessment context becomes one of accreditation or peer-review, acknowledging that many state and territories have developed their own project assessment capabilities. Such arrangements should apply across all projects, including those involving Commonwealth investments of over \$250 million or recognised as 'nationally significant'.

Where a state or territory framework does not provide the necessary assurance or have not been accredited and the project involves Commonwealth investments of over \$250 million or is recognised as 'nationally significant', Infrastructure Australia will undertake a full assessment. Infrastructure Australia's assessment must be against the Charter objectives and strategies as outlined in the Plan.

#### **Recommendation 9**

The Review also recommends that, reflecting Infrastructure Australia's role as the national advisor, it adopts a much more active role in the post-completion stage through having a clear national evaluation and assurance role against the Charter and Plan.

## Collaboration with state and territory infrastructure bodies

While the Australian Government provides funding for nationally significant infrastructure projects, state and territory governments have primary responsibility for planning and delivery of infrastructure in their jurisdictions.

Noting the divided responsibilities for infrastructure across governments, Infrastructure Australia was established with the function of providing independent advice on Australia's infrastructure needs to all levels of government, investors and owners of infrastructure. This, to some degree, has resulted in Infrastructure Australia attempting to be all things to all people, resulting in it being seen by some as losing its way.

In relation to the I-bodies, another area of focus for the Review, and a common theme emerging during consultations, was consideration of collaboration between Infrastructure Australia and the I-bodies. Stakeholders identified one of Infrastructure Australia's key strengths as its ability to provide leadership on cross-cutting infrastructure matters. Infrastructure Australia's recent research on infrastructure market capacity was highlighted as an example of Infrastructure Australia's ability to support the work of both Commonwealth and state and territory agencies through cross-sectoral analysis and identification of interdependencies.

Infrastructure Australia's extensive stakeholder networks and its standing with industry were also seen as key strengths. Stakeholders appreciated Infrastructure Australia's efforts in building partnerships and convening forums that promote collaboration between jurisdictions. Some stakeholders considered Infrastructure Australia's leadership and guidance had been instrumental in building capability and capacity across Australia's infrastructure sector to an international standard.

#### Establishing an 'I-bodies' council

A number of stakeholders suggested a more formal relationship between Infrastructure Australia and I-bodies would encourage closer collaboration and lead to better coordination and integration processes. For example, Infrastructure Australia could undertake a stronger 'top down' approach on national issues while states focus on a 'bottom up' approach.

One option for formalising the relationship would be to establish a council of I-bodies (or infrastructure advisors), led by Infrastructure Australia with representatives from each jurisdiction. The council could have a focus on national infrastructure matters and coordinating strategic responses to cross-jurisdictional challenges, as well as sharing of information and data and promoting best practice. This model would build on Infrastructure Australia's efforts to promote collaboration and strengthen its role as national leader in infrastructure policy and planning. It would also provide Infrastructure Australia with a deeper understanding of the role and function of states and territories. Such a council could either be formalised in the IA Act or be made a sub-committee of the Board.

Strengthening Infrastructure Australia's position as a respected and influential independent advisor, and moving toward a 'federated i-body model' in which Infrastructure Australia and state infrastructure 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.

Infrastructure Western Australia

Stakeholders identified a number of processes and activities that would benefit from greater coordination across governments and jurisdictions. A council of I-bodies might play a valuable role in facilitating some of these activities, including:

- synchronising national and state planning cycles to strengthen alignment, integration and implementation
- cross-jurisdictional project coordination activities, including scheduling the delivery of large projects which divert resources away from other jurisdictions
- integration of national project prioritisation with state infrastructure planning to support the efficient delivery of infrastructure projects
- targeted policies on cross-cutting infrastructure matters, such as climate change mitigation and adaption, digital technologies, energy transition and other areas of national importance.

#### **Recommendation 10**

The Review recommends the formation of an I-bodies council to enable better collaboration and coordination between Infrastructure Australia and state and territories. This formation could be formalised in the IA Act or be made a sub-committee of the Board (see also 'An appropriate Board and governance model').

## 'Nationally significant' infrastructure

While there was strong agreement for Infrastructure Australia to advise on projects of 'national significance', there was also general agreement among stakeholders that the definition of a 'national threshold' required rethinking. Section 5A of the IA Act states that Infrastructure Australia has the function of evaluating proposals for investment in, or enhancements to 'nationally significant infrastructure'. Section 5C of the IA Act states that Infrastructure Australia is to provide advice to the Commonwealth on matters including 'Australia's current and future needs and priorities relating to nationally significant infrastructure'. However, apart from Section 3 of the IA Act defining 'nationally significant infrastructure' to include that of transport, energy, communications and water, there is no clear definition of what constitutes 'nationally significant infrastructure' in its own right.

Currently, Infrastructure Australia adopts a practical guide where a proposal is considered to be nationally significant if it concerns a problem or opportunity that will have more than \$30 million per annum impact on the economy (nominal, undiscounted). Infrastructure Australia will also evaluate all business cases where more than \$250 million in Australian Government funding has been committed, as requested by the Minister's SoE.

Submissions which discussed the definition of 'national significance' mostly focused on the \$250 million threshold. A minority of stakeholders were satisfied with the guidance of a monetary threshold alone, setting out that \$250 million was an appropriate figure or advocated for a higher (\$500 million) or lower (\$100 million) threshold figure. Supporters of a lower threshold noted that many projects of national significance, which were of a smaller scale, did not necessarily go over the \$250 million threshold (e.g. — Growth Areas of Perth and the Peel Recreational Facilities Project). In this case, submissions suggested that projects needed for growth areas could be bundled to assist in meeting the threshold and provide the necessary assessment and engagement with Infrastructure Australia.

Stakeholders who supported a \$250 million or higher threshold noted that a higher threshold figure reduces Infrastructure Australia's project assessment workload, thus allowing Infrastructure Australia to focus on more significant project assessments as well as its current responsibilities, including the Audit, the Plan and the IPL.

The majority of stakeholders highlighted that a monetary threshold figure alone is insufficient and unsatisfactory in defining whether a project is 'nationally significant'.

National significance has been a central plan of both Infrastructure Australia's policy work and project assessment since inception. However, the clarity of definition and adherence to the principle has drifted over time. Infrastructure Australia, and the proponents of the projects it assesses, would benefit from a much greater clarity on what constitutes a nationally significant policy or investment intervention. Whilst adherence to a dollar figure threshold of capital spend has attractions for simplicity, it is a blunt measure that is unlikely to capture the nuances inherent in investment and policy decisions. Either separately, or in combination with a dollar threshold, the Independent Review should consider a principles-based definition of national significance.

Infrastructure Partnerships Australia

The Review, on balance, supports a revised definition of 'national significance'. The Review recommends retaining the \$250 million threshold figure, with consideration of other non-monetary metrics including:

- alignment with the Australian Government's infrastructure investment objectives or performance expectations
- volume and significance of Commonwealth funding sought
- strategic merits of the project
- complexity and level of risk involved
- linkages to other projects of national significance, or part of a broader project or scheme

- the project's capacity to deliver long-term national benefit (e.g. economic, social, environmental) and
- any other factors that the Government of the day may consider to influence 'national significance'.

Other factors could be outlined in the five yearly Charter or the supplementary SoE, allowing the Government to focus Infrastructure Australia's attention on those projects and programs that align most closely with its strategic focus.

#### **Recommendation 11**

The Review recommends the definition of 'national significance', in the context of project assessment, is revised to include both the \$250 million monetary threshold figure as well as a list of non-monetary metrics, including factors as outlined in the five yearly Charter and/or a supplementary SoE.

## Improving national investment planning on complex issues: Infrastructure Australia inquiry powers

As part of recognising the value of Infrastructure Australia and its role and capabilities, the Review also heard strong support from stakeholders for the proposition of giving Infrastructure Australia research and inquiry powers similar to that of the Productivity Commission (PC). This would harness its position as the expert national advisor to take on a national perspective, gather and analyse data and make recommendations on specific topics. Government agencies and external stakeholders expressed strong support for this proposal, noting that PC-like powers provided Infrastructure Australia strengthened powers that enabled a range of views and inputs into the research and advice process.

Stakeholders noted Infrastructure Australia's expertise and ability to address topics in an in-depth manner, pointing to its market capacity work as an example. The Review also received submissions suggesting that Infrastructure Australia could better support specific infrastructure, such as transport infrastructure, by adopting the National Airport Safeguarding Framework or the National Urban Freight Planning Principles.

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 in external expertise as required to complete tasks before it today, and then move quickly to respond to the next challenge.

Business Council of Australia

Inquiry topics could be determined through a formal referral from the Commonwealth Minister for Infrastructure, or through Infrastructure Australia's own initiative. Infrastructure Australia's inquiry scope should be to consider and investigate specific issues of interest to infrastructure, with a whole of system focus, having regard to the Charter objectives. Suggested topics of focus included maintenance of existing nationally significant infrastructure; waste, recycling and the circular economy; productivity improvements; supply chain resilience; the path to net zero; and the use of technology.

The Review reflects that it is appropriate for Infrastructure Australia to investigate and provide advice on specific issues of interest to infrastructure, by providing Infrastructure Australia inquiry powers similar to that of the PC. The Review considers that formalising such a role with clear and structured inquiry processes will be valuable in dealing with the complex economic restructure which Australia is undertaking, and which requires working across transport, energy, water and other utilities in an integrated way. The model will enable Infrastructure Australia to appoint expert 'commissioners' from across the infrastructure modes to lead inquiries into particular matters. This would include powers to appoint experts from the states and territories, the infrastructure industry, unions and academia to lead and work on specific inquiries. This would enable a bringing together of the expertise and views which will be necessary to deal effectively with the complexity of the investment required to underpin Australia's economic transformation.

#### **Recommendation 12**

The Review recommends that Infrastructure Australia be provided powers to undertake formal inquiries into national infrastructure investment topics, and supporting powers to enable it to carry out such inquiries. Matters may be referred by the Minister or may be undertaken by Infrastructure Australia, on its own initiative and in line with its Charter.

The IA Act should be amended to include similar provisions such as those in Parts 2, 3 and 4 of the *Productivity Commission Act 1998* (Cth) outlining the formal inquiry role and necessary functions and powers required perform this function.

In performing its commission and inquiry functions, Infrastructure Australia should have regard to matters including 'national significance', infrastructure investment, collaboration and coordination with state and territory projects and I-bodies, and engagement with the private sector.

A copy of the Infrastructure Australia inquiry report should be tabled in each House of Parliament within 25 sitting days of that House, and after the day the Minister has received the report.

The Government must formally respond to the report and findings of Infrastructure Australia.

## An appropriate Board and governance model

Key finding: To carry out its mandate, Infrastructure Australia requires a strong governance framework to realise its full value and potential.

The original Infrastructure Australia Council was created as an expert infrastructure advisory body without governance or management responsibilities. The re-establishment of Infrastructure Australia in 2014 as a Corporate Commonwealth entity with a Board as the responsible entity, placed a governance role on the Infrastructure Australia Board. The size of the Board, when Infrastructure Australia was remade under the board governance structure, was a carryover from the previous Council structure. As an expert advisory panel, the 12-member Council could provide a wide range of knowledge on infrastructure matters. With the new structure, the members had directors' duties imposed on them and became formally accountable for their decisions in the name of Infrastructure Australia. The IA Act does not make it explicit, but it has been generally regarded that the Board also retained an expert infrastructure advisory role.

From this, the Review puts forward three options in relation to the Infrastructure Australia Board and governance arrangements, for the Government's consideration:

- **Option 1**: maintaining the status quo as it currently stands a 12 member Board appointed by the responsible Minister.
- Option 2: replacing the Board model with a commission model, including sub-committees to address
  audit and risk issues and an <u>I-bodies council</u>. The Commission would lead the organisation and have
  powers to undertake inquiries on special topics as outlined in the <u>inquiry powers discussion</u>. This is the
  Review's preferred and recommended approach.
- **Option 3:** maintaining a Board model, with a reduced number of members, a stronger focus on expertise of members and longer-term appointments to provide organisational stability.

## Option 1: maintaining the status quo

Stakeholders (including both former and current Infrastructure Australia Board members) and submissions made it clear that the Infrastructure Australia Board and governance arrangements required a significant rethink and restructure. The Review heard strong feedback about the need to reconsider the size and expertise of Board members, and calls for an extended tenure.

The Review found broad agreement that the current size of the Infrastructure Australia Board, comprising 12 members including the Chair, is unwieldy for the management of an organisation. Stakeholders who agreed with this included both current and former Board members of Infrastructure Australia.

Through submissions, the Review heard strongly the importance of having Board members who had the appropriate expertise and professional backgrounds or experience to ensure Infrastructure Australia could carry out its responsibilities. Stakeholders identified that Infrastructure Australia had been most effective and influential when the Board, or more so the original Council, had been providing a strong advisory role, rather than relying on the Executives of the organisation.

Infrastructure Australia's strongest contributions to policy and investment has occurred during periods where the entity was 'the Board' rather than in periods where the secretariat was preeminent.

Infrastructure Partnerships Australia

The Review does not recommend option 1.

## Option 2: an Infrastructure Australia Commission model (preferred model)

Following on from Recommendation 12 and the introduction of inquiry powers for Infrastructure Australia, the Review believes option 2 is the most appropriate and would align with inquiry responsibilities. Introducing a commission structure supports the strong view of stakeholders that Infrastructure Australia and its mandate will then attract people with the right expertise and caliber. Models which stakeholders suggested the Review consider in contemplating a commission structure and composition were the Greater Sydney Commission and the UK NIC, as well as the PC. A comparison of the composition of the three Commissions is as follows:

**Table 1: Comparison of the various Commissions** 

	Productivity Commission	Greater Sydney Commission	National Infrastructure Commission (United Kingdom)
Legislation	Productivity Commission Act 1998 (Cth)	Greater Sydney Commission Act 2015 (NSW)	National Infrastructure Commission Framework Document
No. of Commissioners	A Chair and no fewer than four and no more than 12 other Commissioners	Four Greater Sydney Commissioners: the Chief Commissioner and three other Commissioners	A Chair and between four to 12 non-executive commissioners. The Chancellor may also appoint a Deputy Chair from the commissioners
		District Commissioners, as appointed by the Minister to represent a district in the Greater Sydney Region	Oversight Board to provide assurance on risk management, governance and internal control.
		Ex-officio members: Secretary of NSW Department of Planning and Environment; Department of Treasury; NSW Treasury	Chaired by Chair of the Commission or a non-executive member nominated by the Chair. It consists of a representative of the Treasury and a balance of executive and non-executive members
Appointment term	Chair – full time basis; other Commissioners may be full or part time. Each member is appointed for not longer than five years; eligible for reappointment	Appointed for not exceeding four years, eligible for re-appointment, may not hold office for more than eight years in total	Appointed for up to five years, serve maximum of 10 years. Period can be extended for a limited time to facilitate succession planning and development of a diverse Board
Expertise	Relevant to Commission's functions. Each of the Commissioners to have extensive skills/experience in 1) ecologically sustainable	Expertise in matters including environmental sustainability/science; infrastructure planning and delivery; architecture; urban	The Chancellor will have regard to the need for the Commission to have 'the right mix of skills and expertise to discharge functions effectively'

Proc	ductivity Commission	Greater Sydney Commission	National Infrastructure Commission (United Kingdom)
envi 2) so adju weli 3) w	elopment and ironmental conservation ocial effects of economic ustment and social fare service delivery and vorking in Australian ustry	design; traffic and transport. Each of the three Commissioners to have principal responsibility for 1) environment 2) social matters and 3) economic matters	

#### **Extension of tenure**

Currently, the IA Act specifies a maximum three-year term for members. Members are eligible for reappointment by virtue of the operation of section 33AA of the *Acts Interpretation Act 1901*. It was the view of many parties that government policy has favoured board renewal over continuity and retention of corporate knowledge. Frequent loss of Board corporate memory results in the need for significant resources to be devoted by industry and both continuing Board members and staff to educate and on-board the new members.

To better balance board continuity and renewal, the Review recommends the maximum term of appointment for members be extended to **at least five years**. Increasing the length of term is likely to become even more valuable with a reduction in the number of members.

The option to reappoint members should be retained. For maximum clarity it might be specified in the IA Act. However, to encourage renewal there should generally be a limit of two maximum terms. The Review notes the UK's equivalent infrastructure advisory body, the UK NIC, permits terms of up to five years for commissioners, serving for a maximum of 10 years. With judicious use, this would likely achieve an effective compromise between retaining board expertise and gaining fresh insight. The Government should consider the best way of achieving this, whether it needs to be legislated or will be achieved through policy direction.

Appointments of board members should be staggered to avoid the need to replace multiple retiring members en masse, with the destabilising effect on the board this entails.

#### **Ex-officio members from the Australian Government**

The Review also heard strong concerns about Infrastructure Australia's less than effective standing and influence within government in recent years. Central agencies and external stakeholders noted that there is currently no common or connecting factor to link the advice of Infrastructure Australia and the decisions of Ministers, Cabinet or the Expenditure Review Committee of Cabinet.

The Review believes that for Infrastructure Australia to achieve direct influence of this nature, and to best prioritise, co-ordinate and link together infrastructure planning advice across the Commonwealth, including defence, the preferred approach is for Infrastructure Australia to be positioned within a Commonwealth central agency. This will be discussed further at 'Administrative Arrangements Order and Ministerial Responsibility for Infrastructure Australia'.

However, should the Government not support this approach, the Review strongly urges the Government consider, as an alternative, appointing the Secretaries of the Commonwealth Department of the Prime Minister and Cabinet (PM&C) and Department of Treasury as ex officio members of the Infrastructure Australia Board. Such an arrangement would allow Infrastructure Australia and the Board to better coordinate across government and influence the budget process and decision making, thus creating stronger linkages with correspondingly greater insight to government priorities. Secretary ex officio members can give greater traction to Infrastructure Australia advice through forums such as the Expenditure Review Committee of Cabinet and advocate for Infrastructure Australia within government. This would strengthen investment coordination at the centre of government. Ideally, the Secretaries would not delegate the role, but, in the event it is necessary, should delegate to a well-mandated Deputy Secretary.

Existing arrangements that the Government could refer to as models include:

- Infrastructure Western Australia: ex officio Board Members include the Directors-General of the Western Australia Department of Premier and Cabinet, Under Treasurer and the Western Australia Department of Planning, Lands and Heritage.
- Infrastructure South Australia: ex officio Board Members include the Chief Executives of the South
  Australia Department of Premier and Cabinet, the South Australia Department for Treasury and Finance
  and the South Australia Department for Trade and Investment.
- Infrastructure New South Wales: Board members include the Secretaries of the New South Wales
  Department of Premier and Cabinet, New South Wales Department of Planning and Environment and
  New South Wales Treasury.

#### **Governance responsibilities**

The Review acknowledges that a commission structure would still involve governance responsibilities to address audit and risk matters. To allow the commission to balance inquiry and governance responsibilities, the Review recommends that a commission structure be supported by a governance sub-committee focusing on audit and risk matters, chaired by an external member who is qualified (e.g. a chartered accountant).

#### Option 2: the preferred option

The Review recommends a commission model for Infrastructure Australia's governance arrangements. The commission would be formed to lead the agency as well as have power to undertake inquiries on topics, as discussed in <a href="Infrastructure Australia inquiry powers">Infrastructure Australia inquiry powers</a>. The Review suggests the following arrangements for the Government's consideration:

- Composition:
  - One Chair in addition to between two to four commissioners OR
  - One Chair, up to four commissioners and two additional ex officio members being the Secretaries
    from the Commonwealth central agencies (PM&C and Treasury). The Review puts this forward as
    an alternative recommendation only if the Government does not support the reallocation of
    ministerial responsibility for Infrastructure Australia as discussed in 'Administrative
    Arrangements Order and Ministerial Responsibility for Infrastructure Australia'.
- To be appointed with regard to their skills and experience as it is relevant to infrastructure, funding and investment and the topic of inquiry.
- Ministerial powers to appoint specialist commissioners as required for specific inquiries from states, territories, industry, academic or other relevant sectors.
- A minimum tenure of five years.
- Supported by a subcommittee to deal with audit and risk matters as part of broader governance
  responsibilities. If the Australian Government supports the recommendation for an I-bodies council,
  such a council could also be formed through another sub-committee.

### **Option 3: a streamlined Board model**

Should the Government wish to retain a Board model, the Review proposes a third option: a streamlined Board arrangement with a smaller composition; with one Chair in addition to between four to six Board members. Members with demonstrated infrastructure expertise across relevant sectors (including social infrastructure) and an understanding of government, private or investment professions should be appointed for a minimum of five years.

#### **Recommendation 13**

The Review recommends the Government consider the three structure governance model options as discussed above to strengthen the role and influence of Infrastructure Australia through its governance framework. The Review notes its preferred model is that of a **commission model** (option 2). The commission would be formed to lead the agency as well as have power to undertake inquiries on topics, as discussed in the section on Infrastructure Australia inquiry powers.

## Delineation of responsibilities between Infrastructure Australia and other Commonwealth infrastructure agencies

Key finding: Infrastructure Australia's revised mandate will require a rethink of the responsibilities of other Commonwealth agencies also involved in infrastructure planning, project funding and financing, and project advice.

As part of the consultation process, the Review heard from a number of representatives from DITRDCA, including Infrastructure Investment Division, SPIDO and the Regional, Cities and Territories Group. The Review also received a submission from the ICA.

External stakeholders noted the importance of clearly delineating the responsibilities between Infrastructure Australia and other Commonwealth agencies.

#### Interaction and delineation between Infrastructure Australia and DITRDCA

...the process is divided between DITRDCA and Infrastructure Australia, the 'end-to-end assessment process' must be mapped and receive a continuous improvement focus at a Federal government level. This has never been adequately achieved, leaving a significant gap in the Federal government's accountability.

Amalgam Strategic

In light of the Review's recommendation that Infrastructure Australia is the national advisor, the Review recommends that Infrastructure Australia's scope of responsibilities should not extend to the implementation of policy, which should be the responsibility of DITRDCA. Infrastructure Australia's responsibilities should be confined to those which support its planning and investment advisory role, including undertaking inquiries, providing strategic direction on infrastructure investment decisions and making policy recommendations to the Australian Government and relevant Federal ministers. In light of this recommendation, the Review suggests that DITRDCA (especially areas which have infrastructure advisory responsibilities such as Infrastructure Investment Division (IID) and SPIDO) reconsider and coordinate its infrastructure investment activities and responsibilities accordingly and around Infrastructure Australia, to ensure DTIRDCA policy and advisory responsibilities and mechanisms do not replicate or duplicate those of Infrastructure Australia.

As an 'informed investor', DITRDCA will need to meet investment priorities and integrate broader economic and investment considerations into its advice to the Government about infrastructure investment and funding decisions. To support this role, they will need to work closely with Infrastructure Australia and other Commonwealth agencies (including Treasury and the Department of Finance).

#### Establishment of a Cities and Suburbs Unit

As one of its 2022 election commitments, the Albanese Labor Government proposed a six point plan for cities, one of which included the renewal of the independent role of Infrastructure Australia through the creation of an Australian Cities and Suburbs Unit (CSU) to be located within Infrastructure Australia. Throughout the Review, the majority of stakeholders were generally agnostic towards the location of the CSU or expressed, on balance, a preference for the CSU to be located within DITRDCA, noting the latter's ability to engage in both policy and implementation. However, for those who did comment, there was a preference for such a unit to remain within DITRDCA to allow Infrastructure Australia to focus on its strategic remit.

Just as the Commonwealth has struggled to find a clear role in cities/urban policy, it is unclear what value IA could add and what the role of a Cities and Suburbs Unit would be separate to that currently undertaken by the DITRDCA.

Infrastructure and Commercial Advisory Office

It may be better for the Australian Government to build its town planning capacity within the [DITRDCA] and to permit Infrastructure Australia to concentrate on assessing infrastructure projects transferred to it as and when required.

Australian Logistics Council

There is a risk that positioning the CSU within Infrastructure Australia would hinder both Infrastructure Australia's mandate as the national advisor to the Australian Government and would not support the effective progress of policies and programs in support of cities and suburbs. As part of ensuring Infrastructure Australia's focus remains on investment planning analysis and investment priorities (rather than delivery or implementation), the Review recommends that any establishment of a CSU be within DITRDCA, rather than in Infrastructure Australia. Infrastructure Australia could have an ongoing role in providing advice in relation to integrated infrastructure planning issues in cities, and provide independent review on the progress of policy implementation through a mechanism such as the annual State of the Cities report.

#### Recommendation 14

The Review recommends the establishment of a CSU within DITRDCA.

## Interaction/delineation between Infrastructure Australia and the ICA

The ICA is a division within the Commonwealth Treasury and is the Government's in-house commercial and financial infrastructure advisor. According to the <a href="ICA website">ICA website</a>, its core roles include:

- providing commercial, financial and risk analysis and advice across the infrastructure project lifecycle
- developing commercial, funding and financial structures for infrastructure projects to best allocate risk
- reviewing financial and commercial feasibility of government investment, proposals and transactions
- negotiating commercial, financial and governance arrangements with states, territories or the private sector
- undertaking market soundings and evaluating the commercial and financial aspects of tender documents and processes
- representing Australian Government clients on infrastructure governance bodies
- establish governance frameworks for new infrastructure development, infrastructure ownership entities and major project commercial and financial risk management and
- leading engagement on behalf of the Australian Government with states and territories and the private sector on commercial and financial aspects of major infrastructure projects.

Given the focus of ICA's responsibilities on commercial, financial and risk, the Review believes that while there is a potential for overlap between the responsibilities of Infrastructure Australia and ICA, such overlap is minimal and would not affect either organisation's ability to continue to carry out their responsibilities. The Review recommends that Infrastructure Australia and ICA investigate options for closer collaboration to provide each other mutual support in carrying out their respective roles as advisors on infrastructure matters to the Australian Government.

#### **Recommendation 15**

The Review recommends that the Government clearly delineate the roles and responsibilities of Infrastructure Australia vis-a-vis other Commonwealth infrastructure bodies, including ICA and DITRDCA (IID and SPIDO). This should include investigating options for closer collaboration to provide each other mutual support in carrying out their respective roles, as advisors on infrastructure matters to the Australian Government.

## Administrative Arrangements Order and Ministerial responsibility for Infrastructure Australia

Key finding: Infrastructure Australia has been sidelined by governments in recent times. Accordingly, its ability to inform and influence the Government on infrastructure matters has waned.

One of the central concerns identified about Infrastructure Australia is that it has been sidelined by governments in recent years. Indeed, it was that concern that prompted this Review of Infrastructure Australia.

Infrastructure Australia was created to provide expert advice to government regarding infrastructure priorities across the nation. In recent years, the organisation has been allowed to drift with partisan board appointments and a lack of clear direction. It's clear a review has been necessary and that's why Labor committed to one before the election. Federal Minister for Infrastructure, Transport, Regional Development and Local Government, Catherine King

Former Infrastructure Australia Board members identified that the standing of Infrastructure Australia within government is strongly influenced by the attitude of the responsible Minister and the relationship between the Minister, the Minister's Office and the Infrastructure Australia Board.

In light of the revised mandate of Infrastructure Australia as the national advisor on infrastructure, with responsibility for a future agenda that is increasingly complex, transcending jurisdictions and sectors, the submissions received support an increase to Infrastructure Australia's influence across the portfolios. The Review believes that if Infrastructure Australia remains within the Infrastructure, Transport, Regional Development and Local Government portfolio, there is a risk that its remit will unintentionally continue to be largely siloed to certain sectors (e.g. transport).

The Review recommends Infrastructure Australia be moved from the Infrastructure, Transport, Regional Development and Local Government portfolio to either the **PM&C or Treasury portfolios**. Such a move would signal the importance of Infrastructure Australia's advice to integrated government investment, elevate its status as a national advisor and bolster its national role and responsibilities. It would enable Infrastructure Australia to stand as an advisor at the centre of government, across Commonwealth investment proposals and programs including the current areas of focus, and also Defence and other place-based investment strategies. The Review considers that this administrative arrangement, along with the roles and responsibilities suggested for Infrastructure Australia in the future, would enable it to best deal with the need for integrated cross-portfolio investment planning and prioritisation.

It also reinforces the perception of Infrastructure Australia as an organisation with national oversight and coordination. Such an arrangement would be similar to Infrastructure Western Australia (whose responsible minister is the Premier of Western Australia) or, Infrastructure South Australia (whose Board reports directly to the Premier of South Australia). The Review recommends that movement of Infrastructure Australia into a central agency be done through an Administrative Arrangements Order (AAO) change, formally allocating executive responsibility for Infrastructure Australia to either the Prime Minister or the Treasurer. Their respective Department (PM&C or Treasury) would then be responsible for administering the IA Act.

Should the Government not support altering the ministerial responsibility for Infrastructure Australia, the Review strongly urges the Government to consider the alternative option as discussed in 'An appropriate Board and governance model' to include the PM&C and Treasury Secretaries as ex officio members on the Infrastructure Australia Board.

#### **Recommendation 16**

The Review recommends that Infrastructure Australia be placed within either PM&C or the Department of Treasury, through changes to the AAO.

Should the Government decide not to support Recommendation 16, the Review strongly urges the Government to consider the option of including the Secretaries of these two central agencies on the Infrastructure Australia Board as ex officio members, as discussed in 'An appropriate Board and governance model'.

## A proposed implementation plan

Subject to the Government's support of the recommendations in this Review, the Review proposes the following implementation plan.

Table 2: a proposed implementation plan for the review recommendations

Recommendation			Priority Implementation option Ease of Implementation		
1.	The Review recommends Infrastructure Australia's mandate be defined as 'the Australian Government's national advisor on national infrastructure investment planning and project prioritisation'. This should include advising the Australian Government on its strategies and priorities to invest in transport, water, communications, energy, social and economic infrastructure. The Review recommends this mandate be defined in the IA Act.	High	Legislative amendment will provide clarity and certainty and support empowerment of Infrastructure Australia to carry out this mandate.	If through legislative amendment: will require introduction of a new provision, likely to be included in Part 2 of the IA Act (functions of Infrastructure Australia). Changes also likely required to section 6E, which outlines functions of the Board, including 'objectives, strategies and policies to be followed by Infrastructure Australia'.	
2.	The Review recommends that to support Infrastructure Australia's mandate, the Australian Government formally issues a Charter of Infrastructure Investment Objectives, which outlines the Government's national infrastructure investment objectives and intended performance standards. To provide long-term certainty and guidance, the	High	Issue of Charter: non- legislative implementation: Australian Government decision and drafting.	Issue of Charter: subject to Australian Government drafting timelines. Potentially quicker compared to legislative amendments.	
	Review recommends this Charter be issued on a five yearly basis ahead of the refresh of the Infrastructure Plan.  The Review recommends the requirement for this Charter be formalised in the IA Act.		Requirement for a Charter in IA Act: legislative implementation through new provision.	Requirement for Charter: will require a new provision, likely in Part 2 of the IA Act (functions of Infrastructure Australia).	
3.	The Review recommends that Infrastructure Australia's existing product suite be refined to better support government infrastructure investment objectives and to inform the budget process.	High	Legislative amendment to current sections in IA Act which discuss product suite.	Significant amendments required to Part 2 of the IA Act, which outlines the core product suite of Infrastructure Australia.	
4.	The Review recommends that Infrastructure Australia also provides two new annual statements to the Australian Government to inform the annual budget process on infrastructure investment, and report on the performance outcomes being achieved from the investment program and the existing project initiatives. The Review recommends that the Government consider tabling these annual products in the interests of transparency and accountability.	High/Medium	Legislative amendment or through SoE (if issued). SoE allows flexibility about when Infrastructure Australia issues these products and what they discuss.	Legislative amendment: new provisions will be required, likely to Part 2 of the IA Act, which outlines core functions of Infrastructure Australia. New provision requiring tabling of products.  SoE: subject to Australian Government	

Re	commendation	Priority	Implementation option	Ease of Implementation
5.	The Review recommends that there is a requirement within the IA Act that the Australian Government must formally, and publicly, respond to Infrastructure Australia's advice, findings and recommendations within six months.	High	Legislative amendment or new legislative provision.	New provision will be required, likely to Part 2 of the IA Act, to flow from the above changes.
6.	The Review recommends that Infrastructure Australia's remit be expanded to include social infrastructure (where it is relevant to the infrastructure investment project, or place and precinct in question) as well as future investment challenges where Infrastructure Australia's position as the national advisor best enables it to incorporate those challenges in its advice and analysis.	High	Legislative amended to existing provision outlining Infrastructure Australia responsible sectors.	Amendments required to Part 2, section 5 of the IA Act and section 3 (defines 'national significance' to include the four infrastructure sectors Infrastructure Australia currently has responsibility for). May require repeal and introduction of new provision outlining expanded remit of Infrastructure Australia.
7.	The Review recommends that Infrastructure Australia develops a national planning and assessment framework, providing uniform guidelines based on best practice to support national consistency and coordination in infrastructure assessment. This work must have regard to and build in the broader government infrastructure objectives as outlined in the Charter and the Plan.	High	Legislative amendment or new legislative provision.	A new provision, likely to be included in Part 2 of the IA Act (functions of Infrastructure Australia).
8.	The Review recommends that Infrastructure Australia's role in the project assessment context becomes one of accreditation or peer-review, acknowledging that many state and territories have developed their own project assessment capabilities. Such arrangements should apply across all projects, including those involving Commonwealth investments of over \$250 million or recognised as 'nationally significant'.  Where a state or territory framework does not provide the necessary assurance or have not been accredited and the project involves Commonwealth investments of over \$250 million or is recognised as 'nationally significant', Infrastructure Australia will undertake a full assessment. Infrastructure Australia's assessment must be against the Charter objectives and strategies as outlined in the Plan.	High	Legislative amendment or new legislative provision.	Significant amendment to section 5A (evaluating infrastructure proposals) and Part 2 of the IA Act, or a new provision outlining Infrastructure Australia's revised role to focus on accreditation or peerreview of the state and territory assessment frameworks.
				New provision stating where state or territory framework does not have necessary assurance or has not been accredited and project involves Commonwealth investments of over \$250 million or is recognised as 'nationally significant', Infrastructure Australia will undertake a full assessment.

Recommendation	Priority	Implementation option	Ease of Implementation
<ol> <li>The Review also recommends that, reflecting Infrastructure Australia's role as the national advisor, it adopts a much more active role in the post-completion stage through having a clear national evaluation and assurance role against the Charter and Plan.</li> </ol>	High	Legislative amendment or new legislative provision.	New legislative provision requiring a more active role of Infrastructure Australia in post completion reviews with reference to the Charter and the IPL.
10. The Review recommends the formation of an I-bodies council to enable better collaboration and coordination between Infrastructure Australia and state and territories. This formation could be formalised in the IA Act or be made a sub-committee of the Board (see also 'An appropriate Board and governance model').	Medium	Could be done through an intergovernmental agreement and established by the Minister and the Infrastructure Ministerial Council.	Subject to inter-jurisdictional negotiations and drafting and Minister's decisions and timelines.
11. The Review recommends the definition of 'national significance', in the context of project assessment, is revised to include both the \$250 million monetary threshold figure as well as a list of non-monetary metrics, including factors as outlined in the five yearly Charter and/or a supplementary SoE.	High	Legislative amendment or new legislative provision.	Possible repeal of the definition in section 3 of the IA Act and new provision outlining the revised definition.
12. The Review recommends that Infrastructure Australia be provided powers to undertake formal inquiries into national infrastructure investment topics, and supporting powers to enable it to carry out such inquiries. Matters may be referred by the Minister or may be undertaken by Infrastructure Australia, on its own initiative and in line with its Charter.	High	Legislative amendment introducing inquiry powers similar to those of the PC and provisions reflecting	New sections (or potentially a new Part) outlining commission powers of inquiry, functions and powers to support the commission functions. Modelled on the
The IA Act should be amended to include similar provisions such as those in Parts 2, 3 and 4 of the <i>Productivity Commission Act 1998</i> (Cth) outlining the formal inquiry role and necessary functions and powers required perform this function.		recommendation 12.	Productivity Commission Act 1998 (Cth), with additional requirement for tabling of Report and a formal government response.
In performing its commission and inquiry functions, Infrastructure Australia should have regard to matters including 'national significance', infrastructure investment, collaboration and coordination with state and territory projects and I-bodies, and engagement with the private sector.			
A copy of the Infrastructure Australia inquiry report should be tabled in each House of Parliament within 25 sitting days of that House, and after the day the Minister has received the report.			
The Government must formally respond to the report and findings of Infrastructure Australia.			

Recommendation	Priority	Implementation option	Ease of Implementation
13. The Review recommends the Government consider the three structure governance model options as discussed above to strengthen the role and influence of Infrastructure Australia through its governance framework. The Review notes its preferred model is that of a <b>commission model</b> (option 2). The commission would be formed to lead the agency as well as have power to undertake inquiries on topics, as discussed in the section on Infrastructure Australia inquiry powers.	High	Subject to the Government's response, option 1 requires no change; options 2 and 3 will require legislative amendments to existing governance provisions in IA Act.	Subject to the Government's response: option 2 will require significant amendments/new provisions to Part 2A of the IA Act (Board of Infrastructure Australia). Option 3 will require amendments to Part 2A, Division 2 (Constitution and membership of the Board).
14. The Review recommends the establishment of a Cities and Suburbs Unit (CSU) within DITRDCA.	Medium	DITRDCA to set up a CSU if the Government supports recommendation.	Subject to internal discussions and executive decisions within DITRDCA.
15. The Review recommends that the Government clearly delineate the roles and responsibilities of Infrastructure Australia vis-a-vis other Commonwealth infrastructure bodies, including ICA and DITRDCA (IID and SPIDO). This should include investigating options for closer collaboration to provide each other mutual support in carrying out their respective roles, as advisors on infrastructure matters to the Australian Government	Medium/Low	Discussions and negotiations as required regarding delineation of roles and responsibilities; collaboration between Infrastructure Australia and other Commonwealth infrastructure bodies.	Subject to discussions and negotiations as described.
16. The Review recommends that Infrastructure Australia be placed within either PM&C or the Department of Treasury, through changes to the AAO. Should the Government decide not to support Recommendation 16, the Review strongly urges the Government to consider the option of including the Secretaries of these two central agencies on the Infrastructure Australia Board as ex officio members, as discussed in 'An appropriate Board and governance model'.	High	Amendment to AAO; potentially changes to governance structure and possible legislative amendments.	AAO amendments; subject to discussions and executive decisions within the central agency that Infrastructure Australia is placed in.  If including Secretaries on the Infrastructure Australia Board as ex-officio members: legislative amendments/new provisions to Part 2A, Division 2 (Constitution and membership of the Board) of the IA Act.

## Appendix A: State and territory I-bodies and infrastructure advisors

Table 3: State and Territory I-bodies and infrastructure advisors

Primary infrastructure advisor	Infrastructure New South Wales	Infrastructure Victoria	Infrastructure South Australia	Infrastructure Western Australia	Infrastructure Tasmania	Infrastructure Northern Territory and Infrastructure Northern Territory Commissioner	Queensland Department of State Development, Infrastructure, Local Government and Planning	Infrastructure Finance & Reform, Australian Capital Territory Treasury
Corporate structure	Statutory authority	Statutory authority	Statutory authority	Statutory authority	Part of Tasmanian Department of State Growth	Part of Northern Territory Department of Infrastructure, Planning and Logistics	As above	As above
Year established	2011	2015	2018	2019	2014	2021	Absorbed the functions of 'Building Queensland' in 2021	Unknown
Functions	<ul> <li>Deliver 20-Year State Infrastructure Strategy, every five years.</li> <li>Provide independent advice on to New South Wales Government on infrastructure matters.</li> <li>Gateway Review and monitoring of projects ≥ \$10 million.</li> <li>Procurement and delivery of priority projects.</li> <li>Stewardship of Restart New South Wales Fund.</li> </ul>	<ul> <li>Deliver 30-Year State Infrastructure Strategy, every three to five years.</li> <li>Provide independent advice on to Victorian Government on infrastructure matters.</li> <li>Publish original research on infrastructure matters.</li> <li>Assist Victorian government agencies in the development of sectoral infrastructure plans.</li> </ul>	<ul> <li>Deliver 20-Year State Infrastructure Strategy, every five years.</li> <li>Provide independent advice to South Australia Government on infrastructure matters.</li> <li>Gateway Review and monitoring of projects ≥ \$50 million.</li> <li>Prioritise potential major projects for government decisions.</li> </ul>	<ul> <li>Deliver 20-Year State Infrastructure Strategy, every five years.</li> <li>Provide independent advice to Western Australia Government on infrastructure matters.</li> <li>Assess major infrastructure proposals.</li> <li>Assist Western Australia government agencies in the development of infrastructure plans.</li> <li>Review and report to Western Australia Government on completed projects</li> </ul>	<ul> <li>Deliver 30-Year         <ul> <li>Infrastructure Strategy.</li> </ul> </li> <li>Provide objective advice         <ul> <li>to Tasmanian</li> <li>Government on                 <ul> <li>infrastructure matters.</li> </ul> </li> </ul> </li> <li>Assess and prioritise all         <ul> <li>major publicly funded</li> <li>infrastructure proposals.</li> </ul> </li> <li>Develop project pipeline         <ul> <li>across local and state</li> <li>government.</li> <li>Co-ordinate all</li> <li>infrastructure funding</li> <li>submissions to State and</li> <li>Commonwealth</li> <li>governments.</li> </ul> </li></ul>	<ul> <li>Develop Northern         Territory Infrastructure         Strategy, Audit, Plan and         Pipeline.</li> <li>Oversight of business         cases and concept plans         for priority projects.</li> <li>Management and         delivery of significant         enabling infrastructure         projects.</li> </ul>	<ul> <li>Deliver 20-Year State Infrastructure Strategy, every four years.</li> <li>Deliver a Queensland Government Infrastructure Pipeline.</li> <li>Provide leadership through a whole-of- government approach to infrastructure planning, investment, delivery and management.</li> <li>Administer the Business Case Development Framework and assist Queensland government agencies to develop robust business cases.</li> </ul>	<ul> <li>Deliver a 10-Year Infrastructure Plan.</li> <li>Provide advice to Australian Capital Territory Government or the development of infrastructure projects within the Capital Framework, which includes a pre-funding business case review.</li> <li>Provide financial and commercial advice on th procurement of Public Private Partnerships.</li> </ul>
Agencies with complementary infrastructure functions	• Administer New South Wales Gateway Policy.  New South Wales Department of Planning and Environment  • Assess proposals for major developments in New South Wales, including State Significant Development and State Significant Infrastructure.	<ul> <li>Office of Projects Victoria</li> <li>Develop Victorian Major Projects Pipeline.</li> <li>Advise Victorian Government on developing and building major infrastructure projects.</li> <li>Monitor delivery of infrastructure projects.</li> <li>Review the effectiveness of the High Value High Risk and Gateway Review processes.</li> <li>Victorian Department of Treasury and Finance</li> <li>Gateway Review and Project Assurance Reviews.</li> </ul>		Western Australia Department of Finance  • Administer the Gateway Review process.  • Provide advice on reform projects, project and asset management, procurement and policy.		Major Projects and Investment Commissioners  • Promote infrastructure investment in the Northern Territory.	Queensland Treasury  Administer the Project Assessment Framework.  Administer the Gateway Review Framework and process.  Procurement and negotiation of Public Private Partnerships	

Independent review of Infrastructure Australia