



INDEPENDENT REVIEW OF INFRASTRUCTURE AUSTRALIA - AUSTRALIAN INDUSTRY GROUP SUBMISSION

INTRODUCTION

The Australian Industry Group (Ai Group) is pleased to make this submission to the Independent Review of Infrastructure Australia.

Ai Group is a peak national employer organisation representing traditional, innovative and emerging industry sectors. We have been acting on behalf of businesses across Australia for nearly 150 years.

We are genuinely representative of Australian industry. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction and infrastructure, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

RESPONSE TO GUIDING QUESTIONS

Set out below are our responses to the questions posed by the Review. For ease of understanding our responses we have reproduced the questions and then provided a response to each on a section by section basis.

In general terms, we are of the view that Infrastructure Australia operates efficiently pursuant to its existing legislative charter.

However, we are also of the view that some operational changes could be implemented that would increase the effectiveness of the organisation from the perspective of the construction and infrastructure industry and its supply chain. We also believe that the enhancements we propose will provide economic and employment benefits on a value add basis to a range of other industry sectors connected with, or receiving the benefit of, infrastructure developments.

In short, we submit that IA should give greater emphasis to the implications of infrastructure proposals and government policy planning activities for the long term sustainability of industry participants and their supply chains when undertaking its research and other activities. This will support the work of governments across the country to efficiently and effectively deliver the infrastructure programs that they announce to the Australian community.

SOME SUGGESTED ENHANCEMENTS TO IA OPERATIONAL EFFECTIVENESS

It is a well-established fact that a significant number of infrastructure projects are being completed over time and over budget and while there is an argument that governments are spending historically high amounts on infrastructure the industry regards the current situation as a “profitless boom” with many constructors and supply chain entities under significant commercial stress.

There are many reasons that coalesce to result in the situation outlined above and they are not all resolvable by what IA does. However, we consider that IA does have the ability to place greater emphasis in its operations in certain areas that could alleviate some of the factors that result in the problems faced by industry.

We should stress that a range of industry concerns are being addressed by Australian jurisdictions in certain ways eg the Construction Industry Leadership Forum established some years ago by the NSW and Victorian governments in conjunction with the Australian Constructors Association, but there is a lack of consistency of approach that adds to costs and risk which impacts on price and deliverability of projects. Governments want projects completed on time and within budget while industry needs to make a reasonable return for its activities.

A successful infrastructure industry will deliver projects at a reasonable price AND also ensure a commercially sensible financial return for project delivery entities, rather than a lowest cost wins situation as this is more likely to result in disputation and financial stress for all parties including the industry’s supply chain.

We have identified some, but by no means all, issues in our responses to the questions asked as part of the Review, but summarise the key items as follows:

- There is a need for greater consistency of approach to the development and delivery of infrastructure projects. IA could develop processes and procedures that may collectively be adopted across all state and territory jurisdictions as well as by local governments. This has been achieved in the UK as one example and it would make the monitoring of projects simpler.
- The research and developmental work undertaken by IA should add more focus on how projects are to be delivered. While it is important to identify what projects should be supported and how they may address community needs, it is equally important to have regard to the viability of the industry participants delivering projects together with their supply chains, yet all too often the delivery side issues are left to “market forces”. This is not a sustainable situation, especially given current supply chain stresses recognised through the Covid-19 pandemic and international tensions impacting manufacturing and freight.
- IA could be the leader of a collaborative approach by bringing all jurisdictions and stakeholders together under a regular format such as that implemented by the UK Infrastructure and Projects Authority and the UK Construction Leadership Council.
- In assessing projects, IA could place greater emphasis on being satisfied that project proponents have fully identified all relevant commercial and operational risks

(including site conditions and other factors that may impact a smooth delivery of a project) and determined which entity is best placed to address the risk with the risk being resolved pre-contract, or provision made for it during the course of a project. In this respect, all key project risks should not be required to be borne by the project delivery entity and its supply chain as is often the situation at present.

- There should be commonality of legal and commercial documents as well as simpler documents and processes that engender collaboration and communication between parties (every project does not need to have bespoke contracts). This has been achieved in international jurisdictions and could be a requirement of the Commonwealth Government through IA.
- While IA has developed a system whereby project entities may undertake post project reviews, unless IA undertakes an independent compliance review of federally funded projects there is a risk that reviews will not be as robust as they could be and the identification of potential system or delivery problems or, indeed, enhancements may be lost.
- Finally, but most importantly, the work of IA in terms of its forward projections and identification of key issues should address how the impact of major policy positions will be addressed by industry. By way of example, the current proposed 43% emissions reduction target by 2030 and zero emissions target by 2050 will have potentially significant implications for the construction and infrastructure sector. IA would be well placed to work with industry to identify how industry will be empowered to adjust and improve to meet its responsibilities and thus enable projects to be delivered that meet these expectations.

Infrastructure Australia's (IA) role

- 1. IA was established to advise the Australian Government on nationally significant infrastructure matters including transport, energy, communications and water infrastructure.**
 - **Do you consider IA best placed to provide advice on nationally significant infrastructure and do you use IA's advice when considering infrastructure matters?**
 - **Do you use advice from other advisory bodies on infrastructure matters? If so, why?**
 - **How does the quality of IA's advice compare to other infrastructure advice you receive?**
 - **How can IA best support infrastructure investment into the future?**
 - **Is there a role for a national investment plan, and if so, what role should IA take in this?**
 - **Are you aware of any global examples of best practice in infrastructure governance/advisory bodies?**

Ai Group Response

- We consider that IA is best placed to provide advice on nationally significant infrastructure because that type of infrastructure invariably has cross-border operation or effect, or addresses issues that have potentially significant ramifications for the general Australian community where the Federal

Government is best placed to assess and respond to relevant issues. Ai Group uses IA reports and advice to assist us in providing advice and assistance to our wide industry membership.

- We examine and use advice and/or information from a range of advisory bodies on infrastructure matters. We do so to gain an understanding as to the views of local states or territories, or the views of other industry bodies both in Australia and elsewhere, to ensure that all relevant issues have been appropriately considered. However, the views of IA are persuasive.
- The quality of IA advice has steadily improved in recent years as it has adopted a more expansive role, retained more experienced personnel both internally and externally and in so doing has become a leader in terms of quality and reliability of advice and reports. Some other Australian infrastructure bodies eg Infrastructure NSW have also provided quality advice but the quality of advice across the country is not always consistent whereas IA advice covers the key issues of interest in detail and accurately.
- In the future, IA should continue on its current path but could also provide advice and direction on a wider range of issues relating to the development and delivery of projects and thus play a higher level advisory role. An example of this approach is the work of the UK Infrastructure and Projects Authority.
- There is a role for a national investment plan as industry needs to have greater certainty in the development and delivery of projects. IA should play an advisory role in relation to any national investment plan and should use its research and a policy development capability to support this activity.
- We submit that the UK Infrastructure and Projects Authority is an excellent example of best practice in the infrastructure arena. Other entities such as Infrastructure NSW and the Office of Projects Victoria are models that also have useful components.

Effectiveness

2. IA publishes a range of products including: the Australian Infrastructure Audit; the Australian Infrastructure Plan; the Infrastructure Priority List; Infrastructure Market Capacity reports; business case evaluation summaries; and other research reports as requested by the Government.

- Which of IA's products is the most effective for your work or organisation, and why?
- Which of IA's products is the least effective for your work or organisation, and why?
- If you could change any of IA's products, which would you change, and why?
- Has any of IA's reports assisted with targeting specific priority areas?
- How can IA's products be improved to better meet your needs?

- **Do you think the frequency and volume of IA's products provide the best outcome? Why or why not?**

Ai Group Response

- Ai Group considers that all of the reports published by IA are useful from a broad industry perspective.
- There are no products produced by IA that Ai Group does not use. All are regarded as effective in that they add valuable information and assessment of issues for industry to consider.
- No need to change any existing products. Continuation of products is important in developing and maintaining a historical perspective on key issues.
- All IA products are utilised by Ai Group.
- Ai Group considers that IA should provide further focus on best practice commercial and risk structures to provide greater guidance for States and Territories as well as industry. This would lead to greater adoption of standardised procurement rules and more sensible approaches to risk sharing.
- Ai Group considers that IA could produce a greater number of shorter reports and products similar to the work of the UK Infrastructure and Projects Authority which works in conjunction with the UK Construction Leadership Council.

3. IA is required to review infrastructure proposals where more than \$250 million in Australian Government funding has been committed.

- **Do you think this is the right threshold? Why or why not?**
- **What other considerations do you think are appropriate for IA to evaluate a business case?**
- **If you had the choice of seeking advice from IA on infrastructure proposals where more than \$250 million in Australian Government funding has been committed, would request a review? Why or why not?**
- **Where do you find the most value in an IA assessment?**
- **How effective has IA been in integrating the planning and investment decisions/approaches governments have taken for transport, energy, communications and utilities. What more needs to be done?**

Ai Group Response

- Ai Group considers that the \$250m threshold is appropriate at this time given the size and number of infrastructure projects being undertaken.
- IA could require business cases to contain greater analysis of operational and other risks eg site conditions.

- Ai Group would have no difficulty in seeking IA input on all projects above \$250m in Australian government funding.
- Ai Group values the inclusive and overall aspect of IA assessments as well as the independence of IA's work.
- While Ai Group considers that IA has been effective in its work in integrating planning/assessment decisions etc. there is scope for IA to provide a more in depth analysis and greater strategic assessment of future directions in identified areas such as transport (including airports and sea ports), energy, communications and utilities. This approach would provide greater guidance and support to operational agencies (and hence industry) in the development of longer term responses to emerging issues and trends.

Governance

4. IA was established as an independent body, to ensure the integrity of Commonwealth investment in infrastructure.

- **Is IA fulfilling this role?**
- **How could IA's role be strengthened to improve the integrity of infrastructure investment across Australia, and across industries?**
- **Is IA's structure fit-for-purpose, or what barriers do you believe prohibit useful work for IA?**

Ai Group Response

- Ai Group considers that IA is fulfilling its role, but that its role and operations need to be strengthened in certain areas.
- IA should undertake a more proactive role in monitoring the procedures of State and Territory Governments in the development and delivery of projects involving the expenditure of Commonwealth funds to ensure that:
 - ✓ Projects are properly and fully scoped before they are brought to market (this includes identification and planned resolution of all reasonable risks whether they are commercial or site based).
 - ✓ Commercial and contractual requirements eg procurement rules are regarded as best practice for the purpose of achieving a fair and reasonable outcome for delivery partners and the industry's supply chain as well as meeting community expectations.
 - ✓ Opportunities for the implementation of projects through new technologies or innovative approaches to project completions are positively considered and contractors and supply chain entities incentivised where they may add value to projects or enable projects to be completed ahead of time and under budget.

- ✓ Provision is made for variations to projects to enable expeditious consideration of issues as they develop, or to provide for extensions of scope to projects to meet exigencies identified during delivery and thus avoid delays.
- IA's structure is regarded as appropriate provided that it takes a more robust approach to the analysis of the success or otherwise of projects under its remit and is properly supported in budget terms. The greater use of examples of what works and what has not in terms of project development and management would be useful when coupled with case studies.

5. Part of IA's role is to ensure infrastructure investment is prioritised for nationally significant projects that deliver maximum benefits for Australia.

- **Is IA achieving its objective on providing useful advice on nationally significant projects?**
- **What do you think should be removed from IA's role into the future?**
- **What do you think should be added to IA's role into the future?**
- **How could IA's role be changed or strengthened to ensure the most beneficial or transformative projects are identified and prioritised for investment?**

Ai Group Response

- Ai Group considers that IA is generally meeting its objectives.
- Ai Group does not consider that any functions should be removed from IA's role.
- See responses to items 2 and 4 above.
- Ai Group considers that it is the Commonwealth Government that should be more involved in identifying and pursuing the identification and prioritising of projects and that IA could assist in this context.

6. Since IA was established in 2008, most jurisdictions have established their own infrastructure body.

- **How has this changed IA's role over time?**
- **Is it useful having advice from IA and the infrastructure body?**
- **What further changes are needed to ensure IA works efficiently with other infrastructure bodies to minimise duplication and maximise outcomes?**

Ai Group Response

- While it has been an important and useful process for the States and Territories to establish their own infrastructure bodies, from an industry perspective there is a perception that there is still some work for governments to do to achieve a level of consistency in the development and delivery of projects. Accordingly, IA should be further involved in the development and monitoring of procurement rules and processes, as well

as contractual and commercial arrangements, to ensure the effective delivery of projects.

- Ai Group considers that it is useful having advice from IA and State and Territory bodies to ensure that all relevant factors are considered when assessing nationally significant projects.
- Ai Group submits that to minimise duplication and maximise outcomes IA should convene an Australia-wide entity like the UK Construction Leadership Council and use that form of collaboration to achieve best practice in project development and delivery.

7. How can the IA Board be most valuable, and what experience, skills and expertise is needed

- **Should the Board be completely independent, or should it have representatives from government and industry?**
- **Does the IA Board provide a useful function?**
- **Do you think the composition of the Board is right? Why or why not?**
- **Is there another, more effective structure for IA's governance?**

Ai Group Response

- Ai Group considers that the Board should continue to be independent, but should have the benefit of input from an entity like the UK Construction Leadership Council (CLC) as recommended above. Board members should have specific experience in industry and project delivery amongst other skills and experience.
- Ai Group has no comment on the current structure of the Board.
- Ai Group submits that IA's governance could be improved if all governments (state, territory and local) and industry are represented on the proposed CLC and that the CLC provide an advisory role to assist the Board of IA.

Other functions

8. As part of the Government's [six-point plan for cities policy](#), the Government has committed to the creation of an Australian Cities and Suburbs Unit (CSU).

- **What role and responsibilities would best place a Cities and Suburbs Unit to support the Australian Government's Vision for Cities?**
- **What could be the focus and form of this role in delivering on the Australian Government's Vision for Cities?**
- **What and where are the options for the structure and location for the CSU?**

Ai Group Response

- Ai Group notes the Government's policy commitment to establish a Cities and Suburbs Unit within IA. While Ai Group has no comment to make on the

location of a CSU, if it is established we recommend that consideration should be given to the following:

- ✓ How the CSU will interact with government agencies responsible for the wide range of Commonwealth, State, Territory and Local government social policy responsibilities within cities and suburbs.
- ✓ How the CSU will interact with agencies responsible for regional development as coordination between urban and rural, city and region, is critical to the long term efficient and effective development of social and other infrastructure.
- ✓ How the development of Australia's cities and suburbs impacts on supply chains, (especially the cost and related impacts on the operation of freight and distribution networks and energy requirements) that currently serve our cities and suburbs.
- How could the CSU responsibilities relate to other policy and program units within the Australian Public Service, noting their responsibilities, including providing advice to Ministers?

9. IA is currently legislated to focus its work on nationally significant infrastructure, which is defined to include transport, energy, communications and water infrastructure categories.

- **What benefits might there be in including social infrastructure as an additional focus area for IA's work, where the Commonwealth is not generally involved in delivering or directly funding social infrastructure?**
- **Equally, are there reasons why IA should not examine social infrastructure?**

Ai Group Response

- Ai Group considers that the implementation of social infrastructure by state, territory and local governments does have an impact on the functions of IA. This is in the context of the potential for social infrastructure activities to place greater resource implications on other infrastructure that may be funded in part by the Commonwealth Government, or which may impact on the development of nationally significant infrastructure or planning issues where IA has responsibilities.
- Subject to the above, Ai Group does not consider that there are any reasons why IA should not have regard to social infrastructure proposals as part of its functions, provided that IA's involvement does not extend to the analysis of social infrastructure projects

10. Are there other areas of infrastructure that IA should assess, and why?

Ai Group Response

- Ai Group considers that IA should be examining all areas where Commonwealth funding of infrastructure is involved and in light of the global issues relating to nationally significant infrastructure the work of IA would be particularly relevant to other infrastructure areas eg changes to cities and suburbs obviously impacts transport, energy, communications and water but also social infrastructure such as education, health care and housing, amongst others.

The future investment challenge

11. How effective will the current IA role and responsibilities, and business approach be to handling the national investment challenges Australia faces in the coming decades?

- **What role should IA take in integrating the national decarbonisation, energy transition, productivity and sustainable economy policies the Federal, state and local governments are pursuing?**
- **Is there a role for a national plan for investment which links and supports the economic re-structure required to transition the economy in the coming decade?**
- **If so, how does IA facilitate this with all national and state agencies involved?**
- **What is the most effective way in which IA can assist the various investment policies and projects required to achieve Australia's economic transition?**

Ai Group Response

- IA should incorporate an assessment of the impact of national decarbonisation and other policies into its processes as these policies will have impacts on the construction and infrastructure sector and its supply chain.
- Ai Group would support a national plan for investment that addresses economic restructuring over the coming decade, but also submits that the plan should be longer than just a decade (preferably 20 to 30 years) as it may be adjusted to address emerging issues over time.
- IA would not be a facilitator of a national plan for investment but would provide advice and input into the plan.
- IA needs to be connected with financial and economic agencies primarily responsible for any national investment plan.

For further information and discussion of Ai Group's submission please contact Lindsay Le Compte – General Manager (Construction and Infrastructure) Ph [REDACTED] or [REDACTED]

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