



# **THE AUSTRALIAN GOVERNMENT'S ROLE IN THE DEVELOPMENT OF CITIES**

**SUBMISSION TO THE STANDING COMMITTEE ON  
INFRASTRUCTURE, TRANSPORT AND CITIES**

**JULY 2017**

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# Submission

The Australian Government's Role in the Development of Cities



## ABOUT US



Consult Australia is the industry association representing consulting firms operating in the built and natural environment sectors. These services include design, engineering, architecture, technology, survey, legal and management solutions for individual consumers through to major companies in the private and public sector including local, state and federal governments. We represent an industry comprising some 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms with combined revenue exceeding \$40 billion a year.

### Some of our member firms include:



## INTRODUCTORY REMARKS

We welcome the opportunity to provide a response to the Standing Committee on Infrastructure, Transport and Cities in relation to the inquiry into the Australian Government's role in the development of cities.

Consult Australia is a long-term advocate for the establishment of smarter and more innovative policies supporting more productive, liveable and sustainable communities.

While these issues fall within the wider framework of infrastructure and planning decisions, we submit that having a designated cities policy is an important element of the policy response to the wider infrastructure challenge. This is why Consult Australia supports the Smart Cities Plan, and is a member of the Cities Taskforce, operating within the Department of Prime Minister and Cabinet.

The Smart Cities Plan is crucial to addressing Australia's infrastructure challenge: a continuation of current practices will fail to achieve the outcomes needed for Australians to enjoy quality of life outcomes, and the economic benefits that our infrastructure helps achieve today. Therefore, in preparing this response to the Inquiry's Terms of Reference, Consult Australia has largely drawn on its submission to Smart Cities Plan.

## SUB-INQUIRY 1: SUSTAINABLE TRANSITIONS IN EXISTING CITIES

**Identifying how the trajectories of existing cities can be directed towards a more sustainable urban form that enhances urban liveability and quality of life and reduces energy, water, and resource consumption.**

Sustainable city development is central to Australia's infrastructure challenge, and it is Consult Australia's position that a continuation of current practices will fail to achieve the outcomes needed for Australians to enjoy quality of life outcomes, and the economic benefits that our infrastructure helps achieve today.

The first challenge, is to ensure that the infrastructure debate involves all stakeholders, including all tiers of government, the private sector and the community. Additionally, considering alternative methods of financing and utilising partnerships in the private sector will help ensure infrastructure projects are delivered with the best possible return to governments and the taxpayer.

Without this coordinated approach to investment decisions and infrastructure delivery the true potential of our cities cannot be met. Ensuring that governments take both an integrated and a longer-term view will ultimately benefit all Australians and make our cities more liveable.

Furthermore, with an economy in transition and rapid changes in technology it is critical that governments plan early and consider the private sector where appropriate. If we are to maximise the benefits brought by the inevitable technological changes we need to ensure that the infrastructure we are planning today is positioned to accommodate new models for our cities such as, passenger and freight movement, changes in consumer behaviour, and new markets for services that have not existed previously.

A data-driven approach to managing this future is a key methodology for ensuring that cities are directed to a more sustainable future. Consult Australia welcomes the interim National Cities Performance Framework (NCPF) announced on 20th July 2017. For the first time, it will bring together data sources, from housing to commuter time and employment to air quality, breaking down siloes to provide a holistic and much-needed planning approach to our cities.

The Framework is designed to measure how well cities are performing against the Australian Government's Smart City priorities of jobs and skills; infrastructure and investment; liveability and sustainability; innovation and digital; governance, planning and regulation; and housing.

Consult Australia believes that tracking year-on-year changes will provide new perspectives, and city-by-city comparisons will enliven competition to attract the best and brightest. Improvements in how data is visualised will increase accountability of leaders and engagement with citizens.

### **Infrastructure Investment**

Critical in assessing the merits of public investment in infrastructure and the development of cities is the application of broad cost-benefit-analysis. Increasingly infrastructure projects are assessed individually, over relatively short time-frames and viewed as 'ready to proceed' only where utilisation is close to capacity.

The benefits of a longer-term view of infrastructure investment, and governments' vital role in facilitating those longer-term benefits as part of a vision for our cities and regions, needs to be re-established. Governments need to consider less easily quantified benefits that come with some forms of infrastructure investment.

For example, the Sydney Opera House demanded unforeseen investment by the governments of the time. But there is no doubt that this is a 'transformational investment' that has been recouped both economically and culturally in the decades that have followed, though this would not likely have been reflected in any cost-benefit-analysis. The criteria governing cost-benefit-analysis are generally not well understood by the public and are also subject to change and influence.

In addition, the application of Cost Benefit Analysis to the business case of infrastructure projects generally requires a more sophisticated and consistent approach so that judgement of projects can occur more objectively within a universal framework.

Good governance and further industry capacity development is critical to resolving these issues. Equally, where appropriate, cost-benefit-analysis should be conducted across multiple projects, and have regard to wider economic benefits that come through agglomeration, jobs growth, and the delivery of more sustainable and liveable communities. It is this approach that has been successfully applied overseas, for example in London through the delivery of the Crossrail project, and which has resulted in significant new private sector investment.

One of the major challenges in infrastructure delivery is the shortage of investment-ready projects developed through robust integrated strategic planning, community engagement and participation, environmental impact analysis and business case development.

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Too often the early design of projects is rushed to market, developed reactively against pre-made decisions only when funds are made available for construction. Consequent compromises in design, or poor overall business case development lead to information asymmetries in decisions to proceed, and/or a failure to achieve social licence to operate, and in some cases project cancellation and a perception of increased sovereign risk with potential investors.

There is widespread agreement amongst all governments that infrastructure decisions should reflect long-term infrastructure planning. Consult Australia supports Infrastructure Australia's 15-year Infrastructure Plan that is evidence based and free of politicisation. Dedicated funds must be made available to support feasibility studies, community engagement and public participation, business case development, cost-benefit-analysis (including assessments of wider economic benefits) and environmental impact analysis.

Without this investment in the long-term infrastructure pipeline, at the earliest stages of project conception and development, the ability for governments to identify investment ready projects when funds become available is significantly diminished. As we increasingly look to infrastructure investment as both a counter-cyclical economic lever and a driver of overall productivity, it is critical that well-conceived projects can quickly move to construction to deliver best possible value for money outcomes and productivity benefits.

Consult Australia recommends a dedicated innovation fund, separated from pre-determined infrastructure projects, to support the development of new investment-ready infrastructure through: feasibility studies, community engagement and public participation, business case development, cost-benefit-analysis (including assessments of wider economic benefits) and environmental impact analysis.

This fund should encourage innovative solutions to problems at the earliest stages of identification. Early engagement by experts, supported by such a fund can often deliver governments with more cost-effective solutions than those developed without appropriate analysis and evidence. Not every solution investigated through the fund should result in investment-ready projects, but sometimes the decision not to proceed will deliver greater benefits than an ill-informed decision to build.

A deep pipe-line of projects ready for investment and construction as soon as the funds are available will deliver a powerful economic tool in the event of a more significant economic downturn.

### **Embracing new technology**

It is critical that we plan early to maximise the benefits brought by changes in technology, and ensure that the infrastructure we are planning today is positioned to accommodate new models for passenger and freight movement, changes in consumer behaviour and new markets for services that have not existed previously.

For example, autonomous vehicles, now in production and subject to trials in Australia and internationally, hold the potential to radically transform the use of our transport infrastructure within shorter timeframes than those currently guiding the development of our future infrastructure networks.

The transformative benefits (increased safety, more efficient land and infrastructure use, improved mobility and social inclusion), alongside the risks and challenges are enormous, with many benefits perhaps unforeseen.

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The consultation by the National Transport Commission considering how to develop the best laws and regulations for these emerging technologies is an important first step.

By being ready for that change, we can ensure that the best possible transport infrastructure is planned to accommodate what may be the most dramatic shift in the way we move around since the invention of the motor car. By being ready for technological change, rather than reacting after it happens, we can develop the appropriate infrastructure more quickly and better manage the transition.

Further investment and strategic planning is required from a whole-of-government perspective to ensure we capture the full benefits of new technology for existing and future infrastructure networks as it happens.

### **Australian Built Environment Design Principles**

In March this year, Consult Australia launched the Australian Built Environment Design Principles.

Since the mainstream adoption of the computer, the ways we capture, plan, design, construct, connect, operate, and maintain our infrastructure and urban environments has become increasingly digital.

This transition has delivered significant benefits to industry and the general public despite a general lack of common agreement or understanding on its overall purpose or intent.

As the digital aspects of cities and infrastructure become more complex and overlapping, the limitations of uncoordinated existing approaches become increasingly apparent. This limits improvement in efficiency and can hold back innovation to deliver further economic, social, and environmental benefits.

The need for government and industry to collectively create a supportive policy environment has become increasingly essential in order to enable the benefits of new technology and approaches such as Building Information Modelling (BIM), Geospatial Information Systems (GIS), and Smart Cities.

After years of challenges to get agreement, in mid-2016 consultation began with industry and government to find a pathway toward a supportive policy environment that will better enable the potential benefits of digital technology and approaches to our built environments.

It was agreed that a supportive policy environment requires a common point of reference to build consensus between and among government and industry.

The Australian Digital Built Environment Principles are a point of reference that work and policies can be aligned to, and for which business and governments can express support.

The Principles are a policy tool created within a technical context, that enable stakeholders to focus on those actions that will help to ensure the delivery of long term benefits.

Australia will benefit from more liveable cities and better performing infrastructure through the use of open shareable asset information and enabling digital technologies to capture, plan, create, build, connect, and manage our built environments.

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Principles to enable stakeholders to test the above hypothesis in their particular context:

- 1) Beneficial**  
Maximises value, skills, and competition whilst achieving improvements in productivity, environmental sustainability, and providing positive social benefit.
- 2) Usable**  
Maximises opportunities for adoption or involvement, and is inclusive irrespective of participant experience, size, resources, sector, or jurisdiction.
- 3) Deliverable**  
Supports innovation and sensible risk management, and can be achieved at a variety of scales with evidence-based solutions, available resources and delivery mechanisms.
- 4) Accessible**  
Accessible to relevant stakeholders, and is transparent in its operation and limitations while ensuring security and privacy.
- 5) Authoritative**  
Consistent across industry and government, and measurable against recognised standards, regulations, and appropriate requirements.

Consult Australia would welcome the Government's endorsement of these principles.

### Considering what regulation and barriers exist that the Commonwealth could influence, and opportunities to cut red tape.

#### **Independent Statutory Infrastructure Bodies**

City and infrastructure planning requires independent, expert and transparent governance arrangements for the evaluation, prioritisation and decision-making supporting infrastructure delivery across all spheres of government.

Across Australia there are a number of models now implemented, by statute, supporting greater independence in the selection and prioritisation of infrastructure projects. Infrastructure Australia, Infrastructure NSW, Infrastructure Victoria and Building Queensland are just some of the approaches now employed. There are differences between these models, with some responsible for the development of long-term infrastructure plans, and others not.

The Infrastructure Australia Audit and Plan, alongside the Productivity Commission Inquiry into Public Infrastructure, present a comprehensive evidence base for improvements to governance arrangements supporting infrastructure prioritisation and delivery across Australia.

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A long-term approach to the prioritisation of infrastructure is essential. While many infrastructure projects are prioritised through clear and rational assessment, in some cases decision making risks being misconstrued, and may appear to be driven by political exigency where no clear process or guidelines for assessment have been developed. When communities are competing for dollars, clear processes are essential to assess, rank and prioritise projects. Decisions must be robust and stand the test of changing political and economic circumstances.

At a state, territory and federal level the establishment and/or preservation of independent statutory authorities to provide expert and transparent advice to governments and industry supporting an interagency focus on all those projects that will contribute to holistic city and infrastructure planning.

These agencies and their interaction should facilitate a more informed debate across industry and the community about government priorities, supported by strong evidence, research and public advice to government published independently. Delivering an integrated strategic approach to infrastructure planning and prioritisation, will facilitate better urban and regional development through support for a long-term pipeline of coordinated infrastructure projects, supporting productivity and jobs growth.

It is also important to consider the extent to which in the independent statutory infrastructure agencies are involved in external assurance of projects. Most are only responsible for the external assurance of major projects above \$100million. The extent to which government agencies are complying with assurance programmes varies significantly.

A report by the NSW Auditor General in 2015<sup>1</sup> identified the need to improve independent assurance over large capital projects costing less than \$100 million. This was prompted by a low compliance rate of independent assurance across the agencies. The responsibility for compliance on individual projects lies primarily with sponsor agencies, but the report found that the NSW Treasury needs to ensure the system for projects below \$100 million is working effectively and providing adequate assurance. This has led to the NSW Treasury requiring all capital projects valued at an estimated total cost of \$10 million or more to be registered with Infrastructure NSW via a Reporting and Assurance Portal.

### **Government Agency Coordination**

This inquiry demonstrates the cross over of infrastructure and city planning between agencies within the Government, noting that significant work is also being conducted by the Department of Premier and Cabinet via the Smart Cities Plan. Such examples of cross over are evident in all levels of government in Australia, and need to be resolved.

It is noted that the Council of Australian Governments (COAG) has a Transport and Infrastructure Council, which includes in its terms of reference, "*Productive and liveable cities and regions*".

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<sup>1</sup> Large Construction Projects: Independent Assurance, [NSW Auditor General's Report May 2015](#)

The accompanying strategic work programme states,

*"Australia's cities and regions are vital to the growth of our economy and our collective quality of life. By 2031, Australia's population is forecast to exceed 30 million, with most Australians expected to live in our major cities and regions. With this population growth comes increasing demand on the infrastructure and transport networks that underpin the successful operations of our cities and regions.*

*Nationally coordinated efforts, which maximise our cities' productivity, accessibility and liveability, are needed to ensure continued economic growth and improved outcomes for all Australians. The Council considers that integrated transport infrastructure and land use planning at a strategic level will be particularly important in managing urban population growth pressures. To deliver positive economic and social policy outcomes we need to ensure that all levels of government integrate land use and infrastructure planning.*

*The Council's reform agenda includes initiatives that will realise improved safety, environmental and economic outcomes, increase social participation and enable people to move seamlessly within and across Australia's cities and regions. This will include strategies to encourage active transport, improve connectivity, address the transport challenges faced in remote and regional areas, protect Australia's vulnerable transport users and reduce emissions from transport and infrastructure."*

Consult Australia supports this strategic aim, and believes that it is critical to achieving sustainable cities, however it is not clear how agencies are coming together to underpin this strategy.

A lack of coordinated infrastructure planning will lead to delayed decision making and it will also result in sub-optimal outcomes.

City planning and infrastructure development, are not mutually exclusive but are inextricably linked. Consult Australia understands that the cross over between agencies is complex, given the strategy requires input from a significant number of portfolios (Treasury, Finance, Transport, Infrastructure, Health, Education, Social Inclusion, etc.). It is essential that the governments can bring together the thought leadership across the agency disciplines to reduce costly and time-consuming reviews and move towards an efficient way of working together to move the strategy forward.

### **Improved Procurement**

At a time when public finances are stretched, better procurement offers government the chance to build more for less, achieving better project outcomes with fewer delays. It also makes government agencies a more desirable client for industry to do business with, which in turn will lead to more firms competing to provide their services to government.

Around \$43 billion is invested in public infrastructure each year. Around 53% is procured from the private sector, and professional services contribute almost 20% to the overall value of projects.

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The 2015 report, *The Economic Benefits of Better Procurement*, written by Deloitte Access Economics on behalf of Consult Australia, found a 5.4% saving could be achieved through better procurement, together with a 7% reduction in delays and a further 7% improvement in the quality of the project (where quantifiable).

Together with the supplementary Consult Australia report, *Better Buying, Better Outcomes*, several issues in procurement are highlighted as being key opportunities for reform:

If implemented, government has the opportunity to achieve economic benefits of around \$5.1 billion in additional GDP between 2015 and 2030 (real \$2014).

### *Project Briefs*

Project briefs are frequently unclear or inadequately thought out. This creates risks for industry partners, who aren't sure what the client wants, and they respond by either pricing that risk into their bid or deciding not to bid for the project, thereby reducing competition.

Similarly, background information vital to a project is often unclear or unverified, and this was found to cost \$41,800 per firm, per bid – a cost that is ultimately passed on to the client.

### *Risk Allocation*

While at face value it might seem a prudent move by public sector agencies to offload project risk to their industry partners, this common practice can bring about a range of less desirable consequences.

The practice of offloading risk according to bargaining power rather than the appropriateness and/or capacity of individual parties to manage that risk (this includes the practice in some states of contracting out of proportionate liability obligations), automatically means that risks won't be properly managed. It also means that professional indemnity insurance may not respond to claims made. It is important that the laws across Australia be harmonised regarding contracting out of proportionate liability and the practice of contracting out be prohibited in each jurisdiction.

While firms may respond to this practice by taking a commercial risk, many enter into contracts unaware of the insurance implications of doing so, while other firms respond either by pricing that risk into their bid, or deciding not to bid for work.

All of the private sector responses to this issue point to projects costing more, having delays, and less desirable project outcomes being realised.

### *Innovation*

Many professional services firms reported that public sector clients weren't always open to innovative ideas when proposing solutions to projects, despite the possibility of that innovative idea saving money, or driving the existing funding to allow for a better project outcome.

While probity concerns are a major impediment to innovation, other factors inhibiting innovation include a lack of understanding around the budget impact, or risk transfer pushing designers to over-engineer their design. Better procurement can drive greater innovation, which in turn will save money and lead to better project outcomes.

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### *Reducing Bid Costs*

Several reports, including those released by Consult Australia, have found that the cost of bidding for work can be prohibitive, and represents a major inefficiency in the development of infrastructure.

There are two major drivers behind unnecessarily high bid costs: Firstly, firms are often put in a situation of being shortlisted for a project when only one bidder has a realistic chance of success. Being "strung along" adds to the cost of bidding, when a quick "no" would be preferable. Secondly, in the course of bidding, firms are required to demonstrate a wide range of competencies through compliance checks. When the final bid is submitted, these checks regularly comprise a substantial proportion of their bid documents, when compared to their proposal as to how they actually plan to go about the work.

Firms know that the cost of bidding is the cost of business, but ask that their partners respect this fact in designing their processes – and avoid unnecessarily asking them to incur extra costs, that ultimately will impact on the client.

### *A Procurement Centre of Excellence*

Consult Australia recommends establishing an independent Procurement Centre of Excellence to develop and implement best practice procurement and deliver value for money. With large amounts of public funds being spent on infrastructure, it is incumbent on governments to ensure they get maximum value for money through the procurement process. To buy wisely you need wise buyers: there are substantial opportunities for governments and business to share expertise, and identify and deliver solutions that improve productivity and value for money across the procurement process.

The Australian Government spent nearly \$42 billion across some 82,000 contracts each valued over \$10,000 in 2011-12. A one per cent efficiency dividend would equate to nearly half a billion dollars in savings. Including the value of procurement across 6 states, 2 territories and around 560 local governments: the opportunities to translate these savings into new infrastructure, hospital beds, police and other essential government services are substantial.

To overcome persistent deficiencies in procurement skills and practices, we recommend a whole of government approach supporting the establishment of an Australian Centre for Procurement Excellence, building on the work of the Australasian Procurement and Construction Council (APCC).

The recent February 2017 New South Wales Parliament Legislative Assembly Committee on Transport and Infrastructure Report on Procurement of Government Infrastructure Projects<sup>2</sup> listed as its first recommendation:

"The Committee recommends that the NSW Government investigate whether it should establish a centre of procurement excellence to assist agencies with, amongst other things:

- a)** consistent procurement practices across government;
- b)** improving the skills and capacity of the NSW Government;

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<sup>2</sup> [Procurement of Government Infrastructure Projects](#), Legislative Assembly Committee on Transport and Infrastructure 2017

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- c) maintaining best practice in procurement processes; and
- d) sharing procurement lessons learned from projects across government.”

Consult Australia recommends a Procurement Centre of Excellence expand the APCC’s role and remit, broadening government engagement and building on work across jurisdictions considering efficiencies in procurement. The Centre would be tasked with building a stronger relationship between government and business and supporting best practice procurement in Australia at all levels of government. The Centre should:

- a) be established as independent of government;
- b) build stronger linkages between government and with industry sectors;
- c) provide transparent expert advice to all levels of government; and
- d) develop guidelines, build capability and improve standards.

The Board of the Centre for Procurement Excellence should include equal levels of representation from industry and government. The Council of Australian Governments (COAG) in collaboration with appropriate business groups should lead a Government & Business Procurement Summit to build the mandate supporting the establishment of the Procurement Centre of Excellence. The Summit should:

- highlight opportunities across all sectors to share expertise, increase productivity;
- deliver savings and efficiencies through better procurement; and
- identify key stakeholders, determine the terms of reference and appropriate governance supporting the Procurement Centre of Excellence.

In addition, Consult Australia proposes a number of recommendations to improve procurement, to the advantage of industry and government alike. We recommend that governments adopt best practice procurement, which should reflect:

- 1) Government commitment to being a “model client,” in line with its commitment to be a model litigant.
- 2) Government investment in the skills of its procurement professionals. We have previously suggested the establishment of a Centre for Procurement Excellence to develop public sector procurement skills. A Commissioning Academy exists in the UK for exactly this purpose.
- 3) The right mix of skills exists on procurement teams.
- 4) Early engagement and collaboration with industry, so that government can understand what’s possible, and where risks lie. This includes developing better, verified briefs and reallocating resources to the front end of a project.
- 5) The willingness of government agencies to explain why they are following a particular procurement practice. This allows for service providers to better understand the needs of their client, and increases empathy. It also forces clients to examine whether a particular practice is really necessary, given that it may cost them more.
- 6) The accountability of agency heads for the procurement performance of their agency, and performance management of contract managers reluctant to try newer and better ways of doing things.

- 7) Streamlined compliance processes, for example through a central register of competencies, to reduce bid costs.
- 8) Develop and apply limited liability guidelines to provide industry with certainty.
- 9) The awareness of governments of the implications of onerous risk allocation/shifting, and the costs involved in developing contractual agreements for every project, resulting in protracted contract negotiation. Governments should adopt a standard form agreement to reduce cost and increase efficiency in the procurement process. Consult Australia recommends that Australian Standard AS4122-2010 be the standard form adopted across all government procurement for the engagement of consultants.

### Examining the national benefits of being a global 'best practice' leader in sustainable urban development.

The national benefits are clear. The cities that will be the most competitive in the international war for talent and investment will be the most liveable and the most economically successful. Cities looking to compete as destinations for the tourist dollar will be those that balance the social, cultural and economic infrastructure that combined creates a world-class destination.

## SUB-INQUIRY 2: GROWING NEW AND TRANSITIONING EXISTING SUSTAINABLE REGIONAL CITIES AND TOWNS

### Promoting the development of regional centres, including promoting master planning of regional communities

This issue has been considered under The Smart Cities Plan, which is not just for Australia's capital cities, or just for CBDs. It is for cities of all sizes and for all parts of cities. The Plan recognises that,

*"Across Australia, cities are facing different opportunities and challenges. While congestion and affordability are critical issues in capital and major cities, many regional cities are suffering from low or negative growth, as jobs lost in the manufacturing sector, or more recently the resources and energy sectors, are not replaced quickly enough. We need to plan for the future of regional cities, maximising their unique advantages and supporting their long term growth. The Smart Cities Plan provides a platform for long term investment and coordinated planning to help Australian cities reach their full potential."*

### Promoting private investment in regional centres and regional infrastructure

A key challenge is the need to find new sources of funding for infrastructure, as state and federal budgets are increasingly constrained in their ability to fund projects. While government spending will remain an important part of the mix, user charges and other funding sources need to be considered to ensure that Australians continue to enjoy world class infrastructure. More diverse funding sources will also serve to ensure a smoother pipeline of works, overcoming the boom/bust cycle that has characterised infrastructure investment in years past. In the longer-term this will lower construction costs for future investment when an upswing in demand will require skills lost in the downturn.

### *An integrated approach to funding & financing*

Consult Australia has long advocated for innovative ways of funding and financing infrastructure projects in Australia. Considering new and improved mechanisms for paying for infrastructure will support the vital role it plays in boosting productivity.

Taxes are no longer enough to pay for the infrastructure we need to maintain our high standard of living. Governments need to consider new and improved funding mechanisms, such as fairer, cost-reflective road pricing, value capture, alongside ongoing asset recycling.

Government must overcome longstanding resistance to newer ways of paying for things, acknowledge that there is no 'one size fits all' solution, and understand that any new arrangement must be equitable while still raising the level of funds needed. The recognition of the vital role of infrastructure investment in boosting productivity must be continued.

Alongside effective funding streams, innovative financing mechanisms should be structured to support infrastructure projects and to deliver more equitable, value-for-money outcomes for governments. Public Private Partnerships, including for example value capture and bond banks, provide new opportunities to leverage greater private sector investment across a range of projects.

Consult Australia does not consider any single financing or funding policy will by itself provide a stand-alone solution to the substantial challenge for governments, however all options present opportunities for reform.

### *Leveraging government balance sheets to drive productivity*

Increasingly challenging for governments, where budget bottom-lines have become more politicised, is the identification of projects worthy of public financing. In this context governments must reconsider the extent to which surplus-driven budgets and unquestioning dedication to AAA credit ratings limit opportunities to invest in long-term productivity-enhancing infrastructure, particularly at times when interest rates are low such as at present. The 'fiscal populism' that now characterises governments' approach to debt is at the expense of much-needed infrastructure investment.

The connection between decision making supporting infrastructure investment and the willingness for governments to leverage their credit rating should not be underestimated. Ultimately an approach to public infrastructure investment, supported by transparent, independent, expert advice, is essential to support a more sophisticated debate about budget policy. This approach will deepen the public's understanding of the benefits of government debt in funding public infrastructure, and apply a high level of rigour, accountability and transparency to the decision making process.

Consult Australia recommends that new funds for infrastructure must urgently be released as an investment in future productivity.

### *Value capture*

Overcoming institutional resistance to more innovative policy solutions will be critical to delivering new financing mechanisms. It is important to realise that not every tool available to governments will be appropriate for every project. Nonetheless steps should be taken to ensure all options are available so they can be used where appropriate.

In the case of Value Capture, institutional resistance, and/or a lack of awareness of potential benefits may be one of the major barriers to implementation. Consult Australia has identified numerous opportunities and lessons that can be learned from overseas experience in successfully implementing value capture mechanisms. Two editions of our report on value capture, published jointly with SKM (now Jacobs) in October 2013<sup>3</sup> and AECOM in June 2015<sup>4</sup>, set out success factors and a roadmap for value capture in Australia, establishing important reference points for a whole of government approach . Consult Australia recommends the Australian Government continue its consideration of opportunities to incentivise value capture mechanisms as an element of infrastructure financing to deliver new infrastructure and urban regeneration.

### *Asset sales*

Consult Australia has long argued for asset sales to release government funds for new infrastructure investment. Earlier announcements by the Commonwealth Government providing tax incentives supporting assets sales by state governments were a positive step, but it is disappointing that this approach has not been continued in recent budgets. The creation of Restart NSW from funds hypothecated from the lease of Port Botany and Port Kembla is an important model that can be replicated across jurisdictions.

We were disappointed to see the return of over \$850 million in unused funds from the Government's Asset Recycling Initiative in the Federal Budget; furthermore it is disappointing not to see savings from previous commitments to infrastructure redirected to reform initiatives. Consult Australia is of the view that these funds could help improve business case development for new projects, or accelerate pilot studies into alternative funding arrangements like road user charging, or value capture, to charter difficult challenges more broadly in the infrastructure arena.

Consult Australia urges the continued commitment to asset recycling through tax incentives and related policy by the Australian Government.

### *Road user charging*

Governments should start moving towards a better model of road pricing that is more efficient – raising a greater amount of funds more equitably. Any changes to road user charging need to be done in a way that is equitable, recognising that drivers in certain locations such as outer suburbs or rural areas, are required to drive further with fewer public transport options.

There is no doubt the implementation of any systemic approach to user charging is a long-term goal, and again one contingent on the hypothecation of revenues to infrastructure projects. But achieving that goal is reliant on governments considering international experience, understanding the barriers to implementation and developing pilot schemes to support community engagement and understanding. The establishment of the Transport Reform Network<sup>5</sup> (in 2012) bringing together over 35 key organisations with a united message, is an important step towards delivering the consensus necessary to support more ambitious policy for new funding and financing approaches.

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<sup>3</sup> Consult Australia and SKM, [Realising New Funding for Infrastructure and Urban Renewal, Capturing Value October 2013](#)

<sup>4</sup> [Consult Australia and AECOM, Value Capture Roadmap June 2015](#)

<sup>5</sup> [www.transportreform.org](http://www.transportreform.org)

Consult Australia recommends a public inquiry into road user charging led by Infrastructure Australia alongside ongoing support for current work seeking to establish a heavy vehicle charging trial as a first step.

## **Promoting the competitive advantages of regional location for businesses.**

The standard and nature of community engagement around infrastructure projects has the ability to determine the project's success in terms of its acceptance and use by the public.

Promotion is not necessarily the most effective way of engaging business, rather it is working with businesses at the outset to understand the infrastructure they need in order to achieve a competitive advantage. It is not only a matter of understanding the business needs, but also the needs of the people engaged in those businesses, for example is there good local schooling for their children?

"Community engagement" is often identified by policy makers as an important component of good policy and program development and project delivery. However, too often, particularly when it comes to infrastructure, we see this referenced as an important 'box to tick', but with no real idea of (and sometimes no real interest in) how to meaningfully engage communities and other stakeholders effectively.

Ultimately engagement is the process by which organisations, communities and individuals connect in the development and implementation of decisions that affect them. Engagement is a tool to achieve outcomes, develop understanding, educate and/or agree on issues of concern. The process of seeking community feedback on a project is often challenging and frequently undervalued, but our understanding of how we can undertake better engagement and in turn achieving greater social licence is worthy of more attention.

In a more democratised modern society, it is more critical than ever before that the community consultation process is done right to ensure projects are not unduly delayed. To this end guidelines and resources can help to ensure that best practice community engagement occurs.

Consult Australia recently launched a Guide to Procuring Engagement Services<sup>6</sup> and with PwC an economic Framework for Valuing Better Engagement<sup>7</sup> on projects. Both these tools provide essential resources to support the delivery of social licence as part of any City Deal created with effective public participation.

## **Examining ways urbanisation can be re-directed to achieve more balanced regional development.**

This should be examined under the same framework that applies to all infrastructure planning. Consult Australia believes that the Smart Cities Plan is one such framework.

## **Identifying the infrastructure requirements for reliable and affordable transport, clean energy, water and waste in a new settlement of reasonable size, located away from existing infrastructure.**

Consult Australia believes that this element of the inquiry is also addressed by the Smart Cities Plan.

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<sup>6</sup> [Guide to Procuring Engagement Services](#), Consult Australia published 2013

<sup>7</sup> [Valuing Better Engagement](#): An economic framework to quantify the value of stakeholder engagement for infrastructure delivery, Consult Australia and PwC, published 2015

# Submission

The Australian Government's Role in the Development of Cities



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## FURTHER INFORMATION

We look forward to discussing the issues raised in this submission further and to work together with the Committee to achieve better outcomes across Australia. If you require any further information please contact Megan Motto, Chief Executive, on email [megan@consultaaustralia.com.au](mailto:megan@consultaaustralia.com.au) or by phone 02 8252 6700.