



ALL THINGS CONSIDERED

RESPONSE TO INFRASTRUCTURE VICTORIA ISSUES PAPER

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INTRODUCTION

As a long-term advocate for the establishment of an independent infrastructure planning body for infrastructure in Victoria, Consult Australia welcomes the release of Infrastructure Victoria's (IV) second consultation document "All Things Considered".

Consult Australia is the industry association for consultants in the built and natural environment. We represent an industry comprising roughly 48,000 firms across Australia, ranging from sole practitioners through to some of Australia's top 500 firms. Collectively, our industry is estimated to employ over 240,000 people, and generate combined revenue exceeding \$40 billion a year.

As an organisation that represents professional services firms consulting on the built and natural environment, we are delighted to have the opportunity to provide feedback in the development of Infrastructure Victoria's objectives and needs, and congratulate IV on the collaborative approach it is taking to developing Victoria's 30-year infrastructure strategy.

The following response has been developed by a sub-committee representing Consult Australia's members from across Victoria. We are happy to provide further clarification or meet to discuss the comments made below further.

Our response is structured in such a way as to not address each specific question asked in the consultation paper, but rather provide a commentary on the best processes for Infrastructure Victoria to proceed with the 30-year infrastructure strategy with some specific additional comments responding to questions raised in the paper.

In addition to this submission, Consult Australia looks forward to further supporting the broader work of Infrastructure Victoria. Through our member firms, Consult Australia is uniquely positioned to share valuable industry expertise across a range of issues critical to the successful design and delivery of infrastructure around Australia. Our expertise on infrastructure funding and financing¹ (including most recently our work on value capture²), procurement³, stakeholder engagement⁴, and packaging of works⁵ all support better public policy and value for money outcomes for government.

Once all things are considered, we look forward to a long and productive working relationship with IV, and a more prosperous, productive and liveable Victoria as a result.

¹ [Transporting Australia's Future](#): A new and sustainable funding approach to transport development in Australia

² [Value Capture Roadmap](#): an alternative infrastructure funding method and a decision-making tool to help fill the infrastructure funding gap in Australian cities.

³ [More for Less](#): The economic benefits of better procurement.

⁴ [Valuing Better Engagement](#): An economic framework to quantify the value of stakeholder engagement for infrastructure delivery

⁵ [Breaking Up is Hard to Do](#): Factors to consider in packaging works for major projects.

DELIVERING AN INDEPENDENT, EXPERT AND TRANSPARENT APPROACH

A robust, independent and transparent process and governance model for the evaluation, prioritisation and decision-making around infrastructure delivery is essential for every tier of government.

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 scarce 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.

As the discussion paper correctly identifies, some difficult decisions need to be made if we are to maintain the standard of our infrastructure. This will likely involve discussions around user charging and a range of other potentially controversial policy settings that represent a new and innovative ways of doing things.

STAKEHOLDER RELATIONSHIPS

Consult Australia submits that the first challenge is to ensure that the infrastructure debate involves all stakeholders, including all tiers of government, the private sector and the community. 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.

Ultimately engagement is the process by which organisations, communities and individuals connect in the development and implementation of decisions that affect them around project development. 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.

To this end, we recommend that Infrastructure Victoria develop and apply guidelines to ensure that best practice community engagement occurs. Consult Australia recently launched our *Guide to Procuring Engagement Services* as the first part of our *Valuing Better Engagement* project, and we recommend this Guide as useful template for IV when developing its own guidelines⁶.

⁶ The Guide can be downloaded from our website: www.consultaustralia.com.au

FUNDING AND FINANCING

A key challenge highlighted in the paper 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 Victorians 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 AND FINANCING

Consult Australia's 2010 Report *Transporting Australia's Future* canvasses a range of infrastructure funding and financing mechanisms emerging around the world that can provide sound and proven revenue streams to support infrastructure delivery.

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 and AECOM in June 2015, set out success factors and a roadmap for value capture in Australia, establishing important reference points for a whole of government approach.⁷

⁷ Consult Australia & Sinclair Knight Merz, (2013) *Capturing Value* and Consult Australia & AECOM (2015) *Value Capture Roadmap*. See www.consultaustralia.com.au

BUILD MORE FOR LESS THROUGH 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.

Our 2015 report, *The Economic Benefits of Better Procurement*, written by Deloitte Access Economics 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*, a number of issues in procurement are highlighted as being key opportunities for reform:

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.

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 of individual parties to manage that risk automatically means that risks won't be properly managed. It also means that professional indemnity insurance may not respond to claims made. 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 has the ability to drive greater innovation, which in turn will save money and lead to better project outcomes.

REDUCING BID COSTS

A number of 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.

RESPONSES TO CONSULTATION GUIDE QUESTIONS

In addition to the commentary in this submission the issues paper raises a number of important themes that have been considered by Consult Australia's members. The following points under each of these themes represent those issues that our members consider to be of greatest priority for further consideration and discussion.

We would welcome an opportunity to further elaborate on these points through the consultation process and would be pleased to bring together experts across our membership to discuss this in further detail.

ADDRESS INFRASTRUCTURE DEMANDS

- It is essential that governments support longer-term planning goals in consultation with business and the community. All governments have a responsibility to support decision making and community consultation that provides for and delivers integrated planning, land-use and infrastructure.
- Any form of Infrastructure must consider all passenger modes, including roads and public transport. Effective planning must also consider investment in existing areas, not just in green-field sites and developing current sites before expanding to Greenfield areas.
- A major challenge for IV is to work towards managing population growth, particularly in our major urban centres, rather than mitigating against growth. Forward planning, through corridor preservation and other similar actions focused on the future will be significantly more effective than responding to community needs after they have already occurred.

HEALTH INFRASTRUCTURE AND PHYSICAL ACTIVITY

- A recurrent theme throughout our submission is that greater resources need to be devoted to the planning phase of infrastructure development. An important element of the planning process is planning not just for current needs, but future needs, which in turn means forecasting a range of possible future requirements – in other words, “scenario planning”.
- Planning decisions need to be based on independent assessments of the available evidence, and with regard to longer term considerations. We endorse a suggestion that planning be based upon future population scenarios, rather than simply assessing current needs and shortfalls. This requirement however presents the challenge to better understand what future scenarios will look like, and how we can best measure future infrastructure needs.
- The impact of our cities and their car dependence on our health and wellbeing is striking. The economic costs of congestion are well known. Increasingly the social costs are gaining prominence. Longer commutes have been shown to have negative consequences for personal productivity and overall health and wellbeing⁸.
- Reducing congestion must be a focus for governments investing in infrastructure and planning our cities. Alongside the costs of congestion, for those diseases or conditions comprising Australia's National Health Priority Areas (e.g. including Type 2 Diabetes, Coronary Heart Disease, Stroke) physical inactivity has been ranked second only to tobacco smoking, in terms of the burden of disease and injury from risk factors in Australia⁹

⁸ Daley, John. Grattan Institute Presentation. 31 January 2011. Congestion Charging for roads: local pressures and international experience. Roads Australia Pricing Forum

⁹ Australian Institute of Health & Welfare. National Health Priority Areas. www.aihw.gov.au

- In this context, in addition to reducing congestion, the links between active and public transport and healthier communities are of increasing importance. ‘Cycling, walking and the use of public transport promote health in four ways. They provide exercise, reduce fatal accidents, increase social contact and reduce air pollution.’¹⁰
- Supporting Social Inclusion In planning our cities and prioritising infrastructure investment, governments must give greater weight to the fact that better built environments, urban spaces, reduced congestion and access to high quality public and active transport help achieve greater social inclusion and better health outcomes across the community

PROVIDE SPACES WHERE COMMUNITIES CAN COME TOGETHER

- Providing vital infrastructure should take into consideration community spaces where appropriate. Utilising mechanisms such as Value Capture provide an opportunity to deliver infrastructure alongside community assets, for example a car park underground with a community asset such a park or playing field on top ensure that infrastructure is provided alongside community spaces.

IMPROVE ACCESSIBILITY FOR VICTORIANS

- Consult Australia believe it is vital that we consider now how to design our built environments to accommodate an ageing population.
- The past decade has seen substantial work at all levels of government to consider the future demands of an ageing population. Opportunities to create age-friendly communities through better planning and design; to improve mobility options; support recreation and inclusion and encourage smart housing choices are extensive. There is a demand for a long-term plan, alongside appropriate resources, to support the development of age-friendly built environments.
- When planning for the future of Victorian cities, consideration must be given to the liveability of that environment for all its citizens. The increased benefits for mobility, access and social inclusion created by increased public and active transport options for disadvantaged populations need to be accounted for in project evaluations and cost-benefit analyses informing infrastructure development.

MEET GROWING DEMAND FOR ACCESS TO ECONOMIC ACTIVITY

- 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.
- 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 economies become more advanced, and as the services sector becomes a more important engine of economic growth, the economies of scale that cities provide are becoming increasingly important. This is all well demonstrated through the benefits achieved by: easier labour market recruitment; face-to-face access to suppliers and customers; and the knowledge transfers between businesses—all critical to innovation.

¹⁰ Wilkinson, Richard and. Marmot, Michael. 2003. *Social Determinants of health: the solid facts*. 2nd edition. World Health Organisation. Page 28

- Growing economic density depends on improving accessibility—by road transport and especially, given the constrained geography of many city employment nodes, by public transport—so that more people can be transported quickly and reliably without an increase in congestion.

IMPROVE THE EFFICIENCY OF FREIGHT SUPPLY CHAINS

- The Australian Infrastructure Audit identified the significant increased demand for freight transport over the next fifteen years:
- *Container movements through Australia's ports are projected to grow by 165 per cent between by 2031, while non-containerised trade is projected to grow by 138 per cent over the same period. The road and rail freight task is projected to increase by 86 per cent from around 458 billion tonne km in 2011 to 852 billion tonne km in 2031.*¹¹
- Much of our existing freight networks are victims of long-term underinvestment or a lack of integrated strategic planning. Demand for national rail infrastructure is projected to grow, the Australian Infrastructure Audit projected that the value-add from rail freight services will grow to \$9.5 billion in 2031, an increase of 75 per cent.
- Consult Australia recommends a fully-funded National Freight and Supply Chain Strategy. The delivery of first and last mile improvements, and projects such and longer term projects like Inland Rail, supported by a long term funded, multi-modal freight strategy, could help remove significant pressures on the maintenance budget for our roads and ultimately free up funds to develop more passenger transport infrastructure.
- In a trade exposed economy, investment in freight networks presents an opportunity to turn the challenge of capacity constraints in bringing products to market to an opportunity to boost productivity. With the potential to reduce significant pressure on the maintenance budget for our roads, this in turn could ultimately free up funds to develop more passenger transport infrastructure.

TRANSITION TO LOWER CARBON ENERGY SUPPLY AND USE

- Consult Australia recommend that a wide lens be cast on the opportunities that exist in moving to a low carbon and more sustainable future. This requires us to acknowledge that responding to climate change is but one part of sustainability. If we see sustainability only through the rubric of climate change then we risk failure in responding to broader systemic issues (for example, demographic change, affordability, health and social equity) that also demand sustainability as an end goal and which are critical to the liveability of our cities
- Infrastructure planning and delivery itself presents multiple opportunities to contribute towards a more sustainable vision. Planning infrastructure to meet the objectives of a sustainable future will prioritise solutions that: improve connectivity, reduce emissions, minimise energy, waste generation and water use. Infrastructure itself should be built with regard to more sustainable social, environmental and economic criteria, for example through sustainable procurement decisions, recycled material selection, improved energy efficiency and consideration of alternative water supplies.
- Continued collaboration between the private sector, the scientific community, and government is essential to establish a policy framework and clear parameters, on which to base industry standards for consulting in the built and natural environment

¹¹ Infrastructure Australia. 2015. Australian Infrastructure Audit. Page 8

OTHER COMMENTARY

In reviewing the document our members also noted the following points:

- Infrastructure needs to be strongly aligned with the urban planning policies.
- Political usage of projects was raised as a concern, certain projects will have impacts.
- It is necessary in many cases that there will be controversial impacts of a project. It is important that Infrastructure Victoria flag these concerns, but should not be driven by them.
- Encouraging better decisions through project specifications.
- The need for transparent, independent advice about key infrastructure decisions.

WHOLE OF LIFE CONSIDERATIONS

First and foremost amongst these is the issue of whether decisions about projects and infrastructure networks factor in “whole of life” considerations. Budgetary constraints, the opportunity cost of “future proofing” a piece of infrastructure, and the over-arching (and often contradictory) political imperative to build more projects for less money all may lead to a project being constructed to a lower specification than would otherwise ensure its “future proofing”. The fact of a project’s construction clearly takes precedence in political debate over the specifications of that project, which may ultimately be more important in determining its success.

When government makes the decision to undertake a project, it is important that they at least consider how that infrastructure will be used in the future, and what the costs of future upgrades might be. In particular, the specifications of a project, with reference to current and future use, should be an important part of the decision making process.

COST VS VALUE

Consult Australia has long argued the importance of prioritising value over cost as the major factor in determining which bidder wins work on a project. Achieving value incorporates both cost and non-cost element, such as the quality of the work and many of the considerations detailed in this section, such as whole of life factors and innovation.

FURTHER ENGAGEMENT

We trust the above commentary is of use. As we have previously communicated, Consult Australia, as one of the leading advocates for the formation of IV, is keen to develop a close and supportive working relationship with IV as it undertakes the vitally important task of producing Victoria's 30-year infrastructure strategy.

With a membership that includes employers of diverse disciplines from planning through sustainability, economics and engineering, and a focus on business-friendly policy that supports the future of Victoria and Australia, we are able and would be keen to further engage with IV should you wish to discuss any of the ideas set out above further. You can contact our State Manager Zeina Iesa (zeina@consultaustalia.com.au) who will be able to assist in the first instance.

Finally thank you once again for the opportunity to provide feedback on *All Things Considered* and we look forward to the next opportunity to engage.