

## QUEENSLAND

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Driving business success for consulting firms in the built and natural environment

3 July 2015

Att: Darren Crombie  
Department of Infrastructure, Local Government and Planning  
Via email: [infrastructurepolicy@dilgp.qld.gov.au](mailto:infrastructurepolicy@dilgp.qld.gov.au)

Dear Darren,

### RE: State Infrastructure Plan

Consult Australia welcomes the opportunity to provide this submission in response to the 'Delivering an Infrastructure Plan for Queensland Directions Paper – June 2015'. We were also pleased to participate and contribute at the stakeholder consultation held last week.

Consult Australia is the industry association that represents the business interests of consulting firms operating in the built and natural environment. Our member firms' services include, but are not limited to: design, engineering, architecture, technology, surveying, legal, and management solutions. We represent an industry comprising some 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.

### Infrastructure Investment as Productivity Driver

Infrastructure investment is increasingly recognised as an important productivity driver not just in its operation, but in the shorter-term through its design and construction.

In recent years, the infrastructure pipeline in different jurisdictions (including Queensland) has been characterised by a boom/bust, often pro-cyclical economy. When governments have stronger balance sheets, a surplus of projects enters the market pushing up costs; too often followed by a sudden downturn in supply—consistent with the economic fortunes of the government—resulting in redundancies across dependent industries.

This cycle does not maximise the potential benefits for infrastructure investment to deliver shorter-term increases in employment, spending and investment when it is most needed. A counter-cyclical approach and a consistent pipeline of work across the longer-term, should moderate construction costs, support investment, and those related industries in design, construction and operation.

In addition, in this environment, the increasing entry of mega-projects into the market can further multiply the pro-cyclical risks summarised above. These projects, and mandated limits on the number of participants delivering these projects, risk constraining funds available for smaller projects, and often limit funds entering the market to a smaller number of successful bidders. Additional challenges for industry arise from the large bid costs required to tender for these projects, and the need to import skills to meet larger project demands.

This can result in a 'win or die trying' culture across firms bidding for work. These firms either win the bid and remain commercial or fail both in the bid and risk their commercial success. Where there is not an even spread of projects available to industry, firms that are not successful on these mega projects risk being permanently locked out of work in the longer term. When larger projects come to the market again in the future, unsuccessful firms will not have the ability to demonstrate currency, knowledge and relationships—hence their long-term viability is threatened.

## **Sustaining a Competitive Pipeline of Projects**

The Federal Government and other governments have indicated of recent times that they will be undertaking a substantial infrastructure investment. They have promoted the need for consultants and contractors to build their workforces to cope with the demand. In parallel there have been fewer smaller projects coming to market making it difficult for industry to sustain larger workforces between major projects. Without these small projects, businesses have been forced to make staff redundant, narrowing competition and breadth across the industry to the detriment of future projects of all sizes.

In this context, and with a constrained market for infrastructure investment more broadly, there is a case for governments to carefully consider opportunities to break-up major projects or package works with a view to distributing work more evenly.

Governments should be cautious of succumbing to the temptation to deal with a single winning party, and should not assume that economies of scale will always be realised through project aggregation. A considered and case-by-case approach to opportunities to de-aggregate projects may encourage more innovative solutions, timely delivery and increase efficiencies. Packaging major projects can encourage shared learnings across project interfaces, help mitigate risks, and encourage diverse perspectives and solutions. In addition, this approach could help sustain a more competitive industry, better able to respond to projects of all sizes in the longer-term.

Opportunities to package works and/or break-up major projects into smaller components must be considered on a case-by-case basis and with a view to value for money. Critically this must be considered on a case-by-case basis and supported through early engagement with industry.

## **Planning with Independent Expert Advice**

Consult Australia welcomes the Government's commitment to establish Building Queensland as an independent statutory body to provide expert and transparent advice to governments. In our submission responding to the draft Bill establishing Building Queensland we recommended the following functions, implemented through the application of a clear consultation framework for ongoing engagement with industry:

- Provide an interagency focus on infrastructure including: transport, water, energy, communications and social infrastructure.
- Develop a 10 year fully funded Priority Plan and delivery schedule for infrastructure across Queensland (inclusive of short, medium and longer-term deliverables for 2, 5 and 10 years). This Priority Plan would be supported by the parallel development of a new 30 year Infrastructure Plan for Queensland and associated regional and local infrastructure plans.
- Invest in early feasibility and design studies, outsourced to support Queensland industry, to help ensure a continuous supply of a wide range of 'shovel ready' projects ready to proceed as soon as funds are made available.
- Prioritise the design and delivery of the infrastructure schedule, accounting for the availability of skills, the economic cycle, and climate and demographic change.
- Review the methodology supporting Cost Benefit Analysis of projects to ensure wider economic and social benefits are captured over the long-term and weighted appropriately.
- In consultation with business, develop policies and guidelines to facilitate unsolicited development proposals from the private sector.

The Board of Building Queensland should provide a mix of business leaders and expert representatives from across business, construction, consulting (with reference to design, project management and engineering), property and finance with knowledge and experience directly relevant

to the functions of Building Queensland, alongside senior government representatives. To provide certainty for business while Building Queensland is established, the Government must clarify all those existing projects that remain fully funded, and commit early to projects with established positive business cases.

It is essential that government sets the groundwork to ensure that important decisions around infrastructure are based on expert advice rather than political considerations so the Queensland public can enjoy the benefits of better infrastructure, and business can plan for the future with greater certainty. While we may never be able to completely take the politics out of decision making around infrastructure project selection, it is important that we at least increase transparency as to what the expert advice is, and force relevant ministers to explain why they might have disregarded that when making alternate decisions.

The development of 30 year long term infrastructure plans, together with short and medium term priorities, also gives industry greater certainty, and allows us to plan for the future to ensure we're best able to meet the needs of projects as they are put out to market. Without this, it is impossible for businesses in the sector to plan their investment, and difficult for Government to ensure consistent relative value for money across market cycles.

### **Responses to Specific Questions:**

Consult Australia was pleased to participate and contribute at the earlier stakeholder consultation. Please find following a reiteration of some of the comments made at the consultation and additional collated comments from our members.

#### ***How has your organisation used previous government infrastructure plans?***

- Our members use these plans to identify opportunities (short and long term) and undertake 'positioning' to ensure they are setup to respond effectively (partnering, capability, scale etc.).
- These plans are often used firstly for setting the planning framework for various agencies and then as the basis for assessing project need and justification, hopefully beyond the political cycle.
- The plans are used to provide justification of the size and skill mix of our members' businesses. The training, recruitment and development of professional skills has a minimum 10 year horizon and our members are acutely aware of their role in facilitating this skill development provided the government commits to certainty in project planning and delivery.
- Our members typically develop factored pipelines of work (backlog) from published documents such as a Queensland Infrastructure Plan. Industry workforce assessment and requirements can be developed and workforce planning undertaken based on the factored backlogs.

#### ***How does the proposed direction for the State Infrastructure Plan align with your expectations?***

- Consult Australia agrees that an integrated plan is needed which prioritises demand across a spectrum of needs (e.g. market sectors, South East Queensland and rural regions). The key concern for our members is the impact of government changes on these priorities once they are set.
- We support the objectives of the plan to focus on the four priority areas: *delivering prosperity and livability; infrastructure that supports growth; infrastructure that connects our communities; and providing sustainability and resilience.*

- We expect that the plan will seek to achieve a balance between delivering infrastructure for SEQ and connecting the key regional areas across Queensland (including North Queensland, Far North Queensland, and Northern Australia)
- It is clear there is going to be a future reliance on private funding models to support infrastructure spend – given the difficulties in the past with PPP's there is a clear risk in attracting the private investments needed and governments should consider more innovative models in consultation with the private sector.
- The directions paper states that the State Infrastructure Plan will be “aspirational”. This language does not support business confidence and suggests a lack of certainty in planning and the associated pipeline of work. The division of timelines into 0-4 years and 4-15 years means that it is likely that little confidence can be applied to any projects in the 4-15 year timeframe actually coming to market. Indeed, projects in the 0-4 years timeline are often tied to various and changing funding commitments from all levels of government. This only further erodes the business confidence in real pipelines of work for our members.
- Our members work locally, nationally and globally. Every business operating across state and national borders needs to further integrate what comes out of infrastructure planning in Queensland with what is being delivered through the Commonwealth and other jurisdictions. What Queensland plans and implements cannot be seen in isolation. Our smaller, regionally based members are often impacted not just by Queensland but also national and global projects.

***How do the government’s infrastructure objectives align with your priorities?***

- Consult Australia’s policy priorities in Queensland are; planning and developing a stronger infrastructure pipeline; releasing new funds for infrastructure investment; supporting best practice procurement (see break-out box below); and creating a better business environment. These business priorities align with the intent and objectives of the Infrastructure Plan, but our more detailed recommendations against each of these should be considered with a view to delivering a Plan that aligns fully with the needs of industry and the community.
- Our members’ priorities are to work with the government and the private sector on identifying / planning the right projects and then delivering those projects effectively. The sustainable use of existing infrastructure to decrease up-front costs is a shared priority.
- Consult Australia supports innovation and collaboration for better decision making. We work closely with government to support procurement that encourages that innovation and value for money.
- The New South Wales Government is working with industry to identify delivery models that for larger contracts that provide more opportunities for smaller providers. We would be pleased to work with the government to develop similar approaches, where appropriate in Queensland that align with the Queensland Government’s procurement and delivery objectives.
- Cost of tendering is of increasing concern to our members, particularly where mandatory tender processes are inefficient and ultimately will drive up consultant costs for government. More collaborative tender processes, where binding decisions are able to be made on options as tenders develop can encourage innovation and decrease tender and construction costs. Recent D&C and PPP major tenders in Qld have gone beyond the normal assessment process and are requiring substantial increase in costs to all shortlisted parties. Ultimately the taxpayer pays for the additional cost which could have been avoided through better consultation and more efficient procurement processes.
- The Infrastructure Plan should consider the adaptability and flexibility of future projects. Technology advancements, as well as impacts from such factors as climate change, mean that the planned life of some infrastructure categories may exceed their utility for the original purpose for which it was created.

**What are the top policy issues and opportunities the plan could respond to?**

- The Plan, alongside the creation of Building Queensland should transparently identify the steps for prioritising projects for delivery by government across a long-term planning horizon.
- The Plan should clearly identify those measures to build business confidence in the certainty of the infrastructure pipeline in the long-term, especially across political cycles.
- The Plan should consider alternative financing and investment models and resolve to work with industry to identify how these models can be implemented in Queensland.
- The Plan should adopt and seek the implementation of Consult Australia's recommendations to improve public sector procurement outcomes, as outlined in our report [More for Less: The economic benefits of better procurement](#) (see break-out box below) and our full report commissioned from [Deloitte Access Economics](#).

**Deliver *More for Less***

Deliver better value for money through the implementation of Consult Australia's seven recommendations to improve public sector procurement outcomes (as identified in our report commissioned from [Deloitte Access Economics: Economic Benefits of Better Procurement Practices](#)):

- 1) Set up procurement teams with a mix of practical, legal and procurement experience.
- 2) Reallocate procurement resources towards better specification of project objectives, including early engagement with industry, identifying end user needs, and re-testing business case objectives.
- 3) Remove contract clauses that don't stack up, whether from a cost-benefit perspective, or through the behaviour shaped by the inclusion of those terms.
- 4) Develop and apply limited liability guidelines to assist agencies with ensuring that liability requirements do not add unnecessarily to project costs.
- 5) Verification of brief information by government to avoid costly duplication by tenderers.
- 6) Streamline compliance processes to reduce bid costs.
- 7) Evaluate and adapt procurement frameworks to encourage innovation, including being open to new delivery models, early market sounding options and continuing to provide opportunities for unsolicited proposals

**How can the plan encourage innovation in planning and delivery of infrastructure?**

- See our seven recommendations above.
- Government agencies should consider their procurement vehicles and consider whether the current suite of contracts are giving best overall value. Divestment of risk via contracts to the private sector does not necessarily result in the best outcome in the long term
- Initiate changes to the tendering process
- Recognise that procurement models that drive to an input cost focus, most often result in larger outturn costs and less value for money.
- Real value for money is often achieved over a portfolio of projects (corridor or area wide cost-benefit, rather than project BCR) and/or life cycle of project planning and delivery. This is presently impeded by the procurement process and gates at which a project moves through the planning to delivery cycle.

- Create real opportunities for unsolicited bids/market led proposals and a means by which those bids can be dealt with, measured and agreed.

***How can the plan attract greater private sector investment in Queensland's infrastructure?***

- The Plan should put in place measures to protect the certainty of the pipeline to give confidence that the necessary investment will occur. The plan must be free from political influence and certain across electoral cycles.
- The Plan should address failures and lessons learned from past projects. For example, the approach to risk should be reviewed noting that not all risk can or should be shifted to the private sector.
- The private sector needs to see that the Plan demonstrates demand for their services in the local market. This can be through appropriate procurement processes, protection of IP, facilitation and partnership approaches to development of projects.
- There is a need to identify more projects which have a risk profile that is consistent with them being best managed by the private sector. If there are not enough projects with this characteristic, then there won't be as many genuine opportunities for private sector investment. It is intended that industry representatives from the private sector will be on the board of 'Building Queensland' to effectively advise Government on which projects may have risk profiles acceptable to private sector investment. However the current drafting of the Building Queensland Bill inappropriately provides the Minister with the power to direct Building Queensland not to assess certain/selected projects compromising their independence and the transparency of their advice and potentially limiting the delivery of these projects to market.

I look forward to your consideration of these important issues as you continue to develop an infrastructure plan for Queensland. Consult Australia would be pleased to expand further on the points made in this submission as required. To discuss this further please contact me on [stacey@consultaustalia.com.au](mailto:stacey@consultaustalia.com.au) or phone: 0404 123 896.

Yours sincerely,



**Stacey Rawlings**  
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