



**Planning, Pipeline, Procurement.  
Let's Progress SA**

**SA Election 2018**

## Who we are

We are Consult Australia and we help better the operating environment for consulting firms within the built environment so they can do what they do best: help shape (literally) a better world.

*Consult Australia represents an industry comprising of some 48 000 consulting companies nationwide, who generate in excess of \$40 billion in revenue annually, and range from some of the world's largest and most innovative companies with global expertise, through to smaller firms who are passionate about improving the area in which they operate. Consult Australia represents engineers, architects, surveyors, project managers, management consultants and more, who use their collective skill and expertise to make and shape our cities and towns into more liveable and affordable places in which to live. Beyond professions, we represent ideas and new ways of working.*

Every major built environment project in South Australia and the surrounding region has involved Consult Australia member firms: from the pipes that provide us water, the roads, bridges and airports that connect us, through to the galleries, stadiums and precincts that inspire us. We represent professionals who make our built environment better.

## What drives us?

- We believe in investment in infrastructure proven to help economies grow.
- We believe in working closely with government and private industry, together with the communities they serve, in order to make places and physical spaces better areas in which to live.
- We believe our young professionals within our firms are world class and they are the future leaders and innovators of our industry.
- We believe a diverse workforce is a better workforce.
- We believe in long-term planning because great cities require decades of foresight.
- We believe in great design and its importance in creating a sense of pride, place and belonging amongst communities.
- We choose the sustainable over the quick fix, quality over quantity, innovation over the easy option. We believe in progress.

## Some of our work

- [Economic Benefits of Better Procurement Practices - A definitive guide to improving procurement on public infrastructure projects](#)
- [Better Buying Better Outcomes – The consulting industry's view of procurement](#)
- [Value Capture Roadmap – The role of value capture in funding public infrastructure](#)
- [Valuing Better Engagement – A framework to help project managers improve stakeholder engagement](#)

## **Our election priorities**

The challenges for the South Australian economy are well known. Many of them stem from global factors and the impact of the strong Australian dollar between from 2011 to 2014 on the manufacturing sector. Population growth has not kept pace with other States, commodity prices have fallen, and the ageing population has slowed growth in the labour force. While it may appear that protectionism will preserve those industries that South Australia has traditionally relied upon to deliver growth and employment, it can only be a short-term remedy at best. It will not deliver long term solutions for growth and South Australia must avoid falling into its trap.

In terms of infrastructure, all infrastructure projects and services create local employment and have the potential to attract and retain professional skills in the State more broadly. Increased national and international competition leads to improved standards and better quality through incoming expertise and capabilities. It helps reduce the delivery and operational risk of public infrastructure. It also can also lead to best practice and innovative outcomes.

Conversely, protectionism can impede the flow of new ideas and capital across national and international borders. It can lead to increased costs and even lower-quality infrastructure. It compounds the skills shortages that already exist, for example in engineering, thus stretching resources and capabilities. It also creates political risk for investors which can in turn damage the long-term competitiveness of markets. While the current "buy local" push, including via the Industry Participation Policy is encouraged, it is mainly aimed at blue collar workers and replacing job lost from the manufacturing sector. Instead a "develop local" policy is encouraged, where we provide a competitive market place driven by infrastructure projects and services, to foster and retain local expertise, across all skills and professions.

Maintaining an open and competitive economy in South Australia will drive infrastructure delivery, operations and investments. The forecast growth in the Eastern States, such as NSW and Victoria, is being driven by solid and sound long-term infrastructure plans and planning within their respective jurisdictions, and we must also look to an integrated strategic approach to infrastructure planning and prioritisation.

In the lead up to the SA State Election in March 2018, we at Consult Australia are calling on both government and private industry to 'collaborate more' and 'conflict less' with our experts and use their skills in planning, designing and managing built environment projects for the betterment of the State.

<p style="text-align: center; font-size: 48pt; font-weight: bold;">1</p>	<p style="text-align: center; font-size: 24pt; font-weight: bold;">Planning</p> <ul style="list-style-type: none"> <li>- Establish an independent statutory body made up of built environment experts from across Government and Industry;</li> <li>- Task this independent body with the development of a business case proven, prioritised 15 to 30-year rolling infrastructure plan for the State</li> </ul>
<p style="text-align: center; font-size: 48pt; font-weight: bold;">2</p>	<p style="text-align: center; font-size: 24pt; font-weight: bold;">Pipeline</p> <ul style="list-style-type: none"> <li>- Seek to implement an ongoing pipeline of projects, ready for investment and construction as soon as funds are available, to enable local firms to plan their future business, so attract and retain skilled people and invest locally in the development of their workforce.</li> </ul>
<p style="text-align: center; font-size: 48pt; font-weight: bold;">3</p>	<p style="text-align: center; font-size: 24pt; font-weight: bold;">Procurement</p> <ul style="list-style-type: none"> <li>- Develop a positive, professional procurement culture based on open and collaborative relationships, as well as to provide quality and value for taxpayers;</li> <li>- Early engagement and collaboration with industry, so that government can understand what's possible, and where risks lie;</li> <li>- Cease imposing unfair contract terms on local businesses</li> </ul>
<p style="text-align: center; font-size: 48pt; font-weight: bold;">4</p>	<p style="text-align: center; font-size: 24pt; font-weight: bold;">Progress SA</p> <ul style="list-style-type: none"> <li>- Reap and reinvest the economic and social benefits obtained through better infrastructure planning and procurement practices</li> </ul>

## **Election Priorities in more detail**

### **PRIORITY ONE: Planning**

- *Establish an independent statutory body made up of built environment experts from across Government and Industry;*
- *Task this independent body with the development of a business case proven and prioritised 15 to 30-year rolling infrastructure plan for the State;*
- *Review infrastructure funding programs to ensure they align with any infrastructure priority lists*

A long-term independent approach to the planning and prioritisation of infrastructure in South Australia is essential, with a governance framework in place support its delivery and assessment.

The SA Government released an Integrated Transport and Land Use Plan (ITLUP) in July 2015. This was well received by the community and industry. The plan identifies infrastructure priorities over the next 30 years and is an evidence based policy document. It is also well regarded by Infrastructure Australia.

What is important is that there is political support for the plan and its priorities.

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.

Across Australia there are a number of models now implemented supporting greater independence in the selection and prioritisation of infrastructure projects. Infrastructure Australia, Infrastructure NSW and Infrastructure Queensland are just some of the approaches now employed that merit consideration in determining a best-practice model for implementation in South Australia.

### **Infrastructure SA**

Created as an independent statutory authority, Infrastructure SA will provide expert and transparent advice to governments and industry supporting an interagency focus across all infrastructure. It will have balanced representation of industry and government representatives on its Board.

Infrastructure SA will 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, Infrastructure SA will facilitate better urban development through support for a long-term pipeline of coordinated infrastructure projects that will act as the foundation for the next phase of South Australia's economic growth.

### **A Model for Infrastructure SA**

#### **Plan and prioritise infrastructure through integrated strategic planning:**

- Develop South Australia's current and future needs and priorities relating to state & nationally significant infrastructure.
- Develop lists (to be known as Infrastructure Priority Lists) that prioritise South Australia's infrastructure needs.
- Prepare sectoral State infrastructure strategy statements.
- Review and evaluate proposed major infrastructure projects by government agencies or the private sector and other proposed infrastructure projects.
- Evaluate proposals for investment in, or enhancements to, state significant infrastructure.

#### **Support smarter policy and better regulation**

- Provide advice to the Premier on economic or regulatory impediments to the efficient delivery of specific infrastructure projects or infrastructure projects in specific sectors.
- Review and provide advice on proposals to facilitate the harmonisation of policies, and laws, relating to development of, and investment in, infrastructure.
- Review policy, pricing and regulatory issues that may impact on the efficient utilisation and maintenance of infrastructure networks.
- Develop, implement and publish cost benefit analyses against infrastructure projects that account for wider economic and social benefits of investment in the longer-term.

#### **Facilitate funding and financing options**

- Provide advice to the Premier on appropriate funding and models for infrastructure.
- Mechanisms for financing investment in infrastructure.
- Promote investment in infrastructure.
- Co-ordinate the infrastructure funding submissions of the State and its agencies to the Commonwealth Government and to other bodies.
- Review infrastructure funding programs to ensure they align with any infrastructure priority lists.

#### **Anticipate and plan for future demand**

- Consider the needs of users of infrastructure.
- Provide advice on infrastructure policy issues arising from climate change.
- Conduct audits to determine the adequacy, capacity and condition of state significant infrastructure, taking into account forecast growth and demographic change.

Ministers and their governments should be transparently held accountable to the independent advice provided by Infrastructure SA through the publication of an annual policy response by the Government to their recommendations, detailing the rationale informing subsequent infrastructure prioritisation and funding and actions taken to support better infrastructure delivery.

## **PRIORITY TWO: Pipeline**

*- Within the recommendations of the overall Integrated Transport and Land Use Plan (ITLUP) or similar strategic infrastructure plan, publish a rolling two year lookahead pipeline of projects, chosen from Infrastructure Priority Lists that are funded or ready for investment and construction as soon as funds are available, to allow local business to plan ahead and so attract and retain skilled people into South Australia*

*-Where appropriate conduct cost-benefit-analysis across multiple projects*

*- Invest in the long term pipeline - establish a dedicated innovation fund to support the development of investment-ready infrastructure;*

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 the South Australian Government's vital role in facilitating those longer-term benefits as part of a vision for South Australia, needs to be re-established. The South Australian Government should consider the less easily quantified benefits that come with some forms of infrastructure investment.

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, and 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.

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.

Without this investment in the long-term infrastructure pipeline, at the earliest stages of project conception and development, the ability for the South Australia Government 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 that a dedicated innovation fund be established, 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, which includes the attraction and retention of skilled people into South Australia.

### **PRIORITY Three: Procurement**

- *Develop a positive, professional procurement culture based on open and collaborative relationships, as well as quality and value for taxpayers;*
- *Use fair contracts to procure Government funded design and construction services, based on allocation of risk to the party that can best manage that risk. Australia Standard AS4122-2010 should be the standard form adopted across all government procurement for the engagement of consultants*
- *Reduce bid costs – several reports have found that the cost of bidding for work can be prohibitive, and represents a major inefficiency in the development of infrastructure*

At a time when public finances are stretched, better procurement offers governments 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.

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.

### **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, 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 the 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. While the SA Government's unsolicited proposal process could help to stimulate innovative ideas, to date we understand that no bids have been accepted, resulting in reluctance in the industry to make further offers. Better procurement can drive greater innovation, which in turn will save money and lead to better project outcomes.

## 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.

Awareness of the implications of onerous risk allocation/shifting, and the costs involved in developing contractual agreements for every project, resulting in protracted contract negotiation. The SA Government 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.

### **PRIORITY FOUR: Progress**

*- Reap and reinvest the economic, environmental and social benefits obtained through better infrastructure planning and procurement practices to make this State and even better one;*

### **Let's Progress SA**

A self explanatory priority which seeks to have the economic, environmental and social benefits reinvested in city and state wide infrastructure planning, investment and construction so that we continue to improve upon current liveability standards within the State.



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