



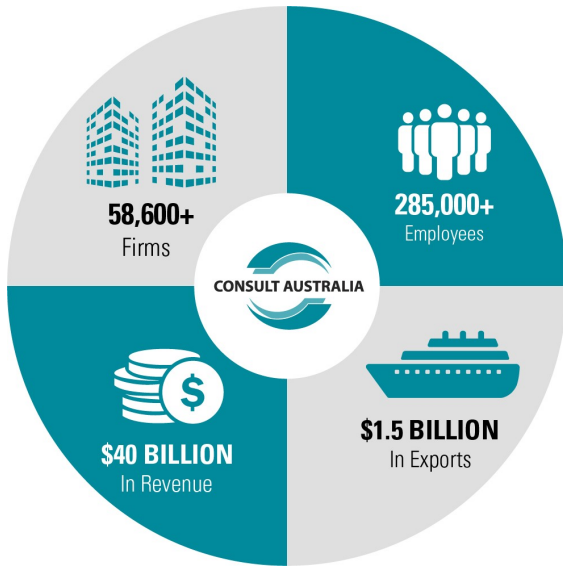
July 2023
**Infrastructure Investment
Program Review**

SUBMISSION TO INDEPENDENT REVIEWERS

Consult Australia

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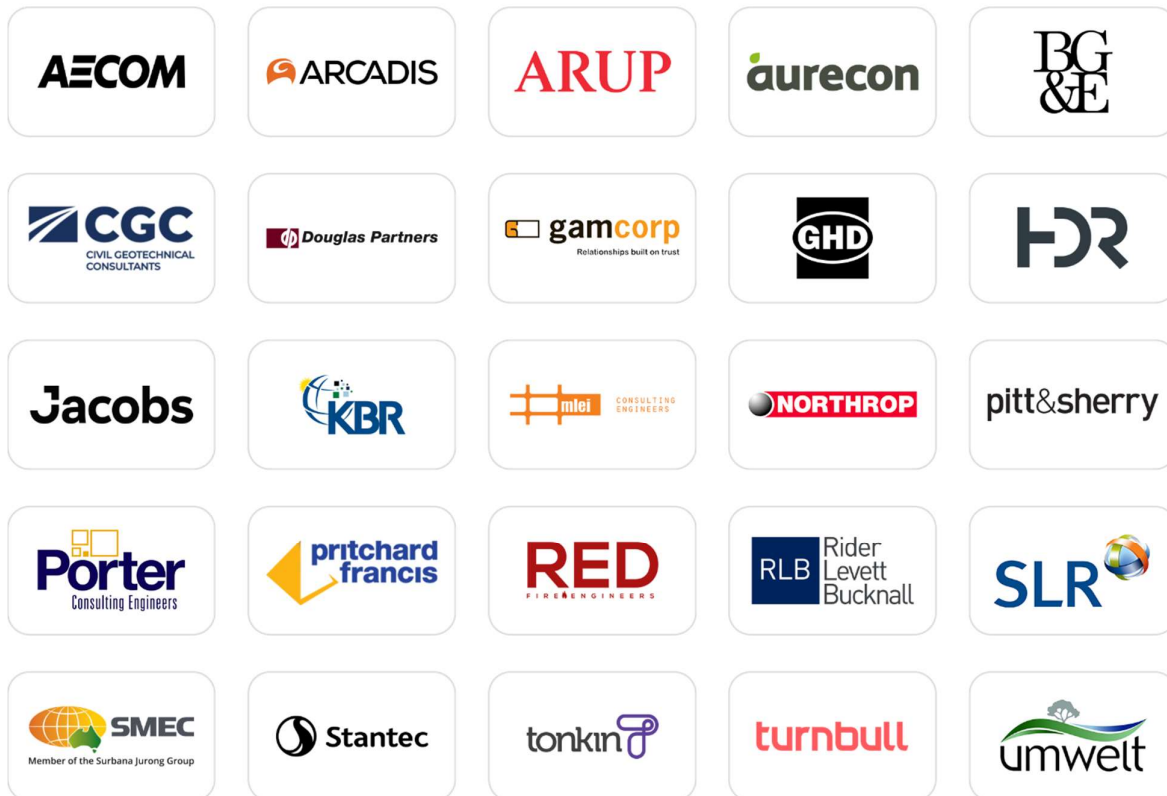
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ABOUT US

Consult Australia is the industry association representing consulting businesses in design, advisory and engineering, an industry comprised of over 58,600 businesses across Australia. This includes some of Australia's top 500 companies and many small businesses (97%). Our members provide solutions for individual consumers through to major companies in the private sector and across all tiers of government. Our industry directly employs over 285,000 people in architectural, engineering and technical services and many more in advisory and business support. It is also a job creator for the Australian economy, the services we provide unlock many more jobs across the construction industry and the broader community.

Our members include:



A full membership list is available at: <https://www.consultaustralia.com.au/home/about-us/members>

Executive summary

Consult Australia welcomes the opportunity to contribute to the Infrastructure Investment Program (IIP) Review. The government's goal to ensure a credible and sustainable pipeline of projects is fully supported by our members. The importance of infrastructure for improving our economic prosperity, creating thriving communities, and providing valuable links for people and goods is clear. Consult Australia has always advocated for improving our approach to these projects not only to ensure the sustainability and success of our members but also because of the compounding effect on economic growth across the country, and on the wellbeing of Australians.

This submission provides information to assist the independent reviewers:

- assess projects funded under the IIP and make recommendations on the merits of projects continuing, having regard to the implications of ceasing, deferring, or bringing forward projects considering matters such as industry capability, and the impact on regional and remote Australian communities.
- develop recommendations to transition the IIP to a sustainable 10-year rolling pipeline targeting appropriately costed, nationally significant infrastructure projects.

While it is encouraging that at the announcement of this Review the government maintained its commitment to an infrastructure investment pipeline of \$120 billion over ten years to ensure a rolling program of sustainable investment – this does not provide the level of certainty needed to ensure the market has business confidence, can support workforce planning, or deliver productivity benefits.

In the first part of this submission, we explore the **criticality of certainty** to our members and how an uncertain pipeline impacts the design stage in a very different way than at the 'shovel ready' stage of projects. We also note the already high level of uncertainty in the market before the IIP Review announcement, as demonstrated by our recently published [Capacity Crunch](#) report. This uncertainty has only been heightened since the announcement of the Review which is impacting more than just the approximate 800 projects under review, as state and territory governments have used the IIP Review as a justification to stall or pull back on a wide range of projects.

In the second part of the submission, we provide **recommendations for a rolling pipeline**. Many of these suggestions have been made previously by Consult Australia in thought leadership reports, budget submissions, productivity reviews and election priorities. The need for Commonwealth's funding of state and territory infrastructure projects is not going to diminish as infrastructure projects continue to grow in complexity and scale. Therefore, smarter ways of how we plan, fund, procure, design, and deliver new projects is needed. Infrastructure and new investments should be seen as important enablers of broader economic and social development across the country, rather than as traditional demand-verse capacity or considering only asset-by-asset.

As always, Consult Australia makes this solutions-focussed submission with an offer to continue to work with government to ensure any reform is co-designed with industry for the benefit of the community.

The criticality of certainty

Certainty and transparency of the pipeline is critical to the sustainability and success of Consult Australia members. Without transparency and certainty, a business cannot have confidence, cannot conduct appropriate workforce planning, or deliver productivity benefits. This is why pipeline issues have been a key aspect of our advocacy for many years as the infrastructure spend around the country has steadily increased. In every jurisdiction around the country, we have urged agencies as well as infrastructure bodies to publish pipelines publicly and involve designers, advisors, and engineers at the earliest stages.

Impact on design stage rather than 'shovel ready'

The impact of pipeline uncertainty on the design phase and designers is very different to the impact at the 'shovel ready' stage of a project or on constructors. For our members it is difficult to redeploy project teams (often around 30 people) suddenly to other projects – and near impossible to get them back to the original project if it is restarted. Pipeline uncertainty impacts businesses of all sizes, not just the large lead designer on a major infrastructure project but also the myriad of subconsultants who provide specialist services on these projects.

The government has a role to ensure there is an appropriate spread of project types and work packages for businesses of all sizes to benefit or participate in its pipeline of projects. This includes consideration of the size and scale of projects and whether it is more appropriate to break-up mega projects into smaller projects to give smaller businesses the ability to participate to deliver sector-wide productivity.

When the government brought forward funding for a range of shovel ready projects from the long-term pipeline of infrastructure as part of the economic recovery strategy after covid, Consult Australia warned of the potential for a flash-burn effect in the construction market. We noted that an ongoing approach that focuses exclusively on bringing forward shovel ready projects would lead to capacity being quickly exhausted by delivering projects at pace and substantially reducing the forward pipeline of new projects in the medium to long-term. We urged the then government to ensure that stimulus did not just look at moving projects forward in the pipeline, but also new waves of projects in the forward pipeline to support growth and productivity objectives to sustain the economy beyond the initial six to twelve months after covid shutdowns.

The link between capacity and certainty

In the current market our members face a high level of uncertainty, from the skills demand size as demonstrated by our recently published [Capacity Crunch](#) report but also with the collapse of many prominent construction businesses. In terms of workforce capacity, Infrastructure Australia's Market Capacity work provided an overall picture while our report looked at the sectors and disciplines of most relevance to our members. Most respondent members in most sectors surveyed expected to have capacity within six to twelve months, but also uncertainty about the pipeline after the current spate of projects. The two sectors with more certainty were rail and defence – however these results were before the finalisation of the Defence Strategic Review and the announcement of the IIP Review.

Unfortunately, despite the government's commitment to the funding envelope, the IIP Review has still heightened the uncertainty for the market. Members report that the Review is impacting more than just the approximate 800 projects under review. As we know, grant funding from the Commonwealth for state/territory infrastructure projects has become critical as projects have increased in complexity and scale. On this basis, we have seen state and territory governments use the IIP Review as a justification to stall or pull back on a wider range of projects. Therefore, the IIP Review is not only impacting the pipeline of nationally significant projects but is causing uncertainty in the entire pipeline of infrastructure projects around Australia.

Recommendations for a rolling pipeline

Our members support reform of the IIP to ensure a sustainable 10-year rolling pipeline. Consult Australia has long called for the federal government to adopt and support an approach to the pipeline of projects that provides certainty to the industry and increases accessibility for small businesses. This will deliver benefits to productivity (both industry and government), workforce planning and regional participation.

Getting it right from the start

Infrastructure reviews and pipeline rescheduling should not come at the expense of good front-end planning supporting problem identification during project origination and design. Consult Australia has long supported earlier and stronger engagement with industry at the earliest stages of projects to improve project outcomes, identify efficiencies and manage risks in scope, cost, timeframes or scheduling against broader pipeline delivery. Ensuring investments in time and resources that supports due diligence at the earliest stages is critical to managing the risks being considered through this review and providing greater certainty for business in projects being delivered over a longer horizon.

Looking beyond capital spend

Too often capital spend is the focus when measuring the benefits from investments or the effectiveness of a government's approach. Instead, we firmly believe infrastructure investment decisions by governments should be centred on how the project will deliver ongoing value to the economy and the community (i.e. the post construction whole of life value). The post construction whole of life value must be a key component of the business case assessment (discussed more below).

Similarly, infrastructure announcements and projects remain too politically charged, with overly ambitious costings and programming designed to meet political will rather than industry capacity to deliver. A more pragmatic approach, or a 'go slow to go fast' approach as coined by Infrastructure Australia would see more involvement of industry earlier.

Spread of project types

The government has a role to ensure there is an appropriate spread of project types and work packages for businesses of all sizes to benefit or participate in its pipeline of projects. This includes consideration of the size and scale of projects and whether it is more appropriate to break-up mega projects into smaller projects to give smaller businesses the ability to participate to deliver sector-wide productivity.

There is a need to ensure there is appropriate guidance developed between governments and industry on fast-tracking and packaging projects, and ensuring these align with best practice infrastructure governance arrangements. As such, we believe this should be supported by Infrastructure Australia through their current work on industry capacity. Improving how we deliver projects across the country is not as simple as increasing the total spend. We must continue to improve how we plan, fund, procure, design, and deliver new projects. Infrastructure and new investments should be seen as important enablers of broader economic and social development across the country, rather than as traditional demand-verse capacity or considering only asset-by-asset.

Public published pipelines

While some agencies and infrastructure bodies around the states and territories are starting to publish pipelines – they are not always complete or sufficiently detailed. Further, the agency-by-agency or state-by-state approach does not allow industry to view all opportunities in an easy

digestible way. Further, this piecemeal approach means that agencies are not aware of the cross-jurisdictional conflicts with other clients for similar skills.

A smarter pipeline of projects will produce sector-wide productivity, create a dynamic workforce, and increase regional participation. A smarter pipeline relies on the key elements of transparency and diversity of industry participants (in addition to an embedded 'go slow to go fast' mentality as discussed above).

It is expected that transparency of the upcoming pipeline of projects across Australia and cross-jurisdictional sequencing will ensure that:

- government clients can utilise industry feedback more effectively on barriers experienced by industry (which may not yet be seen by government – including skills shortages)
- industry can predict, prepare, and plan the resources required to meet demand, including the creation and maintenance of a dynamic workforce
- industry can attract workers to regional areas based on the pipeline in the region
- all parties benefit from increased productivity.

A business case-led approach

Consult Australia believes on a focus on boarder economic and social benefits of infrastructure projects leads naturally to governments following robust governance and decision-making processes to inform infrastructure investment decisions. Importantly these processes should be consistent across jurisdictions and transparent. In supporting the government's post-covid recovery we urged for sound investment proposals underpinned by business cases that inform project selection as the best way for the government to maximise the social and economic benefits from infrastructure investment.

The establishment and work of Infrastructure Australia as an independent statutory body to audit Australia's infrastructure needs and to provide advice on the priority and effectiveness of project proposals is highly regarded by the industry. We have consistently suggested that Infrastructure Australia be empowered to inform all the Commonwealth's infrastructure investment decisions through business case assessments for project proposals and through the infrastructure priority list. More consistency and transparency between state/territory governments is vital to this.

We noted in budget submissions that providing funding to support the development of more infrastructure business cases by state and territory governments would shore up new waves of projects in the long-term pipeline. Further, investing in business cases creates jobs. We estimated the labour multiplier (i.e. jobs created) from government investments in business case developments is 11 jobs per million for a typical project.¹ This compares favourably to estimates for the labour multiplier for construction activities, which can be around four to seven jobs per million investment.

Re-imburement of bid costs

Consult Australia supports the Australian Constructors Association's (ACA) call for re-imburement of bid costs. As noted above, while removing politics from infrastructure planning and delivery is necessary, it is difficult and therefore the Review should consider opportunities to insulate industry from the negative impacts of any poor future decisions. A comprehensive reimbursement regime that compensates consultants and contractors if a project being cancelled or deferred is supported by Consult Australia

¹ Consult Australia briefing note, Labour multiplier from investments in business cases (June 2020)

Contact

We would welcome the opportunity to talk more on the issues touched on in this submission.

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