



Labor Members' Dissenting Report

Deputy Chair, the Hon Matt Thistlethwaite MP; Mr Andrew Giles MP; Hon Mr Ed Husic MP; Hon Alannah MacTiernan MP, Ms Michelle Rowland MP.

Introduction

The Labor Members of the House of Representatives Standing Committee on Infrastructure & Communications (the committee) Deputy Chair, the Hon Matt Thistlethwaite MP; Andrew Giles MP; the Hon Ed Husic MP; the Hon Alannah MacTiernan MP; and Ms Michelle Rowland MP; and wish to acknowledge the good work of the Committee and the Secretariat.

Throughout the course of this inquiry, the Committee having heard from many stakeholders and experts developed a firm appreciation of the progress made and challenges in delivering infrastructure in Australia.

The terms of reference for the Committee inquiry are:

- What initiatives are operating around Australia at local and state government levels that might lower the cost of planning approvals and reduce timeframes for delivery of projects?
- Of those initiatives that the Committee has considered, are any able or appropriate to be implemented on a broader basis, including at federal level?
- Are local, state and federal governments adequately considering the infrastructure challenges that they face and do they have long term plans in place to deal with those challenges?
- For governments that are engaging in long term planning for future infrastructure investment, are they taking steps to protect the land and corridors that are needed to deliver those infrastructure projects in the future?

- What is industry doing to reduce the regulatory and other costs that it faces in competing for infrastructure projects?
- How can Australia increase or deepen the competitive market for infrastructure provision and funding in Australia?

The challenge of delivering productivity enhancing infrastructure in Australia in an efficient manner is subject to the foibles of federation. Generally having three levels of government responsible for the planning, design, financing and construction of infrastructure presents significant challenges.

Engineers Australia noted in their submission that all levels of government must:

Harmonise infrastructure planning and regulation through improved cooperation and collaboration between all levels of government, business and the community.¹

While the Urban Development Institute of Australia noted in their submission that:

Ensuring that planning for infrastructure is both long term and coordinated between states and different levels of government. In the past, governments have failed to adequately take into consideration the impact of infrastructure planning decisions on the plans, goals and objectives of other levels of government, and other jurisdictions. There is a need for infrastructure planning and funding to be coordinated across different levels and functions of government (e.g. land use and transport planning, economic and urban development and environmental assessment) to ensure the most efficient and cost effective infrastructure outcomes.²

The previous Labor Government established Infrastructure Australia (IA) to overcome these challenges. IA is a body charged with developing a truly national, long-term approach to dealing with and responding the nation's growth and restoring infrastructure planning to the heart of national economic management.

Most of the recommendations of the Government members report complement and build on the previous Labor Government's initiatives developing a more independent and effective system of infrastructure planning and delivery in Australia.

However, the Labor members of the Committee have determined based on the evidence presented to the inquiry, that stronger recommendations need to be made in respect of planning for corridor reservation and acquisition, particularly in respect of rail projects and the deficiencies of the Government's approach to

1 Engineers Australia, *Submission 1*, p. 3.

2 Urban Development Institute of Australia, *Submission 9*, p. 2.

privatisation of productive state and Commonwealth infrastructure assets. Our comments and recommendations regarding these issues are detailed below.

The Labor members broadly agree that the Australian Government should work within the COAG framework to promote greater coordination of infrastructure planning between the Commonwealth, State, Territory and local governments, including harmonisation of planning regulations and processes, and reducing regulatory duplication between different levels of government.

All witnesses agreed that at a federal level there should be a continuation of the leadership position held at COAG to drive better practice around infrastructure project identification, planning and selection.

The Productivity Commission report on Public Infrastructure clearly outlines this ideal in two of its recommendations:

- Recommendation 7.1: All governments should put in place best practice institutional and governance arrangements for the provision of public infrastructure.³
- Recommendation 7.3: Australian Government funding or other forms of financial assistance (including incentive payments under Commonwealth-State agreements) for public infrastructure that is provided to State and Territory and Local Governments should be conditional on the adoption of the governance arrangements outlined in recommendation 7.1.⁴

The Labor members broadly agree that the Federal Government via COAG should pursue designation of land corridors for the development of significant infrastructure projects on the basis that these are integrated into the infrastructure planning process of relevant jurisdictions and are supplemented by a demonstration of future need.

However the submissions demonstrate a need to establish a Commonwealth Authority that transcends the electoral cycle to work with the States, Territories, local government and experts to pursue designation of land corridors for the development of infrastructure, including high speed rail.

Significant evidence to this effect was provided to the inquiry by Mr John Alexander OAM, MP, Member for Bennelong, The Australasian Railway Association and, most notably from the Minister from the previous Government the Hon. Anthony Albanese MP, Shadow Minister for Infrastructure and Transport and Member for Grayndler.

3 Productivity Commission, *Public Infrastructure: Inquiry Report*, Volume 1, No. 71, 27 May 2014, pp. 281-2.

4 Productivity Commission, *Public Infrastructure: Inquiry Report*, Volume 1, No. 71, 27 May 2014, p. 297.

Mr Albanese gave evidence that:

The fact that we have a vast continent with a relatively sparse population means that high-speed rail is challenging compared with our Asian and European counterparts, but the fact that our population is so dense in that corridor between Brisbane and Melbourne via Sydney means that it was worthy of further consideration.⁵

I think that support for an authority is an essential precondition. If it does not happen then you will lose momentum. That is the way that the bureaucracy and political class work. If there is not pressure on to keep the momentum and to keep it going, then it will just become another good idea with a report that is on a shelf. That is why I think structurally this is important. My bill is not a partisan bill; it would allow the minister of the day, in this case Minister Truss, to be responsible for appointing the members of the authority. If this does not occur, as much as there is some cynicism about this project, a generation beyond everyone in this room – myself included – will look back and say, 'Why didn't we preserve the corridor? Why didn't we get it right?' There is no doubt that the other fact that the report found was that, as the technology is getting better, the price is also getting cheaper. Like other forms of project, the old demand-supply kicks in. There are more high-speed rail lines being built around the world; therefore the cost is coming down.⁶

Additionally the former Deputy Prime Minister, the Hon Tim Fischer provided a written submission noting that:

Capital City HSR “corridor close out” continues to occur, notably with some near disgraceful planning approvals around outer Melbourne, especially the dogs muddle unfolding at Donnybrook. Significantly international interest remains high re HSR possibilities including investment in Australian HSR by overseas interests but the clock is ticking. Now is the time for some bold decisions, now or virtually never.⁷

The Labor members accepted that the Federal Government should, through COAG, pursue a national system for the registration of infrastructure-related professions including those in the construction and engineering sectors and recognition of qualifications across Australia to better promote the efficient and cost-effective development of infrastructure.

5 The Hon Mr Anthony Albanese MP, *Committee Hansard*, 1 October 2014, p. 1.

6 The Hon Mr Anthony Albanese MP, *Committee Hansard*, 1 October 2014, p. 1.

7 The Hon Tim Fischer AC, *Submission 31*, p. 1.

It was, however, noted that Federal Government education and training policy needs to anticipate increased demand for local infrastructure planning, procurement and delivery skills and should have a skills supply policy that anticipates this demand.

The Labor members of the Committee agreed that the Australian Government, through Infrastructure Australia, must develop innovative financing and funding models for the development of public infrastructure with a view to making the financing and funding of public infrastructure more flexible and responsive to the actual costs and risks in the delivery and operation of that infrastructure.

The options listed by the Government members for further consideration, including user charging, inverted bidding, promotion of infrastructure bonds, and capital recycling were all considered reasonable if carried out in a fair and reasonable manner.

However the Labor members noted that the Federal Government should have regard for the considerable and detailed Productivity Commission criticism of the structure of the "asset recycling initiative", and its potential to incentivise privatisations of monopoly assets without adequate consumer and community protections.⁸

We also note that the Federal Government should fund projects on a mode-neutral basis to avoid distortion and inefficient investment decisions. This includes funding urban passenger rail projects when identified as the best solution to a congestion problem. Just funding road projects sends a signal to cash-strapped States that roads are preferred and cheaper. This has been noted by Infrastructure Australia as distortionary.

It was also strongly argued by the Labor members of the Committee that the Australian Government should ensure that all projects with a capital value of over \$100M have a cost benefit analysis assessed by Infrastructure Australia, using a standard method capable of comparison across projects. The evaluation should inform funding decisions, and therefore should occur prior to any proposed allocation of funds.

8 Productivity Commission, *Public Infrastructure: Inquiry Report*, Volume 1, No. 71, 27 May 2014, pp. 261 - 264.

Recommendations – dissenting report

Recommendation 4

The Committee recommends that the Australian Government legislate to establish a dedicated Commonwealth Authority to work with the states on the designation of land corridors for the development of significant infrastructure projects, including high speed rail.

Recommendation 6

The Committee recommends that the Australian Government, through Infrastructure Australia, develop innovative financing and funding models for the development of public infrastructure with a view to making the financing and funding of public infrastructure more flexible and responsive to the actual costs and risks in the delivery and operation of that infrastructure. Options to consider and further develop include:

- User charging,
- Inverted bidding,
- Promotion of infrastructure bonds, and
- Capital recycling.

The Australian Government should note the considerable and detailed Productivity Commission criticism of the structure of the “asset recycling initiative”, and its potential to incentivise privatisations of monopoly assets without adequate consumer and community protections.

The Australian Government should fund projects on a mode-neutral basis to avoid distortion and inefficient investment decisions. This includes funding urban passenger rail projects when identified as the best solution to a congestion problem. Just funding road projects sends a signal to cash-strapped states that roads are preferred and cheaper. This has been noted by Infrastructure Australia as distortionary.

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