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Driving Business Success for Consulting Firms in the Built and Natural Environment

9 February 2016

Committee Secretariat
Standing Committee on Infrastructure, Transport and Cities
PO Box 6021
Parliament House
CANBERRA
Canberra ACT 2600

Dear Committee Secretariat,

RE: Inquiry into the role of transport connectivity on stimulating development and economic activity

Consult Australia welcomes this Inquiry into the role of transport connectivity in stimulating development and economic activity in major urban areas and in regional Australia.

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; architecture; technology; planning, engineering; surveying; stakeholder engagement and project management.

Investing in infrastructure

Consult Australia has long advocated that increased infrastructure investment that improves economic capacity and productivity must be the first policy response to the challenges arising from increasing congestion and declining quality of life in Australian cities.

A key challenge highlighted in the 2015 Australian Infrastructure Audit 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, asset recycling and other funding sources need to be considered to ensure that Australians 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.

This Inquiry represents an important step to deliver a more substantive evidence base exploring the demand and opportunity for alternative mechanisms, like value capture, to meet Australia's growing infrastructure deficit.

An integrated approach to funding & financing

Consult Australia's 2010 report *Transporting Australia's Future*¹ 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.

As was noted in the Infrastructure Audit, though not always well articulated in broader public debate, infrastructure will either be funded through public finance (taxes/debt), or user charges. This might be supported by asset sales, or asset sweating, but ultimately it is the tax-payer that foots the bill in either scenario. Alongside effective funding streams, innovative financing mechanisms should be structured to support infrastructure projects and to deliver more equitable, value-for-money outcomes for governments. Public Private Partnerships, including for example value capture and bond banks, provide new opportunities to leverage greater private sector investment across a range of projects.

Consult Australia does not consider any single financing or funding policy will by itself provide a stand-alone solution to the substantial challenge for governments, however all options present opportunities for reform.

However, overcoming institutional resistance to more innovative policy solutions, like value capture, 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.

Supporting the case for Value Capture in Australia

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.

Our most recent report on value capture, published jointly with AECOM in June 2015, *Value Capture Roadmap*, and attached as an appendix to this submission, sets out success factors and a roadmap for value capture in Australia, establishing important reference points for a whole of government approach.²

The purpose of *Value Capture Roadmap* is to raise awareness and stimulate discussion of value capture as both an alternative infrastructure funding method and a decision-making tool. The entirety of this report is highly relevant to the Terms of Reference for this Inquiry and we commend it to you for your detailed consideration.

Consult Australia has been pleased to facilitate discussions as part of a communications campaign supporting the lessons and messages from *Value Capture Roadmap* around Australia. The response from a range of government agencies and stakeholder representatives has been positive and curious, reflecting a shift in the attitude to this mechanism in recent years. It is important, as value capture is considered in detail by governments, that: the lessons learned from overseas are taken into account; the limitations of value capture are appreciated; and the challenges in implementation appropriately managed. It would be of great concern if a poorly thought through experiment with value capture failed to deliver on promised benefits and consequently undermined the potential for well-executed value capture to deliver real benefits and new infrastructure across Australia.

Two areas to highlight in further detail, though also elaborated on in *Value Capture Roadmap*, are related to the application of cost benefit analysis in considering opportunities for value capture, and the effective use of community and stakeholder engagement to support the deliver of infrastructure through a value capture mechanism.

¹ Consult Australia. 2010. [Transporting Australia's Future](#)

² Consult Australia & AECOM. 2015. [Value Capture Roadmap](#);
See also: Consult Australia & SKM. 2013. [Capturing Value](#)

Embracing broader cost benefit analyses

As noted in *Value Capture Roadmap*, effective value capture will be supported by broader cost benefit analyses. This is itself subject to significant institutional resistance in Australia. Historically, 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 governments' vital role in facilitating those longer-term benefits as part of a vision for our cities and regions, needs to be re-established.

Governments need to consider less easily quantified benefits that come with some forms of infrastructure investment. The transformation achieved in Bilbao through the construction of the Guggenheim Museum is often quoted and in some cases poorly emulated. Similarly, the Sydney Opera House demanded unforeseen investment by the governments of the time. But there is no doubt that this is a similarly 'transformational investment' that has been recouped both economically and culturally in the decades that have followed—though this would not likely have been reflected in any cost-benefit analysis.

The criteria governing cost benefit analysis are generally not well understood by the public and are also subject to change and influence. Good governance is critical to resolving this issue. Equally, as already noted, 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, for example in London through the delivery of the Crossrail project, and which has resulted in significant new private sector investment and the successful implementation of value capture.

Valuing better community and stakeholder engagement

A further critical ingredient to the successful delivery of value capture relates to the application of effective community engagement to deliver social licence to deliver the infrastructure proposed. 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 both in operation and in financing. While 'community engagement' is often identified by policy makers as an important component of good policy and program development and project delivery, too often, particularly when it comes to infrastructure, we see this mentioned as an important 'box to tick', but with no real idea of (and sometimes no real interest in) how to meaningfully engage communities and other stakeholders effectively.

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 achieve greater social licence is worthy of more attention.

In a more democratised modern society, it is more critical than ever before that the community consultation process is done right to ensure projects are not unduly delayed, and that we understand the value of engagement activity on projects, so that we invest in engagement appropriately.

Consult Australia recently launched our *Guide to Procuring Engagement Services*³ to support better engagement on projects. And more recently, with PwC, we published *Valuing Better Engagement: An economic framework to quantify the value of stakeholder engagement for infrastructure delivery*.⁴

³ Consult Australia. 2013. [Guide to Procuring Engagement Services](#).

⁴ Consult Australia and PwC. 2015. [Valuing Better Engagement: An economic framework to quantify the value of stakeholder engagement for infrastructure delivery](#).

This second report is attached as a second appendix to this submission, as an important tool to support the delivery of value capture and associated infrastructure across Australia and to understand the value of engagement for project delivery. This framework is unique in exploring the economic benefits through a conservative, but rigorous assessment that is both defensible and repeatable. Where governments are looking to deliver better stakeholder and community engagement, these reports will provide essential tools for their reference.

Next steps

We would be pleased to discuss further the issues raised in this submission, and to work with the Committee as you consider in detail the response to your Terms of Reference. To do so, please contact Jonathan Cartledge, Director of Policy & Government Relations
jonathan@consultaustalia.com.au or phone 02 9922 4711.

Yours sincerely,

Megan Motto
Chief Executive