



**AUSTRALIAN
AUTOMOBILE
ASSOCIATION**



27 February 2014

Mr Tim Watling
Committee Secretary
Senate Rural and Regional Affairs and
Transport Legislation Committee
Parliament House
CANBERRA ACT 2600

By email: rrat.sen@aph.gov.au

Dear Mr Watling

Inquiry into the Infrastructure Australia Amendment Bill 2013

Thank you for your letter of 17 February 2014 inviting the Australian Automobile Association (AAA) to appear before the Senate Rural and Regional Affairs and Transport Legislation Committee ('Committee') regarding the *Infrastructure Australia Amendment Bill 2013* ('the Bill').

The AAA is the peak organisation representing Australia's motoring clubs. The AAA's constituent clubs are the NRMA Motoring and Services, RACV, RACQ, RAC (WA), RAA (SA), RACT, AANT and the RACA. Combined, these clubs represent more than seven million Australian members, and advocate on behalf of all road users.

While I regret that I am unable to attend the Committee's scheduled public hearing on Friday 28 February 2014, this brief submission has been prepared to outline the AAA's support for the Bill. I trust that the issues canvassed in this brief submission will be of value to the Committee in its review of this Bill.

Transport infrastructure is a critical enabler of national economic growth through the timely and efficient movement of goods, people and services. The creation of Infrastructure Australia (IA) in April 2008 was an important reform for the Australian Government, enabling the development of a priority list of projects to help drive national productivity.

The AAA supports the reforms proposed in the Bill and urges the Committee to recommend passage of this legislation.

The changes proposed in the Bill will strengthen IA's governance and independence and help facilitate the development of a long-term strategy to ease congestion in our cities and improve the safety and productivity of our national highways. Australia must overcome the



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short-term approach of the existing government budget processes and we must do more to encourage stronger private sector investment in infrastructure. The proposed changes to the Bill will better enable IA to achieve this objective.

Strengthened Governance

The AAA supports the proposed changes of increasing IA's independence by establishing IA as a separate entity under the *Commonwealth Authorities and Companies Act 1997* (CAC Act). This change will deliver greater independence to IA and provide certain governance requirements such as financial management, Board and audit obligations and accountabilities.

The AAA also supports the replacement of the position of Infrastructure Coordinator and changes to the 12 member advisory council with a separate legal entity governed by its own Board. This change will not diminish the independence of IA, where the current Infrastructure Coordinator reports directly to the Minister. The AAA is satisfied that the appointment of a Chief Executive Officer reporting to a Board will provide for a greater level of independence, whilst improving reporting arrangements and the delivery of IA's functions.

Indeed it is noted that the proposed governance structure of a Chair, Board members and a Chief Executive Officer is also similar to other advisory bodies such as the National Transport Commission. The AAA considers that these bodies work efficiently in providing advice to governments.

Clarification of Infrastructure Australia's Functions

The AAA supports the proposed clarification of IA's functions. We consider that these changes help define those functions more clearly to ensure that IA delivers high quality, evidence-based advice and assessment of national infrastructure projects. This clarification is critical to the importance of IA's role as an independent assessor of infrastructure projects.

The proposed substantive changes to the functions of IA are in relation to the *additional functions* within Section 5. We consider these changes to be important in clarification of IA's role in infrastructure assessment by 'reviewing infrastructure funding programs to ensure they align with infrastructure priority lists' (proposed change section 5(2)(h) refers).

Importantly, the Bill will expand the function of evaluating proposals. Currently, this function can only be undertaken by IA if requested by the Minister (Section 5(2)(d) and (4)) and only relates to 'nationally significant infrastructure'. The Bill will provide for IA to undertake this function under new sections 5(c) and 5A and for an expansion of this function beyond 'nationally significant infrastructure' to 'other infrastructure determined by the Minister' (new Section 5A(1)(b)).

The AAA considers that these changes will better define the functions of IA and improve transparency. The changes to the Bill requiring IA to specify productivity gains from each proposal evaluated, identify any complementary infrastructure required to maximise such gains and establish project delivery timeframes (refer Section 5B) will be important in ensuring that Australian motorists are given infrastructure that is value for money.

Ministerial Powers

The AAA is satisfied that the Bill does not increase, or provide the Minister with excessive powers to direct IA. The current Act already has a wide-ranging power of ministerial

discretion which could significantly compromise the independent function of the Infrastructure Coordinator. The proposed Bill better codifies the extent of Ministerial powers and reduces the list of functions IA can only perform upon Ministerial request. Importantly, the Bill strengthens IA's ability to evaluate proposals for 'nationally significant infrastructure', enabling it to undertake this function independently, without the requirement for specific Ministerial direction.

In particular, it is noted that new subsection 6(4) ensures that 'the Minister must not give directions about the content of any audit, list, evaluation, plan or advice to be provided by Infrastructure Australia'. This section ensures that IA independence will remain at all times in relation to its advice on investment, planning and priorities.

There has been some public commentary about the implications of the new section 5A(2), which provides that the Minister may determine that particular classes of infrastructure proposal should not be evaluated by IA. It has been suggested by some that this provision could be used to exclude IA's evaluation of proposals for investment in public transport.

The AAA accepts this is neither the intent, nor the practical impact of the Bill. Indeed, it seems likely that the expressions of concern in relation to this aspect of the Bill are both unwarranted and exaggerated.

The AAA notes that in its submission to the Committee the Department of Infrastructure and Regional Development explains that the purpose of providing for the Minister to exclude a class of proposals from the function is to facilitate the Government's policy that IA would assess all projects across both economic and social infrastructure (but not Defence projects) seeking Commonwealth funding of over \$100 million.

Further, any determination made by the Minister to exclude a class of investment proposal from evaluation by IA is to be made explicitly as a (disallowable) legislative instrument. No such transparency, safeguard, or mechanism for legislative review exists in the current Act.

In conclusion, the AAA submits that the Bill implements important reforms which will enhance the governance, transparency and accountability of Infrastructure Australia and which support efforts to provide better planning, evaluation and prioritisation to meet Australia's future infrastructure needs.

Once again, I urge the Committee to recommend passage of the Bill.

Yours sincerely

Andrew McKellar
Chief Executive